

COMMERCIAL CREDIT REPORTING

Hung Ngovandan
Lead Financial Sector Specialist



WORLD BANK GROUP

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Phnom Penh 3rd May, 2019



Foreign Affairs, Trade and
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WHAT IS COMMERCIAL CREDIT REPORTING?

Commercial credit reporting companies provide information on companies, including sole proprietorships, partnerships, and corporations, available through public sources, direct investigations, and payment behavior reported by suppliers and trade creditors.

Differs from consumers credit reporting in several ways:

- The information held by commercial credit reporting companies does not include sensitive personal information on individuals.
- The size of transactions reported to commercial credit reporting companies is also significantly larger.
- Whereas credit bureaus disclose the identity of data providers to protect the rights of individual borrowers, commercial credit reporting companies do not disclose the identity of data sources or data recipients to their client businesses.

BENEFITS OF COMMERCIAL CREDIT REPORTING

Assessing commercial credit is more complex than consumer credit.

In order to make a good credit assessment, beside the normal loans information, commercial credit reporting also provides to the Credit Manager further business information, such as:

- Legal name of the business,
- Business structure,
- Shareholders / Ownership,
- Economic sector (line of business),
- Financial data and financial trend,
- Size (Sales volumes or number of employees)
- Market place and trade information.

Commercial Credit Reporting provides to NBC a more accurate picture on the credit activities of the business sector in supporting the growth of the Cambodia economy.

The Role of SME in the Economy

Small and Medium Enterprises (SMEs) play a major role in most economies, particularly in developing countries.

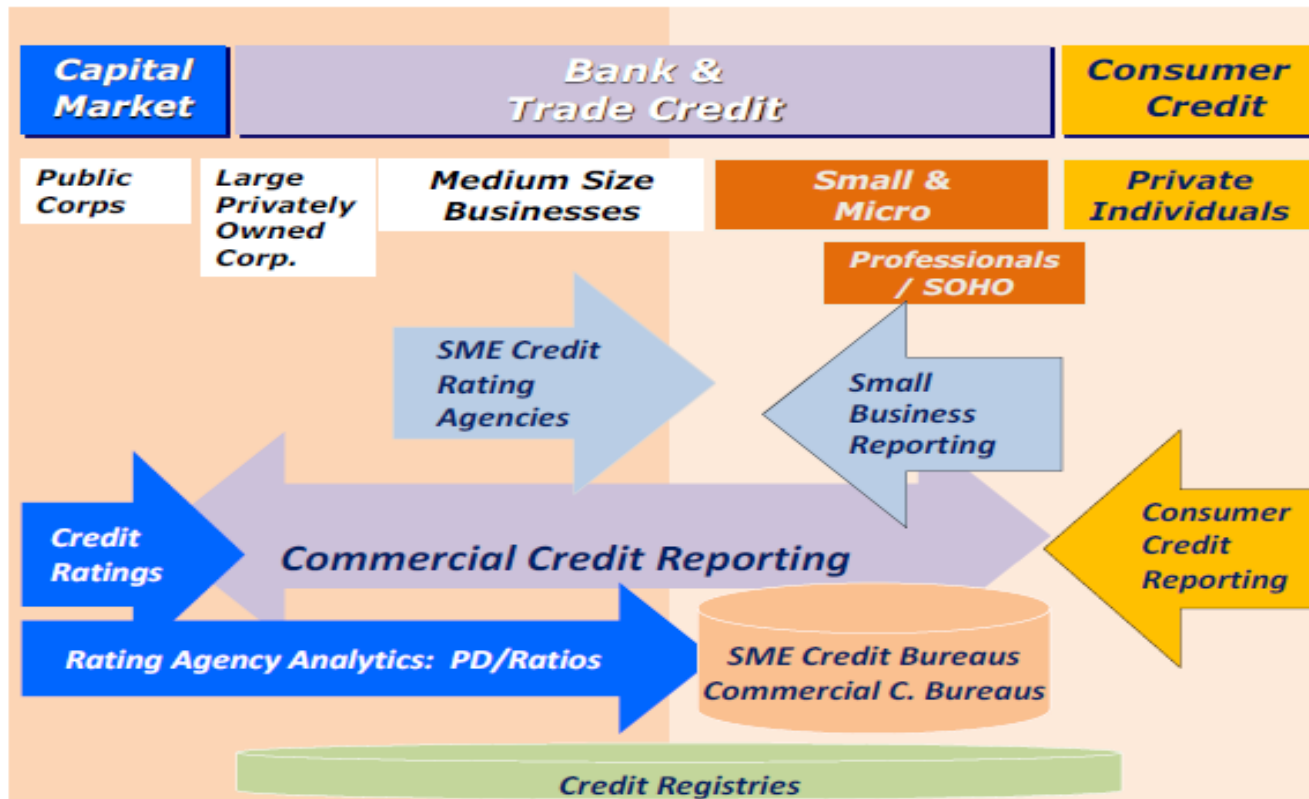
Formal SMEs contribute up to 60% of total employment and up to 40% of national income (GDP) in emerging economies.

In emerging markets, most formal jobs are generated by SMEs, which also create 4 out of 5 new positions.

[Source: worldbank.org/en/topic/financialsector/brief/smes-finance](https://www.worldbank.org/en/topic/financialsector/brief/smes-finance)

THE ROLE OF CREDIT REPORTING IN SMES LENDING

Figure 2: Credit Information Market Structure and Trends³⁹



Source: Adapted from BIIA.

One of the major constraints for SMEs: Financing

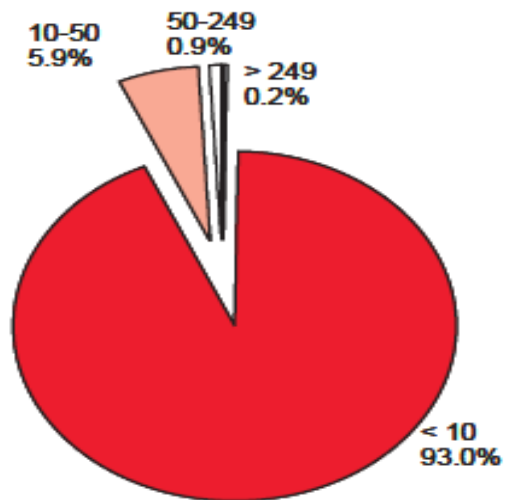
Start-up capital by source	Micro		Small		Medium		Large		Total	
	#	%	#	%	#	%	#	%	#	%
Personal money from me & my partners	165	92.70%	164	95.90%	78	95.10%	68	93.20%	475	94.20%
Borrowed from family & friends	40	22.50%	35	20.50%	13	15.90%	10	13.70%	98	19.40%
Borrowed from banks	14	7.90%	22	12.90%	14	17.10%	15	20.50%	65	12.90%
Sold an asset to get cash	2	1.10%	5	2.90%	0	0.00%	2	2.70%	9	1.80%
Borrowed from financial institution	5	2.80%	0	0.00%	0	0.00%	1	1.40%	6	1.20%
Borrowed from money lender	1	0.60%	2	1.20%	1	1.20%	1	1.40%	5	1.00%
Others	1	0.60%	1	0.60%	3	3.70%	0	0.00%	5	1.00%
Donors	1	0.60%	2	1.20%	0	0.00%	0	0.00%	3	0.60%
Government grant	1	0.60%	0	0.00%	0	0.00%	1	1.40%	2	0.40%
# of respondents (without double counting)	178		171		82		73		504	

Source: *Understanding Cambodian SMEs Needs for Financial Services and Products*, commissioned by IFC, EU 2010

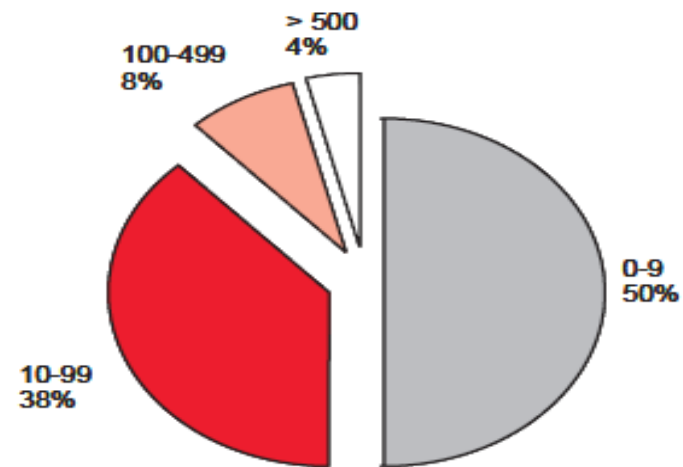
Share of SMEs in business firms

Share of SMEs in business firms

A. European Union: percentage share of enterprises by size class



B. United States: percentage share of enterprises by firm size (total economy)

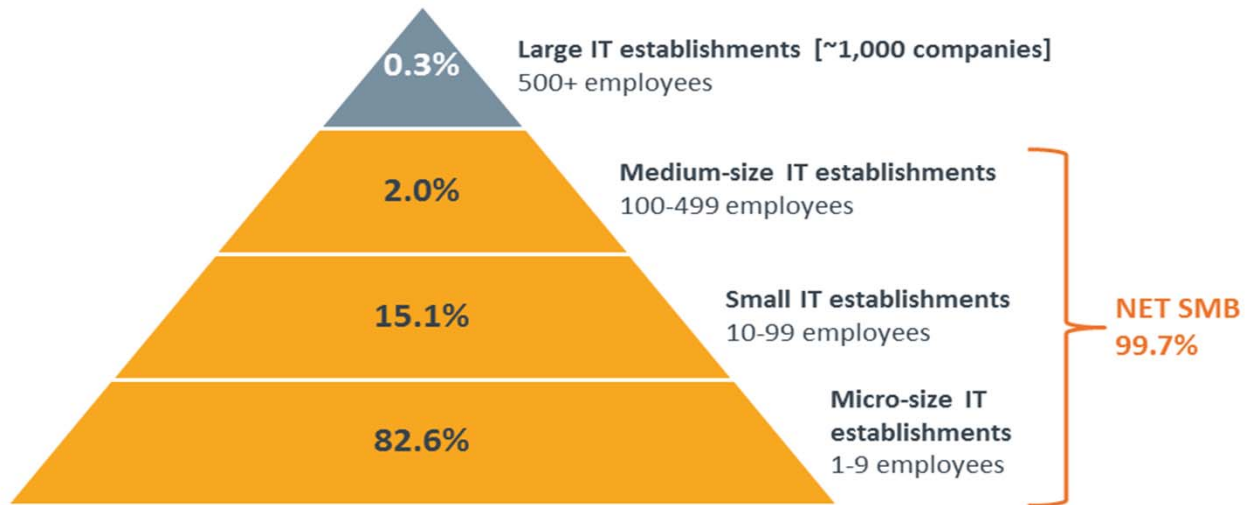


Source: Joint OECD/Eurostat database on SME statistics.

IT Sector in the U.S. Economy

Like Most Industries in the U.S. Economy, the IT Sector is Dominated by Small Businesses

375,000 Estimated Number of IT Industry Establishments in 2015*



*Employer firms only, meaning those with payroll. Self-employed, sole proprietors are not included in this chart. At the time this report was prepared, final 2015 data was not yet available.

SME Definition in Cambodia

	Capital invested*	Nbr Employees
Micro	> 50,000 USD	> 10
Small	50,000 – 250,000	10 – 50
Medium	250,000-500,000	51 – 100
Large	500,000+	100+

** Excluding properties*

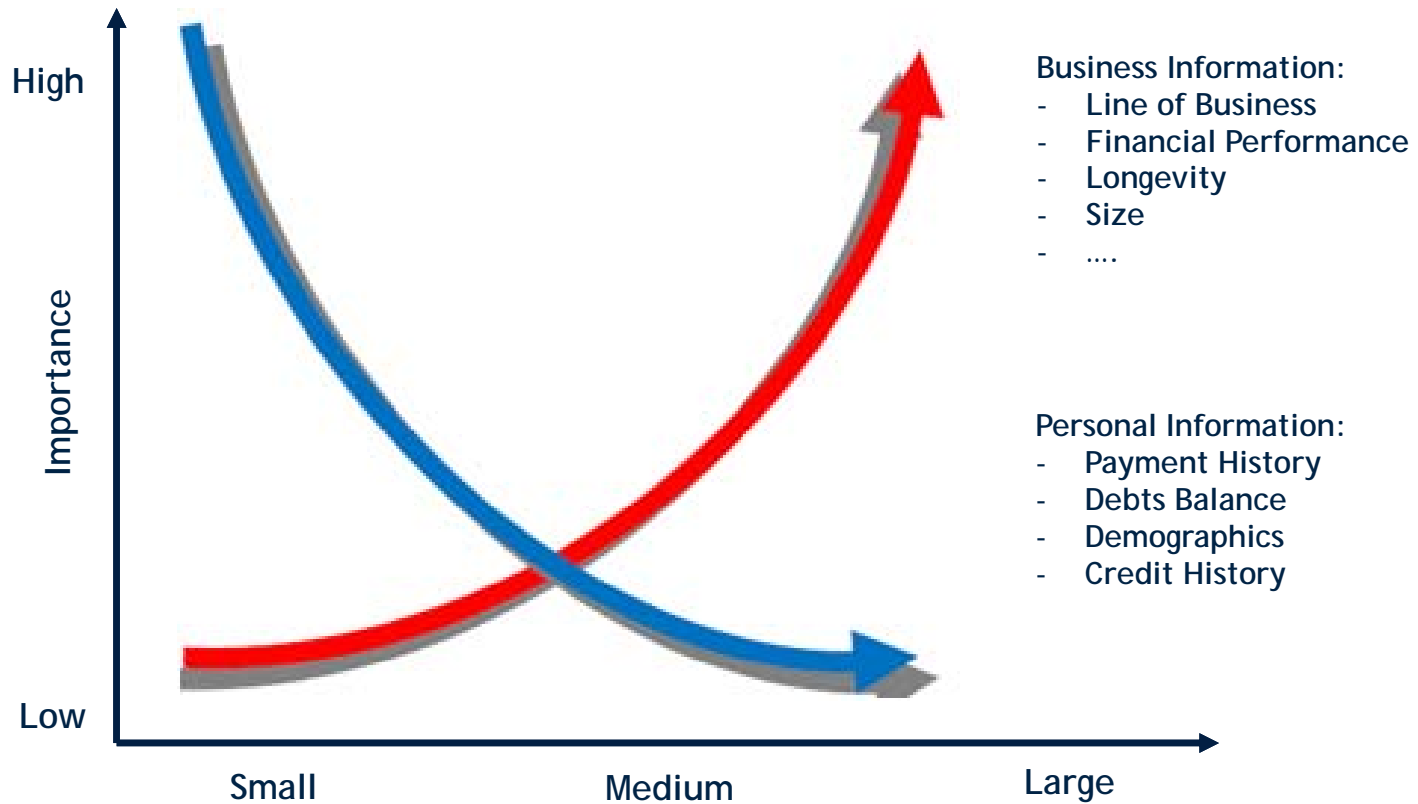
Source: General Department of SME & Handicraft

Definitions of MSME By Number of employees

	MICRO	SMALL	MEDIUM	LARGE
CAMBODIA	1-9	10 - 50	51 - 100	100+
EUROPEAN UNION	1-9	10-49	50-249	250+
AUSTRALIA	0-9	10-49	50-199	200+
CANADA	0-9	10-49	50-499	500+
USA	1-9	10-99	100-499	500+
JAPAN	1-9	10-49	50-249	250+
CHINA*		<100 or <600 or <400 or <500 or <600	100-200 600-3000 400-1000 500-3000 300-3000	201+ or 1001+ or 3001+
<i>* Based on Industry</i>				

Other Criteria: Annual Sales, Total Value in Balance Sheet, Line of Business (NAICS)

Importance of Business Information vs. Personal Information



SME Credit Reporting: Combining Both Personal Information and Commercial Information

CONSUMER CREDIT REPORTING

SME CREDIT REPORTING

COMMERCIAL CREDIT REPORTING

Type of Business Structure

Principal(s) Identification

DoB

Gender

Employment Information

Personal Assets

Personal Liabilities

Dependents

Guarantor(s)

Legal Entity Name

Corporate Linkage

Principal / Shareholders
Information

Line of Business (Industry)

Start Date

Size

Financial Statements

Payment History

Financial Institutions

Trade Suppliers

Others....

Legal items

Market

News clip

Thank you

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