



Credit Reporting Impact Study: Concepts, Measurement, and Some Results Comparison

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Foundations of Modern Financial Market

- In lender-borrower relationship -- four fundamental difficulties faced by any creditors:
 - ✓ **Information** (*How do you know a debtor has capacity to repay?*)
 - ✓ **Incentives** (*How do you know a debtor will be willing to repay?*)
 - ✓ **Transaction cost** (*What is the cost of underwriting and managing an exposure?*)
 - ✓ **Exit** (*What can you do and how much can you recover when a debtor defaults or fails?*)
- If an economy cannot provide adequate legal and institutional arrangements for the creditors to overcome these difficulties, its credit market will not develop satisfactorily

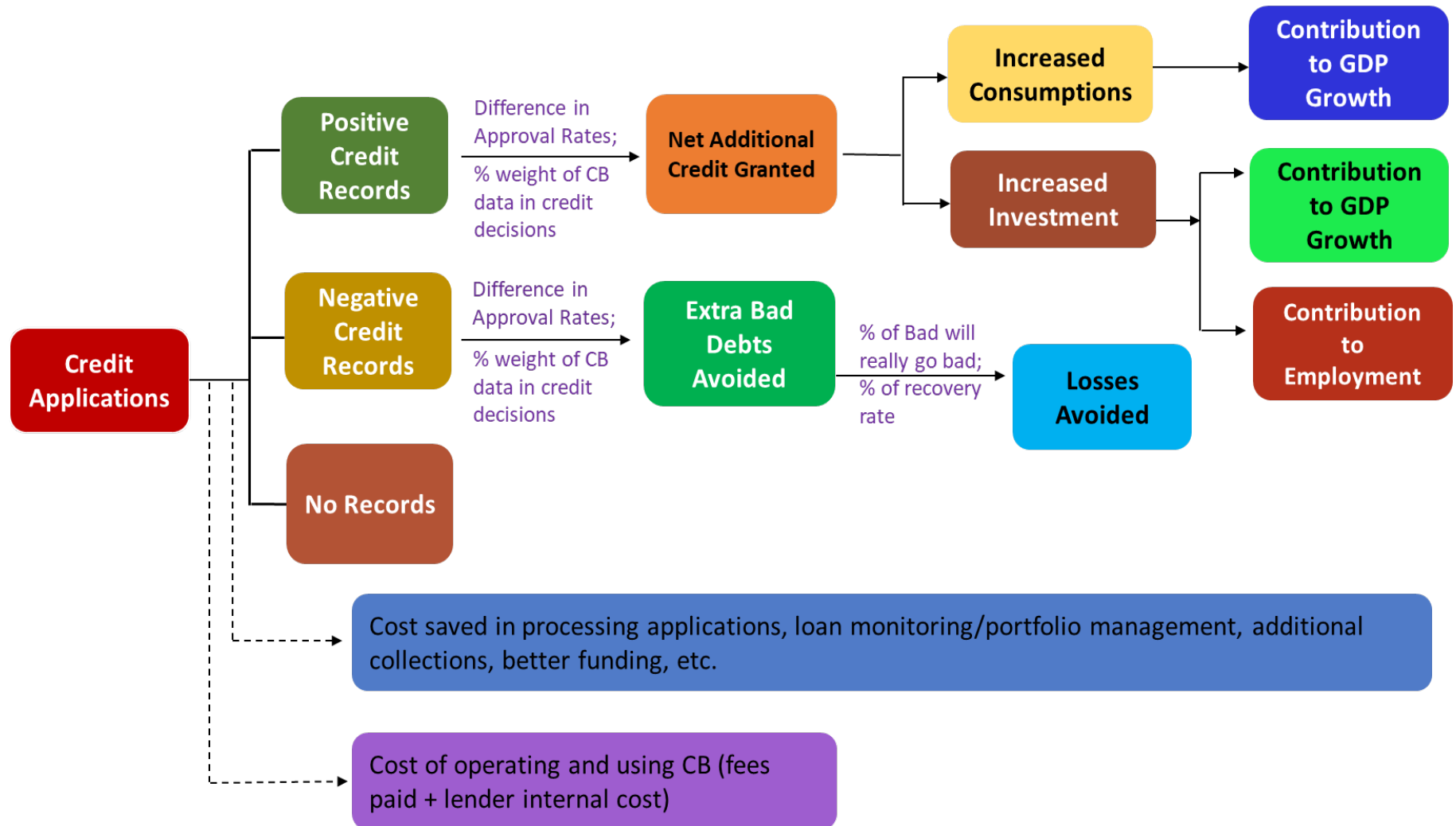
Specific Role of Credit Reporting

- Credit reporting system (CRS) is indispensable for the proper functioning of a modern credit market:
 - ✓ Helps to overcome information asymmetry;
 - ✓ Gives incentives to borrowers through the accumulation of reputation capital; and
 - ✓ Lowers transaction cost (e.g., as a collective arrangement)
- How does CRS realize the above? A good CRS provides:
 - ✓ Identity verification
 - ✓ Total indebtedness level of a data subject
 - ✓ Complete borrowing history of a data subject
 - ✓ Complete performance history of a data subject
 - ✓ Other values (*e.g., recent urge for credit, value-added products and services based on system-wide data*)

How to Measure the Impact?

- Essentially, three main levels of impact:
 - ✓ Net additional credit made available; and the resulting GDP and employment impacts generated from the increased credit
 - ✓ Extra bad loans avoided; and
 - ✓ Cost saved
 - ✓ **Minus** the cost of operating and using credit reporting services providers (CRSPs)
- Comparing “**With**” and “**Without**” CRSPs for a specific period
- But, not all dimensions are examined under the current Cambodia study, e.g., cost of operating and using credit bureau (CB) not considered

How to Measure the Impact -- A Simplified Framework



Some Results Comparison

	2014 China Study	2018 Cambodia Study
Coverage	Consumer reporting and Commercial Reporting	Consumer reporting only
Weight of CB data in credit decision on personal loans	29.80%	About 36%
Net additional credit available (personal credit)	USD 429 billion	USD 1.925 billion
Personal loan application processing time	Personal loan: 27% reduction; personal credit card: 19% reduction	32-57% reduction over five categories of loans
Losses avoided in personal credit	USD 6.96 billion (18 surveyed banks only)	USD 13.22 million
Net returns to banks	USD 11.9 billion (18 surveyed banks only)	N.A.
Contribution to GDP growth	0.33 percentage points (2012)	1.36 percentage points (2017)
Contribution to employment	1.42 million new employment (2012)	227,102 jobs maintained or created (2017)

Thank You !

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