

Crib - A pillar of financial stability

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Today, the Credit Information Bureau of Sri Lanka as an information service provider to the credit market provides information in the form of credit reports to lenders with the objective of helping them to maintain a healthy credit portfolio by making informed lending decisions. CRIB is empowered to collect credit data from its shareholder member (lending) institutions on all types of advances/loans and disseminate back to them only on request. Credit information can only be perused by authorized users for permissible purposes as stipulated by the Act.

Fostering the Development of information sharing in emerging markets is one of the fastest and most successful ways to facilitate the extension of Credit to previously underserved segments of the population, specially the Micro/small businesses and low income consumers. As financial intermediaries move from large corporate lending to retail and SME lending the adequacy of the financial infrastructure becomes an essential pre requisite for successful growth. Research has revealed that a Credit Bureau is critical to the expansion of Credit in an economy. Further the availability and use of Credit reports for credit decisions increase the quality of credit decisions, lowers operational costs and provides significant risk mitigation by minimizing default rates and fraud. A Credit Bureau is a crucial building block that allows greater access to financing for both individuals and small businesses. It is an indispensable tool used by all financial institutions to support their lending business.

A Credit Bureau is an important element in promoting responsible lending. It provides timely information that prevents over indebtedness of individuals which leads subsequently to personal bankruptcies especially in the use of Credit cards. The Bureau plays a central role in allowing lenders to evaluate indebtedness of clients and set prudent and responsible lending limits. Credit histories not only provide the necessary input for credit underwriting but also allow borrowers to take their credit history from one financial institution to another, thereby making the lending markets more competitive and more affordable.

Many lenders use Credit Bureau information to generate credit scores, which are statistical estimates of the probability of default of a borrower based on characteristics available in the Bureau. Higher Credit scores indicate higher expected probability of repayment and can be used to set credit approval rules and procedures. A credit score is basically a number assigned to a borrower based on his ability and capacity to repay debt. This number falls within a range of scores and a higher score indicates a more credit worthy borrower. This score is computed from available credit history information using a statistical model or mathematical algorithm.

The number of credit reports issued by the bureau has shown a significant increase during the last two years. Statistics in the bureau suggests that the number of new loans reported to the bureau each month has shown a steady growth over time. Other economic and social factors such as improved GDP on several key economic segments also suggests a continued flow of credit to the private sector of the economy. As the country projects to double its per capita income to USD

4000 by 2014, this emerging trend can be described as a positive note for attracting more investments to the economy by building up investor confidence. Widely recognized World Bank's "Doing Business" survey and "Global Competitiveness Index" compiled by the World Economic forum have recently identified Sri Lanka as a country which demonstrated a commendable progress in improving its global ranking amongst emerging world economies. In both surveys, access to credit or ease of getting credit are identified through two measuring criteria namely "Credit" and "Financial Market Development" respectively when assessing the aggregate ranking of a country. The effective functioning of a credit bureau as a key component of a financial infrastructure in any economy plays a critical and important role. Credit Information Bureau of Sri Lanka or CRIB was established in 1990 in response to a financial crisis that witnessed the failure of some financial institutions. Absence of a central repository to support lenders to seek information of prospective borrowers has been identified as a key shortfall of the financial system in a post crisis study. The resilient and stable financial market that the country boasts today was greatly due to the timely and forward-thinking decisions taken by policy makers to establish a credit bureau in the country more than two decades ago. This decision signifies the establishment of the first such entity in the South Asian region.

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How can you check your credit information?

In contrast to the traditional approach of releasing credit information only to lenders, credit bureaux world over have been influenced by the growing social discussions surrounding consumer protection, right to access information, increased transparency in social and economic activities and many other broader topics that influenced credit bureaux to open up its information to the general public so that one could access their own credit information. During the last decade or more a growing number of credit bureaux in all parts of the world initiated steps to issue credit reports to individuals or commercial entities to whom such information relate. CRIB under its recent amendments (No 42 of 2008) to the Act commenced the issue of individual/corporate credit reports (termed as "iReport") on request in January 2010. At present the demand for iReports is increasing steadily due to many reasons. CRIB has dedicated resources deployed for this process internally. Requests for reports can be made from any branch of a bank which facilitates any one to order his/her iReport from any part of the Island. The specially setup "Customer Help Desk" is dedicated to provide the much needed personalized service to every customer whenever assistance/guidance is required. The iReport is an important tool to monitor the quality of data stored in the Bureau. We encourage everyone to obtain their iReports at least once in every six months in order to see for themselves how disciplined they are in the eyes of their lenders. Businesses can request their "Corporate iReport" through their banker after submitting the required documents. The most notable development that has been observed with the introduction of this new process is the increased reliance placed on iReports as a useful "credential or certificate" to check their clients financial discipline before entering into any relationship. Some of them are prospective job seekers, foreign missions that process visa applications, suppliers, trade partners, dealers etc.

Why is your Credit Report Important (iReport)

Your Credit Report is a record of your credit repayment history compiled from different credit providers. As a lending Institution will check your credit report to ascertain your credit worthiness prior to making a decision, a good Loan repayment history will make it easier for you to obtain credit faster and at concessionary interest rates.

By reviewing your credit report regularly, you make sure that the information uploaded to your credit file is correct and up-to-date.

What do you get on your Credit Report

Section I - Customer Profile -Your NIC, name, address and employment details

Section II - Summary of Potential & Current Liabilities - Summary of all Loans taken and guarantees signed

Section III- Inquiry History - Details of Lenders who have accessed your Credit Report during the last 6 Months

Section IV - Credit facility details & Repayment History - Details of all Loans such as amount granted, current balance, facility status, Facility type and arrears if any with names of granting Institutions and repayment history details of each and every facility for last 24 months.

Section V - Dishonoured cheque details

How to improve your credit standing

- Pay your Credit dues on time.

Late Payments will lower your credit worthiness. Therefore be mindful of the due dates of your loans and Credit Card payments. Establish standing orders where necessary to facilitate payment on due dates. Making payments "on time" is an incredibly powerful way to improve your credit worthiness. If you are unable to meet the payment deadlines you should discuss with your lending Institution in advance before it is reported to the Bureau.