



Stronger credit data systems boost services

Timely and accurate credit information is critical to a well-functioning financial industry and essential for any government to maintain financial stability.

About a third of credit bureaus consider only negative data and provide an incomplete, and often inaccurate, assessment of a borrower's risks. Governments should collect comprehensive data on each level of business in each sector. Data should also be made available to registries and bureaus to improve their abilities in providing public services, creating policy, and conducting statistical analysis, but individuals should be allowed to protect data from others.

These comprehensive data, paired with those from other sources, can present an accurate and complete description of an individual so financial services can be better tailored to suit individual needs. As an example, using financial and credit data-gatherer Experian, areas where only risk information is available would see only negatives and miss the pluses of a tightly integrated business that more comprehensive data might reveal.

In the Philippines, local banks are serving micro borrowers through communication and cooperation with cooperatives, rural banks, and microfinance institutions. These micro borrowers also tap personal connections such as friends and relatives, which results in little formal data.

The Credit Information Corporation has found that institutions are more readily able to use data when they are able to contribute their own data. In the Republic of Korea, the Subprime Credit Bureau was able to implement effective antifraud systems, offer customized credit scores for subprime lenders, and find solutions to launch start-ups and small subprime financial companies.

Given the lack of data used for credit scoring, readily available data may instead be used for smaller loans, provided the authorities properly monitor and oversee acceptable scoring to protect borrowers from unscrupulous lenders who intend to acquire assets should borrowers fail to pay.

Subjective knowledge has to be converted to standard or traditional data forms through compliance and documentation, as this would create a formal credit identity and enable the borrower to access the wider financial system.

This has been from a section of [Financial Inclusion in the Digital Age](#), an ADBI policy brief by Shawn Hunter, ADBI economist David Dole, and ADBI research associate Valdimir dela Cruz.

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