

## Credit Management Survey of ICISA Members: Results February 2011

The topic of this survey is: “Trends in Credit Risk Management and Implications on Credit Information - Post Credit Crunch”.

**Preamble: “When the ‘credit freeze’ hit trade credit the emphasis switched quickly from credit granting to risk mitigation and liquidity management”**

- **Q1: Risk mitigation and liquidity management? Does this trend continue and if so for how long?**

Some indicate that this trend continues until the end of the year, others indicate that they are back to a normal underwriting policy in most countries.

- **Q2: Which specific credit management tools are being used post credit crisis?**

ICISA members indicate that post crisis they intensified their risk monitoring with a focus on information (as updated as possible) and that they are focusing on solvency ratios, indebtedness ratios, capabilities of producing sufficient cash flows from operations and operational margins. Next to that, the education of people working in the credit management department is also important as well as being aware of their annual objectives.

- **Q3: What are the implications on credit management going forward?**

Anticipation is the key factor, along with reliable measurement instruments; spending more time and resources (information, IT, personnel), and being more involved in the risk management of the company.

- **Q4: Which specific credit information tools are being used by credit management post credit crisis?**

### **a) Credit information & solutions**

ICISA members indicate that efficient on-line access to information sources, more web monitoring and avoidance of being dependent on only one source of information are being used post crisis. As response time and monitoring are more crucial, cross checking is needed more than ever.

### **b) Credit ratings (Rating Agencies)**

Credit ratings are indicated as being very useful, but each company needs to make its own opinion on the creditworthiness of a company. Credit managers should focus on a well spread portfolio of risks in their books and they should know their markets, their sectors and the countries they are active in. Furthermore it is indicated that a lot of companies still lack a rating from a rating agencies. Next to that, it is indicated that the crisis also showed us that the forecasting capabilities of credit rating agencies have to be read with caution.

- **Q5: Are credit information tools sufficient to manage credit post credit crisis?**

**a) Credit information & solutions**

Credit information tools are indicated as not sufficient to manage credit post credit crisis. In particular it is indicated that balance sheet information is usually too old and therefore not sufficient to analyze the present situation.

**b) Credit ratings (Rating Agencies)**

Credit rating by credit rating agencies is reported as providing good information; nevertheless, there are still many companies that lack a rating.

- **Q6: In retrospect what are the implications for credit information suppliers in moving forward?**

**a) Credit information & solutions**

Credit information suppliers should provide more up-to-date information, and update the information more promptly, especially for companies that cause concern. More contact or staff visits are recommended instead of balance sheet information, in order to make a better assessment of a company. Furthermore, more emphasis on trade sectors and countries is also advised in order to avoid generalities in reports.

**b) Credit ratings (Rating Agencies)**

Credit ratings need to change faster. It is indicated that these do not change fast enough. An independent European credit rating agency would be welcomed.

- **Q7: Has there been any significant shift in the use of specific types of credit information services post credit crisis?**

**a) Switch in suppliers**

ICISA members indicate no switch in suppliers, although some indicate that the number of quality credit information suppliers is limited.

**b) Type of services: (example from credit reports to credit management platforms, workflow tools, monitoring and alert services etc. – from credit reports to credit rating services (Rating agencies))**

Some use more alert type services from the web, while others indicate that this would only be necessary if customized services are required

**BIIA expresses its gratitude to ICISA and its members for participating in this survey.**