

BIIA

Business Information Industry Association
Asia Pacific – Middle East

BIIA Members in the News

Disturbed by low level of credit penetration in Nigeria, experts of credit bureau practice met with bankers in Lagos late March on a platform tagged Professionals Leadership Forum. The meeting, which the conveners, CRC Credit Bureau Limited and Dun & Bradstreet, said would hold regularly as banks are more positioned to lend, was meant to review the level of credit penetration in the country and how the situation can be addressed through stronger collaboration between lenders and credit bureaus.

Issues discussed were ranging from poor access to credit, lopsidedness of bank credit, inappropriate credit scoring, scanty information on credit history of borrowers and the challenge of reliable identification means were examined by the participants.

It was observed that if deep and broad-based credit penetration with the real sector (the mainstay of sustainable economies) being the highest beneficiaries, if these challenges are not addressed head-on. To address them, appropriate legal and administrative frameworks must be put in place by the government, they suggested.

Managing Director/Chief Executive Officer company (CRC Credit Bureau Limited), Tunde Ahmed Popoola, noted that the existence of national unique identification number (which has been in demand for years) is critical to building a robust credit system. He expressed confidence that processes that would ultimately lead to the emergence of the scheme would begin in due course since credit bureaus are now in place to push for it at relevant quarters. When this is done, he believed, banks would be in better position to trace the credit history of their customers, with a view of assessing their willingness and ability to repay facilities.

Substantiating this view, Senior Vice President of Dun & Bradstreet, Miguel Llenas, stressed that unique identification is a necessity in modern credit rating, saying, "before a landlord lets an apartment in advanced economies — where this is fully operational —, he collects the identification number of the prospective tenant to check his credit rating. You can do this with your mobile telephone. This is to reduce the level of default. It is part of credit system."

He noted that no economy can break into global frontier today without a well-articulated credit framework that supports individuals and corporate organizations that need loans to expand their businesses.

To achieve good credit system, Llenas, who has consulted for the World Bank, the International Finance Corporation (IFC) and the United States Agency for International Development (USAID) on credit bureau development in the past for 10 years, charged the government to support existing credit bureau practitioners through infrastructural deployment. By so doing, he noted, it will create an environment for fast-lending process needed to take the economy to global arena.

"Nigeria needs a fast-lending process to drive its economy. The banks should change their attitude towards SME lending. There are vast opportunities for growth in the country. But accessible and adequate credit is what is required to fully tap the opportunities in the different sectors of the economy.

Business Information Industry Association Asia Pacific – Middle East Limited

1101 Wilson House, 19-27 Wyndham Street, Central, Hong Kong

Telephone: +852 2525 6120; Fax: +852 2525 6171; E-mail: info@biiia.com; www.biiia.com

Registered Office: Unit B, 8th Floor, Jonsim Place, 228 Queen's Road East, Hong Kong

Certificate of Incorporation: 979425

Page 2

“But in lending to private sector, banks must pay detailed attention to cash flow of SMEs and the challenges they face in their respective industries. The problems in Nigeria are not exclusive; other countries experience similar challenges but that does not stop the banks from doing their business. They are in the business of lending money but they must do it with care, due diligence armed with adequate information about borrowers. If you lend without adequate information about the borrower, you are simply transferring money because there is high possibility that he will not pay back. That is why you need credit bureau services.

“Banks should welcome the idea of information sharing, which is the fundamental of credit bureau practice. Credit bureaus need quality information to work. Information reciprocity is fundamental to their success, and banks are in the best position to share information. The fear is always: ‘I will lose my customers if I share his information.’ That is not true; you lose customers because your service is bad not because you share information. Besides, loans are not part of bank secrecy clause,” he continued.

Llenas observed that individuals and corporate organizations with high credit rating would be able to secure loans at lower cost while loan underwriting will be less risky as bureau infrastructure continues to grow in the country. This is because, he said, banks would learn to charge lesser interest rate from borrowers with better, verifiable credit history.

Popoola frowned at a situation in which more than 80 per cent of bank loans are given to less than five per cent of bank customers, while calling on financial institutions to take active position in driving real economic development. To actualize this, he maintained that a broad-based credit penetration must be articulated as a national policy focus.

“The GDP is growing without commensurate impact on the masses because it is not powered by real economic growth. And this is because the real sector, which has the capacity to affect the largest portion of the population and create massive jobs, has no access to credit. This must change if we must experience real economic growth; the banks must lead this process,” he noted.

Speaking on the growth of the local market, Chief Technology Officer, CRC Credit Bureau, Ademola Adesalu, disclosed that the company had 22 banks signed up with it for information exchange while the major mortgage banks, travel agencies major auto dealers have also indicated strong interest in the service. He maintained that timeliness of data submission is key factor in the success of the infrastructure.

Adesalu expressed hope that the recent mandatory bank account update would impact on the activities of the bureau positively while suggesting that the practice should have been adopted as an on-going exercise.

Dun & Bradstreet, an international leader in the industry, pledged to support Nigerian operators and partner with local banks to articulate a pathway for robust development of the service.

A major concern of the participants, who came from different banks in the country, was how the legal system could be retooled to encourage freer information disclosure. They expressed fear that the law on privacy could undermine efforts made to develop the system unless exceptional case is made.

Source: [The Guardian Nigeria](#)

Business Information Industry Association Asia Pacific – Middle East Limited

1101 Wilson House, 19-27 Wyndham Street, Central, Hong Kong

Telephone: +852 2525 6120; Fax: +852 2525 6171; E-mail: info@biia.com; www.biia.com

Registered Office: Unit B, 8th Floor, Jonsim Place, 228 Queen's Road East, Hong Kong

Certificate of Incorporation: 979425