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Economic Cooperation**

2010/SOM3/EC/SEM/011

The Development of SME Credit Information Database to Promote SME Lending

Submitted by: Keio University



JAPAN 2010

**Seminar on Getting Credit for Small and
Medium Enterprises
Sendai, Japan
21 September 2010**

The Development of SME Credit Information Database to promote SME Lending

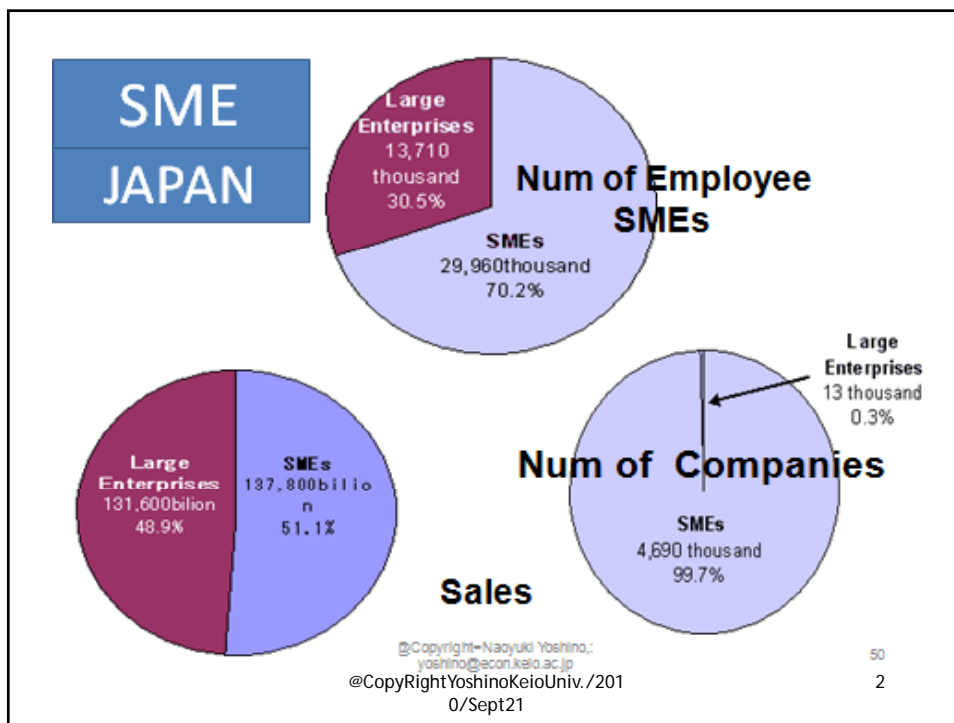
*Presented by Naoyuki Yoshino
Keio University, Japan,
September 21, 2010, Sendai*

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Naoyuki Yoshino (Keio University)*

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SMEs in Thailand

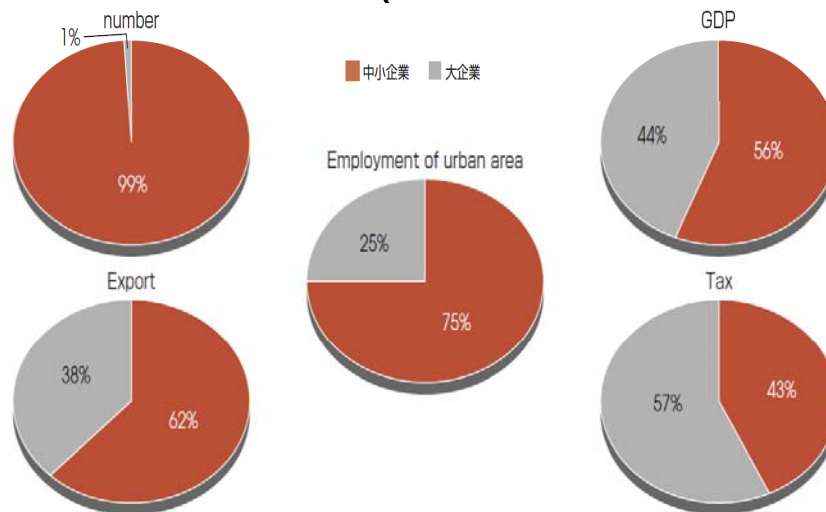
Type of Enterprise	No. of Enterprises (% of total)	No. of employment (% of total)	GDP Mill. Baht (% of total)
SMEs	2,366,227 (99.6%)	8,900,567 (76.0%)	3,244,974 (38.2%)
Large Enterprise and Others	9,141 (0.4%)	2,810,767 (24.0%)	5,239,226 (61.8%)
Total	2,375,368 (100%)	11,711,334 (100%)	8,484,200 (100.0%)

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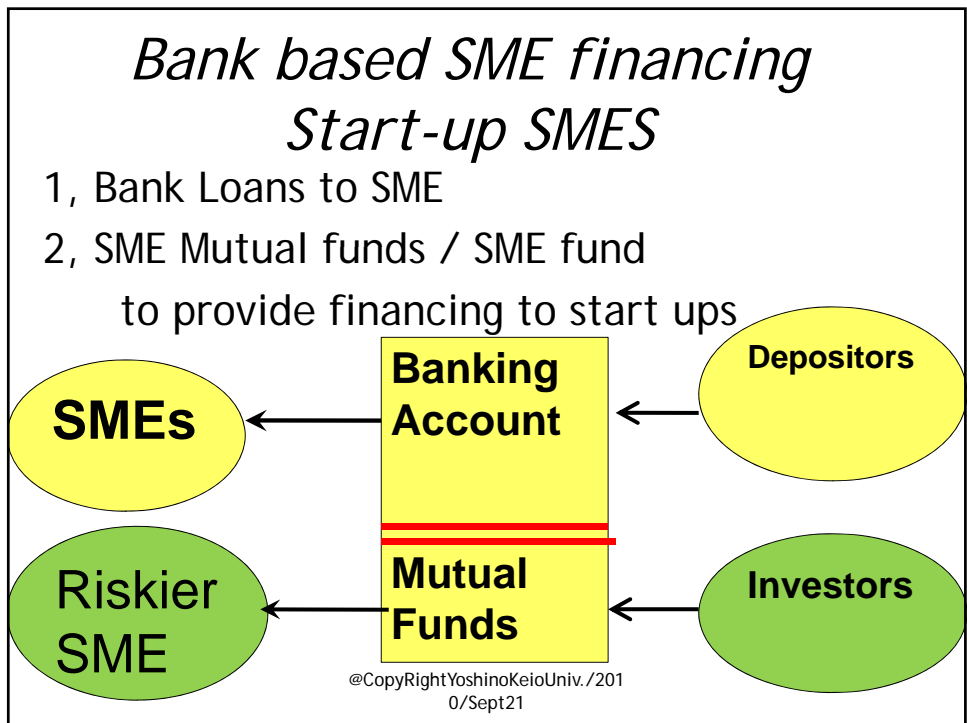
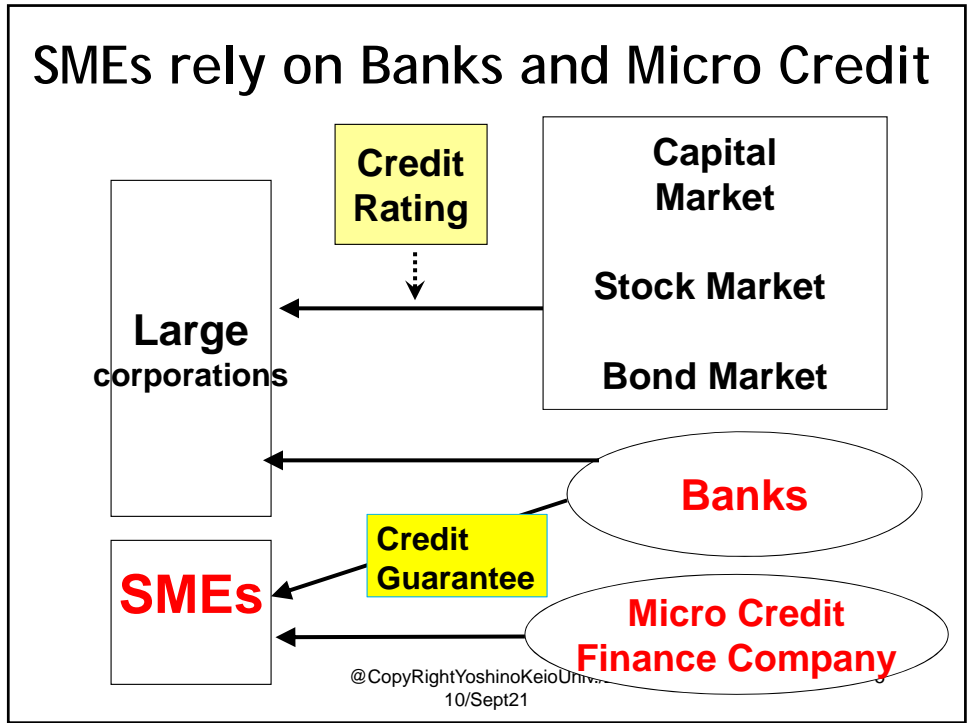
SMEs in China

(Red Mark is SMEs' share)



Source: Department of SMEs, China National Development and Reform Commission / ©CopyRightYoshinoKeioUniv./2014/Sept21

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Separate Accounts of SME financing

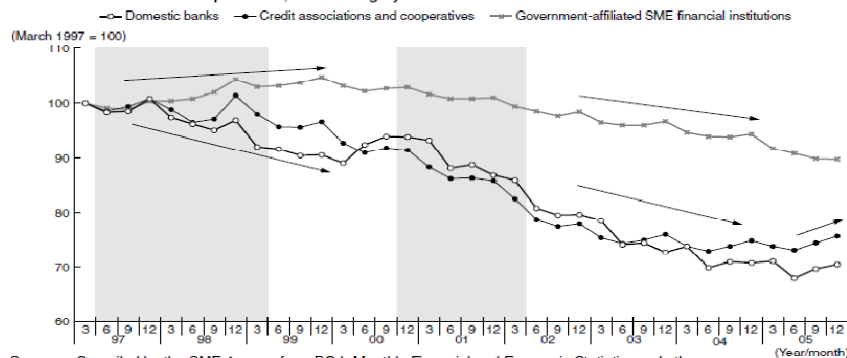
- 1, Traditional Bank finance
 - Private banks
 - Government banks
- 2, SME fund, SME mutual funds
 - Sell these products through banks
- 3, Separating two accounts
 - Bank accounts (Guarantee)
 - SME fund (non-guarantee)

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Loans by Banks, Credit Cooperatives etc.

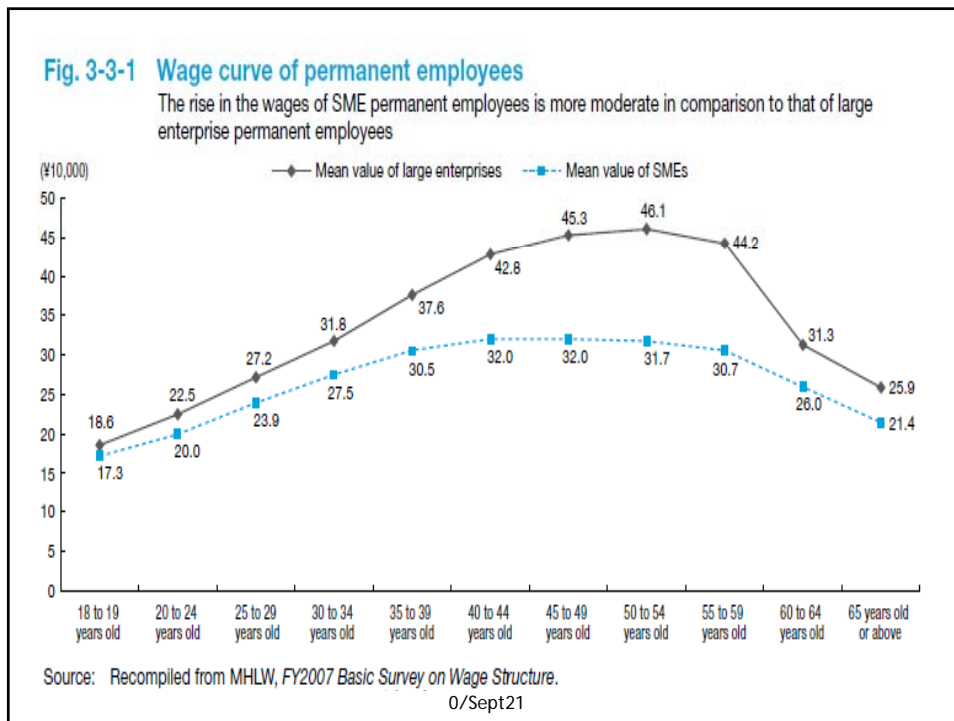
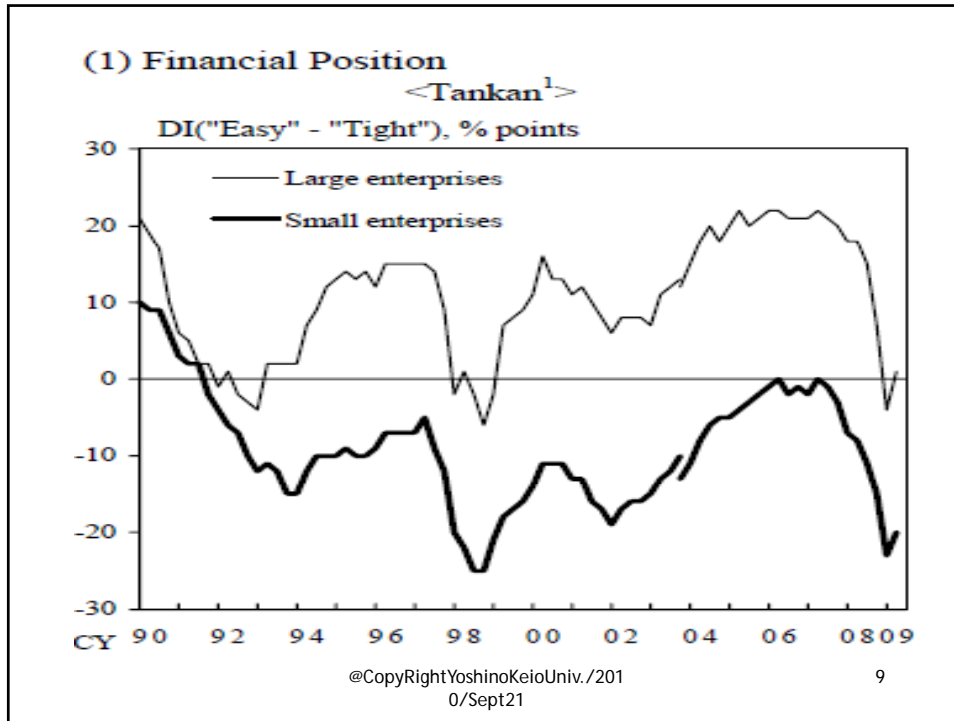
Fig. 1-3-11 Trends in outstanding lending to SMEs (by type of financial institution)
 Comparatively stable lending by government-affiliated SME financial institutions, credit associations, and credit cooperatives, but lending by domestic banks too has recovered from June 2005

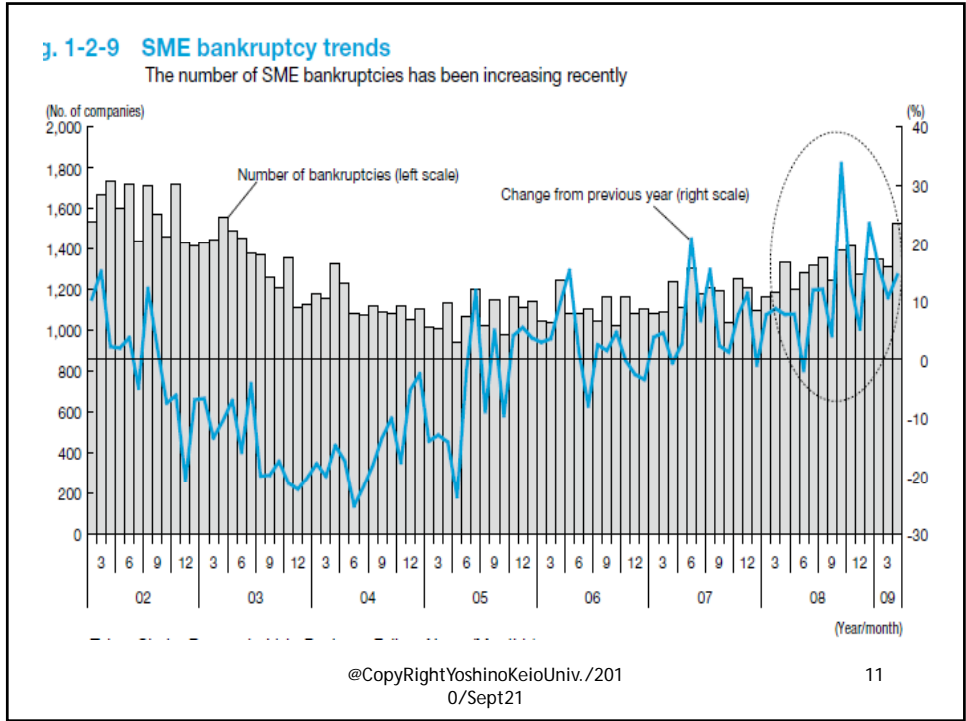


Source: Compiled by the SME Agency from BOJ, *Monthly Financial and Economic Statistics* and other sources.
 Notes: 1. The figures for "domestic banks" indicate the combined lending of domestic banks (excluding credit associations and credit cooperatives), domestic trust banks, and overseas branch accounts of domestically licensed banks.
 2. Government-affiliated SME financial institutions are the Shoko Chukin Bank, Japan Finance Corporation for Small and Medium Enterprise (JASME), and National Life Finance Corporation.
 3. The shaded sections indicate economic contraction (from the peak to the trough in the business cycle).

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Financial institution	Year Month	2006				2007				2008			
		Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
City banks		—	—	—	—	—	—	—	—	—	—	—	—
Regional banks		—	—	—	—	—	—	—	—	—	—	—	—
Member banks of the Second Association of Regional Banks		—	—	—	—	—	—	—	—	—	—	—	—
Other		—	—	—	—	—	—	—	—	—	—	—	—
Domestically-licensed banks' banking accounts total		181.6	177.8	186.2	187.1	187.4	183.0	184.6	185.3	184.1	179.8	179.6	184.0
Domestically-licensed banks' trust accounts, etc.		1.9	1.9	1.7	1.7	1.6	1.6	1.5	1.5	1.5	1.4	1.3	1.2
Credit associations		40.8	40.5	41.5	42.1	41.7	41.3	41.9	42.3	41.6	41.3	42.0	43.0
Credit cooperatives		9.3	9.3	9.4	9.4	9.4	9.3	9.4	9.5	9.4	9.3	9.4	9.5
Private-sector financial institutions total		233.6	229.5	238.8	240.2	240.0	235.2	237.5	238.5	236.5	231.8	232.3	237.7
Private-sector financial institutions total (excluding trust accounts, etc.)		231.7	227.6	237.1	238.6	238.5	233.6	236.0	237.1	235.1	230.4	231.0	236.5
Japan Finance Corporation (Small and Medium Enterprise Unit)		7.0	6.9	6.8	6.7	6.4	6.3	6.2	6.0	5.8	5.7	5.6	5.5
Japan Finance Corporation (Micro Business and Individual Unit)		7.8	7.7	7.6	7.5	7.2	7.1	7.0	7.0	6.8	6.8	6.7	6.7
Shoko Chukin Bank		9.4	9.3	9.3	9.4	9.3	9.3	9.2	9.3	9.1	8.9	8.9	9.0
Government-affiliated financial institutions total		24.3	23.9	23.7	23.5	23.0	22.7	22.4	22.4	21.7	21.4	21.1	21.3
Total outstanding lending to SMEs		257.9	253.3	262.5	263.8	263.0	257.9	259.9	260.9	258.2	253.2	253.4	258.9
Total outstanding lending to SMEs (excluding trust accounts, etc.)		256.0	251.4	260.8	262.1	261.5	256.3	258.4	259.4	256.8	251.8	252.1	257.8

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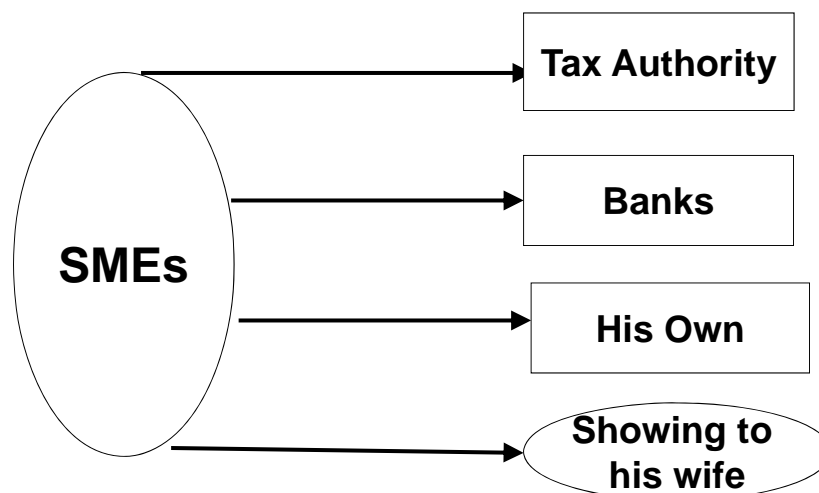
The SME Industry and Credit Information Infrastructure in East Asia

- ✦ **SMEs dominate the business landscape of ASEAN** economies and influence output, employment and income growth.
- ✦ **Information asymmetry still exist** and the type of infrastructure that could appropriately address this problem in terms of existence and state of development across the ASEAN region.
- ✦ **It is imperative to have a credit information system** for the SME sector to help address the persistent challenge of **information asymmetry and financing access.**

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Four Accounts by SMEs



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SMEs Database

- 1, Common Database in ASEAN+3
- 2, Credit Scoring
- 3, Statistical Examination
→ Default Risk
- 4, Reduce Information Asymmetry
- 5, Benchmark for SME credit analysis

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Sustainability of CRD

- 1, How to collect ?
Credit Guarantee Corp.
- 2, Balanced SME Data
- 3, Going concern
(Revenue, selling information
providing data analysis,
Consulting Services)

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Presentation of HURI (February 2009)

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CRD (Credit Risk Database) Membership composition (July,2009)

Credit guarantee corporations	52
Government financial institutions	3
Private financial institutions	136
Credit-rating agencies, etc.	6
Small and Medium Enterprises Agency, Bank of Japan, etc.	5
Total	202

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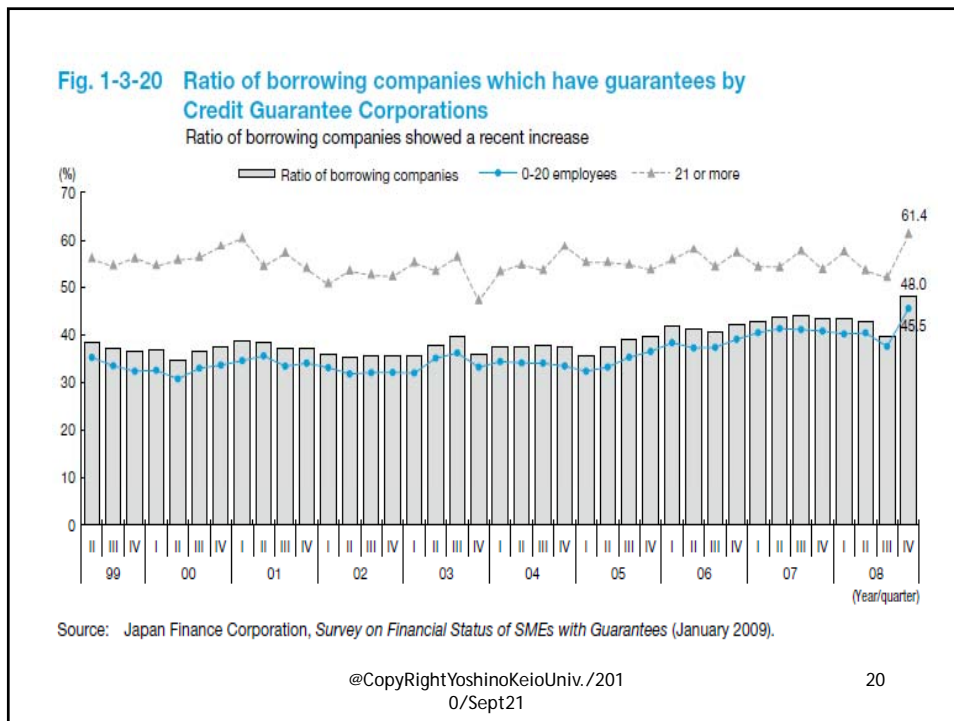
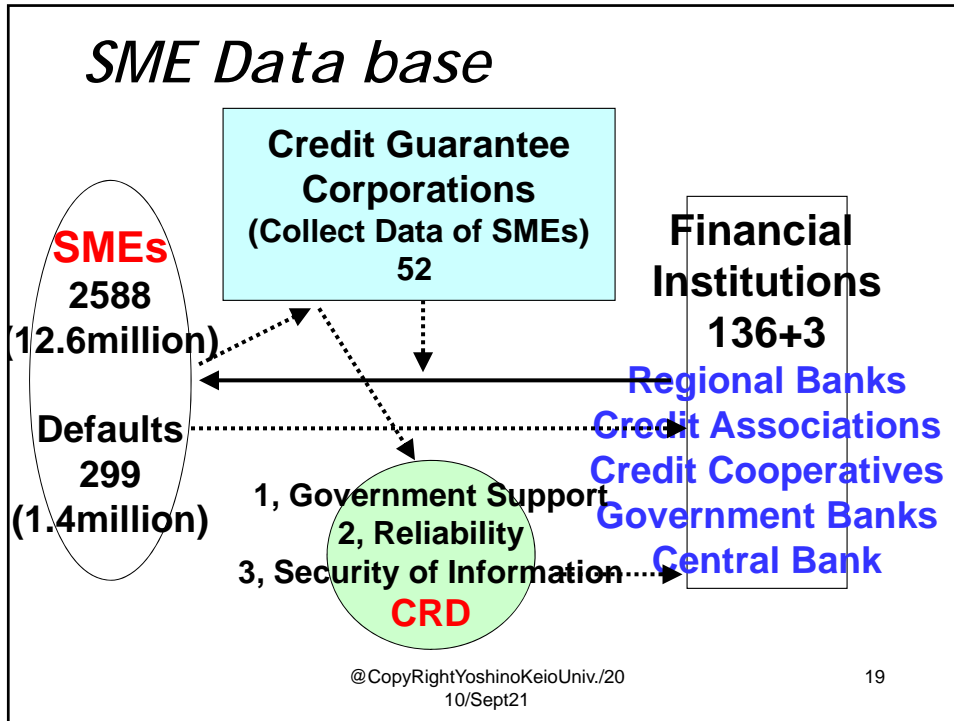
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CRD Data: Since 1995

Corporations	March-2009	
Total	10,180,000	(1785)
Default data	1,117,000	(209)
Individual owned company		
Total	2,496,000	(803)
Default data	301,000	(90)
	Number of	(Number of
	Accounts	companies)

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CRD Data Collection

1. Financial data - B/S and P/L

2. Non-financial data

date of establishment

geographical location.

3. Default data

3 months or more delay to pay;

de facto bankruptcy;

subrogation by credit guarantee corporation

possible bankruptcy.

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Consolidation and Anonymity

1, An effective credit information database **needs a large amount of data.**

✦ The database needs to consolidate the data on the same borrower.

2, Anonymity is important to form a large and effective credit information database.

Anonymity is a legal protection issue.

3, Confidentiality

4, Provide statistical service to clients

5, Consulting Services

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Lists of Policy Recommendations

(1) **SMEs have to have incentives to disclose their truth data.** In Japan, SME data are collected nationwide by Credit Guarantee Corporations, which have 52 offices in all the prefectures in Japan. When SMEs want to borrow from banks, they are often asked to put credit guarantee on their loans. This is because SMEs are perceived to be much riskier than large corporations.

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Lists of Policy Recommendation

(2) **An institution that is mandated to collect SME data while looking after the confidential and trustworthiness interests of the SMEs in its database must be established.**

(3) **At the same time, it must have its own revenue source.** In Japan, CRD (credit Risk Database) collect fees from financial institutions by **selling data and by providing the computation of default risks. Consultation of data analysis** with various banks is another source of income from CRD. **Various support program has to be established.**

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(4) The SME database should be a repository of both financial and non-financial SME data. In Japan, **the data collected by CRD includes sales, operating profits, ordinary profits, investment in plant and equipment, investment in P&E** (excluding investment in software), **increase in inventories, ratio of operating profits to sales, ratio of ordinary profits to sales, ratio of net worth, liquid assets, inventories, fixed assets, deferred assets, total assets, liquid liabilities, fixed liabilities, net assets, interest expense and personnel expenses.**

(5) **Statistical analysis** is required to compute the default risk ratio of SMEs. The database institution can then provide statistical analysis to its member banks. It should provide **continuous services to clients.**

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Summary---SMEs Database

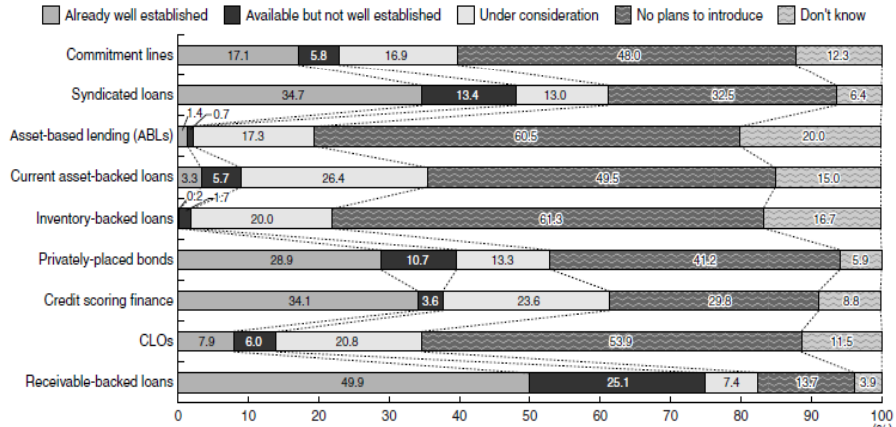
- 1, Common Database
- 2, Credit Scoring
- 3, Benchmark for SME credit analysis
- 4, Statistical Examination
 - Default Risk
- 5, Reduce Information Asymmetry

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More than 60% use Credit Data

Fig. 1-3-34 New methods of financing and extent of use
New lending products being developed by financial institutions too



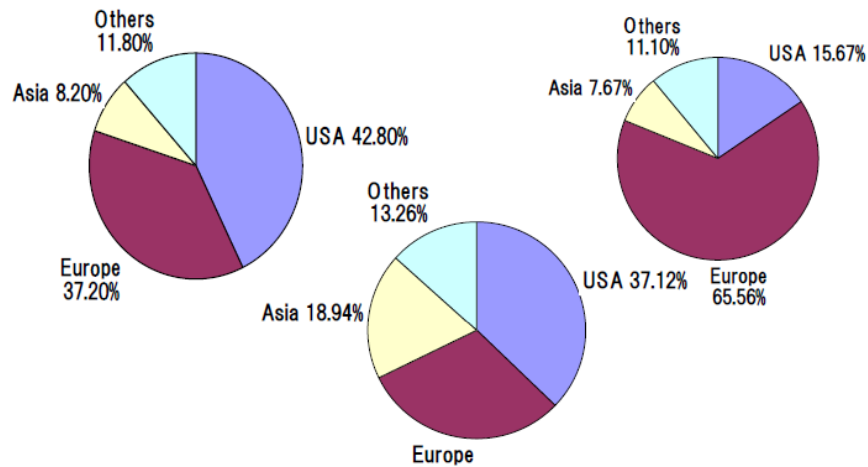
Source: RIETI (conducted by Tokyo Shoko Research, Ltd.) (2006), Survey of the Financial Environment of Small and Medium Enterprises.

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Direction of Portfolio Investment

Figure 1, From Asia, Figure 2, To Asia, Figure 3, Europe



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ABMI (Asian Bond Market Initiative)

Steps so far

- 1, Government Bond Market
 - 2, Semi-Government Bond (Power plant)
 - 3, Large Companies
 - 4, Infrastructure Financing (Revenue Bond)
- Small & Medium Sized Businesses
are neglected
- Credit Data is difficult to obtain

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Reference

Development of Corporate Credit
Information Database and Credit
Guarantee System

Presented to the ASEAN Secretariat

By Naoyuki Yoshino, Koichi Suzuki,
Yasuhiro Maehara and Kazutomo Abe

February 2009

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