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Dun & Bradstreet India's Bulletin on Data & Economic Insights | Edition - 17

Dun & Bradstreet India Data Updates

Dun & Bradstreet's Increased Coverage of Ready to Consume Business Information Reports (BIR)

Dun & Bradstreet has increased the number of ready to consume Business Information Reports on Indian entities in the Data Cloud by three times in the last one year. Clients can now readily access latest information on over 9 million Indian entities. This will help them get clarity on their business relationship related decisions; be it with buyers and prospects or suppliers and business partners.

Data and Insights

Manage Risk

Risk Management Solutions

- ☐ **1.5M** Linkage Universe
- ☐ Customer Credit Review
- ☐ Supplier Sustainable Risk
- ☐ Self Credibility & Business Insight Report

Accelerate Revenue

Sales & Marketing Solutions

- ☐ **9M** SMBs Within India
- ☐ 10M Contacts - Persona based Marketing
- ☐ Expanding Dealer / Distributor Network
- ☐ Franchisee Network
- ☐ Tier III / IV Suppliers

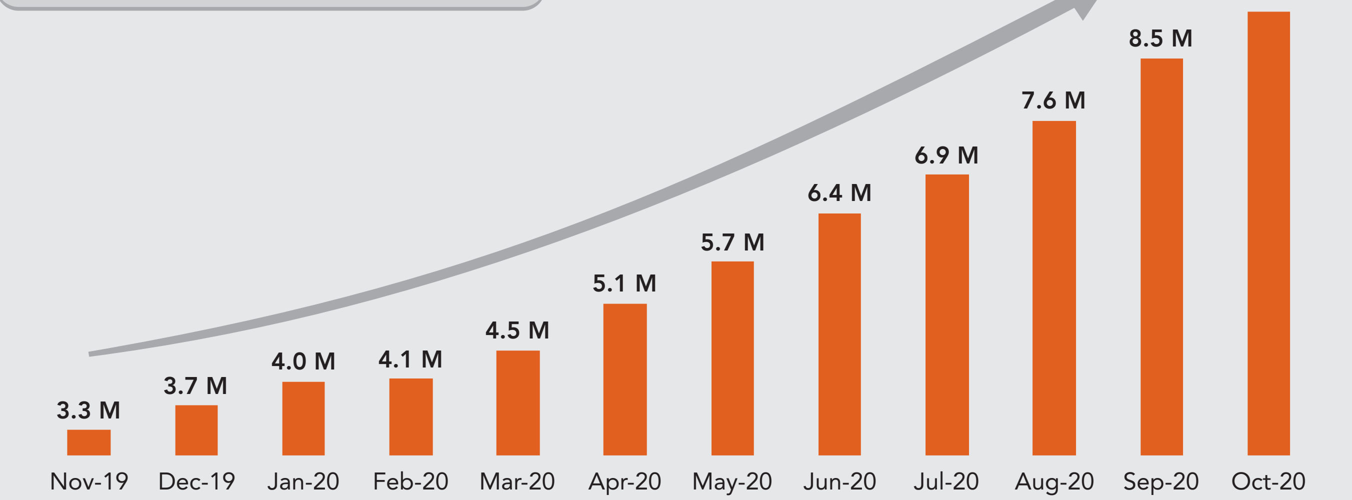
Support Compliance

Compliance Solutions

- ☐ **7.8M** Ultimate Beneficial Ownership (UBO) Identification
- ☐ KYC Compliance
- ☐ Vendor / Supplier Onboarding

Availability of updated information enables clients to improve business performance with instant access to data and insights

Increase in last 12 months



The Value of Information Sharing

By Dr. Arun Singh, Global Chief Economist, Dun & Bradstreet

One of the biggest obstacles to growth cited by Micro, Small, and Medium Enterprises (MSMEs) is access to finance. Data from The International Finance Corporation - a sister organization of the World Bank – shows that nearly 70% of addressable MSME debt demand (Rs 25.8 tn) in India remains unmet. The key challenge in addressing this situation is to minimize informational asymmetry i.e. a potential debtor has better information about his current financial health and his ability and willingness to repay the loan than the creditor. Information asymmetry manifests itself in two ways – adverse selection and moral hazard. Adverse selection is the difficulty in distinguishing healthy debtors and risky debtors. Moral hazard occurs when the debtor does not act in the best interest of the creditor. The end result of these two problems is sometimes an outright credit rationing where even the healthy debtors are denied of credit. Most often higher levels of information asymmetry results in interest rate pooling i.e. debtors of different risk levels are charged the same interest rate (at a high percentage).
On a macro level, higher levels of information asymmetry could weaken the monetary policy transmission mechanism of central banks.
An increase in the policy interest rate would lead to a higher cash outflows for the debtor and reduce his net worth due to a decrease in his asset prices. This necessitates the need for additional marginal money if the assets are collateralized. This in turn could fuel further adverse selection and moral hazard.

It is in this context that Credit Reporting Service Providers (CRSPs) assume a greater responsibility in lubricating the credit markets to foster broader economic growth. By making cost effective information available to creditors, CRSPs mitigate the problems of adverse selection. An increase in the credit bureau/public credit registry coverage is positively associated with access to finance. Data from the World Bank shows that bank credit to private sectors stands at 75% of the GDP in countries which have 75-100% of the adult population covered by CRSPs compared to 36% in countries which have 0-25% of the adult population covered by CRSPs.
The other benefits of an increased coverage include a decline in interest rates, increase in the maturity tenure and a decline in the proportion of loans requiring collateral. The presence of CRSPs also disciplines the debtors as good credit scores can have a bearing on the terms and conditions for future lines of credit. This in turn reduces bad loans and promotes financial stability. CRSPs also help financial institutions in industry benchmarking on parameters such as portfolio quality, delinquency rate, etc. From a regulatory perspective, the data provided by CRSPs assist central banks around the world in creating stress tests for their domestic financial system. CRSPs also help companies secure favorable terms for their trade credit with their suppliers by providing a means to assess the risk level through past payment performance.