

# Initial Steps Towards the Setting up of a Public Credit Registry for India

Viral V Acharya  
Deputy Governor, Reserve Bank of India



Inauguration of Data Analytics Stack, IIT Madras  
5<sup>th</sup> November 2017

# State of Economic Research on India

- **A vibrant network is slowly but steadily emerging**
  - University and business school professors
  - Analysts at banks, non-bank finance companies (NBFCs), rating agencies, among others
  - Researchers at policy institutions and think tanks
  - Probing inquiries and fact discovery by media
  - Seminars, conferences, forums, panels, deputations
  - Global interest in studying India is surging
- More undergraduate and post-graduate (MS, PhD) students interested in pursuing Economics and Finance!
- Miles to go before we sleep... on a good, firm trajectory

# A HUGE opportunity!

- Alongside banks and other financial intermediaries, need **a parallel ecosystem of economic and financial data and information services** that
  - Collects, collates and generates new data points on the economy and financial markets
  - Disseminates publicly or sells the data
  - Analyzes, aggregates and researches data to provide information analytics
  - Creates information-based business opportunities
  - Aids analysis-driven policy-making and thinking
- Given our core human resource strength in computing and information systems, this is a low-hanging fruit that has not yet been plucked

# Examples

- **Real-time inflation and consumption metrics:**
  - E-commerce sites
  - What are the sustained temporal and geographic variations in prices and quantities?
- **Employment statistics:**
  - Payments data; bank and NBFC KYC data; tax filing data
  - Can Big Data help us compute quarterly unemployment rate?
- **Rural and informal economy:**
  - NBFCs; MFIs; FMCG companies; Night luminosity measures
  - Do omissions of rural / informal economy in formal statistics mask economically relevant growth / inflation outcomes?
- **State finances:**
  - Implied credit rating/risk using RBI State Finances report
  - What is the implied subsidy in borrowing costs?

# Examples (continued)

- **Hot money flows and external sector vulnerability:**
  - Corporate bond, commercial paper, External commercial borrowings, Masala bonds – FPI investments (maturity/location)
  - Which of the flows are “carry trades” and which are long-term?
- **Governance and corporate finance of pyramids and group companies:**
  - Consolidate individual company/subsidiary filings
  - Are internal transfers tunneling or internal capital markets in response to credit constraints?
  - Are foreign transactions round-tripping / tax-arbitrage or genuine investments?
- **Bank lending boom and bust cycles:**
  - Let me elaborate on this as a leading example as to how it could be done better
  - Initial steps undertaken for **Public Credit Registry (PCR)**

# Public Credit Registry for India

Tracking a credit transaction from source to destination, all through its life...

High Level Task Force

Announced at RBI's August 2017 Monetary Policy Meeting

Held its 1<sup>st</sup> Meeting on 24<sup>th</sup> October 2017

Report Due by the 1<sup>st</sup> week of April 2018

# Large Borrower Credit information in India

- **CRILC (Central Repository for Information on Large Credits)** is the nearest at the RBI to PCR
  - Set up in 2014-15
  - SCBs report credit information quarterly on large borrowers (threshold INR 50 mn)
  - Covers around 60% of loan portfolio and 80% of NPAs
  - Slippages in asset quality (restructuring, continued non-performance) reported on as-and-when basis
  - Borrower level data set
  - Designed entirely for supervisory purposes with focus on the reporting entity's exposure to the borrower
  - Pooled information shared with reporting banks only
  - Steps underway to provide group-level exposure

# Credit information in India – Contd.

- **BSR (Basic Statistical Return)-1 : comprehensive but not borrower-centric**
  - From 1972
  - Account level credit information from March 2013
  - Quarterly statistical return capturing spatial, temporal and sectoral metadata
  - No borrower identification
  - Information published at aggregate level, granular data shared with researchers on a case-by-case basis with appropriate safeguards
- Missing out on borrowing from other sources as well as important financial parameters of the borrowers to gauge their financial health
- 360 degree view not available in any system

# Advantages of a Public Credit Registry

- Removal of information asymmetry, resulting in an efficient and optimum credit market
  - Impact could be the greatest for MSME financing
  - Flow-based credit origination, Fin Tech, ...
- Transparent credit information: pre-requisite for
  - Efficient credit assessment and pricing by banks
  - Sound risk management and financial stability
- Risk-based, dynamic and counter-cyclical provisioning at banks
- Effective supervision and early intervention by regulators
- Effective re-structuring of stressed bank credits
- Understanding workings of monetary policy transmission and identifying bottlenecks, if any

# International Practice

- World Bank Survey 2012 – 87 out of 195 countries surveyed had PCR
- Private credit bureaus co-exist with PCRs – complementary role
- Banks voluntarily provide credit data at the time of origination itself – near real time data – change in credit market conditions can be identified with little lag
- Credit Register regularly provides reporting institutions with consolidated borrower exposure reports
- Major credit information repositories - Spain, Germany, Portugal, Belgium, AnaCredit project of ECB
- Credit register of Spain also includes records of loan applications to all banks with lender and borrower identity and characteristics

# Terms of reference for the Task Force

- To review the current availability of information on credit in India.
- To assess the gaps in India that could be filled by a comprehensive PCR.
- To study the best international practices on PCR.
- To determine the scope / target of the comprehensive PCR: type of information to be covered along with cut-off size of credit, if any.
- To decide the structure of the new information system or whether the existing systems can be strengthened / integrated to get a comprehensive PCR.
- To suggest a roadmap, including the priority areas, for developing a transparent, comprehensive and near-real-time PCR for India.

# Task Force will look at

- Scope / target of the comprehensive PCR: type of information to be covered along with cut-off size of credit, if any
  - Bank-borrower loan-level data detailing loan terms at time of origination along with data on borrower's economic and financial health
  - The internal and external ratings and their evolution
  - Bank-borrower loan-level restructuring data with all details
  - Secondary loan sales and price information
  - Borrower-debt level Default and Recovery data
- How to cover all important financial parameters of the borrowers that are relevant to the financial health – assets, trade credits, utility bill payments?
- Task Force needs to closely look at Credit Bureaus – potential for symbiosis with the proposed PCR

# Deliberations

- Structure of the new information system or whether the existing systems can be strengthened / integrated to get a comprehensive PCR
  - To build a new comprehensive information system from bottom-up or linking existing systems and building on top of that?
  - LEI reporting has been made mandatory in CRILC along with ongoing PAN
  - Wherever available, Aadhaar, PAN, CIN, LEI reporting is being mandated in BSR-1
  - Tapping the credit bureaus
- Roadmap, including priority areas
  - Modular project implementation with timeline to attain the goal

# Constitution of the Task Force

- Represents, subject to size constraints, major stakeholders including banks, non-banks, industry bodies, IT experts, besides the banking supervisor
- Task Force will consult a much larger set of entities, especially
  - credit bureaus, and
  - credit rating agencies,which are not directly part of the Task Force for technical reasons
- It will consult International bodies (World Bank, Central banks with PCRs) and academics
- Its proposals need to pass through the legal scrutiny as well as be endorsed by cyber security experts

# Public Credit Registry won't be a panacea...

"**Not** everything that **counts** can be **counted**; and **not** everything that can be **counted counts**."

- Albert Einstein

It is a sobering thought for economists!

But it should nevertheless induce **innovations to count better what really counts!!**

Public Credit Registry for India is a step in this direction.