

Microfinance in the Arab World: Shaping the Industry's Future

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Credit Bureaus: A Major Impact in the Microfinance Business for the Arab World

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What Is a Credit Bureau?



- **Sophisticated computer system (& software) for sharing information about general information (age, gender, social status, picture, addresses, phones, etc.)**
- **A person's repayment history**
- **Judicial and Criminal history**
- **Public information available allowing current and potential lenders to make informed credit decisions**

The Quality of the Information



- The more information that is available from and to a credit bureau (number of lenders providing information, quality of the information, number of years of information, etc.), the more useful the bureau will be Presentation Content
- The Value of Public & Criminal Records
- Credit Scorings & Risk Factors Indicators
- The Financial Performance Ratios (Microfinance CGAP Bulletin ... CAMEL ...)

Why Credit Bureaus for Microfinance?

Beneficiaries



MFI Directors, Managers &
General Staff, Local NGO's

The Development of the Micro-
Entrepreneurs

Objectives

- MFI's will manage a sound portfolio performance and diminish credit risk.
- Monitor client debt loads to ensure they are not over-stretching their repayment capacity.
- Improve the long-term financial sustainability of MFI's and thus their ability to alleviate poverty in the long term.
- Enhance coordination and sharing of loan portfolio information among MFI's

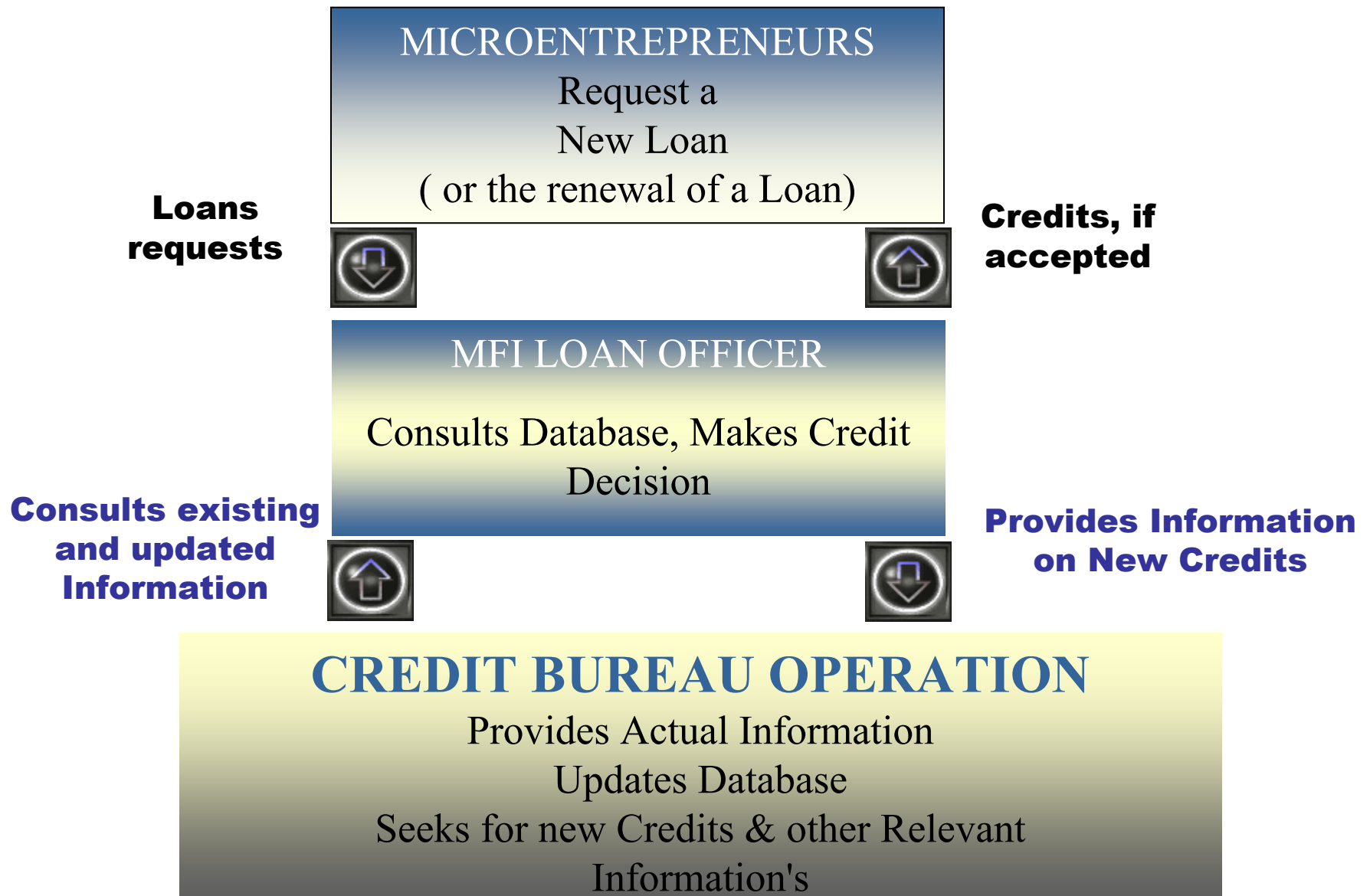
The Impact of a Microfinance Credit Bureau in the Poverty Reduction



- Improves the financial performance of the MFI's, allowing them to provide financial services to more poor people
- Reduces the problem of Debts Excess (or the over-saturation of credits) of their clients
- Encourages entrepreneurs to "grow and expand" as a result of the design and implementation of more reliable projects

How does a Credit Bureau Works?

The Flow Of Information



The Complicated Issues



- **MFI'S Willingness to share information**

- **Information to be included:**

- Positive/Negative, Floor Amounts,
Length of Credit History,
Status of the Account. Phones & Address, etc.

- **Consumer Protection Issues**

- **Equipping MFI's with Updated Technologies**

- MFIs should be equipped with systems that allow remote access to the Credit Bureau Database.
Difficulties with computers and Internet access.

- The Importance of the Full Financial Spectrum
- The Importance of Legal Support. (Better yet from de Government Itself)
- The Owners of the Credit Bureau Associations Preferred.
- Client identification (few have national ID Cards; names may not be unique, precise birth dates unknown)