

25th April, 2003

STATE BANK GOVERNOR, DR. ISHRAT HUSAIN
INAUGURATES CIB ON-LINE FACILITIES

The Governor, State Bank of Pakistan, Dr. Ishrat Husain today inaugurated the online facilities of SBP's Credit information Bureau (CIB) for banks/Development Finance Institutions (DFIs) and Non- Bank Finance Companies (NBFCs).

With the launching of this facility, the State Bank has become the first Central Bank in South Asia to offer online credit information service to its stakeholders. CIB online service, which has been developed in collaboration with Pakistan Banks Association, is an important step towards provision of best international practices to financial institutions and State Bank's transformation into a modern and dynamic central bank.

Through Online facility financial institutions can now obtain credit reports from SBP electronically via dial up. Besides credit reports, financial institutions will also submit monthly credit data required by the SBP, online. Under this facility the authorized persons of the financial institutions listed with SBP, will be allowed on-line access to the CIB servers. This facility will promote efficiency in the credit appraisal process of banks/DFIs/NBFCs. It will also minimize the time lag in submission of data to CIB and retrieval of credit reports.

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It may be pointed out here that the SBP also took the lead by setting up the CIB in January 1992. State Bank, through CIB, collects credit data in respect of borrowers of Rs 500,000 and above from all banks, DFIs and NBFCs. It is already mandatory for the banks/NBFCs to seek credit report from CIB before extending any financial facility of Rs 500,000/- and above to the borrowers.

The role of Credit information bureaus, in a well-functioning credit market, is very important. They provide rapid access to standardized information on potential borrowers. Credit reporting systems are becoming increasingly important throughout the world. Credit Bureaus collect data from banks/financial institutions, process the same and disseminate/sell the consolidated data to financial institutions or other users on request. Data contained in the credit reports issued by the credit bureaus improves the financial institutions' ability to assess credit risk, loan processing cost and their credit appraisal administration & monitoring processes. A good credit history is considered as "Reputation Collateral" which can build confidence into banker- customer relationship.

Credit Information Bureaus act as repository institutions through which exchange of information among financial institutions takes place. Credit bureaus also encourage greater competition among financial institutions for chasing creditworthy customers. They reduce the information advantage that financial institutions have over their existing clients, which leads to lower prices and greater access to credit.

It may be added here that the State Bank is also working on a project under the World Bank's technical assistance for banking sector, which will further develop the national credit reporting system by enhancing the role of the private sector so that optimum benefits are provided to the participants, consistent with best international practices. This will provide private credit bureaus opportunities to satisfy the growing needs of borrowers, specially the small and medium sized, as well as the lenders.