High Level Task Force Report Summary

Public Credit Registry for India

- The Reserve Bank of India (RBI) had constituted a High Level Task Force (Chair: Mr. Y. M. Deosthalee) to assess the need and scope of setting up a Public Credit Registry in India. The task force submitted its report on April 4, 2018.
- A public credit registry refers to an extensive database of credit information of borrowers that is accessible to all lending and credit decision-making institutions. Typically, the registry is managed by a public authority like the central bank of the country, and reporting of loan details to the registry by lenders and/or borrowers is mandated by the law.
- The terms of reference of the task force included: (i) reviewing the current availability of credit information in India and assessing its gaps, (ii) studying the best international practices on credit registries, and (iii) determining the scope and structure of a comprehensive credit registry, if any.
- **Current Indian context:** Presently, India has both public and private sector entities storing credit data:

  (i) There are four private Credit Information Companies (CICs) – TransUnion Credit Information Bureau (India) Limited (TransUnion CIBIL), Equifax, Experian and CRIF High Mark. RBI has mandated all regulated credit institutions to report borrower credit information to all CICs.

  (ii) Entities within RBI are: (i) Central Repository of Information on Large Credits (CRILC), and (ii) Basic Statistical Return-1 (BSR-1). CRILC contains credit information on all borrowers having exposure greater than five crore rupees. BSR-1 provides sectoral distribution of credit for all borrowings regardless of amount; and hence it does not have individual borrower identification.

  (iii) There are also institutions that capture specific credit information – for example, Information Utilities, registered under the Insolvency and Bankruptcy Code 2016, store financial information such as debt, liabilities, and balance sheet details that helps establish defaults.
- **Challenges with current scenario:** The task force identified various shortcomings of the current credit information infrastructure in India, such as: (i) the data stored is not comprehensive, and is fragmented across different entities, for example, data on borrowings from banks, inter-corporate borrowings, overseas borrowings etc., are not available in a single repository; (ii) it is reliant on self-disclosure, for example, income details, assets and liabilities are disclosed by the borrower; (iii) the data has to be cross-validated, for example, income tax websites have to be checked for listed companies; (iv) there are time lags and discrepancies between multiple sources of information; (v) there is increased reporting burden on credit institutions from having to report to multiple entities; and (vi) portals like CIBIL are paid portals and the lender has to bear the cost of extracting data.
- **Consequences of the current Indian structure:** The information asymmetry and fragmented nature of credit reporting leads to the following inefficiencies in the credit market: (i) since lending institutions do not have complete credit information on all borrowers, all borrowers pay similar interests irrespective of their risk or credit ratings; (ii) lenders may pick up clients who have a history of delinquency that is unknown to all lenders, and thereby face greater overall credit risk; (iii) it prevents credit supply to some subsections of the market, for example, small and medium industries are perceived as risky by default, and often denied timely credit due to lack of adequate credit history.
- **Public credit registry:** The task force noted that transparency in credit markets helps creditors and borrowers alike by removing information asymmetry and improving access to credit. To bring about such transparency, it recommended setting up a public credit registry. The credit registry should: (i) be backed by a suitable legal framework, (ii) store information on all loans regardless of the amount, (iii) capture information currently not recorded in the credit information system, for example, data on external borrowings, (iv) store supplementary credit data, like utility bill payments history, for the benefit of individuals with no credit history, and (vi) ensure security and privacy of the stored information. Borrowers may access their own credit report, and access to all stakeholders should be on a need-to-know basis and be used only for the authorised purpose. Additionally, the reporting entities should ensure the quality of data reported to the registry.
- **International practice:** Several countries, such as most members of the European Union, have a central credit registry usually managed by the central bank of the country. Reporting to the registry is mandatory by law. It provides credit reports to lenders and borrowers (on their own situation). Along with the public registry, there also exist multiple private credit bureaus, reporting to which tend to be voluntary in nature. Private bureaus augment their credit information with data from other sources like public registries, tax authorities, utility bill payments databases and legal proceedings database, and provide such data to lenders. They also provide services like credit assessment and scoring.

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