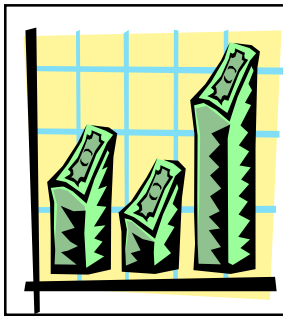


What is Credit Scoring?



Credit scoring is a technique used to assess the credit risk of SME loans. With it,

necessary data on loan applicants are passed through an analytical model embedded in software. The model delivers a number—the score—that indicates the applicant's level of credit risk. Effective use of this technique can sharply reduce the number of applications that need manual review, often by up to 80 percent. SME credit scoring enables banks to: (i) reduce their cost of making loans; (ii) make more loans to SMEs; (iii) control risk more effectively; (iv) remove human bias from the lending decision; and (v) focus on assessing questionable loans.

Source: worldbank.org

Understanding a Credit Bureau

A credit bureau is an independent business agency/company that compiles public record data, statutory information, credit transactions and payment histories of individual consumers and businesses. By keeping track of both personal finances and business affairs of business owners, these institutions provide a valuable service to the financial sector. They allow lenders to (i) know the people who are behind the small business seeking loans; (ii) know their credit histories; and (iii) discover signs of incompetence or

How is Credit Scoring Done?

Developing a credit scoring model involves statistical analysis of large amounts of data. Two types of data on a large sample of accounts need to be collected and analyzed: **Predictive data** is data that is available at the time of the decision, such as the time at which credit was granted to an account. **Performance data** is data that is available in the period after the lending decision was made, reflecting the payment history of the accounts in the sample. Statistical analysis looks at the correlations between the predictive data and the performance data. Where correlations are found, they are considered in relation to each other and assigned weights based on their importance. The result is a scoring model. Each score will reflect the odds of satisfactory repayment. Typically, the higher the score, the lower the credit risk associated with the applicant or account. A better scoring model will do a better job distinguishing between future good and bad accounts, and will be resilient to changes in the applicant population.

dishonesty that may lie hidden behind the corporate curtain.

The role of credit bureaus is to (i) facilitate information sharing; (ii) bridge lenders and borrowers; (iii) protect financial institutions against making bad loans; (iv) protect consumers by helping lenders and borrowers ration credit based on capacities to pay; (v) facilitate large volume access to credit without security by assisting evaluations of the ability to pay and payment diligence; (vi) report information which positively or negatively affects creditworthiness; and (vii) limit fraud.

Source: ifc.org

Ten Ways to Help Increase Your Cashflow

As any small business owner knows, maintaining smooth cash flow requires juggling nearly every facet of a business, from staying on top of accounts receivable, to extending lines of credit, to managing inventory. The essence of successful cash flow management is regulating the money flowing in and out of your business. Increasing your cash flow reduces the amount of fixed capital that you need to support the given level of your business. An increased, consistent cash flow also creates a predictable business pattern, making it easier to plan and budget for future growth. Here are 10 things you can do to increase your cash flow:

- Organize your billing schedule.
- Stretchout your payables.
- Take advantage of early payment incentives.
- Balance your client base.
- Check your pricing.
- Don't buy all in one place.
- Form a buying cooperative.
- Renegotiate your insurance and supplier policies.
- Tighten your inventory.
- Consider leasing instead of buying.

Source: smetoolkit.org

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How to Handle a Potential Client with Bad Credit



You've looked at a potential client's credit report and recognize the warning signs - late payments, pending lawsuits,

heavy debt load. Does this mean you have to turn the business down? Take these steps to minimize risk when working with companies with questionable credit.

Dig deeper. Each potential customer's credit will be affected by different circumstances, so it pays to look closely at the source of bad credit marks.

Check references. If a potential customer offers solid justification for poor credit marks, consider speaking with other credit references before making a final decision.

Outline payment terms. Don't give risky customers an opportunity to claim that they didn't understand your payment terms.

Ask for advance payment. If a company is particularly high risk, don't be afraid to ask for full or partial prepayment.

Consider personal credit histories. If you're faced with a company that is too young to have a credit history, take a look at the owner's personal credit report to assess how he or she handles bills.

Ask about upcoming receivables. Some companies may be able to provide signed contracts or other proof of upcoming revenue streams.

Start the relationship slowly. If you're nervous about a new client, limit the amount of business you accept from it until you establish a relationship.

Hone Your Sales Presentation

When you deliver an in-person sales presentation, you have a unique opportunity to appeal to your prospect on a number of levels at once. Your physical appearance, your choice of words, your general demeanor and your level of enthusiasm all play a part in whether you come across as powerful and persuasive or weak and ineffective.

Be enthusiastic. You can't persuade anyone if you aren't persuaded yourself. Believe in what you are offering and communicate that confidence with your enthusiasm.

Keep it simple. Don't try to dazzle your audience with jargon or fancy words. People are rarely impressed by language that they don't readily understand.

Keep checking in. Remember that a powerful and successful presentation will be interactive.

Source: smetoolkit.org

Make eye contact. When you meet someone's eye, you are much more likely to win his or her confidence and trust.

Put yourself in your listener's shoes. Make your presentation interesting and informative, and be sensitive to the amount of time you are taking.

Be well rehearsed. Plan your presentations carefully and run through them several times in advance to polish your techniques and build your confidence.

Dress for success. You should be dressed at least as formally as the people you will be meeting with.

Exit gracefully. Whether or not you think you've been successful, be gracious and leave the door open for further communication. Always conclude by thanking your prospects for their time.

Important Structures of Successful Meetings

Successful meetings use structure. Procedures and structure help groups perform significantly better in meetings. Meeting structures are the solid foundation upon which effective meetings are built. Below is a list of some of the important structures that make a successful meeting.

- A regular time for the meeting is established, or meetings are scheduled for a period of time. For example, meetings for a given month, quarter, or year are scheduled at one time.
- The meeting leader is prepared.
- Desired outcomes are written.
- Important inputs to the meeting are prepared and brought to the meeting.
- Meeting recorder(s) is selected.
- The meeting format is developed.
- The meeting agenda is prepared and available ahead of time, and is reviewed and modified as needed before the meeting begins.
- Planned participation is used within the first 15 minutes.
- Meeting minutes are recorded.

Source: sba.gov

“Empower the Entrepreneurs. Support and Help Grow the Small and Medium Enterprises (SMEs)”