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CREDIT INFORMATION SHARING

Abstract:

This paper is a study of the determinants of Credit Reporting Systems. Non-performing loans (NPLs) are considered a challenge to the banking sector. Information sharing institutions are essential in order to reduce problems of asymmetric information: Countering adverse selection, countering moral hazard, countering information monopoly, and reducing over-indebtedness. Credit information is monopolized by the central bank and is limited to the defaults of the customers with commercial banks. However, more information is needed to provide a better idea on the customer. So, in addition to the default history on loans, more information is required such as, payment history on phone bills, power bills, water bills, house rents, income, assets, court records, career, history of employment, history of keeping good credit, debt ratio, frequency for applying for loans, and other factors that are considered important and are not included by central banks.

Keywords:

Credit reporting system, credit information sharing, credit reference bureau, asymmetric information