



## Getting Credit

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function: one on credit registries and the other on legal rights of borrowers and lenders. Credit registries, institutions that collect and distribute credit information on borrowers, can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. And they free entrepreneurs from having to rely on personal connections alone when trying to obtain credit. Three indicators are constructed to measure the sharing of credit information:

- Depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information.
- Public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population.
- Private bureau coverage, which reports the number of individuals and firms, covered by a private credit bureau as a percentage of the adult population.

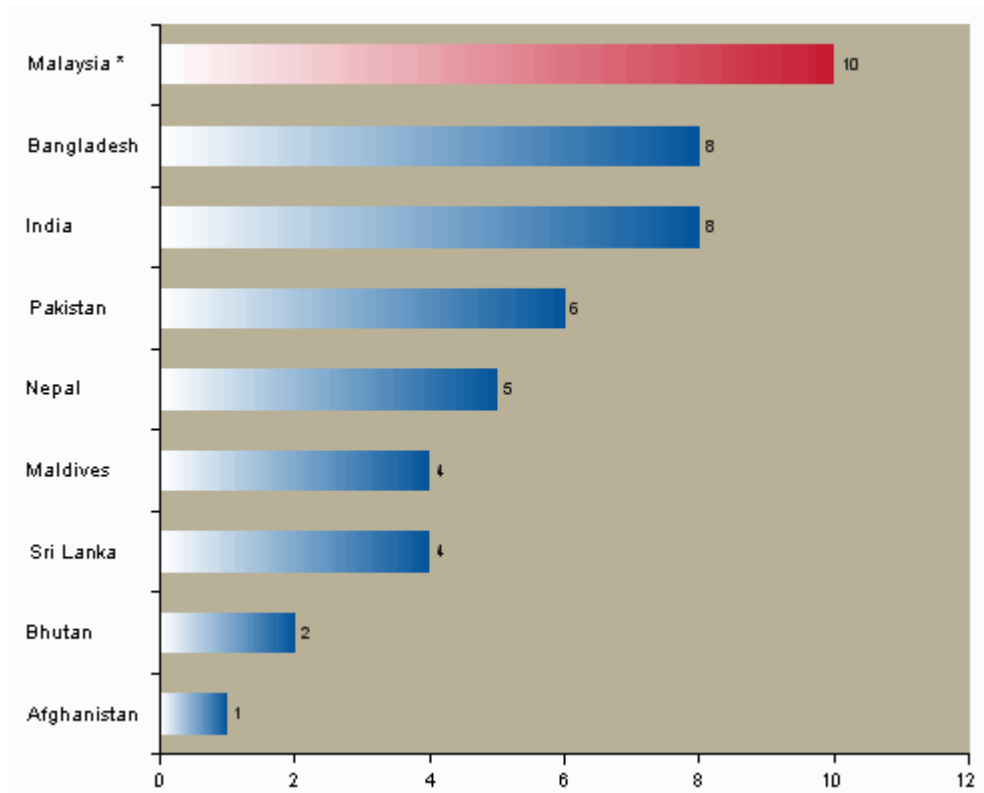
The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. This year, three main changes were made; first, a standardized case scenario with specific assumptions was introduced to bring this indicator into line with other Doing Business indicators. Second, the indicator now focuses not on tangible movable collateral, such as equipment, but on revolving movable collateral, such as accounts receivable and inventory. Third, the indicator no longer considers whether management remains in place during a reorganization procedure, better accommodating economies that adopt reorganization procedures. The strength of legal rights index includes 8 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law:

- Any business may use movable assets as collateral while keeping possession of the assets, and any financial institution may accept such assets as collateral.
- The law allows a business to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets.
- The law allows a business to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets.
- A security right may extend to future or after-acquired assets and may extend automatically to the products, proceeds or replacements of the original assets.
- General description of debts and obligations is permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties.
- A collateral registry is in operation that is unified geographically and by asset type and that is indexed by the name of the grantor of a security right.
- Secured creditors are paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated.
- Secured creditors are not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure.
- The law allows parties to agree in a collateral agreement that the lender may enforce its security right out of court.

<b>Economy</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>	<b>Depth of credit information index (0-6)</b>
<b>* New Zealand</b>	0.0	100.0	5
<b>* Portugal</b>	76.4	11.3	4
<b>* United Kingdom</b>	0.0	100.0	6
<b>Afghanistan</b>	0.0	0.0	0
<b>Bangladesh</b>	0.9	0.0	2
<b>Bhutan</b>	0.0	0.0	0
<b>India</b>	0.0	10.5	4
<b>Maldives</b>	0.0	0.0	0
<b>Nepal</b>	0.0	0.2	2
<b>Pakistan</b>	4.9	1.5	4
<b>Sri Lanka</b>	0.0	8.7	5

\* The economies with the highest public, private bureau coverage and with the highest credit information index are included as benchmarks. Argentina, Australia, Canada, Iceland, Ireland, Nicaragua, Norway, Sweden, United Kingdom and the United States also have the highest private bureau coverage (% adults).

## Strength of legal rights index (0-10)



This graph compares collateral and bankruptcy laws in the way they facilitate lending protecting the rights of borrowers and lenders as measured in the legal rights Index. \* An economy with the highest index is included as a benchmark. Kenya, Hong Kong China and Singapore have the highest Legal Rights Index