

# White paper summary

Origination for SME lending -  
Management of high volume, low  
ticket value lending



## The issues of SME lending

A major concern of lenders providing financial services to the smaller end of the small and medium sized enterprises (SMEs) sector is the operational cost of servicing these accounts and the generally perceived difficulty of controlling and forecasting bad debt.

Caused by the lack of reliable data and the inherently higher risk of unsecured lending to SMEs, lenders have traditionally relied upon manual decisions and skilled underwriting to control risk.

However the costs of this can be out of proportion to the high volume, low ticket lending which characterises the majority of the SME portfolio.

As a result, lenders have started to overhaul the way they provide services to SMEs, drawing on experience from the consumer sector of using objective credit scoring and automating decisions.

This white paper serves as an introductory guide to the opportunities and challenges faced when lending to small and medium sized enterprises (SMEs), particularly for non-complex unsecured lending.

It describes the approaches that can be used in seeking to automate and better control the lending process to this important segment and how this can benefit financial organisations in terms of:

- Reduced operational costs
- Better bad debt management
- Enhanced risk control
- Better customer service
- Improved regulatory compliance including Basel II

### Want to read more?

This executive summary is taken from the Decision Analytics white paper **Origination for SME Lending - Management of high volume, low ticket value lending**.

Access a copy of this, and other Decision Analytics white papers, at: [www.experian-da.com](http://www.experian-da.com)

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