Blog

Clearer view of non-banking loans now available

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A larger share of household and corporate finance than previously now comes from outside the banking sector. As a result of digitalisation, the number of different companies providing consumer credit and corporate finance services in Finland has increased. This has aroused concerns about increasing indebtedness among households and companies, although the number of these lenders has decreased following the interest rate cap imposed on consumer credit in September 2019.

Statistical information on the intermediation of finance outside the banking sector and on the role of different operators is scarce and very deficient relative to its importance. Since part of the regular financing of households and non-financial corporations has fallen outside the scope of regular statistics compilation, the Bank of Finland decided in spring 2019 to begin the collection of statistics on companies providing household and corporate finance outside the credit institution sector[1].

The objective of the new data collection is to improve understanding of total household and corporate indebtedness, and to gain knowledge about the evolution of financing channels as well as the overall economic and social impacts of this transition. In addition, the data collection meets national and international statistical and information requirements.

The Bank of Finland's OFI data collection[2] began in January 2021, when 58 financial companies

reported their balance sheet information as at end-2020. This is a diverse group of institutions financing households and non-financial corporations, ranging from government-owned export credit agencies to pawnshops. The largest institutions are subject to quarterly data collection on loans granted by them to households and non-financial corporations, and on related interest rates. Smaller institutions report annually on financing granted by them. In addition, the largest institutions report their financial statement information on an annual basis.

The new data collection provides, among other things, a more comprehensive view of developments in consumer credit as well as the availability and need for funding among SMEs. At the end of 2020, the aggregate balance sheet of other financial institutions amounted to EUR 35 billion, whereof EUR 25 billion consisted of loans granted. EUR 12 billion of the loans granted by OFIs was granted to non-financial corporations and EUR 5 billion to households. EUR 4 billion of the household loans consisted of vehicle finance. The remainder of other financial institutions' loan receivables consisted of intra-group finance.

The Other financial institutions statistics caters to both internal and external decision-makers and stakeholders as well as the information needs of the general public. At the Bank of Finland, statistical information is used to analyse financial stability and to monitor and analyse the structure and digitalisation of the intermediation of finance. In addition, the information helps in assessing the adequacy and accessibility of finance as well as the growth of indebtedness in Finland. Furthermore, it clarifies the view of the Finnish economy as part of the financial accounts and balance of payments compiled by Statistics Finland. To meet the information needs of the public, the Bank of Finland will publish the first statistical release on other financial institutions on 29 April 2021.

Keywords

credits, indebtedness, loans, other financial institutes, statistics