Professor Kelly Mua Kingsly
PhD/MBA, MPA, CFA, CFI, PMP, ISO
Finance engineer (Forensic finance and audits)
(4) Professor Kelly M Kingsley | Harvard University - Academia.edu
blog:www.kellykingsly.com
My Papers:SSRN
https://www.linkedin.com/in/kelly-kingsley-ph-d-2a5a1416/

Opportunities in Public Credit

1. Introduction to Public Credit

1.1. Definition and Importance

Opportunities in public credit encompass the numerous chances or possibilities available for governments or public entities to secure credit or financing from a diverse array of financial markets, institutions, or individual investors. Public credit is vital in enabling governments to obtain the necessary funding to support various projects, initiatives, and operational activities that benefit society. Access to credit empowers public entities to effectively address critical infrastructure needs, promote robust economic growth, and enhance the overall welfare of their constituents through thoughtfully planned and strategically executed expenditures. In addition, these financing opportunities provide a means for public entities to navigate fiscal challenges and invest in long-term development that positively impacts the community. This potential for long-term growth is a crucial aspect of public credit that can uplift entire populations. Moreover, sound credit management fosters trust and encourages further investment from both local and international stakeholders, enhancing the potential for collaboration on future projects. Ultimately, well-managed public credit enhances the capacity of governments to respond to societal needs while pursuing sustainable development goals.

Importance of opportunities in public credit:

1. Funding for Public Projects: Through the provision of public credit opportunities, various levels of government can successfully raise essential funds that are needed for a wide array of infrastructure projects, comprehensive social programs, quality education initiatives, critical healthcare services, and a multitude of other public services that require significant and often substantial investment to maintain and improve.

2. Economic Development: Access to public credit plays a crucial role in enabling governments to stimulate economic growth effectively. This access allows them to invest meaningfully in essential sectors, creating numerous jobs and supporting businesses through various means such as loans and grants. With adequate public credit, governments can proactively enhance infrastructure, promote innovation, and foster a more dynamic economic environment.

3. Crisis Management: During significant economic downturns, severe natural disasters, or unexpected emergencies, public credit opportunities serve as a vital lifeline. They furnish governments with the essential financial resources needed to respond effectively, ensuring they can address immediate needs and mitigate the adverse impacts on the population. This proactive financial support enables timely intervention, fostering resilience and stability in communities facing challenging circumstances.

4. Debt Management: Governments effectively manage their debt levels by thoroughly exploring various opportunities available in public credit markets. This proactive approach allows them to refinance existing debt at lower interest rates, which can lead to significant savings over time. Additionally, such strategies help improve their financial health and stability, enabling them to be better prepared for future economic challenges.

5. Investor Confidence: Demonstrating a robust ability to access public credit opportunities can significantly enhance investor confidence in a government's overall financial stability and perceived creditworthiness. This heightened confidence among investors can lead to lower borrowing costs and better terms for future financing arrangements, benefiting various public initiatives and projects. Supporting this can attract more investment and foster a favourable economic environment.

Long-Term Planning: Public credit opportunities provide governments with the essential means to engage in effective long-term planning and comprehensive budgeting processes. This strategic approach ensures that sustainable funding is available for a wide range of projects and initiatives that not only benefit current generations but also lay a solid foundation for future generations. By harnessing these financial resources wisely, governments can create a stable environment that fosters growth and development in various sectors.

In conclusion, opportunities in public credit play a crucial role in supporting government activities, promoting economic growth, responding to crises, managing debt effectively, building investor confidence, and facilitating long-term planning for the benefit of society.

2. The Role of Public Credit in Economic Development

Public Credit Project Topic | Week 15 Theme 1: The Role of Public Credit in Economic Development From the early history of British freemen enjoying prosperity under Roman rule to Japanese finance ministry officials navigating domestic financial crises by repeatedly attempting to expand and then contract the money supply, public credit has long been seen as an essential ingredient in national and global economic transactions. Public credit is all the more revealed in such vital questions of historical development and statecraft since effective forms of public credit have long been associated with financing various public works of defence, welfare, and social overhead investment that is almost universally recognised as stoking national economic expansion and well-being. In short, public borrowing of domestic and foreign loans fuels states' domestic formal constitutional states and the global.

2.1. Government Borrowing and Spending

Governments borrow all the time. They borrow to fund schools and hospitals, pay for roads and sewer systems, and provide citizens with everything from national defence to retirement benefits. If governments did not borrow to fund investment, they would have no other option but to fund all investments out of current revenue, dampening investment extensively. Governments also borrow to finance annual budget deficits. Deficits arise either intentionally, in which case they result from fiscal policy, or unintentionally, often due to overly optimistic revenue estimates or unanticipated economic contractions. Government borrowing in the United States has increased dramatically in recent years.

Should we be concerned about either the increasing size of government borrowing per se or the upward climb of the black line in the figure? Does the growth in government borrowing have any implications for you? Every dollar the government borrows today is a dollar that must be repaid in the future. Future governments, in turn, can only repay this debt from future resources. Consequently, each dollar borrowed today can potentially reduce public spending for decades. Expressed in terms of individual taxpayers and citizens, each dollar the government borrows also has implications for you. If the government spends

more than it receives in tax revenue, the difference between the two amounts must be financed with borrowing. If the government borrows, the national debt increases. In addition, the national debt also has to be repaid with interest. Any government needs to maintain a good credit rating to facilitate lending at the lowest possible cost. It also means that the government's credit standing could be jeopardised when it borrows excessively and fails to demonstrate a willingness to pay its debts by following sound fiscal policies. The combination of a large stream of future interest payments and loss of taxpayers' money is the problem with borrowing excessively.

3. Types of Public Credit Instruments

Public credit instruments are mainly of the following types: Government bonds: These instruments are issued by the government to bear the debt commitments due to different sources of borrowings. It is a fixed-income instrument and a highly preferred security. Other than the government, statutory bodies and the general government are the other entities that issue government bonds, providing quality guarantees, sovereign backing, and a high level of creditworthiness to the investor. Compliance entities like banks, PDs, FIs, OCBs, registered NBFCs, etc., can purchase government bonds. Treasury bills: These are short-term instruments issued by the Reserve Bank of India that are issued at a discount on face value and redeemed at par. T-bills are of three types: ad hoc, ninety-one-day, and yielding T-bills. Treasury bills are short-term instruments generally sold at a discount to the face value, offering only a fixed return. Municipal securities (notes and bonds): This refers to obligations of a political subdivision such as a state, county, town, school district, or a public corporation or agency that is legally constituted and operated primarily to benefit citizens and service the public debt. It consists of short-term and long-term debt obligations. For these types, investors earn a return through interest over a specific period and realise appreciation of the purchase price on resale to others when market prices rise due to changes in interest rates and perceptions of credit risk related to the issuer. An issuer often returns the principal to investors at the end of the period covered by a note or bond, in one lump sum payment or through systematic repayments over the life of the debt.

3.1. Bonds and Treasury Bills

A bond is an instrument that represents an individual's share of public debt. A bond can have various features, depending on its intended use. As a rule, however, bonds are instruments with serial numbers, nominal and composition

values, face value, issue price, term, maturity date, and repayment plan. They can be used as proxies for a sovereign state's creditworthiness. Only those bonds issued by governments are discussed in the due course of this section.

On the other hand, Treasury bills are short-term investment options governments issue to finance shortages, refund the existing debt, or mitigate the fluctuations of cash flow. They act as an ideal bridge between the maturing obligation and asset realisation. Whereas bonds are a long-term financing option, treasury bills are issued for a medium-term period of two to ten years. However, trading rates indicate that the term can be as short as three to four months in real terms. This is the case in situations of high borrowing that warrant short-term financial support. T-bills are regular discount instruments in which the interest is the difference between the face value and the purchase value by the holder. They are generally traded at a discount. The advantage of both instruments is that the income generated is tax-free. For treasury bills, the holder has to pay the total price for that bill and can cash it in at a flat rate any time before maturity.

The state can adopt either type of financing based on the economic policy they wish to influence, the liquidity and cash position, the status of the budget, and the interest rates. The interest rate at which the two instruments are traded depends on the state of the economy – if the bank rates are low, then treasury bills seem more attractive. Rating agencies analyse the issuance of government bonds annually and rank them based on their ability to recoup. Public credit instruments play a vital role in a country's economy. These instruments directly and indirectly affect the economy and financial system. Overall, the government's public financing policy and borrowing instruments help maintain the stability of the financial markets. Bonds and treasury bills have distinctive features that can be utilised in portfolio composition. Remarkably, they have separate maturities of use, affecting their attractiveness to investors. Generally, bonds are long-term instruments, while treasury bills are short-term. The tools also share some advantages for investors and their issuers. The amount that may be borrowed is usually more significant, and the credit risk involved falls to a considerable level. Factors like the yield, inflation, and the economic policy of a country have an impact on the attractiveness of the instruments.

4. Risk and Return in Public Credit

Risk and return are closely related within public credit markets. Investors' leading risk is that the issuer will not repay them in whole or on time. This is sometimes

in the form of several smaller regular payments at regular intervals, so the risk of default is heightened if they fail to receive a payment in the agreed interval. In turn, the regular fee amount will, in part, be determined by the level of prior agreements between the instrument's issuer and the holder. These agreements are likely to specify that the regular payments can be stopped in circumstances that may arise because of economic factors, which will be detailed in the contractual terms. Such agreed circumstances may include periods when interest rates generally rise or fall, periods within an economic cycle, improvements or otherwise in the level of general inflation, or the issuer's financial strength. There is thus an element of risk of changes in cash flows from the instrument that are not expected at the time of purchase. The flow of interest payments and the final return to the investor depend on future economic conditions and the actions of the issuer's directors.

In contrast to the variation in returns to nominal lending contracts, public credit instruments, whether new issue or secondary market, are of agreed amounts with second-hand trading prices, not having any intermediary that provides a secondary demand if they wish to sell. Therefore, investors in public credit issues are exposed to the risk that the market may move against them and depress the trading price. Secondary investment in public credit instruments will carry some of the same economic analysis faced by buyers of lending contracts, together with the added probability risk, through secondary market trading, that the trading price will have fallen below par value at the time of buying (or that the yield will have risen above the coupon rate current when they were issued). If they wish to sell, they will subject themselves to some capital loss if they were the original cash providers and had to redeem the instruments back to the issuer at the par value. In public credit markets, investors will typically demand substantially more regular income than is expected from a typical private equity investment return, whose returns are more variable and hence valued on the expectation of higher capital realisation gains when sold. In other words, the relative valuation of investment capital expectations is directly linked to its expected variation and, thus, relative risk compared to the return expected from other investments.

4.1. Credit Risk and Interest Rate Risk

Credit risk is one of the most significant obstacles that investors identify in public credit. Credit risk can be defined as the possibility that the investment will be compromised by the borrower's failure to make the agreed interest payments or

to repay the principal. The probability that an investor receives a final value in their investment lower than the actual invested capital due to the rise in credit risk can be defined as credit risk. Concerning government bonds, there are two fundamental types of risks in investment. Credit risk can be almost entirely ignored by purchasing a sovereign bond denominated in domestic currency controlled by a well-skilled and implicitly universal tax administration. This is fundamentally due to the proliferation of financial health indicators.

As mentioned in the previous subsection, in the semi-strong market capacity, public investors can access all available reports and plan and fine-tune their investment activities accurately using all available data. Moreover, interest rate risk is another significant risk faced by public investors. Interest rate risk refers to a potential fluctuation in the prices of fixed-income securities caused by a fluctuation in interest rates. The declining interest rates would boost existing bond interest rates, as those bonds with reasonable prices would then replace their obligations as the source even when insisting on the same interest rate. Conversely, if interest rates rise, they will immediately rate higher than the prevailing government bond rates. Thus, the secondary market price of government bonds would drop so that their yields were on par with a new issuance concentrating actual bond price rates, all else equal. Even if necessary precautions are taken and the borrower's credit reliability assessments are in place, such interest rate expectations and developments are still accurate. Furthermore, should higher inflation result in another round of central bank tightening interest rates to contain inflation, government bond yields would immediately reverse. A percentage of the bonds will also be traded to avoid such interest rate discrimination.

5. Regulation and Oversight in Public Credit Markets

Successful capital markets require a harmony of sufficiency and precision at six fundamental levels. Appropriate opportunities must be available and known to would-be lenders; they must be receptive to individual lenders and issuers. Two additional conditions are non-discrimination against and by members of actual and potential borrower groups, and transaction costs acceptable to all must assure the survival of all market participants consistent with principal repayment and timely payment of interest. These ingredients provide the integrity of the market. In equity markets, the last two considerations are of secondary importance because investors, in concert, can choose managerial success on purely

opportunistic grounds. The most significant opportunity markets in modern capital markets are public credit markets because most available assets are creditworthy securities. Regulations governing such marketplaces aim to protect individual investors from their mistakes.

Public credit is not the only possibility for economies, but it will be our main alternative to secure productive activities. A distinguishing feature is the regulatory and oversight overview that transactions in public credit markets have created. While the rules relate mainly to bond issuance, they are supplemented by a continuing responsibility to record the transactions for compliance. If regulations are incomplete or overtaken by developments, events may cause regulators more than their resources can handle, or transactions may disappear. Various types of regulatory authority exist, and much experience has accrued in their handling. For example, extensive regulation has grown, covering financial information, bogus trading, and insider transactions in recent years. Moreover, modern regulatory oversight is exceptional because most markets are public. The potential risks and the regulatory actions will vary depending upon the type of public market structure imposed and differing therapy between public borrowers, including governments, supranational groups, and private creditors.

5.1. Key Regulatory Bodies

Public credit markets fall under the supervision of multiple agencies, departments, governors, and bank presidents. Some activities of the public credit market are regulated and supervised by specific regulatory bodies, while others are competencies of general regulatory authorities. These regulatory authorities interact with one another and communicate and organise in times of crisis to ensure that their activities do not threaten the stability of the domestic public credit market. The regulatory bodies can be classified as follows:

Agencies that monitor the issuer: these agencies are typically thematically focused. Most requirements on the issuer stem from thematic agencies. The most crucial issuer-monitoring entity in public credit is the Securities and Exchange Commission. Agencies that monitor other demand-side participants: often, managing the demand for fixed-income/credit products is regulatory; e.g., the Federal Reserve supervises banks and may promulgate regulations that apply to them and affect their activities in fixed-income markets. Intermediaries: these are primarily banks for the regulatory agencies in this country, and multiple departments, officers, and bank presidents supervise some municipal activities,

typically those activities tied to consumer protection in the area of using a mortgage to purchase a home or building. Systemic risk: a few agencies monitor systemic risk.

Collaboration between private sector public credit firms and various regulatory agencies has led to many rules and regulations that private sector firms must follow when conducting public credit market activities. Sometimes, restrictions are imposed, meaning firms may have to follow a regulatory guideline or limit after a rule passes through the legislature. Regulatory bodies in the field of public credit often follow the principles and, at times, the specific rules set forth by international organisations. One of the most essential universally held "rules" related to public credit financial markets is the value of transparency to create a "level playing field" for all actors, from retail investors to the most sophisticated professional players in the global markets. This is also crucial for attracting more buyers and maintaining stability in the public credit markets.

During the GFC, public credit markets froze, and agencies investigated the problems of the biggest banks. Eventually, many CEOs were fired or forced to resign. After the GFC began, the Federal Reserve focused on reforming the banking system to protect it from another systemic shock. As a credit rating agency, even international investors and rating agencies' performance are scrutinised carefully. The rating agencies can face more rules and regulations to ensure they are not overrating their products or positively influencing the laws related to their activities at an international level.

6. Investing in Public Credit

Investing in public credit is also known as investing in sovereign debt. Sovereign debt consists of instruments issued by the government, including quasi-government entities or agencies that serve as a stepping stone for the government. Several strategies can be used to invest in public credit: buy-and-hold, relative value trading, market-neutral trading, and long and short positions. Risk management policies for public credit include risk-segment exposures, stop loss, volatility, and yield management.

The risk management policy for public credit investment is that market-sharing/segment and stop loss, both based on standard deviation and credit ratings, could be applied to investments in national and international instruments. Various macroeconomic indicators are of significant importance, as they help

assess the movement of bond prices or bond rates, which in turn impacts and influences investors' investment decisions. The public credit market has displayed characteristics of zero correlation to equity markets, which increases diversification opportunities among equity investments. Investors should understand that the public credit market is not free from interest rate risk; therefore, distinguishing the performance of bond securities based on their credit ratings can mitigate the branch of interest rate risk.

The public credit market is mainly divided into the bond and T-bill markets. For an investor, it is crucial to understand the rate of return between the bond and T-bill markets. Investors should also remember that holding T-bills can provide excess returns and offer better returns than investing in the bond market. In the bond market, rational pricing is essential, so any investor in the bond market needs to bifurcate between two fundamental steps: fair pricing and rational pricing of the investment.

6.1. Strategies and Considerations

Investment strategy: There are many options to consider when designing an investment strategy. One of the first decisions is whether to use a passive, follow-index approach or an active, outperform-index approach. The active approach can lead to better long-term results, but the volatility and risk are also higher. Active investment strategies can create additional returns over benchmark returns. In this respect, the choice of an active investment strategy depends on the investor's characteristics, such as time horizon, the investor's ability to bear risk, and their ability to invest in in-depth analysis. Another consideration is whether the strategy focuses on yield or capital gain.

Due to the short time frame for public credit, the strategy is yield or revenue-based and smooths economic and financial cycles. Yield is an interest payment plus the associated premium paid for the loan. Investor risk: In today's investment environment, and especially in the market for institutional investors, sentiment and market perception also govern investments. Although expected returns play an important role, recent market developments also directly influence an investor's buy/sell decisions, and anticipated returns are adjusted accordingly. Investors regularly use market timing strategies based on time horizon and investment in/out. Investment strategy is independent of economic conditions to a large extent. However, remember that the shorter the investment horizon, the more significant the impact of current economic conditions, changes in political

circumstances, and external events. As with all investments, in-depth research and due diligence are crucial for a public credit investment in every successful case. Allocate assets based on individual investor profiles and risk preferences. It stipulates a maximum return requirement for reinvested capital. Moreover, it is recommended that the bare minimum capital requirement per investment not be financed with leverage.

7. Case Studies in Public Credit

Case Study 1: KfW Development Bank: Credit for Refugees Case Study 2: Banco Tecnológico: Supporting Growth Aspirations among SMEs/VSEs in Peru Case Study 3: Proparco: Acting as first mover in the riskiest areas to initiate change Case Study 4: CoopEst: Using Public Credit for Public Policy Case Study 5: BayernInvest: Investment by public banks and funds of funds to bridge gaps in the market and drive adherence to public policy Case Study 6: SuezMobilite: Aiming to successfully support the launch of a megatrend in cities Case Study 7: SRL – SURE Capital: Creating a more progressive and socially inclusive form of venture capital. When undertaking the case studies, the teams must start with the methodologies in the previous section and examine them in detail. All the cases involve some challenging circumstances for the primary public authority concern, whether in terms of business model, funding, or dual orientation. They also, for the most part, involved channelling public capital into private markets, taking a 'frontier' risk. This report synthesises, analyses, and makes sense of the capacities and outputs the research teams have carefully provided. The strategy throughout the entire study period has been to ensure cross-case comparability. Section 8 opens up with a reflections sub-section that draws some preliminary conclusions. We argue that the initiatives in public credit described in the case studies are attempts to address what would seem to be a high-value 'economy-first' political problem through 'finance-first' means. We also note some broad limits that frame these unlikely cases.

7.1. Successful Public Credit Initiatives

As new and innovative financial products emerge, opportunities arise for public credit to be positioned as innovative ways of securing value for money, mainly where local and neighbouring markets display abnormal interest rate disparities and thus direct transfers to the local economy. This paper will investigate a series of case studies where establishing a public debt fund has been used to secure social and economic uplift of the community. What are the stakeholders, valuation

framework, and key performance indicators required to make such an innovative financing initiative successful?

The Local Government NSW's LG Refinance Scheme has allowed regional and rural councils access to funds at a lower rate than those available in the NSW market. The Victorian Industrial Hemp Industry Growth Initiative was supported by a tailored bond design and business case to provide confidence to investors and Victorians in delivering the initiative at no further cost to the government. When delivered in 2009 under the Aloe Vera project, Bendigo Herb Farm and Timeless Herbal Care have been underpinned by a bond financing mechanism with a successful and locally invested financial impact. The Blayney–Demondrille Community Enhancement Program used a tailored bond, allowing the government to commit a specific sum over a fixed period with some short-term cash flow flexibility. Based on a Worcester County Credit Reserve, the Blackstone River Valley National Historical Park Project Loan and Subsidy Fund was intended to make the park self-sustaining over a 30-year term. Successful projects were expected to work with park staff on improvements that increase visitation or reduce operating costs through visitor management. With up to 10% of admission revenue returned to a park development fund, the Blackstone Valley Tourism Council used the proceeds as 1:1 matching funds for park improvement projects.

Each case presented enabled access to funds for an activity that would otherwise have been financed by the government at a higher rate or not undertaken due to the projected repayments. A common technique was to use a framework where councils or projects applied for funds using a cost-benefit analysis style format. A bond was then tailored to meet this known requirement. The fund managers were selected through a competitive tender process based mainly on their ability to lead, structure, and prepare this cost-benefit analysis to meet investor requirements and maximise, or at least meet, the target rate of return. Sections 7.1 and 7.2 provide an exciting juxtaposition of initiatives from around the world that are considered successful to a greater or lesser extent. While stakeholders were particularly effusive in their commentary on the cooperative-run Council Finance Office and the LG NSW LG Refinance fund, there was less information on these two entities to provide in the case study. Nevertheless, the feedback shows that bond financing tools offer significant potential benefits in the proper policy context. Input from stakeholders indicated that, although each initiative had its stakeholders, it was at the national level that everyday role players began to emerge. On a national level,

the key stakeholders are the policy team responsible for servicing their governing body or board, who were required to demonstrate this new initiative; the investor in the initiative; and the potential project beneficiaries. The monitoring program also created a nationwide working party comprising representatives from each participating country. Interviewing members of the working party, who were ultimately responsible for agreeing on the methodology for evaluating success, allowed us to disprove the pessimistic view and better understand which methodologies were working most effectively among the public lenders who had attribution studies.

8. Future Trends and Innovations in Public Credit

8.1. Technology and Public Credit

Technology has played an incredibly significant role in transforming the entire public credit and financial services landscape. Here are several ways in which various technological advancements have driven remarkable innovation in public credit:

1. Online Platforms: The rapid advancement of technology has led to various online platforms explicitly designed to simplify the public credit application and approval process. Borrowers now have the incredible ability to easily access crucial information, submit their applications efficiently, and effortlessly track the status of their credit requests online. This transformation has made the entire experience more user-friendly and accessible for individuals seeking financial assistance.

2. Data Analytics: Advanced data analytics tools allow public credit agencies to assess creditworthiness with greater accuracy and efficiency than ever before. By systematically analysing large volumes of data, agencies can make much better-informed decisions regarding various aspects of credit approvals and effective risk management strategies. This enhanced analysis helps identify potential credit risks and allows for tailored credit solutions, improving overall financial stability and trust within the lending process.

3. Blockchain: Innovative blockchain technology significantly enhances security and transparency regarding public credit transactions. Additionally, smart contracts have the potential to automate the entire lending process effectively, reducing the necessity for intermediaries while minimising the associated risks of fraud and security breaches.

4. Artificial Intelligence: AI-driven algorithms can thoroughly analyse borrower behaviour and credit history, allowing for a more precise prediction of loan default risks. This enhanced analysis assists public credit agencies in customising their lending terms and conditions for each borrower. As a result, this approach significantly improves the overall efficiency and effectiveness of the credit system. These organisations can provide better service and make more informed lending decisions by leveraging advanced AI technologies.

5. Mobile Banking: Mobile banking applications have revolutionised how individuals can conveniently access various public credit services while on the move. Borrowers can now quickly check their credit scores, apply for loans, and manage their repayments using smartphones. This advancement enhances convenience and significantly improves accessibility for users, allowing them to manage their financial transactions seamlessly from virtually anywhere at any time.

6. Peer-to-Peer Lending: The advent of technology has dramatically facilitated the remarkable growth of peer-to-peer lending platforms, effectively connecting borrowers directly with lenders. This innovative disintermediation of the traditional lending process can potentially lead to significantly lower interest rates for borrowers while simultaneously providing higher returns for investors seeking alternative opportunities. By eliminating intermediaries, these platforms create a more efficient market that benefits participants on both sides.

Technology has revolutionised the public credit sector by making credit more accessible, efficient, and secure. By leveraging technological innovations, public credit agencies can better serve the needs of borrowers and promote financial inclusion in society.

In the field of public credit, numerous trends and significant innovations are actively shaping the future landscape of how governments and various financial institutions provide credit to individuals, businesses, and other entities in society. Some of the key trends and innovations that are worth noting include:

Digital transformation: The public credit sector is currently experiencing a significant digital transformation driven by the rapid adoption of various innovative technologies such as blockchain, artificial intelligence, and big data analytics. These technologies are being implemented to streamline and optimise

processes, enhance decision-making capabilities, and improve customer experience. This shift towards digitalisation is reshaping how services are provided, making them more efficient and user-friendly.

2. Alternative credit scoring: Traditional credit scoring models are increasingly being complemented or replaced by innovative alternative data sources and advanced scoring methods, including social media activity, detailed transaction history, and sophisticated machine learning algorithms. This evolving approach provides a significantly more inclusive framework for credit assessment, enabling individuals with limited or no established credit history to access essential credit resources. Such advancements in credit scoring methodologies aim to widen financial inclusion, ultimately allowing those previously overlooked to gain credit access and financial support opportunities.

3. Peer-to-peer lending: Peer-to-peer lending platforms are rapidly gaining popularity as a viable alternative source of credit for individuals and small businesses. These innovative platforms connect borrowers directly with investors, bypassing traditional financial institutions, often imposing strict lending criteria and higher rates. By facilitating this direct connection, peer-to-peer lending platforms can offer competitive interest rates more attractive than conventional banks. This approach democratises access to funding and potentially allows investors to earn handsome returns on their investments.

4. Green finance: In recent years, there has been a significant and increasing emphasis on sustainable and green finance within the public credit sector. This shift is marked by governments and financial institutions actively promoting environmentally friendly projects. To support these initiatives, they offer numerous incentives to bolster green investments. These efforts are facilitated by introducing specialised credit products designed specifically for this purpose, reinforcing the commitment to fostering a sustainable future.

Open banking: Open banking initiatives increasingly enable a broader scope of data sharing and collaboration between various financial institutions and third-party providers. This transformation is paving the way for innovative credit products and tailored services that cater to consumers' and businesses' evolving and diverse needs in today's dynamic financial landscape. As a result, individuals and companies can benefit from more personalised financial solutions that enhance their overall experience.

6. Personalized credit products: Recent advances in data analytics and cutting-edge machine learning technologies are enabling the innovative development of highly personalised credit products tailored to individual borrowers' specific needs and preferences. This evolution in the financial landscape can lead to significantly more flexible terms, lower interest rates, and an improved overall borrowing experience customised for each unique situation. Such advancements empower consumers and enhance the relationship between lenders and borrowers, fostering a more supportive financial environment.

Overall, the future landscape of public credit will likely be significantly characterised by a marked increase in digitisation, data-driven decision-making, and a strong focus on innovation, all aimed at effectively meeting borrowers' evolving demands. In addition, there will be a concerted effort to promote greater financial inclusion for all population segments.

Technology has undeniably played a crucial and significant role in transforming the entire landscape of public credit and financial services today. Here are several impactful ways in which technology has consistently driven innovation and development in public credit:

1. Online Platforms: The rapid advancement of technology has significantly facilitated the development of innovative online platforms that streamline and enhance public credit application and approval processes. Nowadays, borrowers can effortlessly access comprehensive information, submit their applications conveniently, and efficiently track the status of their credit requests through user-friendly online interfaces.

2. Data Analytics: Advanced data analytics tools enable public credit agencies to assess creditworthiness more accurately and efficiently. By meticulously analysing large volumes of diverse data, these agencies can make more informed and reliable decisions regarding credit approvals and effective risk management strategies. This enhanced capability not only streamlines the evaluation process but also helps identify potential risks more readily, ultimately leading to better outcomes for both the agencies and their clients.

3. Blockchain: Blockchain technology significantly enhances security and transparency in public credit transactions, which is essential for building trust among parties. Intelligent contracts can efficiently automate the lending process,

reducing reliance on intermediaries. This reduction streamlines the process and minimises the risk of fraud, creating a more secure and reliable environment for credit activities.

4. Artificial Intelligence: AI-powered algorithms can analyse borrower behaviour, credit history, and various financial activities to predict default risks more accurately and precisely. This advanced capability helps public credit agencies effectively tailor their lending terms and conditions to suit the unique needs of each borrower, ultimately improving the overall efficiency and reliability of the credit system. Agencies can foster a more responsible and informed lending environment by leveraging these sophisticated tools.

5. Mobile Banking: mobile banking applications have revolutionised how individuals can seamlessly access crucial public credit services anytime, anywhere, while on the move. Borrowers can now quickly check their credit scores, apply for various types of loans, and manage their repayments from their smartphones. This technological advancement significantly enhances the convenience and accessibility of financial services, allowing users to make informed decisions quickly and keep track of their financial health effortlessly.

6. Peer-to-Peer Lending: In recent years, technology has significantly facilitated the rapid growth of peer-to-peer lending platforms, effectively connecting borrowers directly with lenders without needing traditional financial institutions. This innovative disintermediation of the lending process can result in notably lower interest rates for borrowers while simultaneously providing higher returns for investors participating in this evolving lending landscape. As a result, both parties can benefit from this arrangement, making peer-to-peer lending an increasingly attractive option in today's financial world.

Overall, technology has significantly and fundamentally revolutionised the public credit sector by making credit not only more accessible, efficient, and secure than ever before. By leveraging advanced technological innovations, public credit agencies are better equipped to serve the diverse needs of various borrowers and promote widespread financial inclusion across society.