



## The Most Important Topic in 2018: Due to the Use of Artificial Intelligence, the Evaluation of Corporate Data Have Taken on a New Dimension

### Tips for Hedging Corporate Financing

The Federal Association of German Banks explains in its position paper, which has recently been published \*: „But if banks have to compete with non-banks under unequal conditions, they may be forced to withdraw from certain business segments and abandon them completely.“ The background of this current threat to legislation is the regulatory difference in treatment of banks and financial services institutions (e.g. leasing and factoring companies).

This is the accusation to legislation, although the preference given to financial services institutions ensures significantly more liquidity for companies.

- For decades, factoring companies have invested in collection, settlement and control systems for purchasing receivables. For this reason, they are allowed to finance in advance 90 % of accounts receivables as part of a continuous process.
- For decades, leasing companies have comprehensive IT systems to be able to book and depreciate investment goods. They can aggregate the amount of fixed assets and the values of mortgaging obtained across all customers, detect estimated values and possible utilization risks. For this reason, they are allowed to finance 100 % of net acquisition costs without any additional securities. A leasing company with a bank license is allowed to grant traditional loans und reduced-interest refinancing (e.g. from the KfW = German government-owned development bank) in line with the role of a house bank.

Competitive (market) advantages of financial services institutions are significant: less equity capital required, no unsecured portions to be evaluated, high customer satisfaction in the respective area of expertise by maximum financing (up to 100 %) of the respective asset value. Companies experience a wide range of institutes which focus on IT and are therefore highly interested in high scaling. As a consequence, prices of tendering procedures of these institutes are under pressure. Even requirements for a regular interim reporting are significantly reduced, as these financial services institutes are mainly concentrating on assets.

Reducing risks is getting easier for financial services institutes, whereas it is a mandatory requirement for banks, currently being dismantled. Whereas the KfW mainly accepted balance sheet items plus risks during the financial crisis in order to give fast support to system-relevant banks and those at risk, now big insurance companies, i.e. portfolios – often assorted perfectly according to asset classes – have taken over the reinsurance covering, entirely or in part. In this context, insurances are getting access to respective credit approvals of particular institutes and deep insight into companies' justifications for credit applications, into business models, figures and planning as well as the evaluations by the respective management. At least since the end of 2016, the central company facebook is growing at a rapid rate. Also in this light, Allianz AG is anxious to get 100 % of the shares of Euler Hermes, under condition of the approval by cartel authorities.

\* You will find the complete paper in the download area under „Corporate Finance“ on our website.



For companies, it is crucial to get back control about portraying company data to the outside world. Derivations in the representation of a multitude of credit applications and their enclosures are evaluated as a risk that is not explained in detail and therefore they are recorded permanently. Analysis is done by means of artificial intelligence. Within logic, incongruities are an additional risk and indicate for example reduced suppliers' coverages concerning trade credit insurances. Manual corrections are normally not scheduled. It takes years to correct information that has not been saved in an appropriate way. There does not exist any right of access to data records.

Conclusion: Control of the phrasing of credit applications must be preserved, respectively be regained. This means: Identical documents to all institutes. Papers from sales representatives or corporate customer advisors of institutes do not belong to credit documents at credit institutes. Only documents agreed upon – compact, limited, congruent with reports communicated before – will be approved for use. As „digitized“ providers are willing to do without sales representatives, it is much easier to keep application marketing in your own hands.

Some experts recommend to engage agencies to maintain „sustainability data“ and research their effects. As far as the mid-sized sector is concerned, I see the solution in reducing the allocation of data and placing consistent applications for financial funds. As we have online access to leasing companies, we are able to specify application forms as well as market votes and filter required company data. In this respect, tenderings are identical. Incongruities are eliminated from

the start; digitized procedures support your interest at least in this respect.

To remember: On our German website we have stored real-time conditions for different asset classes for companies in Germany. After having registered, investment projects can be calculated, assuming the worst interest rate and financing requests can be stored online. After that, we will contact you personally to discuss which data should be used online in the tendering process. We obtain the approval and print the contracts inhouse so that they can be forwarded to you as soon as possible.

New: The question which funding instrument is suitable to get grants and interest-reduced subsidies for your project, is answered in a binding and competent way. The market leader in this field, Spitzmüller AG, situated in Gengenbach, with more than 30 years of experience in this market, will exclusively provide funding anticipations as well as application forms. We are pleased about this co-operation which extensively rounds off our service.

I wish you sufficient liquidity on your accounts all the time and furthermore a stable growth.

Best regards,

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