

Why Accounting Data is More Powerful than Alternative Data

Today, this cutting-edge alternative data helps lenders get more accurate, faster, and more granular insights and metrics into business performance than traditional data resources. While this non-financial data can be used to estimate the lending risk of a business, real-time accounting data can provide a deep level of insight into a business.

The information included in alternative data is utility bills, social media mobile phone data, social media and internet data, and more. Though this information can provide some great information about a business, accounting data such as balance sheet, income statement, cash flow and more, allows lenders to offer higher value, personalized services to potential small business owners and make a strong custom relationship.

How Modern Technology Is Making Accounting Data More Powerful?

Access to accounting data has been historically unwieldy and involved complex data capture across various systems with a lack of standards. Modern technology is changing that.

Now with the help of API, lenders can get the most robust historical, present, and future accounting data to determine an SME creditworthiness, provide the best loan products, and make better lending decisions.

These APIs can integrate with all the major accounting software systems to provide real-time, short and long-term accounting data supported by numerous data attributes. Lenders can collect and analyze this data to gain a better picture of SMEs' reliability and risk. This data helps lenders accurately predict the future of financial health of a small business, faster.

Types of Information New Accounting Data Provides to Lenders

Financial Data

- How much Income is a business generating?
- How much a company's assets, liabilities, and shareholders' equity?
- How a company is spending its money?
- What is the company's payroll activity like?

Business Customers' Data

- Who are the company's business customers?
- How quickly these customers pay invoices payments to the company?
- How concentrated are these customers?

Cash Flow Predictive Data

- What will be the income and expenses of a company in the near future?
- How various scenarios will impact a business's financial future?
- What will be a company's predictive future receipts & payments?

Quality & financial behavior

- Is the company making the best use of its accounting tool?
- Is the company completing financial tasks in a timely and efficient manner?
- Are there any mismatches on the accounts?

So accounting data is key for lenders, from banks to alternative lenders and non-banking financial institutions. Because financial statements outline all its assets as well as the short- and long-term debt, lenders get a better sense of a business's creditworthiness.