ROLE OF CREDIT REFERENCE BUREAUS ON CREDIT ACCESS IN KENYA: A SURVEY OF COMMERCIAL BANKS IN KENYA

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Abstract

Inadequate access to credit, limits poor people from a fair share of resources in society, depriving them of basic needs and opportunities in life. Universally, commercial banks are facing problem of non-repayment of loans. This problem can be overcome through monitoring the behavior of borrowers. Thus, the idea of establishing Credit Reference Bureau (CRB) was conceived in order to assist banks in determining credit worthiness of their borrowers. CRBs allows for credit information sharing among the financial institutions. This study explores the effect of credit reference bureaus on credit access in Kenya. The sample of 96 respondents was drawn from the employees working in the headquarters of these banks targeting managers within the finance, strategy and business development portfolios/dockets in the 42 commercial banks in Kenya. The study found out that CRB reduces borrowing cost and loan delinquencies to a moderate extent. It further established that CRB has enhanced effective risk identification/monitoring and microcredit extension in Kenya. The study therefore recommends that lenders and CRB should work closely to ensure that there is no information asymmetry and therefore ensure that credit flows to deserving borrowers.

Key Words: credit reference bureaus, loan delinquency, borrowing cost, risk identification/monitoring, microcredit extension

Introduction

Schreiner (2001) indicates that financial institutions are facing an enormous risk of non-performing loans (NPLs) noting that larger loans have greater risk exposure, so the variable costs per-dollar is higher. If lenders don't take extra care, there could be more loan defaults. To overcome the challenge of NPLs, an institution is required to monitor the behavior of borrowers. Thus, the idea of establishing Credit Reference Bureau (CRB) was

conceived in order to enable banks to determine credit worthiness of their borrowers – individuals, groups and enterprises; and therefore reduce the loan default risk. In this respect CRB assists in first, sharing information on default among banks; secondly, eliminating corrupt borrowers – those with the aim of borrowing from different financial institutions with the aim of defaulting; thirdly, to provide commercial professional credit reference to say prospective foreign investors; and also to identify honest/credible borrowers based on known history and character.

CRB allows for credit information sharing among the financial institutions. Credit information sharing undoubtedly plays a pivotal role in reducing the information asymmetry that exists between banks and borrowers. The major benefit that the banks receive from CRB is that they are able to get credit information on prospective borrowers that will facilitate assessment of credit requests to mitigate risks of bad debts. On the side of the borrower, a good credit record acts as an incentive for competitive pricing of loan facilities. In a nutshell, credit information sharing rewards and promotes good credit track record. Further, credit sharing facilitates reduction in the cost of credit and appropriately analyzing and pricing risks. Lack of credit information has in the past led to banks factoring a risk premium in the pricing of credit. However, credit information is not the only factor that contributes to high cost of borrowing; there are other structural rigidities that contribute to this high cost of credit. The government must work closely with the bank to alleviate these barriers to make credit affordable (CBK 2010).

Kenyans particularly those in the informal and small and medium enterprises have faced challenges in obtaining credit over the years. This has in part been attributable to the lack of physical collateral that banks have requested for to guarantee loans. The information to be collated by bureaus will in this regard act as "information capital" for these market niches. This will overtime change the demands for physical collateral and enhance the bank/client or lender/borrower relationship. Access to credit will therefore be considerably enhanced with the attendant positive impact on the economy. In Kenya, according to CBK, with several CRBs, the market will benefit from reduced costs from information search and inherent innovation from competition, this will be beneficial to the banks and borrowers alike as it will reduce cost and time of borrowing and minimize risk on the side of the bank (CBK 2010)

Credit Reference Bureau

CRB is a company that collects information from various sources and provides consumer credit information on individual consumers for a variety of uses. It is an

organization providing detailed information on a person's credit history, including information on their identity, credit accounts and loans, bankruptcies and late payments and recent inquiries. Other information shared include: proven frauds and forgeries; cheque kiting; false declarations and statements; receiverships, bankruptcies and liquidations; credit default and late payments; use of false securities; and misapplication of borrowed funds. The borrower could be individuals, businesses, companies, sole proprietors and Government entities. This helps lenders assess credit worthiness, the ability to pay back a loan, and can affect the interest rate and other terms of a loan. Prospective lenders access the information only when they have permissible reason as defined in law, to determine the borrower's creditworthiness (Sullivan and Sheffrin 2003). The individual information collected by CRBs is made available on request to customers of the credit bureau for the purposes of credit risk assessment, credit scoring or for other purposes such as employment consideration or leasing an apartment.

In a nutshell, CRB plays three roles: first, they enable lenders to lend to more and better risk clients (avoiding dead beats) and to determine better (and lower) the bad loan spread that they need to cover expected losses of credit to good payers. Second, credit bureaus reduce the borrowing cost by forcing creditors to be more competitive for good borrowers. Those lower costs for good credit risks motivate those borrowers to be more careful with repayment. Third, credit bureaus reduce moral hazard by developing a credit culture where they operate as borrowers become aware that credit market becomes aware of their credit history and rewards or punishes them accordingly (Sullivan and Sheffrin 2003).

Research Objectives and Significance of the study

Since the roll out of CRB in Kenya in July 2010 and banks submitted credit information to the licensed credit reference bureau in August 2010, commendable progress has been made so far. Banks have also started accessing credit reports from the licensed bureau for credit appraisal purposes. Since August 2010, banks have accessed 1,306,439 reports from licensed credit reference bureau in Kenya (CRB Africa and Metropol). However, despite licensing of CRB in Kenya and their facilitation of data sharing, no study has ever been undertaken to determine their effect on credit access in Kenya. This study aims at identifying the role and contribution made by CRB and its effect on credit access. Specifically, it sought to establish whether CRB has helped in reducing borrowing cost, effectively reducing risk identification/monitoring, reduced loan delinquency and enhanced microcredit extension in Kenya.

The findings of this study would be useful to the Commercial Banks in Kenya as it will help the banks in formulating effective policies related to credit access in Kenya. Also, the findings of the study would also be useful to the microcredit institutions as it would be insightful on how microcredit institutions can increase and control credit distribution to their clients. The study contributes to literature and form part of empirical review and may inspire prospective researchers to explore more dimensions in the effect of credit reference bureaus on credit access and would therefore form the basis for future research.

Literature Review

According to Sinare, (2008), Credit References Bureaus are information brokers, providing creditors with reliable, relevant and comprehensive data on the repayment habits and current debt of their credit applicants. Under reciprocity agreements, credit bureaus obtain data from creditors and other sources, consolidate and package information into individual reports, and distribute it to creditors for a fee. Lewis (2004) indicated that most banks and most creditors prefer hard collateral-based credit but would extend cash flow-based credits if they can use a reliable and inexpensive system to exchange information on the character and ability to pay of borrowers. The need for establishment of CRB services in any financial system arises because of information asymmetry between lenders and borrowers (Paydaycash, 2010). When financial institutions compete with each other for customers, multiple borrowing and over-indebtedness increases loan default unless the financial institutions have access to databases that capture relevant aspects of clients' borrowing behavior. The CRB contributes significantly to reduction in the costs of screening loan applications by enabling the lender to sort out prospective borrowers who have defaulted with other lenders.

Research by Armstrong, (2008) based on information from several countries across the globe show that the existence of credit registries is associated with increased lending volume, growth of consumer lending, improved access to financing and a more stable banking sector. Further, Hansen *et al*, (2004), highlighted that many borrowers make a lot of effort to repay their loans, but do not get rewarded for it because this good repayment history is not available to the bank that they approach for new loans. Whenever borrowers fail to repay their loans, banks are forced to pass on the cost of defaults to other customers through increased interest rates and other fees. Put simply - good borrowers are paying for bad. Credit reporting allows banks to better distinguish between good and bad borrowers. Angulin and Scapens, (2000) in their study indicated that it is difficult to have accurate information on the financial ability of prospective borrowers and even more difficult to have accurate

information on their credit history. This makes it extremely difficult for the lenders to assess the credit worthiness of potential borrowers and their ability to pay the loans

For many years, Kenyan banks have had to contend with having incomplete information about borrowers that in turn translated to higher risk premiums on interest rates. Bank industry players also say lack of credit reference information leads to a risk of overpricing low risk borrowers and under-pricing high risk borrowers. The Central Bank of Kenya (CBK) is processing licences for new credit reference bureaus to step up sharing of borrowers' information among banks. Perennial defaulters had been the cause of high lending rates (Rukwaro, 2001). Negative reports would be used as a basis for denying habitual defaulters to access loans from any bank. Credit information sharing is a mechanism introduced by Central Bank requiring all banks to share data on the credit history of their customers. This information will be shared by banks through credit reference bureaus when they want to establish the credit worthiness of a customer seeking a loan.

Banks and other credit providers use credit reports obtained from credit bureaus as part of the lending decision process. Walsh, (2003) warns that having only one half of the picture (negative information) runs the risk of it becoming the only deciding factor - a blacklist with the potential of restricting access to credit. In the past, credit scoring focused on measuring the risk that a customer would not fulfil his/her financial obligations and run into payment arrears. More recently, credit scoring evolved to loss and exposure risk as well (Glennon *et al,* 2008). Scoring techniques are nowadays used throughout the whole life cycle of a credit as a decision support tool or automated decision algorithm for large customer bases. With increasing competition, electronic sale channels and recent saving, credit and cooperative regulations have been important catalysts for the application of semi- automated scoring systems.

Credit bureaus enable lenders to lend to more and better risk clients (avoiding dead beats) and to determine better (and lower) the bad loan spread that they need to cover expected losses of credit to good payers. Those lower costs for good credit risks motivate those borrowers to be more careful with repayment (Djankov, McLiesh & Shleifer, 2005). Fulton, (2004) indicated that originally, the credit approval decision was made using a purely judgmental approach by merely inspecting the application form details of the applicant and commonly focused on the values of the 5 Cs of a customer. Thse 5Cs are Character which measures the borrower's character and integrity including virtues like reputation and honesty; Capacity which measures the borrower's ability to pay for example job status, source of income and finally Conditions where the members' borrowing circumstances are

evaluated for example market conditions, competitive pressure, and seasonal character (Bessis, 2003).

Risk identification is vital for effective risk management. With the presence of a CRB, there is strong motivation for clients to repay their loans. Credit reports that include both positive and negative information help build "reputation collateral" in much the same way as a pledge of physical collateral, which may improve credit access for the poorest borrowers. To be effective, credit bureaus gather information on all borrowers from as many of all available creditor sources, including financial institutions of all types, credit card companies, utilities, department and specialty stores, and other commercial, distribution, industrial, and service firms under reciprocity agreements (Berger & Frame, 2005). Creditors then receive a report on the borrower or applicant that they request giving a comprehensive picture of that individual's credit history and obligations. Credit bureaus strive to provide credit reports with information that is relevant, complete, accurate and recent. They provide information through a variety of means but electronic means allow them to quickly and inexpensively process and provide massive amounts of information.

A credit bureau score is based on the contents of the credit report at a particular point in time. The designers of a Credit Scoring system, through years of experience, determine which details are best able to predict future ability to repay (Beck *et al,* 2004). Effective risk management requires reporting and reviewing structure to ensure that risks are effectively identified, assessed and that appropriate controls and responses are in place. Risk monitoring can be used to make sure that risk management practices are in line and it also helps banks management to discover mistake at early stage (Al-Tamimi and Al-Mazrooei, 2007). According to Christen and Pearce (2005), the shareholders of the corporation can use their rights to demand information in order to judge the efficiency of the risk management system.

Delinquency is the situation that occurs when loan payments are past due. A delinquent loan (or loan in arrears) is a loan on which payments are past due, while delinquent payments/payments in arrears are loan payments which are past due (Koch and MacDonald, 2000). Credit without strict discipline is nothing but charity. It must be pointed out that proper credit policy and procedures require that credit references be ordered by creditors on a borrower and his guarantors or co-makers each time that creditors consider a new extension of credit, or a renewal or increase of existing credits facilities.

Microcredit is the extension of very small loans (microloans) to those in poverty designed to spur entrepreneurship. The core issue of enlarging micro credit extension is to ensure risk compensation. One main challenge facing the banking fraternity is not only

growing competition for the underserved such as retail and small businesses, but also lack of strategies and skills to tackle impediments associated with this market. Credit bureaus have a pivotal role to merge the two challenges and as a driving force for borrowing, while mitigating non-performing loans which had dogged the local financial industry for years. Credit reference bureaus are reaching out to microfinance institutions (MFIs), rural banks, insurance companies and utility companies for customer information to add to its credit reference database. A culture of financial discipline will be instilled since consumers know that they will be monitored.

The banking sector in Kenya has to a large extent been underwritten by physical collateral such as land and borrowers without access to such collateral have been constrained in accessing credit. SMEs and individuals have been constrained in accessing affordable credit due to the perceived higher risk attached to them on account of lack of physical collateral. Microfinance institutions (MFIs) in Kenya are looking to gain access to the credit information of borrowers that is stored by local credit reference bureaus (CRBs), which allow only commercial banks to access such information in accordance with a regulation implemented in 2008. Representatives of unnamed Kenyan MFIs have reportedly argued that this puts them at a disadvantage by exposing them to the risk of lending to individuals and businesses that have previously defaulted on their loans.

Effective system that ensures repayment of loans by borrowers is critical in dealing with asymmetric information problems and in reducing the level of loan losses, thus the long-term success of any banking organization (Basel, 1999 and IAIS, 2003). Effective CRM involves establishing an appropriate CR environment; operating under a sound credit granting process; maintaining an appropriate credit administration that involves monitoring process as well as adequate controls over CR (Basel, 1999, Greuning and Bratanovic, 2003 and IAIS, 2003).

Screening borrowers is an activity that has widely been recommended by Derban, Binner and Mullineux (2005). The recommendation has been widely put to use in the banking sector in the form of credit assessment. According to the asymmetric information theory, a collection of reliable information from prospective borrowers becomes critical in accomplishing effective screening.

Clear established process for approving new credits and extending the existing credits has been observed to be very important while managing CR (Heffernan, 1996). Further, monitoring of borrowers is very important as current and potential exposures change with both the passage of time and the movements in the underlying variables (Donaldson, 1994

and Mwisho, 2001), and also very important in dealing with moral hazard problem (Derban, Binner and Mullineux, 2005).

Microfinance fills a key need in developing countries like Kenya: the provision of financial services to low-income clients who traditionally lack access to formal banking for several reasons. Microfinance loans provide financial access to the poorest that allows many of them to start new businesses, grow existing businesses, insure against shocks due to bad weather and illness, and smooth consumption (Anderson, 2007). In the absence of microfinance, the poor will have no choice but to approach the unregulated local moneylenders who provide services that are fast and flexible, but charge usurious interest rates in the range of 60-120 per cent per year — and who may often enforce repayment by illegal and exploitative means.

Methodology

The broad objective for this study was to establish the role of credit reference bureaus on credit access in Kenya. The study employed descriptive research design. The target population of the study was the 42 commercial banks registered in Kenya. The sample for this study was drawn from the employees working in the headquarters of the 42 banks. Purposive sampling procedure was used to draw a sample of 126 respondents from managers within the finance, strategy and business development portfolios/dockets since they are conversant with the effects of credit reference bureaus on credit access in the commercial banks in Kenya. A questionnaire was used to obtain information from the respondents. The questionnaire had both closed ended questions and open ended questions. The study also used a five point Likert scale toaskrespondents to express their opinion on given statements, where 1 represent strongly disagree, and 5 strongly agree. Further, the researcher employed a Pearson’s product moment correlation analysis and multivariate regression model to study the relationship between credit reference bureaus and credit access.

Discussion of Findings

From the study, it is observed that Credit Reference Bureaus enhanced credit access in Kenya. These finding contradicts Avery (2004) who indicated that consumers with poor credit repayment histories or court adjudicated debt obligations like tax liens or bankruptcies (evidence as given by CRB) will pay a higher annual interest rate than consumers who don't have these factors thereby reducing credit access for those wil poor repayment histories. Among the reasons given for increased access to credit were, little or no collateral is required to access credit for those with good repayment history, creditors can now benefit from credit information sharing and also that credit bureaus reduce the borrowing process by forcing

creditors to be more competitive for good borrowers. For those who felt that CRBs reduced credit access in Kenya, they indicated that consumers with poor credit repayment histories were barred from accessing credit; they further indicated that the process of accessing the information was dilatory and therefore increased the waiting period for the loans to be processed.

Table 1: Credit Reference Bureaus and Credit Access

	Means	**Std. Deviation**
Credit bureaus provides reliable and inexpensive system to exchange information on the character and ability to pay of borrowers enhancing credit access	4.3547	.43863
CRB has reduced cases of multiple borrowing, over-indebtedness and loan defaults.	4.2562	.68223
CRB offers financial institutions access to databases that capture relevant aspects of clients' borrowing behavior and thereby reducing vetting process	3.9635	.65337
Credit bureaus strive to provide credit reports with information that is relevant, complete, accurate and recent to assist in creditor in decision making.	3.7252	.65242

From the above table, credit bureaus provides reliable and inexpensive system to exchange information on the character and ability to pay of borrowers enhancing credit access, has reduced cases of multiple borrowing, over-indebtedness and loan defaults,offers financial institutions access to databases that capture relevant aspects of clients' borrowing behavior and thereby reducing vetting process and strive to provide credit reports with information that is relevant, complete, accurate and recent to assist in creditor in decision making. Armstrong, (2008) indicated that the existence of credit registries is associated with increased lending volume, growth of consumer lending, improved access to financing and a more stable banking sector.

Results from the study also indicated that CRB has helped reduce borrowing cost in Kenya to a moderate extent. This confirms Walsh (2003) statement that if banks are aware of a customer's good payment history, that consumer could benefit from lower interest rate, easier terms and/ or less collateral. In Kenya, CRB has enabled effective risk identification/monitoring to a great extent. Paydaycash (2010) highlighted that CRB contributes significantly to reduction in the costs of screening loan applications by enabling the lender to sort out prospective borrowers who have defaulted with other lenders.

Table 2: Credit Reference Bureaus and Risk Identification/Monitoring

	Mean	**Std. Deviation**
CRB reduced default rates as borrowers seek to protect their "reputation collateral" by meeting their obligations in a timely manner	4.26383	.43632
CRB provides credit reports that include both positive and negative	3.9332	.53733

information help build or destroy “reputation collateral”		
Financial institution uses information from CRB for risk identification through scenario analysis or risk mapping.	4.1452	.34522
Information from CRB helps identify defaulters in terms of credit history and obligations and thus mark them a risky clients	3.7235	.73924
Credit bureaus serve creditors as an impartial and efficient means to quickly exchange references on the paying habits and current debt of credit applicants.	4.0428	.63722
CRB has helped instill culture of financial discipline since consumers know that they are monitored.	3.6272	.51711

The Table 4.7 above indicates CRBs has reduced default rates as borrowers seek to protect their “reputation collateral” by meeting their obligations in a timely manner, financial institution uses information from CRB for risk identification through scenario analysis or risk mapping, credit bureaus serve creditors as an impartial and efficient means to quickly exchange references on the paying habits and current debt of credit applicants and that CRB provides credit reports that include both positive and negative information help build or destroy “reputation collateral”. The study has also shown that information from CRB helps identify defaulters in terms of credit history and obligations and thus mark them risky clients and that CRB has helped instill culture of financial discipline since consumers know that they are monitored. The study findings correlate with Christen and Pearce (2005) indication that credit reports include both positive and negative information and helps build “reputation collateral” in much the same way as a pledge of physical collateral, which may improve credit access for the poorest borrowers. Further, the findings also conforms with Anderson, (2007) indication that with CRB a culture of financial discipline will be instilled since consumers know that they will be monitored.

Table 3: Credit Reference Bureaus and Loan Delinquency

	Mean	**Std. deviation**
CRB providing information about borrower’s income, employment, living costs and existing loan repayments to help the creditor decide whether the borrower can afford to repay a loan and therefore reduce chances of loan delinquencies.	4.0357	1.24994
Creditors in general, incorporate credit investigation and background checks as part of their credit process to reduce loan delinquencies.	4.3571	1.13504
Through provision of up to date borrower credit information, CRB has significantly reduced cases of nonperforming loans.	3.5714	1.17330

The table above indicates that creditors in general, incorporate credit investigation and background checks as part of their credit process to reduce loan delinquencies, CRB providing information about borrower’s income, employment, living costs and existing loan repayments to help the creditor decide whether the borrower can afford to repay a loan and therefore reduce chances of loan delinquencies and that through provision of up to date

borrower credit information, CRB has significantly reduced cases of nonperforming loans. The study indicated therefore that indeed, CRB has helps reduce loan delinquency. These finding are in line with Fuser, Gleiner and Meier (1999) who indicated that CRBs incorporates credit investigation and background checks as part of their credit process and thereby reduce cases of non-performing loans and loan delinquencies.

The study further has indicated that CRB has enhanced microcredit extension in Kenya to a great extentindicating that presence of CRB has allowed provision of financial services to low-income clients who traditionally lack access to formal banking as a result of absence of collateral as they now have (reputation collateral). Further, the study indicated that CRBs enable lenders to lend to more and better risk clients (avoiding dead beats) and to determine better (and lower) the bad loan spread that they need to cover expected losses of credit to good payers. This is because from the CRBs the banks are able to get credit information on prospective borrowers that will facilitate assessment of credit requests to mitigate risks of bad debts. They also indicated that credit bureaus reduce the hassle of borrowing as they have forced creditors to be more competitive for good borrowers. The study also indicates that credit bureaus reduces moral hazard by developing a credit culture as the borrowers become aware that credit market becomes aware of their credit history and rewards or punishes them accordingly. The information collected act as "information capital" for the market niches. This has overtime changed the demands for physical collateral and enhances the lender/borrower relationship therefore enhancing access to credit. Anderson (2007) observations that microfinance loans provide financial access to the poorest that allows many of them to start new businesses, grow existing businesses, insure against shocks due to bad weather and illness, and smooth consumption.

Table 6: Pearson Correlation

	Credit access	Borrowing Cost	Risk Identification	Loan Delinquency	Micro Credit Extension
Credit access (r)	1.000				
(p) (2 tailed)					
Borrowing cost (r)	-0.306	1.000			
(p) (2 tailed)	0.048				
Risk Identification (r)	0.752	0.118	1.000		
(p) (2 tailed)	0.011	0.047			
Loan Delinquency (r)	-0.593	0.128	0.247	1.000	
(p) (2 tailed)	0.024	0.019	0.047		
Micro credit Extension (r)	0.677	0.254	0.254	0.380	1.000
(p) (2 tailed)	0.018	0.029	0.0464	0.014	

According to the table above, there is a positive relationship between credit access and risk identification and micro credit extension of magnitude 0.752 and 0.677 respectively

and a negative relationship between credit access and borrowing cost and loan delinquency -0.306 and -0.593 respectively. This notwithstanding, all the factors had a significant p-value ($p<0.05$) at 95% confidence level. The significance values for borrowing cost, risk identification, loan delinquency and micro credit extension were 0.048, 0.011, 0.024 and 0.018 respectively. This indicated that all the factors were significant with risk identification being the most significant factor, followed by microcredit extension then loan delinquency while borrowing cost was the least significant.

Table 7: Coefficient of determination

Model		Un-standardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	1.144	1.2235		1.615	0.367
	Borrowing cost	-0.452	0.1032	0.152	4.223	.0392
	Risk Identification	0.787	0.3425	0.054	3.724	.0169
	Loan Delinquency	-0.545	0.2178	0.116	3.936	.0351
	Micro credit Extension	0.639	0.1937	0.263	3.247	.0254

Multiple regression analysis was conducted as to determine the relationship between credit access and the four variables. As per the SPSS generated table above, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$) becomes: $Y= 1.144 - 0.452X_1+ 0.787X_2 - 0.545X_3+ 0.639X_4$

According to the regression equation, taking all factors into account (borrowing cost, risk identification, loan delinquency and micro credit extension) constant at zero credit access will be 1.144. The data findings analyzed also shows that taking all other independent variables at zero, a unit reduction in borrowing cost will lead to a 0.452 increase in credit access; a unit increase in risk identification will lead to a 0.787 increase in credit access, a unit reduction in loan delinquency will lead to a 0.545 increase in credit access and a unit increase in microcredit extension will lead to a 0.639 increase in credit access. This infers that risk identification contribute most to the credit access followed by microcredit extension. At 5% level of significance and 95% level of confidence, borrowing cost had a 0.0392 level of significance, risk identification showed a 0.0169 level of significance, loan delinquency showed a 0.0351 level of significance, and micro credit extension showed a 0.0254 level of significance hence the most significant role is in risk identification.

Conclusion

The study sought to establish the effect of role of credit reference bureaus on credit access in Kenya conducting a survey of all the 42 banks in Kenya. From the study findings, it is observed that CRBs have helped reduce borrowing cost to a moderate extent this because,

when banks are aware of a customer's good payment history, consumer benefits from lower interest rate, easier terms and/ or less collateral. Also the study indicated that CRBs has enhanced effective risk identification/monitoring. With CRBs default rates have reduced as borrowers seek to protect their "reputation collateral" by meeting their obligations in a timely manner and that financial institution uses information from CRB for risk identification through scenario analysis or risk mapping.

CRB has reduced loan delinquency in Kenya to a moderate extent. CRBs incorporate credit investigation and background checks as part of their credit process to reduce loan delinquencies; provides information about borrower's income, employment, living costs and existing loan repayments to help the creditor decide whether the borrower can afford to repay a loan and therefore reduce chances of loan delinquencies and through provision of up to date borrower credit information. Further, CRB has enhanced microcredit extension in Kenya to a great extent. CRB allows provision of financial services to low-income clients who traditionally lack access to formal banking as a result of absence of collateral as they now have (reputation collateral).

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