European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.5, No.12, 2013

Challenges Facing Implimentation of CRB Regulations in Kenya; Commercial Banks in Kakamega Township

Muriithi Robert Githua[1*],Dr. Musiega Douglas[2],Dr. Shem Juma[3],Dr. Ondiek B. Alala[3]

1. School of Human Resources and Development, Jomo Kenyatta University of Agriculture and Technology,MBA Student ,Kakamega campus,PO box 2630,Kakamega,50100,Kenya
2. Jomo Kenyatta University of Agriculture and Technology,Director, Kakamega campus,PO box 1014,Kakamega,50100,Kenya.
3. School of Human Resource and Development,Jomo Kenyatta University of Agriculture and Technology,Lecturer, Kakamega campus PO box 1014,Kakamega,50100,Kenya

*Email of the corresponding author:rmgithua@gmail.com

Abstract

Kenya's banking sector faced major crisis in the 1980's and 1990's due to under capitalization, high levels of non-performing loans and weaknesses in corporate governance. Non- bank institutions (NBFI's) were most affected, but the number of failing commercial banks increased in the 1990's. The crisis culminated in 1992 when Kenya formally suffered a systematic banking crisis. Through the amendment of the Banking Act and the adoption of instruments of reform, the Kenyan government legislated Credit Reference Bureaus (CRBs) via legal notice No. 97 of 11th July 2008 to be used by commercial banks. The purpose of CRBs reforms in the banking sector was to achieve increased stability, effectiveness, and access to financial services. The purpose of this study was to establish the challenges facing commercial banks in the implementation of CRB regulations. The study was done as a descriptive survey research to obtain information that described the existing status of the challenges facing commercial banks in implementation of CRB regulations. The eleven commercial banks within Kakamega township were targeted by this study. Saturated sampling technique was employed for all commercial banks in Kakamega town to avoid variation in the population parameters. Data was collected through questionnaires and interview schedules. Focus group discussions was utilized to cross validate information collected from questionnaires and individual interviews.Qualitative analysis was used to analyse themes emerging from responses on challenges encountered in CRB regulation implementation.The key findings were sacco's are not yet under CRB regulations and hence still lending to defaulters, erroneous listing of customers with the bureaus, information access challenges and lack of data integrity. From the findings, the challenges cut across all the banks irrespective of their sizes. Major recommendations from this research is that more credit Reference Bureaus should be licensed by the central bank of Kenya. Credit Reference Bureaus should now extend their activities beyond banks and sign up microfinance firms, rural banks, insurance, utility companies and retailers.A public sensitization program should be rolled out by the central bank of Kenya.

Key Words: Credit Information Sharing,Credit Reference Bureau (CRB), Credit Reference bureau regulations,Central Bank of Kenya

1.Introduction

Kenya through the central bank regulatory framework has been moving towards realizing economic growth while maintaining a steady growth in the banking sector.One of these instruments relevant to this study is the rolling out of Credit Reference Bureaus. Kenya's banking sector faced major crisis in the 1980's and 1990's due to under capitalization, high levels of non-performing loans and weaknesses in corporate governance. Non- bank institutions (NBFI's) were most affected, but the number of failing commercial banks increased as well in the 1990's. The crisis culminated in 1992 when Kenya formally suffered a systematic banking crisis. (Honsan and Laeven ,2005)[1]

In 2003, the government of Kenya (G.O.K) published the economic recovery strategy (ERS) paper on wealth creation and employment that defined certain critical high –level objectives underlying the reform efforts through 2007. In ERS, the government acknowledged that the banking sector was experiencing difficulties that would undermine the achievement of the objectives set out in the ERS including:

- A comparatively high ratio of non-performing loans in some major banks
- Persistence of wide interest rate spreads leading to a high cost of credit
- Insufficient quantities of credit (and poor quality credit assessment systems)

- Absence of vibrant institutions for the provision of long term finance

In recent years, Kenya has made substantial progress in improving the stability and efficiency of its banking system. Among many other crucial instruments, was the operationalization of the Banking (credit reference bureau-CRB) regulation act of 2008. This was actualized through the Kenya Gazette supplement No. 52, legal notice No. 97 of 2008. It became effective from 2nd February 2009. The banking (Credit reference bureau) regulations 2008, will govern licensing operation and supervision of CRB's by the Central bank of Kenya. The industry is recognized as a Key component of financial sector reforms in almost all developing and emerging economics (Introduction to legal notice No. 97 of 11th July 2008). One credit reference bureau (CRB Africa limited) is operational (Economic survey, 2011)[2].

Unlike most countries in the Africa, Kenya has a variety of financial institutions and banks, insurance companies, stock and bond markets that provide an array of financial products (Christopher *etal* 2010) [3]. Notwithstanding this relative advantage, Kenya's financial system has failed to provide adequate access of banking services to the bulk of the population, whereas the larger population of savings come from small depositors, lending is still shimmed in favor of large private and public enterprises (Christopher *etal* 2010). This forced the government to institute CRB regulations in 2009.

Credit reference bureau complement the Central role played by banks and other financial institutions in extending financial services within an economy which help lenders make faster and more accurate credit decisions. They collect, manage and disseminate customer information to lenders within a provided regulatory framework. Credit reference bureau as a concept is a crucial reform measure considering that in Kenya the interest income on loans and advances is the major source of income for banks, contributing 53% of the total income (Economic survey, 2011). The concept will improve the management of levels and ultimately ensure increased stability, efficiency and access to banking services. Banks are required to pass on information if one's cheque is dishonored or one's account is compulsorily closed. Other information that must be reported includes: 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 law allows banks to report positive information but does not insist on it. It is however beneficial to the customer if shared, as it increases their credit score, and by extension the value of their "collateral". A bureau is required to retain information on non-performing loans until the end of seven years after it is repaid. This does not mean that no lender is allowed to lend the borrower any money during this period. It only means that the lender will take extra caution and negotiation will become more difficult for such a borrower.

2.Statement of the Research Problem

Stakeholders are still concerned that the adoption of CRB regulation by commercial banks may be slow. More particularly there may be challenges facing commercial banks in the implementation of the CRB regulations. Despite these concerns, no scientific study has been documented to establish the extent of implementation of the said regulations amongst the large,medium and small commercial banks. Equally, the challenges facing Commercial banks in the implementation of CRB regulations need to be identified and practical solutions documented.

3.Objectives of the Study

- To asses, the extent and level of compliance to credit reference bureau regulations by commercial banks in Kakamega township of Kenya.
- To find out if there are any challenges facing implementation of CRB regulations by commercial banks in Kakamega Township.

4.Research Questions

- To what extent have commercial banks complied with credit reference bureau regulations in credit granting in Kakamega township of Kenya?
- What are the challenges facing commercial banks in implementation of CRB regulations in Kakamega township?

5.Significance of the Study

The Kenya banking sector was in the 80s and 90s saddled with numerous non-performance loans (NPLS) portfolio. This invariably led to the collapse of some banks (Economic Recovery strategy, 2004). One of the catalysts in this scenario was serial defaulters who borrowed from various banks with no intention of repaying the loans. These defaulters thrived into the information asymmetry, an environment that prevailed due to lack of a credit information sharing mechanism. The banking credit reference bureau regulation was in the end realized in 2008 through a gazette notice. This study is significant in the following ways:

- Enable banks use CRB more effectively to realize its advantages.
- It will enable the government to monitor the performance of commercial banks in the wake of the implementation of CRB regulations.
- It will also help customers know what is expected out of them and indeed if credit is more easily accessible.
- The study is also important to commercial banks to evaluate their effectiveness in lending and the sustainability of their loan portfolio and the banking industry in general in the wake of the new regulations in Kenya.
- For the CRB registered in Kenya, the study is important in aiding them evaluate their impact in the banking sector.

6.Literature Review

6.1 Financial Industry in Kenya

The financial industry in Kenya constitutes of; commercial banks, non-bank financial institutions, mortgage finance companies, building societies, foreign exchange bureaus, deposit taking microfinance institutions and credit reference bureaus (CRB).

Commercial Banks and Mortgage Finance Institutions are licensed and regulated pursuant to the provisions of the Banking Act. They are the dominant players in the Kenyan banking system and closer attention is paid to them while conducting off-site and on-site surveillance to ensure that they are in compliance with the laws and regulations. Currently there are 43 licensed commercial banks and one mortgage finance company in Kenya which are either privately or publicly owned.

Out of the 44 institutions, 31 are locally owned and 13 are foreign owned. The locally owned ones comprise of 3 banks with significant shareholding by the Government and State Corporations, Development Bank of Kenya 100%, Consolidated Bank of Kenya 77.8% and National Bank of Kenya 70.6%, 27 commercial banks and 1 mortgage finance institution.The other and most recent category of financial institution in Kenya is the Credit Reference Bureaus (CRB). These complement the central role played by banks and other financial institutions in extending financial services within an economy. They help lenders make a faster and a more accurate credit decisions by collecting, managing and disseminating customer information to lenders within a provided regulatory framework-in Kenya, the banking regulations, 2008 which was operationalised effective 2nd February 2009. Credit histories not only provide necessary input for credit underwriting, but also allow borrowers to take their credit history from one financial institution to another, thereby making lending markets more competitive and, in the end, more affordable. CRB assist in making credit accessible to more people, and enabling lenders and businesses reduce risk and fraud. Currently, there is only one licensed CRB in Kenya -Credit Reference Bureau Africa Ltd. (CBK, www.centralbank.go.ke accessed on 23/03/2011)

Other financial institutions in Kenya include the Non Bank Financial Institutions (NBFI) and Building Societies. These are licensed under the Banking Act and Building Societies Act respectively and are obligated to comply with all requirements of banks subject to any qualifications stipulated for them. Currently, there are no NBFIs or building societies licensed in Kenya.

6.2 Importance of the banking sector

Most productive projects generate revenues in local currency. Domestic capital formation is the driving force behind any country's development and effective domestic financial institutions are one of its most important facilitators. They are the key channel between savings and investment, and their efficiency is a key determinant of a country's economic growth (International Finance Corporation,2008)[4]. The financial crisis of 2007-09 has raised questions concerning orthodox ideas of how financial markets operate and how financial institution firms and their decision makers behave in such market settings. The crisis has revealed the need for new thinking in these areas. One of the areas that financial institutions have to consider is how teams can make right decisions in terms of funds management in credit analysis. This could only be made possible by institutionalizing a governing body that regulates the credit policy amongst member banks. Credit should be made easily accessible but at the same time measures should be put in place to ensure that this is not abused. In Kenya the introduction of CRB is a welcome idea so that banks are able to comply with the regulations of borrowing. This has faced serious challenges in implementation by the banks which needs to be addressed by this study.

6.3 Kenyan situation

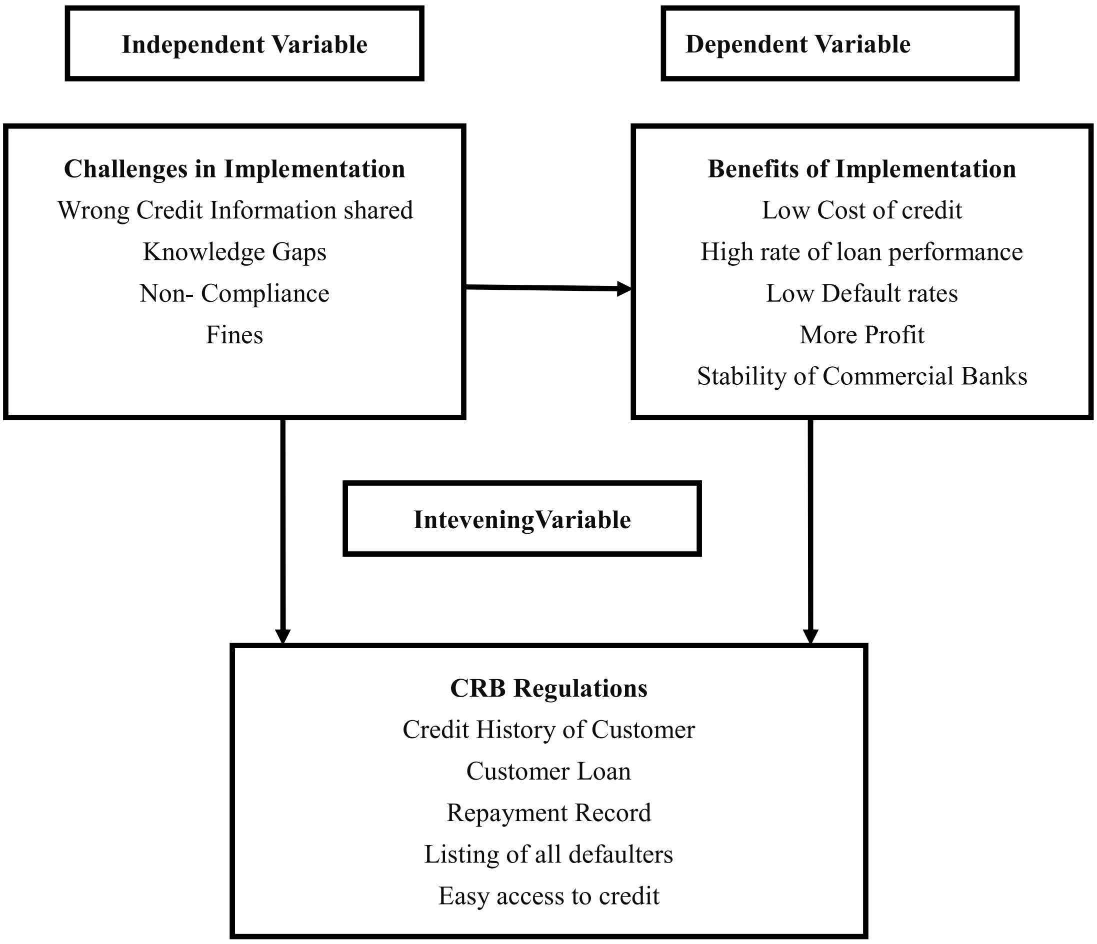
In 2003, the government of Kenya (GOK) published the economic recovery strategy (ERS) paper on wealth creation and employment that defined certain critical high level objectives underlying the reform through 2007.

In the (ERS,2003) the government acknowledged that without a stable and efficient banking sector the objectives set out in ERS would be undermined (Christopher *eta*l 2010). In 2007, GOK published Kenya's vision 2030 as a long term development plan for the country, which puts the provision of financial services, it is the center of the planned economic growth trajectory. The financial sector objectives that were articulated in vision 2030 were to: Improve stability, Enhance efficiency in the delivery of credit and other financial services, Improve access to financial services and products for a much larger number of Kenyan households (Christopher *etal* 2010)
On the Kenyan financial sector scene, the government through the Economic sector strategy (ERS) paper of 2007 recognized that, the banking sector was experiencing difficulties that would undermine the achievements of the objectives set out in the ERS and these included:

- A comparatively high ratio of non- performing loans in some major banks
- Inadequate competition in the banking sector
- Persistence of wide interest rate spread leading to a high cost of credit and insufficient quantities of credit
- poor quality credit assessment
- Absence of vibrant institutions for the provision of long term finance
- Week legal arrangements creating long delays in contract enforcement
- Weak dispute resolution mechanisms (Christopher *etal* 2010)

The global and local challenges and reality that have been narrated above compelled the government of Kenya to undertake deep reforms in the financial sector (Banks included) to achieve stability, efficiency and increased access to financial services.
Kenya has made substantial progress in improving the stability and efficiency of its banking systems. Upgrading of the supervisory framework was accompanied by write off of non- performing loans and reductions in the government's role in the financial sector. Interest spreads have come down recently though still high. This is as a result of lower loan loss provisions and overhead costs but also lower profit margins suggesting a certain degree of competition. This was accompanied by a reduction in inflation and the fiscal deficit and stable exchange rates which in this facilitated not only a drop in interest rates but also improvements in the government managed and influenced financial institutions (Christopher *etal* 2010).

Conceptual Framework



From the diagram above, the intervening variables i.e. credit history of customer, Customer loan repayment record, listing all loan defaulters help the banks to make decisions when appraising a credit facility application for their clients. Customers who are defaulters and have bad repayments record and are listed with CRB are not illegible for any credit with any bank in Kenya. When these considerations are made in credit facility application aprraisal, low default rates will eventually be experienced which will translate to good repayment and hence increased profits since banks will have lower non-performing loans.Increased competition among the banks as a result will translate to easy access to credit as well as low cost of the same. The banks will have high performance and become more stable in their lending capacity. Challenges experienced in implementation will affect the customers directly since some of them have little knowledge on the impact of CRB and hence are locked out from accessing credit from the banks. Wrong credit information shared can have negative impact on the banks and customers which can lead to huge fines.

7. Research design and methodology

7.1 Area of Study

The Kakamega municipality covers an area of 49.9 km2.The town is the biggest in the Kakamega county with a total population of 93,881 (2009 Census). The surrounding areas are mainly agricultural. These are no industries apart from a bread manufacturing company called supa loaf. The municipality houses 11 commercial banks, 2 other financial institutions and three micro financial institution.

7.2 Research Design

A descriptive survey research design was employed in this study. Descriptive survey seeks to obtain information that describes the existing phenomena by asking individuals about their perceptions, attitudes, behaviors or values (Mugenda and Mugenda ,2004)[5]. They assert that a survey is an excellent vehicle for measurement of characteristics of a larger population. Since the study was seeking to investigate challenges being faced by commercial banks in implementing CRB regualtions, this survey design was found appropriate as it will describe the exiting phenomenon. The survey took about 2 weeks interviewing a cross-section of employees incharge of credit and bank management at the 11 commercial banks and CRB officials.

7.3 Target population

The target populations of this study composed of eleven commercial banks within Kakamega municipality. The banks were Barclays Bank of Kenya Ltd, Kenya commercial Bank, Cooperative Bank of Kenya, Equity Bank, National Bank of Kenya, Diamond Trust Bank, Family Bank, Equatorial Bank, Bank of Baroda, Kenya Women Finance Trust Bank and Standard chartered Bank. All permanently employed persons in charge of credit and in supervisory and management ranks were also part of the target population. Similarly 22 CRB officials in charge of the 11 commercial banks in Kakamega also formed part of the target population.

7.4 Sample selection and sample size

The sample size for each commercial bank depended on the variation in the population parameters. Thus, a larger size was taken if the variance within the population was great to provide precision in estimation. However, being a descriptive survey, proportionate sampling per category or stratum was employed (Mugenda and Mugenda,2004). As pointed out in the above,the study targeted 6 bank employees in charge of credit. Since Kakamega town has 11 commercial banks, the study used 30% of the bank employees in charge of credit. This means that from the targeted 74 bank employees, a sample of 22 respondents was realised. The 22 respondents were randomly selected from the credit staff at the rate of 2 per bank. For CRB staff, the study composed of 2 employees per bank. This yielded a total of 22 CRB staff for the 11 banks in Kakamega. Out of the 22 CRB staff 30% of CRB staff was used in this study leading to 6 CRB staff. The 6 were randomly selected irrespective of the bank they were incharge of.11bank managers were targeted for the interview schedules.30% of the target yielded 3 bank managers were interviewed at random.

Table 1.1 Sample Frame for target population

Description	**Target**	**Sample**	**Percentage**
Bank employee	74	22	30
CRB employees	22	6	30
Bank Managers	11	3	30

7.5 Research instruments

In addition to the literature survey, this research utilized survey techniques of the questionnaire and interviewed those selected from the commercial banks. Interview schedules were face to face with the selected sample of respondents. Questionnaires were administered using the drop and pick method. This was administered on the selected respondents from junior, middle, and senior management levels from the various departments. The research did also utilize data from key informants who may have more details on the subject of credit reference bureaus in a reforming banking environment.

7.6 Reliability and Validity of Instruments

Instruments on this research study were validated by use of a pilot study undertaken at Barclays Bank Kakamega. Reliability of the study was achieved through the content of the questions which were asked and the same were relevant to the topic at hand. An original questionnaire was structured in such a way to give reliable results to the degree that they supplied consistent and stable results which were free from random or unstable errors. Test related method was employed to attain reliability. The tool was developed and test runs using fellow students for reliability before the research commenced at full throttle. Responses were recorded accurately and coded accordingly to avoid skewness due to errors. This study utilized content validity. Statistical validity was ensured by the use of relevant statistical methods in the presentation and analysis of data obtained.

7.7 Data Processing and Analysis

Once the raw data was collected, the questionnaires were checked for proper recording of the responses and completeness. They were then coded and checked for errors and omissions.

Qualitative analysis was used to analyse themes emerging from responses on challenges in CRB regulation. Themes were discovered through helpful techniques such as analysis of words, word repetitions, key-indigenous terms, and key-words-in contexts, careful reading of larger blocks of texts, compare and contrast, searching for missing information, intentional analysis of linguistic features such as metaphors, transitions and connectors, and the physical manipulation of texts through pawing, and cut and sort procedures.

7.8 Objective one; To asses, the extent and level of compliance to credit reference bureau regulations by commercial banks in Kakamega township of Kenya.

The bank size was determined by the capital base and customer base as well as distribution in terms of branch network i.e number of branches country wide and year of establishment. Findings from the the respondents indicated that, Kakamega is home to 5 large banks, 2 medium banks and 4 small banks. Those with least in terms of branch network, customer and capital base grouped as small, those with wider coverage in terms of branch distribution,capital and customer base grouped as medium and the best in terms of coverage,customer and capital base grouped as big.

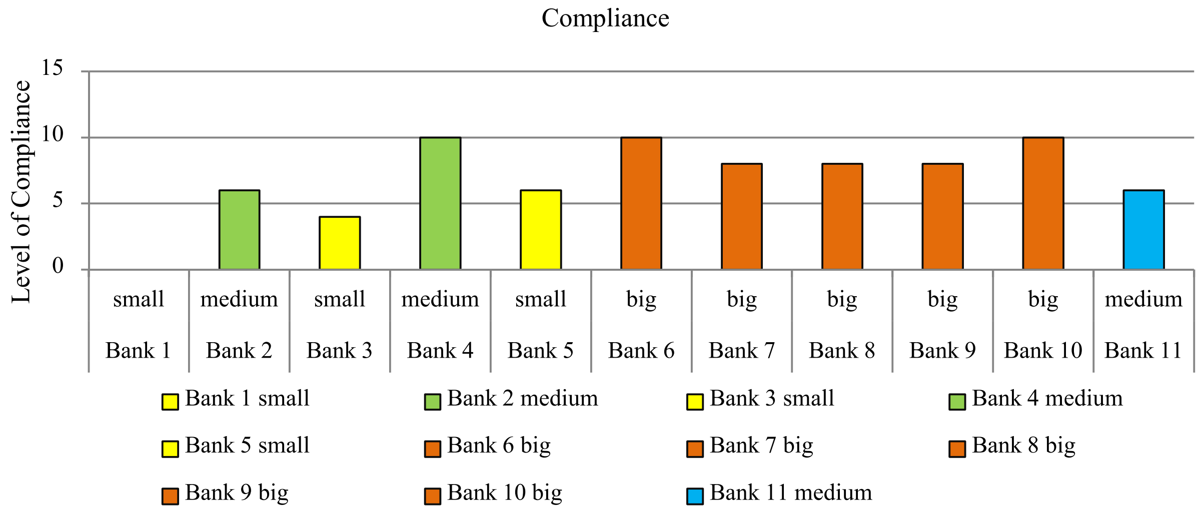
The questions that were asked to have insight into the level of compliance disclosed that, almost all the banks were found to have complied with the CRB regulations but had not implemented the same fully. The respondents were asked about the level of compliance of their respective banks, based on the 5 crucial CRB regulations that their banks had implemented from a scale of 1 to 10. The respodents indicated clearly what regulations their banks had or had not implemented out of the 5 regualations.Hence the level of compliance was based on these findings.The level of compliance was simply derived from the respondents and an average of the same arrived at for each bank which gave the following results in the table below;

The name of respective banks have been withheld in the research findings of the level of compliance to comply with ethic standards of research beacause of the sensitivity of the information.It's a Central Bank regulation for all banks to fully comply under the banking act under the government of Kenya.

Table 1.2 Bank Employees responses on the size and the level of of their respective banks'compliance to CRB Regulations.

Bank	**Size**	**Compliance**
Bank 1	small	0
Bank 2	medium	6
Bank 3	small	4
Bank 4	medium	10
Bank 5	small	6
Bank 6	big	10
Bank 7	big	8
Bank 8	big	8
Bank 9	big	8
Bank 10	big	10
Bank 11	medium	6

Banks Level of Compliance to CRB Regulations Chart
Figure 1.1



Key:Banks included in the survey included;

KENYA WOMEN FINANCE TRUST BANK
DIAMOND TRUST BANK
BANK OF BARODA
FAMILY BANK
EQUITORIAL BANK
BARCLAYS BANK OF KENYA
EQUITY BANK
KENYA COMMERCIAL BANK
STANDARD CHARTERED BANK
COOPERATIVE BANK OF KENYA
NATIONAL BANK OF KENYA

7.9 Objective two; To find out if there are any challenges facing implementation of CRB regulations by commercial banks in Kakamega Township.

From the themes analysed, all the banks irrespective of their sizes seamed to experience same challenges. From the findings, the challenges have been experienced by all the banks not withstanding their sizes. All the large, medium and small size banks have been faced by the same challenges and this is understandable considering the fact that CRB is a new concept. The coping mechannism and capacity will obviously differ from bank to bank. The challenges experienced cut across all the banks that were included in the survey irrespective of their sizes. The questions that were asked to have insight into the challenges being faced with regard to CRB regulations disclosed that almost all the banks were found to be struggling with very similar challenges.

Any new thing that is introduced in any circumstances will have challenges that must be faced. The credit Reference Bureau Concept is new to the banking industry in Kenya, having been introduced via Kenya Gazette Supplement no 52, legal notice no 97 of 11th July 2008 is not an exception.When asked about any challenges their banks had experienced in the implementation of CRB regulations, the responses were varied but tended to fall or align with the following patters of answers.

19 out of 31 i.e 61.3% respondents indicated that they were facing the challenges of data clean up especially on the resourcing involved in handling the data issues.13 out of 31 i.e 41.9% indicated that the were facing challenges with not having up to date client's information especially address and telephone contacts hence lack of data integrity.18 out of 31 i.e 58.1% indicated that customers have been listed erroniuosly with the bureau either delibaretely or by staff errors.17 out of 31 i.e 54.8% indicated they were having challenges with accessing CRB information online and had to rely on their processing centres for the same which take a while.5 out of 31 i.e 16.1% indicated that banks intentionally list their customers to lock them from competition.16 out of 31 i.e 51.6% indiacted that only one bureau based at Nairobi is operational and could not be able to serve all the banks effectively.25 out of 31 i.e 80.7 % indicated that Sacco's are not under CRB regulations and are possing a threat to the banks by offering credit to defaulters.11 out of 31 i.e 35.5% indicated that the benefits of CRB is yet to be relised by customers since only negative information is being shared currently.In summary the challenges analysed from the respondents were varied but tended to fall or align with the following patters of answers as explained above.

- Tedious data clean up to ensure that information provided to CRB is accurate.
- Ensuring that all data standards are met-some information that is required is currently not captured in the core banking system.
- Delay in the implementation time frame.
- Erroneous listing of customers with the bureaus which makes customers to lose confidence with the bank and can possibly attract huge fines for damages. This is also reputation damage to the bank which can result to loss in terms of customer numbers.

- Some banks are not able to access the information from the CRB online from the branch level hence have to rely on their head office for such crucial information. This has led to poor service since customers have to wait for a long period of time before they know the fate of their credit facility they are seeking for.
- For clearance some banks list customers intentionally to lock out competitors from lending out to these customers. This malpractice and not upholding data integrity is illegal,unethical and unacceptable. Hence when such customers want to access credit facility with other financial institution, they are informed that they are listed hence have to go back to their respective banks and obtain clearance. This clearance can only be obtained from their banks and hence their banks facilitate the clearance and give them credit facility.
- The only bureau regulated is based at Nairobi in westlands hence making it cumbersome for Kakamega customers to sort out their history with the bureau in good time.They have to travel and incur other costs in the same exercise.
- Sacco's and other financial institution are not regulated by CBK and CRB regulations do not cover them and hence continue rendering credit facilities to customers who are defaulters and serial defaulters hence eating into banks market share.
- Sharing of credit information has only been limited to negative history hence does not seam to favor good borrowers who can be able to enjoy and negotiate for better rates for credit facilities.

8.Conclusions

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. On the other hand, 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 which is unfair. Credit reporting allows banks to better distinguish between good and bad borrowers. Someone who has failed to pay their loan at one bank will not simply be able to walk to another bank to get another loan without the banks knowing about it. Over time better information on potential borrowers should mean that it will be both cheaper and easier to obtain loans. In recent years, Kenya has made substantial progress in improving the stability and efficiency of its banking systems. The operationalisation of the Banking (Credit Reference Bureau-CRB) regulation Act 2008 was a crucial move in actualizing reforms in the banking sector.Credit reference bureaus complement the central role played by banks and other financial institutions in extending financial services within an economy which lenders make faster and more accurate credit decisions. Credit reference bureau as a concept is a crucial reform measure considering that in Kenya the interest income on loans and advances is the major source of income for banks, contributing 53% of the total income. The concept will improve the management of credit lending and ultimately ensure increased stability, efficiency and access to banking services.

9. Recommendations

The introduction of credit reference Bureau regulations by the central bank into banking sector by the central bank into banking industry in Kenya was inevitable. In many parts of the world credit bureaus have been in operation for many years.The chief purpose of the CRB regulations is to facilitate the creation and consolidation of an efficient domestic financial sector that can mobilize savings, manage risks and allocate capital to productive investments.Whereas mainstream banking has enthusiastically embraced and implemented CRB regulations the following recommendations informed by literature reviewed and findings from the field are advanced.

More credit Reference Bureaus should be licensed by the central bank of Kenya to cater for increased demand and their operations decentralised as much as possible

Credit Reference Bureaus should now extend their activities beyond banks and sign up microfinance firms and Sacco's, rural banks, insurance, utility companies and retailers. The move will see all these institutions provide bureaus with necessary information as their customers to enrich their databases.

This essentially means that any failure for anyone to settle their debts, be it for credit purchases or utility bills will directly affect their credit history.

A public sensitization program should be rolled out by the central bank of Kenya to enable Kenyans to properly appreciate the role and significance of the credit reference bureaus. This will enable individuals to ensure that their banks provide their credit history to the bureaus to improve their chances of securing credit at competitive rates.

Credit Reference Bureau regulations must been followed stringently by those who have been signed up.

Credit reference bureau regulations to be accessed online

Credit Reference Bureau regulations should be expanded to include good and favorable information relating to the clients. Banks and other credit providers use credit reports obtained from credit bureaus as part of the lending

decision process. 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. That is why many customers will also want their positive information to be reported regularly to credit reference bureaus. 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. It will be easier to for one to shop around -go to another bank that might offer better terms.
The central bank of Kenya should consider making it mandatory for all financial institutions to share customer's credit histories.
Screening of customers with CRB should be made mandatory for account opening to eliminate customers who divert funds, salaries and other income with the intention of avoiding to meet their credit obligations.

10. Suggested Areas of Further Research

It is suggested that research be conducted to establish whether the CRB regulations that have been adopted by most banks have reduced default rates and whether arising from the drop in default rates interest rates levied by banks have also dropped.

Acknowledgement

Most important of all, I thank the Almighty God, for the life care and providence this far. My supervisors Dr. Shem Juma and Dr Ondiek B.Alala,the Director Dr.Douglas Musiega, I thank you for providing the necessary guidance, advice and constructive criticism on how to undertake this academic research. I am also grateful to the Administration of Jomo Kenyatta University of Agriculture and Technology for taking care of the logistics that were involved in making this research a success's .I am equally grateful to all my colleagues both at work and school for their invaluable contributions and support throughout this period. I appreciate you all for your contribution into this work.

References

[1] Honohan, P and Laeven, 2005, Systematic Financial Crises: Containment and resolution. Cambridge, Uk : Cambridge University Press.
[2] Republic of Kenya,2011,Kenya Economic Survey 2011, Nairobi: Government Printers.
[3] Christopher, S. etal, 2010.Kenya policies for prosperity. New York : Oxford University Press
[4]Berges Teresa, 2008, Financial Institutions (IFC) Washington Dc: World Bank.
[5] Mugenda and Mugenda (2004)
[6]Beck, T, A Denirgue-Kunt and M.S.M. peria, 2006,"Banking Services for everyone? Barriers to Bank Access and use around the world" World Bank policy research working paper 4079.
[7]Beck T, and H. Hesse 2009, "why interest is spreads so high in Uganda?" Journal of Development Economics, 88 (2) 192-204.
[8]Kalinger, F.N (1973) Foundation of Behavioural research.New York: USA Hill Reinharit and hinston.
[9]Kenya's Banker Association Publication,2011.
[10]Kippra, 2010, Kenya Economic Report 2010 Nairobi: Kippra.
[11]Republic of Kenya, 2004, " Economic Recovery strategy for wealth and Employment Creation" Nairobi: Government Printer.
[12]Republic of Kenya,2007 the vision 2030 Nairobi: Government Printer.
[13]Rosoe, J.T (1975) Fundamental research Statistics for the behavioural Sciences.New York.