

**THE EFFECT OF CREDIT REFERENCE BUREAUS IN CREDIT RISK
MANAGEMENT IN THE MICRO-FINANCE SECTOR: A CASE OF MICRO-FINANCE
INSTITUTIONS IN NAIROBI COUNTY**

BY

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BCOM/2013/53894

**A PROJECT REPORT SUBMITTED FOR PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE BACHELOR OF COMMERCE
DEGREE OF MOUNT KENYA UNIVERSITY**

SEPTEMBER 2015

ABSTRACT

In Kenya, the use of Credit Reference Bureaus (CRB) to mitigate credit risks is a new concept. The purpose of this study was to carry out an analysis on the contribution of credit reference bureaus in preventing credit risks in Kenya's financial sector. This study also sought to evaluate the extent to which credit reference bureaus regulation has been implemented by micro-finance institutions and to establish any challenges facing credit reference bureaus in Kenya. In chapter three, the case study approach using descriptive design that investigated the concept of applying credit reference bureau in the prevention of credit risks was used. Questionnaires and interviews as instrument of data collection were used. Data was analyzed by SPSS computer program and presented by use of tables, percentages and figures. The research findings in chapter four found out that the CRB concept contributes towards reduction of credit risks and that implementation of CRB regulation has gained general acceptance substantially in Kenya. The study also revealed that lack of awareness and non-compliance are currently the major challenges of CRB regulation in Kenya. In chapter five, the study recommends that the CRB regulation be extended to all sectors that handle credit transactions. There is need for our present CRB firms to link with other regional CRB firms in other countries. The study further recommends that membership to the CRB should be mandatory and enforceable and awareness campaigns to sensitize the public and companies that offer credit transactions should be carried out by the stakeholders.