

**THE EFFECTIVENESS OF CREDIT REFERENCE BUREAU (CRB) ON
PROVISION OF CREDIT BY COMMERCIAL BANKS IN KENYA: A CASE STUDY OF
KENYA COMMERCIAL BANK LIMITED IN NAIROBI AREA**

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ABSTRACT

This study sought to determine the effectiveness of Credit Reference Bureau on Credit provision on commercial banks in Kenya. This study was conducted as a case study of Kenya Commercial Bank Limited. The study adopted simple random sampling to determine sample size while stratified random sampling was used to identify the respondents. The sampling frame for this research comprised of 43 Kenya Commercial Bank Ltd Branches within Nairobi region, Kenya, licensed under Central Bank of Kenya Act, as at January 2008. A sample size of 90 was used. It comprised of 13 branch managers, 18 credit officers, 13 credit administrators, and 46 loans' officers. Questionnaire was used to collect data. Descriptive analysis and regression analysis was used for data analysis. The study found out that various general, bank specific, and borrower specific factors affected the performance of non-performing loans. It also established that the reduction of the amount of time it takes to process loan applications can really improve the business transactions between the banks and their clients. The recommendation is that commercial banks need to reduce their lending interest rates, as this has the capacity to minimize the non-performing loans. It further recommended that the government need to put in place policies and economic empowerment policies that will improve the borrowers' purchasing power, the country's economic power and reduce legal requirements in processing loans. The bank should employ credit sharing policies; improve its reporting on loans and credit monitoring. The bank should also train its personnel on the loan granting and disbursing processes. Borrowers should not conceal information in the application process, should employ the loan for the intended purposes and should be trained on how to run their businesses and banks should adopt CRB information as it reduces the costs of debt collection, improved profitability, success in the unsecured loans section and lower losses on loans.