

**CONTRIBUTION OF CREDIT REFERENCE BUREAUS ON THE LEVEL
OF NON- PERFORMING LOANS IN THE MICRO FINANCE
INSTITUTIONS IN KENYA**

BY

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ABSTRACT

Group Lending is the main activity of Microfinance institutions in Kenya. However, Non-Performing loans have caused significant losses to the lenders. As a result of the banking failures experienced in Kenya and to find a way forward to prevent further failures, the Credit Information Sharing mechanism was launched in Kenya and Microfinance were required to share their defaulters' data to the bureaus. This study was guided by objective that sought to find out the effect of credit reference bureaus on the level of nonperforming loans in Microfinance institutions in Kenya. Secondary data was collected from published financial statements of microfinance institutions in Kenya between years 2007 to 2014. The study sought to determine the effect of credit management on the financial performance of Microfinance Institutions in Kenya. The study adopted a descriptive survey design. The population of study consisted of 59 MFIs in Kenya that are members of AMFI. A census study was used to carry out the research. The study established that client appraisal, credit risk control and collection policy significantly influence financial performance of MFIs in Kenya. The study found that CRBs had an effect on NPLs in the microfinance; there was an average reduction of 4% on the level of NPLs in the years after the introduction of CRBs i.e. 2013-2014; there was positive significant effect of CRBs on the level of NPLs. Therefore, the use of credit reference bureaus by Micro finance in Kenya was found to be value additive and did indeed reduce the level of NPLs in Micro finance in Kenya.