TOWARDS POSITIVE SELECTION IN THE KENYAN CREDIT MARKET:
AN ASSESSMENT OF THE CURRENT AND PROSPECTIVE FUTURE EFFECTIVENESS OF CREDIT INFORMATION SHARING

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CIS Kenya
Towards a more open credit market

FSD Kenya
Financial Sector Deepening

Towards positive selection in the Kenyan credit market: An assessment of the current and prospective future effectiveness of credit information sharing in the Kenyan market

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The Kenya Financial Sector Deepening (FSD) programme was established in early 2005 to support the development of financial markets in Kenya as a means to stimulate wealth creation and reduce poverty. Working in partnership with the financial services industry, the programme's goal is to expand access to financial services among lower income households and smaller enterprises. It operates as an independent trust under the supervision of professional trustees, KPMG Kenya, with policy guidance from a Programme Investment Committee (PIC). Current funders include the UK's Department for International Development (DFID), the Swedish International Development Agency (SIDA), and the Bill and Melinda Gates Foundation.

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Abbreviations

ADR	Alternative Dispute Resolution
ASCA	Accumulated Savings and Credit Association
BAM	Central Bank of Morocco
CBK	Central Bank of Kenya
CDTI	Centralised Data Transmission Infrastructure
CIS	Credit Information Sharing
CIS Kenya	Credit Information Sharing Association of Kenya
CPA	Credit Providers Association of South Africa
CRB	Credit Reference Bureau
DST	Data Specification Template
FSD	Financial Sector Deepening Trust Kenya
FSP	Financial Services Provider
GDP	Gross Domestic Product
ID	Identity Document
IFC	International Finance Corporation
KBA	Kenya Bankers Association
MFB	Microfinance Banks
MFIN	Microfinance Institutions Network
NCR	National Credit Regulator of South Africa
NCT	National Consumer Tribunal of South Africa
NPL	Non-Performing Loan
SACCO	Savings and Credit Co-operative
SACRRA	South African Credit and Risk Reporting Association
SASRA	Sacco Societies Regulatory Authority of Kenya
SRO	Self-regulatory Organisation

EXECUTIVE SUMMARY

As a primary source of capital for individuals and businesses alike a well-functioning credit market is an important lever of economic growth. Credit information sharing arrangements ('CIS') have emerged worldwide as an effective mechanism to improve access to credit by reducing information asymmetry between borrowers and lenders and improving the quality of credit assessments made by lenders.

Since 2009, Credit Information Sharing Association of Kenya ('CIS Kenya') has been developing the system of credit information sharing in Kenya. Through the efforts of CIS Kenya and its partners the CIS mechanism has undergone a tremendous evolution over the last seven years, both in terms of usage and coverage of credit information.

This report was commissioned by CIS Kenya and FSD Kenya to understand current perceptions of market participants regarding the usage of the CIS mechanism, its impact on the market and remaining constraints to the development of an effective credit sharing mechanism in Kenya.

The key findings from the assessment are presented below, structured in the order of macro, meso and micro components of the CIS market.

Macro:

- **Legal and enabling environment.** The effectiveness of the CIS mechanism is currently limited by a complex and overlapping regulatory environment.
    - The CIS mechanism is currently regulated by the Central Bank of Kenya ("CBK"). However the CBK only has jurisdiction with respect to the market conduct of commercial banks and microfinance banks and is thus unable to enforce compliance and market conduct amongst institutions that make use of the CIS mechanism (such as the SACCOs) that are regulated by other bodies as well as unregulated credit providers.
    - This issue arises because the prevailing regulatory model in Kenya is regulation by institution not by function. There is no overarching credit legislation in the market to regulate credit provision (and credit reporting) regardless of the institution that provides the credit.
    - To address this issue credit reporting requirements have been added to other pieces of legislation – notably the Sacco Societies Act – but this has created additional interpretation and compliance issues as the legislation is fragmented across a number of pieces of legislation.

Meso:

- **Market development.** CIS Kenya is tasked with market development, market conduct but not compliance within the CIS mechanism. CIS Kenya's financial resources are, however, principally directed to support market development, which has led to constrained resources directed to its other functions.
    - Responsibilities for market conduct and compliance are currently split between CIS Kenya and CBK, respectively. Whereas CIS Kenya has responsibility for market conduct, CBK is responsible for compliance. CIS Kenya is thus given the responsibility of handling market conduct issues around data submission, usage and dispute resolution, while having no jurisdiction to enforce market conduct.
    - The various responsibilities assigned to CIS Kenya have created confusion in the market. Stakeholder engagement highlighted that the levels of compliance and enforcement across participants and regulators were insufficient, and undermining the credibility of the mechanism.
    - As CIS Kenya does not charge for participation in the system, manage the licensing of CRBs, enforce compliance or manage a data aggregation function, it lacks a fee income to sustain its operations beyond subscription fees paid by its members and donor support from FSD Kenya and KBA. This may constrain its ability to meet its broader objectives.

Micro:

- Market participation and usage.
    - The mechanism's coverage of credit providers is currently limited to commercial banks and MFBs – For other information providers, such as MFI's, SACCOs and utilities etc., participation and submission of data is voluntary.
    - Data submission is viewed as a cumbersome process by participants, with CRBs' differing validation criteria hampering the efficiency of the mechanism by issuing different error logs.
    - Lenders have incorporated only basic credit reference bureau ('CRB') reports into their credit appraisal process resulting from a perception of limited perceived value of more advanced products and services due to limited coverage of the credit market and a lack of capacity within credit providers.
    - Lenders were found, on average, to be unaware of the full product offerings available to them from the CRBs and have thus misused certain CRB data to the detriment of the consumer, as a result of poor knowledge.
    - Mobile and microloan providers have limited use for CRB data because it is not updated frequently enough for their needs. Also, data submission templates are too cumbersome for this segment of the industry.

- Credit information is not utilised for risk-based pricing of loans because the lenders rely on a range of different metrics; with the credit score being considered to be only one of several metrics. In addition to this, the absence of complete positive information from non-bank credit providers undermines the validity of the score.
- Because non-bank credit providers participation is voluntary and there is no sharing of databases between the CRBs, CRBs have fragmented databases which impacts the quality of credit information available within the broader mechanism.

- **Service providers.**
  - CRBs find the quality of data submissions varied and often poor.
  - CRBs require a strong institutional support structures to address the issues in the mechanism. Particular issues cited were a lack of appropriate feedback forums, the limited power of CIS Kenya to assist in addressing operational issues (including dispute resolution) and broadening the coverage of the mechanism due to the fragmentation between market conduct and compliance responsibilities noted above.
  - The limited coverage of the CIS mechanism has meant that, to date, CRBs' offerings are limited to providing highly commoditised, core bureau data services such as generic credit reports and scoring.
  - Despite marketing themselves as business intelligence providers, CRBs' value-added products are perceived among lenders as having low predictive power relative to internal analytics.

Recommendations:

Challenges facing the CIS mechanism	Recommended solutions
1. Enabling environment: Fragmented legal and regulatory framework	The absence of a Credit Act means that several categories of credit providers are not regulated and thus participate on a voluntary basis. This reduces the efficacy of the mechanism. A number of options can be considered: ▪ Develop a **standalone Credit Act** that defines a designated regulator to oversee all credit providers operating in the market irrespective of their industry and whether they are governed by a sector regulator. This seems the predominant model in Anglophone countries but may be costly to implement. ▪ Strengthen the rights and authority of CIS Kenya as a self-regulatory body so that CIS Kenya can then improve its enforcement of the regulations across a wider number of institutions that provide credit. Generally we are of the view that strengthening the self-regulatory powers of CIS Kenya, changing the SACCO regulation, including the Co-operatives Act to provide for full file sharing and broadening the mechanism to include non-regulated providers will broaden the coverage of the CIS mechanism. In addition, ensuring that data can be shared across credit providers will increasingly provide each of them with a strong incentive to participate in the mechanism for their own lending activities. A more detailed study on the costs and benefits of a Credit Act should be undertaken, as credit reporting is only one aspect of such an Act.
2. Cumbersome data submission and fragmented data	In the short term, CIS Kenya needs to work more proactively through **industry forums** and with all credit providers to resolve issues with respect to data submissions and reporting. ▪ It is not clear whether the separation of market conduct and compliance is appropriate, especially given the aforementioned issue of the overlapping jurisdiction of sector regulators. Going forward, the sustainability and effectiveness of the mechanism may be strengthened by giving CIS Kenya greater authority over enforcement and supervision of compliance. ▪ **Awareness campaigns** should be undertaken for credit providers and CRBs to foster buy-in as they can be implemented quickly. They would need to be run frequently allowing all providers an opportunity to engage and to control for staff turnover rates across the industry.

Challenges facing the CIS mechanism	Recommended solutions
2. Cumbersome data submission and fragmented data	▪ The medium to long term solution is to create a **centralised hub, refine the DST** and, ▪ **Segregate data reporting and participation** so as to incorporate the diverse group of participants by developing fit-for-purpose requirements for each type of credit provider.
3. Limited usage of CIS products and services	Improve the perception of the depth and quality of the data available through increased, sustained, stakeholder engagement. Increasing the **scope of participation** and establishing a centralised hub to improve data quality will achieve this objective.
4. Lack of awareness amongst consumers in the market	A sustained multi-media campaign is required to change the general perceptions in the market. The media of choice should be selected carefully to match the intended audience. Coupled with **access to easy to use credit reports**, and well trained staff to advise customers at each touch point, awareness is bound to grow with most having a positive experience.
5. Inefficient dispute resolution mechanisms	In the short run, enhancing awareness campaigns will have the highest effect in educating and changing behaviour. Following this, **redesigning the Alternative Dispute Resolution (ADR) mechanism** will address institutionalised problems that keep arising.

Chapter 1

INTRODUCTION

To date, CIS Kenya's biggest achievement has been the establishment of a system for mandatory reporting of full-file credit information amongst commercial and microfinance banks and voluntary sharing by other credit providers.

The ability of lenders to mitigate credit risk is a key determinant of the health of credit markets and the sustained growth of the economy more broadly. Globally, it has been shown that the ability to manage credit risk is enhanced when full-file (both positive and negative information) credit information is shared among all providers in the market. This is because full-file information obtained from both bank and non-bank lenders portrays a more accurate representation of a subject's creditworthiness resulting in better credit granting decisions and ultimately greater access to finance.

Credit Reference Bureaus (CRBs) play a crucial role in the information sharing environment by bridging the information gap between lenders and borrowers. This is achieved by offering objective reports on potential borrowers that allow lenders to reduce their risk and transactional costs, thereby expanding lending to borrowers while requiring less collateral.[1] Groups that traditionally have the greatest difficulty gaining affordable finance such as young MSMEs and individuals gain substantially from this objectivity.[2] In order for CRBs to operate effectively, they require an enabling environment of institutional, legal and regulatory frameworks to support their activities and ensure that information is made available to all stakeholders.

In Kenya, the Kenya Credit Information Sharing Initiative (KCISI) was first established in 2009 in partnership with the Central Bank of Kenya (CBK) and the Kenya Bankers Association (KBA). Later institutionalised within Credit Information Sharing Association of Kenya (CIS Kenya), the CIS mechanism has made a number of significant contributions towards improving lending practices in Kenya. To date, CIS Kenya's biggest achievement has been the establishment of a system for mandatory reporting of full-file credit information amongst commercial and microfinance banks and voluntary sharing by other credit providers.

The effectiveness of the CIS mechanism is determined by the coverage of financial service providers (FSPs) in the market, the timeliness and quality of data submissions from FSPs to CRBs, the enforcement of compliance with market conduct regulations, the ease and extent of usage of the mechanism, as well as borrowers' perceptions of the mechanism and reaction to the availability of credit scoring in the market.

1 Credit Reporting Knowledge Guide, IFC, 2012

2 Credit Impacts of More Comprehensive Credit Reporting in Australia and New Zealand, PERC, 2012

This report has been commissioned to understand the current and potential future effectiveness of the CIS mechanism in Kenya, seven years into its implementation. In particular, this study focuses on assessing the key challenges facing the mechanism. This involves assessing the macro, meso and micro components of the CIS mechanism including:

i. The legal and enabling environment;

ii. Market development;

iii. Market participation and usage; and

iv. Data providers.

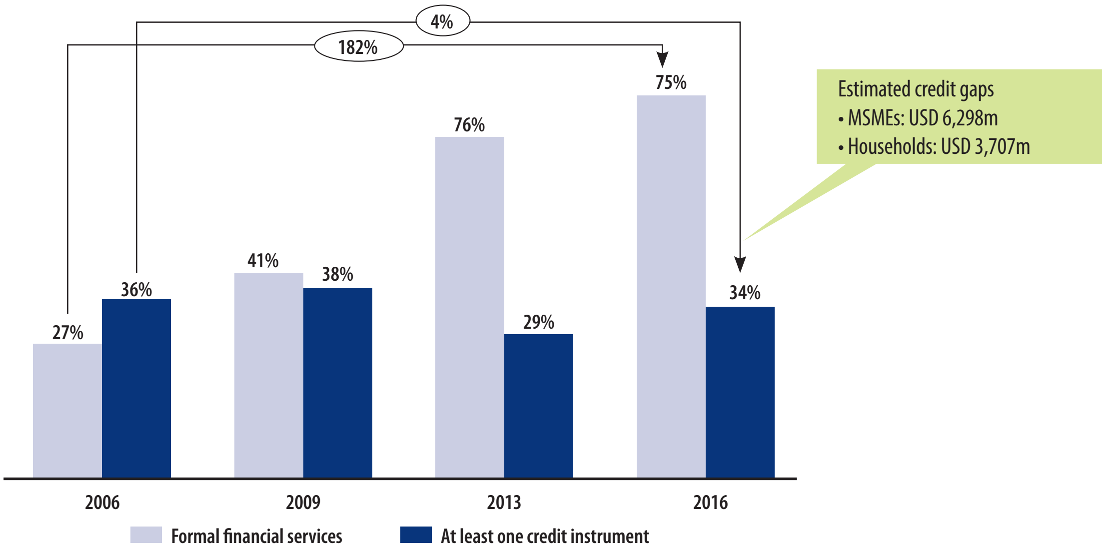
This assessment is structured into eight parts as follows:

- Section 2 discusses the macroeconomic context,
- Section 3 provides an overview of development of the CIS mechanism in Kenya and highlights the main features of the institutional framework and other key milestones in the evolution of CIS in Kenya.
- Section 4 describes the current structure of the mechanism.
- Section 5 reviews the level of usage of the CIS mechanism.
- Section 6 documents feedback received from the mechanism's stakeholders – namely CRBs, Commercial Banks, SACCOs, MFIs, Industry associations and Regulators – and highlights key challenges facing these stakeholders.
- Section 7 summarises the findings of the stakeholder engagement process in terms of key issues for the mechanism's development. Highlighted issues are accompanied by a discussion of potential solutions, with relevant experiences drawn from other markets where available and useful.
- Section 8 concludes the assessment by providing initial recommendations for resolving these issues.

Chapter 2

THE MACROECONOMIC CONTEXT

Figure 1: Access to formal financial services and credit instruments (2006 - 2016)[3,4]



Source: FinAccess, 2016, Genesis Analytics team analysis, 2016

Kenya is widely recognised as having made considerable progress in advancing financial inclusion. However, as shown below, progress in broader access to financial inclusion – such as access to a basic account and transactional services has advanced much more rapidly than access to credit. Whereas the number of adults reporting use of formal financial services has increased from 27% in 2006 to 75% in 2016, the number of individuals with a formal credit instrument has actually fallen.

This statistic highlights the importance of improving the functioning of the credit market – and credit information sharing mechanisms have proved to play an important role in achieving this in other markets.

At a macro level, Kenya also has lower levels of credit extension than comparative markets. Domestic credit to the private sector as a percentage of GDP in Kenya stood at 35% in 2015 lagging countries such as Mozambique at 35.4%, India at 52.7%, Namibia at 53.5%, Brazil at 68% and South Africa at 150%[5]. This may also in part reflect the difficulty in assessing credit risks.

Kenyans source credit from multiple providers so it is important that the CIS mechanism captures information from as many credit providers as possible. In June 2014 credit provided by the commercial banks amounted to a total of KSH1,720 billion[6], KSH223 billion[7] from Deposit-Taking SACCOs, KSH43.3 billion15 from MFBs and KSH16.2 billion[8] from MFIs. No data is readily available of usage of informal credit providers but 9.9%, 5.4%, 5.1% and 2.9% of the population reported using shopkeeper, accumulating savings and credit associations (ASCA), employer and chama loans, respectively [9]. Although by far the bulk of credit provided comes from the banking sector, a large share of this credit is used by the corporate or commercial sectors, suggesting that the other sources of credit are more relevant in the SME, micro and retail sectors.

The interest rates charged on loans in Kenya has gathered a large amount of public attention recently as there have been calls for the reduction in interest rates from both the National Treasury and Central Bank of Kenya (CBK).[10, 11], The average lending interest rates charged by banks for personal, business and corporate credit ranged between 15% and 25% depending on the loan collateral and maturity [12]. Prior research carried out by Genesis Analytics commissioned by the Competition Authority of Kenya, determined that there was no concentration of power within the top four banks with regard to the

3 IFC Enterprise Finance Gap Database

4 Genesis Analytics team analysis, 2016

5 The World Bank, World Development Indicators, 2016

6 Central Bank of Kenya, Kenya Financial Sector Stability Report, 2014

7 SASRA, SACCO Supervision Annual Report, 2014

8 AMFI 2014 Sector report. Estimated using 2013 figure of KSH12 billion and assumed to grow at historic 35.2%

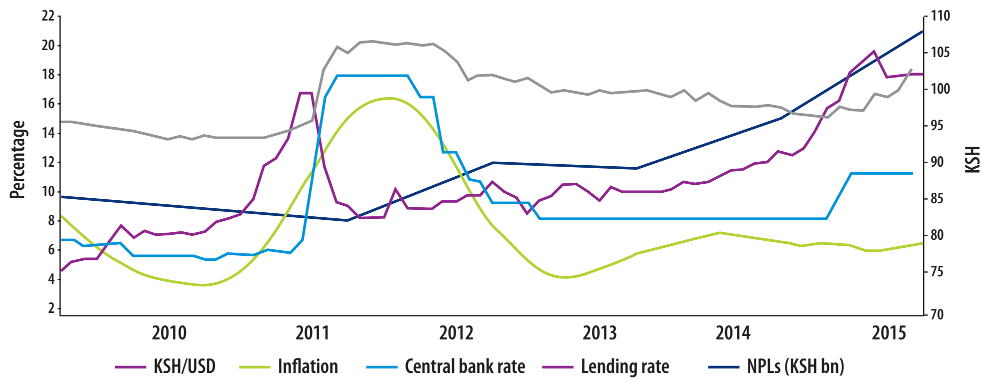
9 FinAccess Household survey 2016

10 Editorial: Banks losing interest rates debate, Business Daily, 29 February 2016

11 Big banks cartel hurting economy with expensive loans, says World Bank, Business Daily, 11 March 2016

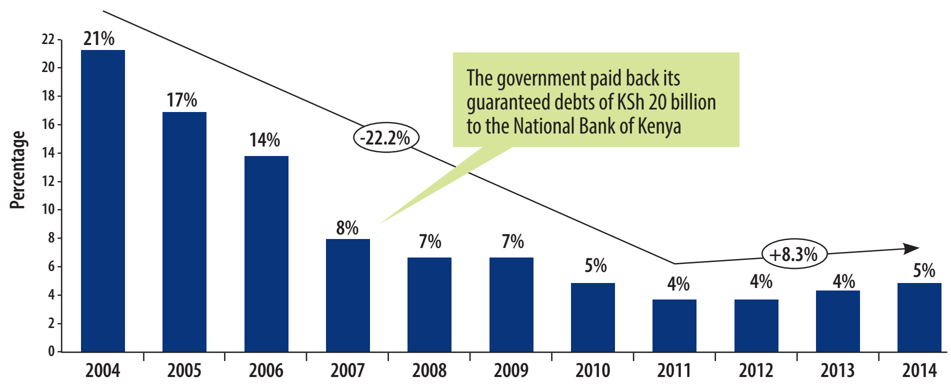
12 Commercial Banks lending rates report, Central Bank of Kenya, 2015

Figure 2: Key macroeconomic trends in Kenya (2010 – 2015)



Source: Central Bank of Kenya 2016, Genesis Analytics team analysis, 2016

Figure 3: NPLs as a percentage of total loans for commercial banks



Source: Think Business Survey, 2015

level of spread on interest rates and as such there was no evidence of unfair pricing of loans.

One of the major reasons for the relatively high interest rates in Kenya has been the difficulty in assessing credit risk and the resulting high levels of non-performing loans (NPLs) which have grown faster than loan loss provisions for both banks and SACCOs[13]– bank NPLs grew by 10.5% each year between January 2010 and January 2015 as compared to provisions, which grew by 8% each year. However, overall NPLs appear to be falling relative to the growth in credit extension from 2004 to 2011 (figure 2) driven by improved risk management programmes and appraisal standards across the banking system [14]. Since January 2010, domestic credit to the private sector from banks in Kenya has grown rapidly, by an average of 20% each year, which compares to nominal GDP growth of 12% [15]. The level of NPLs started increasing after 2011, mostly as a result of higher interest rates introduced as a response to a period of macroeconomic instability. As shown in Figure 2, the Kenyan Shilling lost nearly 25% of its value in 2011 and inflation increased from 6% to nearly 20% in November 2011. In an attempt to halt the inflationary spiral, the CBK raised the Central Bank Rate from 6.25% to 18% in under three months.

13 Kenya Financial Sector Stability Report 2014, Central Bank of Kenya

14 CBK Annual Report, 2007, 2013

15 Central Bank of Kenya, 2016

Since 2010, the aggregate loan-to-deposit ratio of commercial banks has increased from 72.5% in 2010 to 90% as at the end of September 2015[16]. Over this same period, the industry loan-to-asset ratio increased from 54.5% to 63.5%, which suggests tighter liquidity conditions. In order for credit extension to continue growing in line with its historical trajectory, the banking sector requires additional funding from either deposits or external funding sources. If the rate of credit extension was to slow from a lack of liquidity, the overall quality of lending portfolios is likely to worsen as the growth differential between credit extension and NPLs narrows. The implication of this is that, lenders will need to increase their focus on mitigating credit risk, which, in turn, would necessitate greater usage of CIS in the market.

Importantly, from the perspective of an assessment of the CIS mechanism, the degree of macroeconomic volatility will make it extremely difficult to link implementation of the CIS with macro levels of credit granting. Thus, this study is focused on qualitatively assessing the perceptions of market participants with specific focus on how the introduction of CIS has affected their businesses and processes. In particular, this assessment uncovers key challenges facing each of the main participants that utilise the CIS mechanism.

16 Kenya Financial Sector Stability Report 2014, Central Bank of Kenya, Performance And Developments In The Kenyan Banking Sector For The Quarter Ended 30th September 2015, Central Bank of Kenya

Chapter 3

THE DEVELOPMENT OF CIS IN KENYA

The CIS mechanism in Kenya was formalised in 2008, when the Banking (Credit Reference Bureau) Regulations of 2008 were released, and the mechanism was operationalised in 2010, following the licensing of the first CRB, under the Banking Act. The Regulations mandated the sharing of negative information by commercial banks with licensed CRBs, in a closed user group.

Each phase of the development of Kenya's CIS mechanism has been supported by Financial Sector Deepening Kenya (FSD Kenya). The second phase of the initiative (Credit Reference II project, 2012-2015) extended the CIS reporting system to cover non-bank financial institutions – specifically focusing on the microfinance sector. Non-bank credit providers were invited to participate on a voluntary basis after the release of the amended Credit Reference Bureau Regulations, under the Banking and Microfinance Acts.

CIS Kenya made significant progress in Phase II of the Credit Reference Project through increasing the number of credit providers that could (mandated or voluntarily) submit information to CRBs, and assisting banks and deposit-taking microfinance banks (MFBs) to share full-file credit information (both negative and positive information) for all their debtors [17].

This phase culminated in the adoption of the amended Credit Reference Bureau Regulations, under the Banking and Microfinance Acts, in 2013. These new regulations operationalised the sharing of full-file information by banks and MFBs. The new regulations also allowed non-bank credit providers to participate in the mechanism as voluntary data providers.

CIS Kenya is currently mid-way through its third phase (2015-2017), which is focused on deepening participation within the CIS mechanism across the spectrum of credit providers. This phase is dedicated to extending non-bank financial institutions' participation to full-file reporting in line with what occurs in the banking sector as well as enabling cross-sharing of data between the various credit providers in the market.

Tatua Centre was established in 2015 to address complaints that arose within the credit information sharing mechanism amongst the credit providers, customers and CRBs. The Centre uses mediation in resolving these disputes. The Centre has currently two main offices: an interim Steering Committee (with representation from the AG's office, Consumer Federation of Kenya, Judiciary, Inter-religious Council of Kenya, FSD Kenya and CIS Kenya) that provides guidance on policy, and the office of the Registrar that is actively involved in resolving disputes and providing guidance on CIS disputes. The setting up the Centre anticipates reduced dispute resolution times, as compared to the court process, which appears to be the case, although the ADR mechanism is still at an early stage of development.

The ADR process follows a two pronged approach. The first phase involves lodging a dispute at the CRB in writing where the consumer believes the information is inaccurate, erroneous or out-date. The CRB will within 5 days attach a note on the customers report indicating that some information on the credit report is being disputed. The CRB will forward the query to the customer's lender and the credit provider then has 14 days to review the dispute and provide a response. Identified errors will be corrected and communicated to the client. If there is no response from the credit provider within the allotted time, the listing on the CRB shall be deleted.

The second phase of dispute resolution begins with the client approaching Tatua Centre in instances where they don't agree with the response given by their lender to the queries they raised at the CRB. The Registrar analyses the proceedings to date, ensuring that the legal steps have been followed and advises the client, CRB and credit provider as to what steps they are able to take. A mediation session will then be organized by the Registrar to bring all the parties together to amicably resolve the dispute. Only once these steps have been exhausted without resolution should the litigation be attempted.

Where the investigation reveals an error, the Bureau shall remedy the error and inform all persons who may be affected by the information including the customer.

If the Bureau does not complete its investigation within 21 days, it shall delete the disputed information as requested by the customer and if it completes later, may reinsert or revise the disputed information.

Upon receipt of a notice of resolution or an amendment notice from an institution the Bureau shall, within 5 working days send a notice of change to any subscriber that has in the previous twelve months obtained a credit information report from the Bureau containing the incorrect information.

If you disagree with the resolution, you may request the Bureau to attach a statement of not more than one hundred words to your credit report, that the information is not accurate and the Bureau shall take reasonable steps to comply with your request.

A Bureau may charge you the cost of its services in conducting an investigation of disputed information where the information you disputed turns out to be false.[18]

17 Credit Reference Project II Mid Term Review, November 2013, FSD

18 CIS ADR Handbook, 2014

Chapter 4

THE CURRENT STRUCTURE OF THE CIS MECHANISM

The main users of CRB products ordered by revenue are commercial banks followed by MFBs, SACCOs and lastly MFIs[19]. Estimates suggest that the size of the market represented by total revenue collected by the CRBs, excluding connection fees is between USD1.7 million and USD2 million as at 2015. As shown in figure 4 below, the institutional framework of the mechanism includes:

i. The Regulations are spread across the Banking Act, the Microfinance Act and the Central Bank of Kenya Act. This requires coordination among the different regulators – in particular, the CBK and SASRA. The latter has not yet developed its own set of regulations to operationalise the mechanism among SACCOs, as stipulated in the SACCO Society Act. The CBK is mandated to license and regulate CRBs and authorises 3rd party credit providers to submit data to the CRBs. Enforcement of compliance across commercial banks MFBs, SACCOs and other third parties is assumed to fall under the CBK or be self-regulated via CIS Kenya's code of conduct (but is not explicitly stated).

ii. CIS Kenya, a Self-Regulatory Organisation (SRO), has been established as a voluntary association to provide a self-regulatory framework for all credit providers in terms of market conduct with respect to the information sharing.

iii. Three credit reference bureaus, licensed by the CBK, each of which offers products and services in a competitive market;

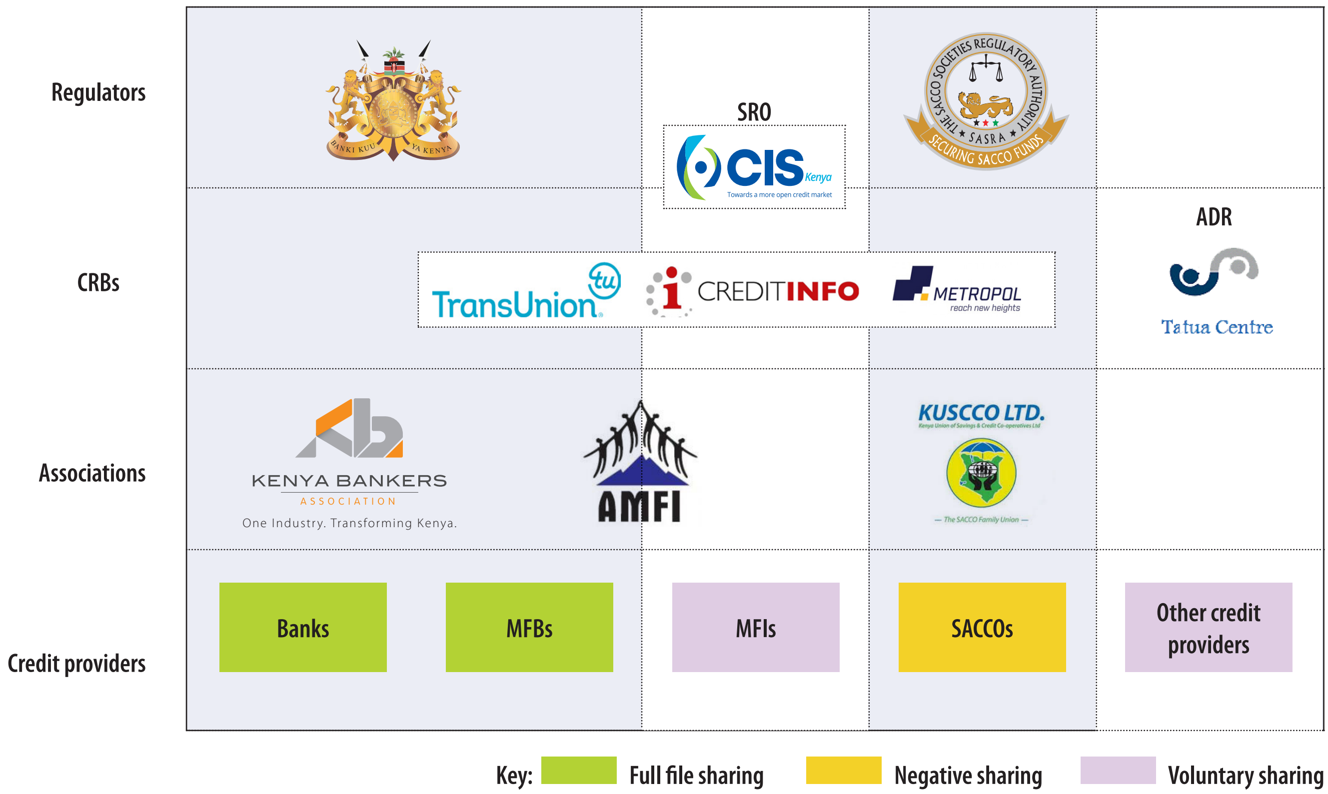
iv. All banks (commercial banks and MFBs) share full file data on their entire credit portfolios recording positive and negative data on borrowers to provide a more comprehensive view of credit risk;

v. A significant number of SACCOs and non-deposit taking microfinance institutions (MFIs) participate as 3rd party credit providers sharing data with CRBs. The Sacco Societies Act mandates SACCOs to share information through a closed user group (i.e. sharing between SACCOs only). However, this provision is yet to be operationalised; and,

vi. An ADR mechanism is in place to deal with any irregularities in the CIS data and provides a channel to resolve these disputes between consumers and credit providers.

19 Data from CRBs, 2015

Figure 4: The Kenyan CIS mechanism



Source: Genesis Analytics, 2016

Chapter 5

ANALYSIS OF MARKET USAGE

The current status of the CIS mechanism in Kenya is summarised in the Table below:

Table 1: Overview of usage within the current CIS environment[20]

Aspect	2013	2014	2015
Licensed credit reference bureaus	2	2	3
Participating commercial banks	43	43	41
Participating microfinance banks	9	9	12
Approved Third Party Credit Providers	N/A	N/A	Over 300
Unique entities with credit records in the CRBs	1 Million	1 Million	4 Million
Cumulative credit reports accessed by banks from 2010	3,255,519	4,779,273	9,994,289
Cumulative credit reports accessed by customers from 2010	49,190	77,422	141,023

Source: Credit Information Sharing Association of Kenya, 2016; World Bank, 2016

Reports requested from both credit lending institutions and consumers has increased drastically over the years to reach 10 million and 141,023 respectively in September 2015 from 3.2 million and 49,190 in 2013. The doubling in the number of credit reports between 2014 and 2015 reflects

i. the incorporation of 3rd party credit providers into the mechanism; and,

ii. the increased use of reports for instant mobile loans.

CIS Kenya has run various initiatives from 2013 to support the uptake of the mechanism broadly targeting the general public, students and lenders. These initiatives are discussed in Table 2 below. The media of engagement chosen per stakeholder matched adequately the needs of the group. However, from engagement with industry stakeholders it appears more work needs to be put into increasing the frequency of the campaigns and broadening the scope with regards to tertiary institutions and lenders to ensure smaller institutions receive sufficient support to cover their gaps.

Table 2: Awareness initiatives by audience

Audience	Year engaged	Media	Comments
General public and consumers of credit	2013-date	▪ Newspaper articles ▪ TV & Radio interviews ▪ Exhibitions	The national reach of media used offers high potential exposure. Radio campaigns were particularly successful in fostering public interactions. The frequency of campaigns would need to be increased with a focus on the benefits of good credit listings and explaining the ADR mechanism.
Tertiary education students	2013 & 2015	▪ Face to face ▪ Social media	Creativity and real time engagements are achievable in-person and through social media to captivate this market. The frequency of initiatives are, however, low and should incorporate a wider range of institutions.
Lenders and regulators	2013-date	▪ Conferences ▪ Workshops/ Seminars ▪ In-house trainings ▪ Newsletters	Workshops/ Seminars are organised frequently with clear and specific objectives set out such as the CIS mechanism, CRB products, training on how to use query language to manage data mining and ADR. This has been useful as an information and training tool for lenders. Newsletters are also effective and quick at updating stakeholders of any changes to the system. Efforts should be made to ensure smaller institutions receive sufficient trainings to cover any capability gaps they may have. Follow up functions should be carried out to ensure uptake and to train new staff members.

Source: CIS Kenya, 2016

20 Full list of initiatives is presented in the annexes

In addition to these initiatives, the CBK also publishes information on the CIS mechanism in some of its publications. Curiously, other than the 2013 CBK Credit Officer Survey, all subsequent surveys have made no mention of the CIS mechanism. Considering all banks' senior credit officers partake in this quarterly survey, this seems an opportunity to grow awareness and discuss problem areas within the mechanism.[21]

Studies carried out by Ipsos identified that general awareness on the CIS mechanism in the market has remained low. From 2012 to 2015, the percentage of individuals and businesses from those interviewed that had heard of CIS changed from 17% to 9% and 9% to 10%, respectively. Understanding of the mechanism by those who had heard about it had however improved by over 30%.[22] This suggests that the awareness campaigns have had limited impact on the general public, and should therefore be enhanced. The technical complexity of the CIS mechanism and the primary medium of communication (written material) were cited as key challenges to improving awareness. Another challenge that was cited by stakeholders interviewed was their level of understanding of the ADR mechanism to query any issues with regards to individuals' data.

To date, the Tatua Centre has resolved over 200 disputes (Table 3). From discussions with stakeholders the majority of these were resolved in steps one through to three of verification, intervention and facilitation.

21 CBK Credit Officer Survey 2012-2015

22 Ipsos, Updated stakeholder perception survey report: Credit Information Sharing mechanism, 2015

Table 3: Tatua Centre dispute analysis

	2015	2016 (Jan to Mar)
Verification, intervention and facilitation	147	61
Mediation	6	0
Pending[23]	14	12
Total	167	73

Source: Tatua Centre data

In practice, clients often circumvent the ADR mechanism going directly to the courts to resolve their disputes. A lack of awareness on the clients' and credit providers' parts of the proper procedures before and after listings has caused erroneous listing of disputes and their escalation to the courts. Stakeholders interviewed also cited the failure of CRBs to communicate updates to borrowers and other CRBs after the conclusion of ADR processes, as a key reason for imbalances in credit reports which has led to further unnecessary litigation. Even though the ADR has made positive strides to resolve disputes quickly and out of court, these communication issues have meant that affected parties are required to lodge several disputes to ensure that their information is consistent across CRBs. As a result clients are still choosing litigation instead of the ADR, provided this route is within their reach

23 Currently pursuing communication with the credit institutions and the customer.

Chapter 6

STAKEHOLDER PERSPECTIVES ON CIS

The CIS mechanism directly involves the interaction of three groups of stakeholders, namely, credit providers, CRBs and regulators (as shown in the Figure 5 below). As such, each of these groups where engaged through semi-structured interviews during the course of this study.[24] End consumer views were derived primarily from the credit providers that serve them. Of the seventeen interviews with credit providers that were requested, eleven were granted. Table 4 details the list of institutions interviewed during two country visits between April and June of 2016.

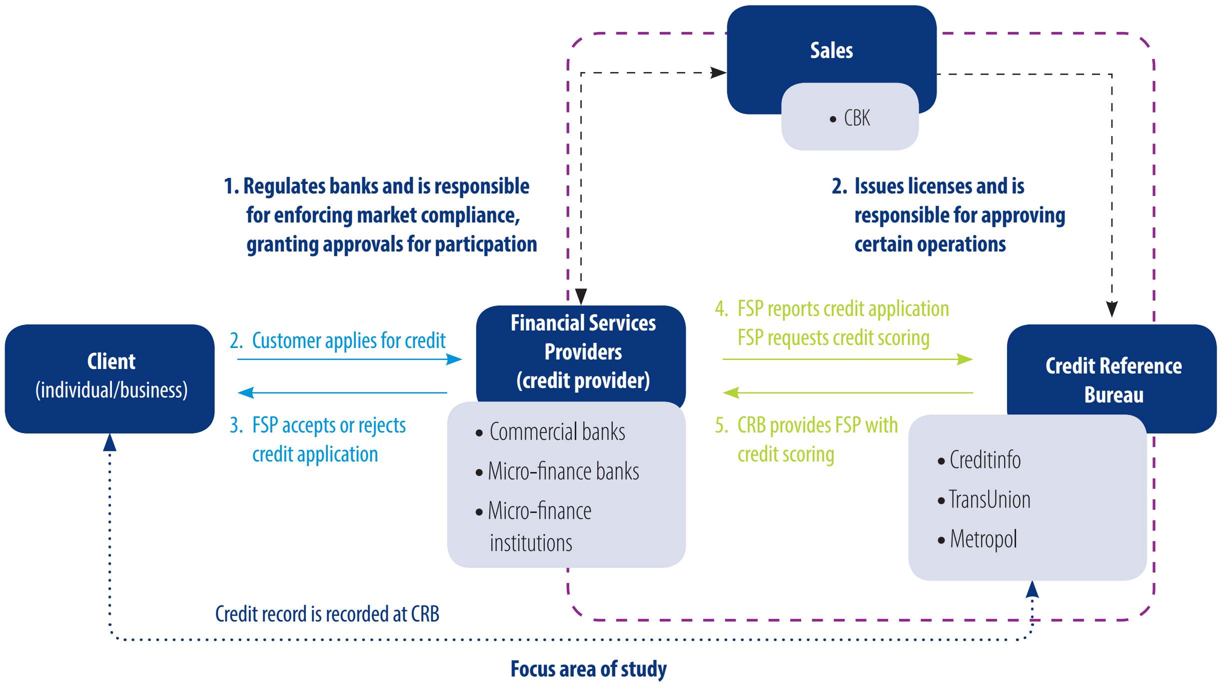
Table 4: List of institutions interviewed

Name of institution	Stakeholder group
TransUnion Kenya Limited	CRB
Metropol Limited	CRB
CreditInfo Limited	CRB
Sacco Societies Regulatory Authority	Regulator
Central Bank of Kenya	Regulator
Kenya Commercial Bank Limited	Credit provider – bank
Co-operative Bank of Kenya Limited	Credit provider - bank
Commercial Bank of Africa Limited	Credit provider – bank
Bank of Africa Kenya Limited	Credit provider – bank
African Bank Corporation Limited	Credit provider – bank
Equatorial Commercial Bank Limited	Credit provider – bank
Faulu Microfinance Bank Limited	Credit Provider – MFB
Sumac Microfinance Bank Limited	Credit provider– MFB
Eclof Kenya	Credit provider – MFI
AAR Credit Services Limited	Credit provider – MFI
Afya SACCO Limited	Credit provider – SACCO

Source: Industry interviews, 2016

The remainder of this section discusses the key findings from this process of stakeholder engagement. During this process each group of stakeholders was asked to provide their views on a number of issues regarding the mechanism including perceptions of market development, usage of credit information and the major operational challenges currently evident in the mechanism. These views were cross-checked to determine consensus of problem areas across stakeholder groups and to distil the overarching issues that exist.

Figure 5: The CIS mechanism in Kenya



Source: Genesis Analytics, 2016

24 In addition to the interviews, numerous data requests from the interviewed stakeholders were made. Unfortunately, stakeholders were not able to satisfy these in time for the publication of this report.

6.1. CREDIT REFERENCE BUREAUS

6.1.1. The CIS value proposition to FSPs and CRBs

Each CRB offers similar core bureau products and services involving collecting and collating of credit information, which is then used to produce credit reports,[25] credit ratings[26] (for example Payment Performance Index[27] and Creditinfo Predictor [28]) and credit scores [29] (for example Metro-Score) that are sold on to lenders. Similarly, consumer reports are offered across all CRBs. All licensed CRBs receive full file information from commercial banks and MFBs. They have further specialized individually to receive data from third party credit provider sectors (such as SACCOs, MFIs and peer lenders) so as to offer differentiated value.

Each of the CRBs appeared to have a strong focus on providing value added products and services that involve further processing and analysing of the raw information to produce deeper customer/business insights.[30, 31] In fact, the CRBs referred to themselves as information services providers. These products and services have the potential to be used by their clients in decision making and can fit into automated systems allowing for increased processing speeds and freeing up employees to focus on alternative tasks.

The value-added products and services offered cover the entire customer life cycle ranging from bespoke credit scoring, predictive scoring, portfolio management, decision analytics (trigger solutions), collections, fraud management to lead generation.[32, 33, 34] Further to this, the CRBs also offer system/technology solutions that are integrated into client systems offering decision making and batch data submission capabilities.

The primary differentiator among the CRBs is attributable to be their length of tenure in the market. It positively affects the number of distinct entities and credit profiles on record, while also affecting the depth of this information. Barring cross industry mandated credit submission, younger CRBs would require significant time to build up their databases to compete with incumbents. Furthermore, the CRBs differ with regard to their regional and international footprint, each linked to larger entities with unique service offerings. Pricing is also an important area of competition among CRBs with pricing ranging from KES70 to KES200 for a standard report and KES1 to KES6 for mobile reports – this is symptomatic of a commoditised industry with little propositional differentiation.

Moving forward, the CRBs expect increased integration and use of CIS in credit products across the board particularly due to a switch from relationship, or collateral-based lending to risk-based lending, and further incorporation of CIS in everyday activities such as employment applications. The key dependency for this was cited as the extension of coverage to all institutions that possess regular payment information such as all credit and utility providers among others.

6.1.2. Operational challenges

Discussions with CRBs revealed three main operational challenges constraining their access and use of the CIS mechanism. These include:

1. The lack of a unified regulatory framework over all types of credit providers;
2. The lack of resources and capacity for CIS Kenya to drive the development of the market and;
3. The low level of buy-in among credit providers in the market to supply data. Each of these challenges is discussed in turn below:

i. **Regulation was cited as a significant hindrance** to CRBs. Specifically, the lack of unified regulation covering both banks and non-bank credit providers was identified as a particular interference affecting the breadth and depth of the information available; hence limiting the quality of any analysis that a CRB could conduct. The CBK's, or CIS Kenya's, lack of appropriate means, or jurisdiction, to enforce broad compliance and unstandardised templates were viewed as a core reason for the poor quality of data - submitted data was perceived as often being erroneous, missing relevant data points or delayed in its delivery. High initial data rejection rates of up to 72% were cited, adding further delays to the process.

   Further to this, the disparity between the types of data mandated to be shared with CRBs and those voluntarily offered from the different sectors was cited as a problem for the richness of data which contributes to limited increases in credit provision. Data from public records and non-financial institutions such as utility providers and retailers, whose sharing is not currently mandated, were viewed as a way to provide potential access to credit for the 24.6%[35] of adults that do not hold accounts with a formal financial institution.

25 A credit report is a broad profile of an individual's/business' personal details, past and present borrowings and their repayment histories

26 A credit rating is a grade given to an individual or business depicting their creditworthiness

27 Metropol Limited website - http://www.metropol.co.ke/

28 Creditinfo Limted Website - http://creditinfo.co.ke/

29 A credit scoring is statistical probability of a borrower making his/her payments in time

30 FSD Kenya, Finaccess Business – supply, Banking financing of SMEs in Kenya, 2015

31 PSAPL Newsletter January 2008

32 Ipsos, Updated stakeholder perspective survey report: Credit Information Sharing mechanism, 2015

33 CIS ADR Handbook, 2014

34 TransUnion website - https://www.transunionafrica.com

35 FinAccess Household Survey, February 2016

The use of negative-only information credit reporting for some providers, although useful for identifying serial defaulters, was raised as an issue as it excludes any previous defaulter from accessing credit despite their current financial performance for a prescribed period of time[36, 37] – data retention in the market is five years. Furthermore, only bad debtors would possess credit reports, which limits the amount of data available.

ii. **CIS Kenya lacks the resources and jurisdiction to effectively drive the CIS mechanism.** In particular, CRBs pointed to CIS Kenya not making adequate progress to increase regulatory coverage over non-banks together with not providing adequate feedback and communication forums to deal with issues of market conduct. Legally, access to data and submission of data are handled separately; with the Regulations explicitly allowing an entity can access data without requiring submission. The CIS code of conduct, however, prohibits this. Despite this prohibition, it was reported that providers circumvented this as a result of the Regulations' greater strength and thus CIS Kenya's limited ability to enforce these rules at the credit provider level as most providers are not members of CIS Kenya, and thus are not required to. This inconsistency highlighted how reciprocity of data suffers and, as a consequence, so does the quality of data available to lenders.

iii. **Credit providers were also identified as having inconsistent buy-in** into the mechanism; consequently the view of the CRBs was that those providers that are mandated to supply data do so for compliance reasons and therefore do not have much focus on improving data quality. Thus, it is believed that this was the primary reason for poor quality data being submitted as well as an absence of capacity to understand or effectively make use of the CIS mechanism within credit providers. Voluntary participants, meanwhile, were viewed to have limited capacity for data submission and, by virtue of voluntarily providing data, mostly access data and hence also submit poor quality data.

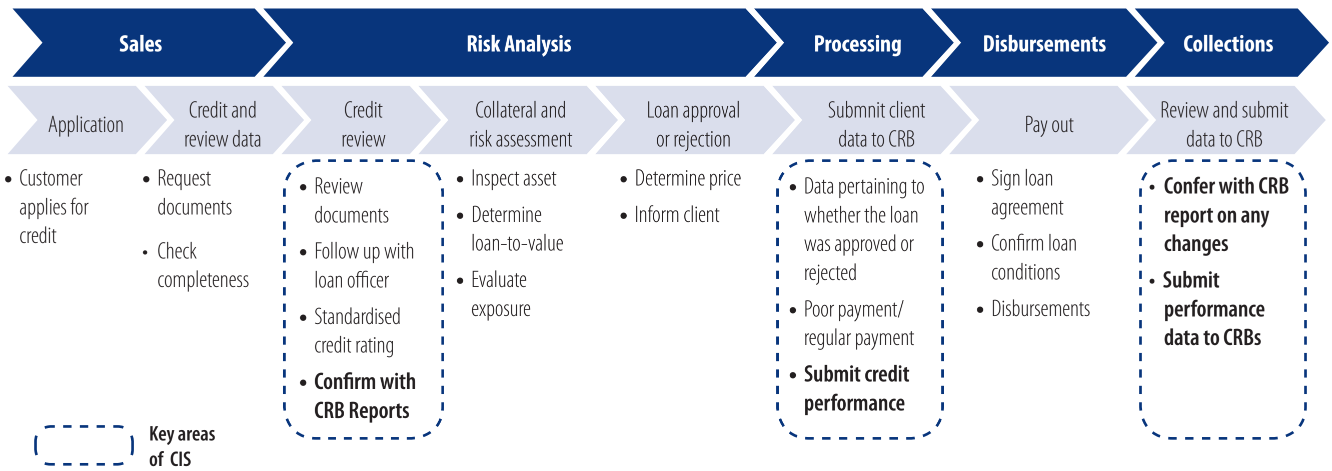
6.2. CREDIT PROVIDERS

Six commercial banks, two MFBs, two MFIs and one SACCO were engaged to draw insights on FSPs' interaction with CIS. For the purpose of the assessment the most important discussants were commercial banks as they have participated in the CIS mechanism for a longer period of time than MFIs and SACCOs.

6.2.1. Role of CIS in the credit process

The FSPs interviewed were found to have incorporated basic CRB credit reports in their decision-making of the conventional credit appraisal process; either immediately when an application is received or as part of the credit analytics function as depicted in Figure 8 below. These reports were cited to have added deeper understanding of potential clients' over-indebtedness and their payment behaviour (risk profile). As a result, it was reported that the most noticeable impact of CIS was that the turn-around-time of decision making has been shortened. Generic CRB reports were not found to be sufficiently reliable for appraisals, beyond flagging negative listings, and are used in conjunction with internal mechanisms, with many of the providers preferring their internal scoring function (where applicable) as they believed that the CRB scores lacked sufficient depth.

Figure 6: Generic credit appraisal process



Source: Genesis Analytics team analysis, 2016

36 FSD Kenya, Finaccess Business – supply, Banking financing of SMEs in Kenya, 2015

37 Kenya Financial Sector Stability Report 2014, Central Bank of Kenya, Performance And Developments In The Kenyan Banking Sector For The Quarter Ended 30th September 2015, Central Bank of Kenya

Despite much of the usage of credit information being focused on credit decisioning, it was found that client applications were not automatically declined by many credit providers from a negative listing on CRBs. It was reported that the client is ordinarily contacted and afforded a chance to expound further on the listing and allowed to obtain a clearance certificate from a CRB, following which the application process would typically continue. Mobile loan providers' usage of credit reports as part of the determining variables has varied with some providers finding better value through mobile phone usage data – particularly as many of these loans are short-dated and small-sized. The primary reason for this was cited as the frequency at which credit information is updated, which does not benefit these providers as their application processes are typically automated with the end-to-end credit appraisal processing taking only a matter of minutes,

Credit information was not found to currently be utilised for risk based pricing of loans because the **data from CRBs was viewed as being incomplete**. Instead, cost of funding, competitors' rates and past experience with the credit provider are more commonly used to determine the terms of credit agreements. The view was shared that the majority of the public remain unaware of the benefits of positive credit information and think of CRB listings as purely an undesirable event. The perception in the market is that eventually risk based pricing shall be effected once the short comings of the mechanism have been ironed out.

CRBs were also reported to have been used to improve collections in two ways. Firstly, negative listings have necessitated defaulters to clear their past debts before attaining any new debt. Secondly, basic and more value added products from CRBs have been engaged to help explain any change in behaviour or trace defaulters.

6.2.2. Operational challenges

Discussions with stakeholders revealed a number of operational challenges constraining their access and use of the CIS mechanism. The main concerns cited by stakeholders include the lack of a regulatory framework for all providers, and limited awareness of the CIS mechanism, of the ADR process and of CIS Kenya's role. These and other challenges are described below.

- The CIS mechanism is perceived as **lacking a strong regulatory framework** that covers all credit providers. As a result enforcement of compliance cannot be ensured. Case in point, whereas SACCOs are legally mandated to share their data only within a closed user group between themselves, this has yet to be operationalised and their data has been added to the CRB databases under the provision for third parties. Furthermore, SACCOs and other third parties are able to access full-file information from other providers without needing to submit data themselves. This was perceived as providing an unfair advantage to the third parties, who either don't submit or submit negative only information, at the expense of mandated providers. Many of the interviewed FSPs felt that all credit providers and utility companies should be mandated to submit full-file information which would increase the value preposition offered by the CRBs to all credit providers.

  Furthermore, the current regulations do not cater for evolving forms of credit such as mobile lending or micro loans. Providers reported that they are often inconvenienced by the one size fits all approach that sees them struggle to submit all information required in the standardised template. Functionality gaps were also found to persist with the CRBs. Examples of these were cited to include guarantors being listed as primary borrowers, and there being no automatic integration between CRB data and national Identification Documents (IDs) and passport information.

- It was clear from the interviews that **awareness of the entire mechanism is low** from a credit provider and consumer point of view. The former are unaware of the full product offerings available to them from the CRBs and have been found to misuse certain CRB data to the detriment of the consumer, as a result of poor knowledge. Consumers appear to lack full knowledge of their consumer protection rights, have sought wrong channels to resolve disputed information about them and remain unaware of the benefits of having positive credit information.

- **CIS Kenya's role is not well perceived in the market**. Sentiments are that they are good at organising workshops but are over-extended and do not have the power or capability to drive much development in the mechanism. A series of incomplete initiatives has also dented their credibility. The CBK instead is often referred to as the champion and regulator of the mechanism. It is believed to have the authority to enforce and drive policy changes.

- The **capabilities required** to submit and make use of the CIS mechanism **were viewed as costly investments**. Big credit providers such as commercial banks had generally made the investment already or were in positions to make them so the uptake of the mechanism was not costly. For smaller MFIs and SACCOs these investments have proved to be prohibitive. Some processes such as submissions of data have, as a result, remained manual which is a concern from a data quality and efficiency perspective.

- At present **data submissions are seen to be cumbersome** with an unnecessary execution of effort. Duplication of tasks is experienced by having to submit the same data individually to the three CRBs. Further to this, validation practices were seen to differ between CRBs resulting in differing acceptance rates depending on which CRB data was being submitted to.[38] CRBs are seen to lack adequate capabilities to deal with mass submissions before the deadline of each month, as a result, the availability of up-to-date information is delayed. A centralised data

38 Requested data on acceptance rates by CRBs has not been submitted in time for this report

transmission infrastructure (CDTI) point/ hub was constantly suggested to alleviate these concerns and is presently under consideration by CIS Kenya with an implementation plan to be drawn up in Quarter 2/3 of 2016.

- There is **poor awareness of the ADR mechanism.** As such all stakeholders have not utilised it to its maximum potential, with majority of clients still circumventing the Tatua Centre and seeking litigation and credit providers not being able to provide the required feedback in the allotted time frames. In addition, no regulation currently exists that prevents clients from seeking legal recourse while a dispute is ongoing in the ADR.

6.3. REGULATORS

The CBK and SASRA were both interviewed to understand their perceptions and challenges faced from an operational side. The following sections express the main findings from these discussions:

6.3.1. Perceptions of market development

It was acknowledged that there have been numerous positive strides made with the CIS mechanism since its inception in 2010. Full-file sharing from commercial banks and MFBs, SACCOs and other 3rd parties submitting voluntarily were the major examples quoted. The use of the mechanism across credit providers has increased and aided risk mitigation noticeably. Access to credit is also believed to have increased, although no data to support this is currently available, unfortunately.

The regulators, nevertheless, expressed that the mechanism remains in its infancy and as a result has faced challenges that have resulted in low uptake among unregulated providers and failed to see it used to promote risk based lending; thereby reducing the cost of lending. It instead, was viewed to have exclusively been used to blacklist defaulters and to improve collections.

6.3.2. Operational challenges

CBK and SASRA expressed four main challenges to the development of the CIS mechanism.

i. The main concern for regulators revolved around the **legislature being fragmented** across different legal acts. Regulators also cited the difficulty in enforcing and monitoring compliance and unregulated providers remaining outside the mechanism as principal challenges. Work is presently underway to consolidate and expand the regulation under one legal framework and regulator; though a decision on what the structure would look like is yet to be decided on.

ii. It was further felt that misconceptions in the public are propagated by a **lack of understanding of the mechanism**. Some of the reasons cited for clients rushing to court over a listing clearly indicate the poor awareness of the mechanism identifying the need for sensitising both consumers and credit providers of the broader value of the mechanism. The high cost associated with attaining the capabilities to allow for submission of data and utilising the reports from the CRBs was thought to bar smaller lenders from enrolling. Assistance is required from the regulators and industry to mitigate this.

iii. CIS Kenya as an association is believed to have struggled to drive the mechanism forward because it **lacks sufficient capacity and focus.** It is viewed that crucial to its success would be to demonstrate to the credit providers the value attainable from industry wide compliance and does not necessarily require new regulation to achieve. Nonetheless, the CBK opined that being unable to enforce compliance is a challenge for the association but can be worked around through operating in conjunction with the CBK.

iv. The final concern articulated by regulators involved the **lack of a CDTI hub.** This was felt to have impacted the integrity of the data from the CRBs. Despite this significant effort was employed to reduce rejection rates, having come down from 13 % in June 2015 to 4.1% in April 2016.[39]

39 Central Bank of Kenya, 2016

Chapter 7

SUMMARY OF KEY ISSUES IDENTIFIED

This study has identified a number of recurring themes to the development of the CIS mechanism and found that these fall within four main areas, namely

i. the regulatory structure and framework;

ii. market usage;

iii. data submission and

iv. awareness.

The sections below describe these themes further, while also providing insights into potential solutions for each of the issues identified, based on examples from other markets and the unique aspects within Kenya.

7.1. LEGAL AND REGULATORY ENVIRONMENT

7.1.1. Regulatory coverage

Outside of commercial banks and MFBs that are legally mandated to provide full file data, gaps exist in the provision of data by credit providers in less regulated, and especially non-regulated, sectors. This limits the effectiveness of CIS as a significant amount of credit data is not available to credit providers. These gaps include:

- At present, The Sacco Societies Act mandates Saccos to share data through a closed user group, though the clause has not yet been operationalised. If operationalised in the current form, it would mean that defaulters in one sector can therefore circumvent the mechanism and apply for credit in alternative sector that cannot access their accurate credit history. This has not been operationalised and SACCOs currently participate as third party providers. Similarly, the current Banking and Microfinance Acts do not specifically allow for the cross-sharing of credit data to other providers and instead enables some form of cross-sharing via the third party provisions;
- A number of Acts covering Cooperative societies, Agricultural Finance Corporations, education loan providers, utility providers and insurers currently make no provision for CIS. While this means that they are able to take advantage of existing third party provider provisions, this does come at a cost of less consistent market conduct;
- Due to the lack of standardised DSTs for non-bank participants, there is a risk that they are able to submit data of a lower standard to those participants for whom such templates exist. This may result in some participants not adhering to the principle of reciprocity.

7.1.2. Regulatory jurisdiction

CIS Regulations are drawn pursuant to the Central Bank, Banking and Microfinance Acts and as such the mechanism is regulated by the CBK. However, the CBK has no regulatory jurisdiction over SACCOs or non-deposit taking credit institutions. SACCOs are currently supervised by SASRA and non-deposit taking credit providers do not have an apex regulator. This limits the CBK's ability to effectively supervise the mechanism and enforce compliance with the relevant information sharing and consent requirements set out in the regulations despite having the responsibility to approve these institutions as participants.

Enforcement of compliance is a particular concern as the regulations appear to empower both the CBK as well as the individual CRBs to punish non-compliance. The CBK is able to retract the license of participating providers, while CRBs can prevent providers from accessing their databases. CIS Kenya was established to provide a self-regulatory framework for participating credit providers but due to the voluntary nature of its membership, its ability to enforce compliance to its code of conduct is limited to those providers that are its members.

Box 1: Voluntary vs. mandatory submissions – an example from South Africa

Prior to 2005, all credit providers that were members of the Credit Provider Association (CPA and now called South African Credit and Risk Reporting Association or SACRRA) agreed they would voluntarily share data with the CRBs associated with the CPA. Intended universal sharing of consumer credit information was not achieved. Instead **some lenders refrained from submitting altogether**, while others **did not submit their entire files**, specifically those of their best clients. Reciprocity was not upheld and the quality of data suffered, which ultimately affected the efficacy of CRB products and services; in spite of having sophisticated scoring models, a dispute resolution mechanism and an ample code of conduct.

The enforcement of the **National Credit Act (2005)** addressed this by mandating all credit providers to provide full-file data to **all licensed CRBs**. The effect of this was to not only increase the quality of data being shared, but to also level the playing field between CRBs, thereby encouraging innovation and supporting the growth of value-added services.

The Act also established the **National Credit Regulator (NCR)** (Act No. 34) whose duty it was to **regulate the credit industry's market conduct.** This included education, research, policy development, registration of The Act also established the National Credit Regulator (NCR) (Act No. 34) whose duty it was to regulate the credit industry's market conduct. This included education, research, policy development, registration of industry participants, investigation of complaints, and ensuring enforcement of the Act.

Source: Building effective credit reporting systems, IFC, 2011: National Credit Act, Republic of South Africa, 2005; NCR, n.d.; Facilitating access to finance – Discussion paper on credit information sharing, OECD, n.d.

The absence of a formal mechanism for coordination between SASRA and the CBK, coupled with the absence of any current role for SASRA within the CIS mechanism, has resulted in an uncoordinated approach to supervision of non-compliance, to approving of CRB participants and to the standards set for information sharing. Viewed from this perspective much of the information asymmetry that exists between SACCOs, third party providers, banks and the CRBs is a result of the institutional approach to regulation adopted when the market was less complex. Drawing from the experience of South Africa's regulatory framework for CIS, Box 1 highlights the importance of ensuring adequate licensing and regulatory coverage over all types of providers in the market.

7.1.3. Market conduct and data integrity

The lack of clear regulatory jurisdiction has given rise to a number of market conduct issues and jeopardised data integrity within the mechanism. These issues include inconsistent data quality, alleged selective submission of data by large credit providers, delayed submission and updating of data as well as gaps in consumer protection. Of particular concern is the quality, completeness and timeliness of data submitted to the CRBs, which is viewed as being poor despite efforts to standardise submission templates across providers. Another concern that was identified was whether 3rd party providers were adhering to consent requirements for data submissions. There exists a potential consumer protection issue if, absent the regulatory capacity to monitor compliance with these requirements, consumers are found not to have knowingly given their consent for information to be shared.

These concerns could tarnish the reputation of the CIS mechanism as insufficient enforcement may lead to inconsistent market conduct and give rise to increased legal disputes between borrowers and credit providers, which would erode confidence and trust in CIS from all stakeholders. Box 2 below draws on Morocco's experience to suggest how clear regulation can improve market conduct supervision and mitigate against these challenges.

7.1.4. Potential solutions

As there is no single solution to address these gaps, a choice is required as to the most effective and practical solution for the market. In particular, it must be examined whether what is needed is a change in regulatory architecture or legislation or a combination of the two (Box 3 below discusses how regulatory fragmentation can be resolved). It is clear that regulation must provide a clear mandate for enforcing and monitoring compliance of the entire mechanism. This will break information silos, and ensure uniform enforcement, thereby enhancing the quality of data available.

1. All credit providers, including institutions that collect and store other relevant data, such as utility providers and revenue authorities, should be incorporated into the mechanism to deepen the richness of data available in the market. As such, the relevant pieces of legislation governing each type of credit provider should be amended to incorporate information sharing provisions.
2. Regulatory authority and oversight of the entire mechanism should be clearly defined to ensure effective enforcement of market conduct. Drawing on international practice there are two approaches to achieve greater oversight: the first is to establish comprehensive, **standalone credit legislation** (see Box 3 below) that empowers a single regulator or regulations governing all types of consumer credit provision.

Box 2: The benefits of clear regulation – an example from Morocco

In 2005 Morocco's credit industry was characterised by **a large use of collateral** in lending, **high NPLs and high rejection rates**. The country also had **no private CRB,** with CIS remaining **fragmented** and further frustrated by the **reluctance of key lenders to share information.** The Central Bank of Morocco (BAM) was the custodian of a national credit registry, which it conceded suffered from material deficiencies in relation to storage or retrieval of high volume information.

Choosing to rather maintain a leadership role over financial institutions, regulations were altered giving BAM the right to **own the credit reporting mechanism in house or to delegate it to the private sector;** paving the way for private CRBs. BAM was therefore mandated to license and regulate CRBs while maintaining access to the information in order to support the supervision of the financial sector. Any new CRB was granted access to the updated credit registry database to begin operations with to which they could add supplementary information to provide differentiated value. A **separate credit bureau supervision unit** was created to oversee and monitor data exchanges in the industry.

All regulated FSPs were no longer allowed access to the registry and are compelled to utilise a CRB. These credit providers are further required by law to consult at least one CRB before making a decision on a loan, enforcing industry wide usage. The principle of reciprocity governs non-regulated FSPs, where they can only gain access to reports if they first provide information to a CRB (after receiving consent from a customer).

To govern the CRBs, BAM used circulations to inform on any changes with regards to the CIS mechanism and the **code of conduct that oversees operational matters** and the relationship between itself, the lenders, CRBs and consumers.

Source: Global financial development report, 2013; Credit reporting knowledge guide, IFC, 2012; Building effective credit reporting systems, IFC, 2011

However, the separation of regulatory responsibility across industries may be a source of tension between prudential and market conduct regulators and so a single regulator appears to be efficient. The advantages of a single regulator would be to centralise oversight over the safety and soundness of the mechanism and the credit market as a whole and for ensuring appropriate business conduct for all providers engaged in the provision of credit services, including banks and non-banks, industry infrastructure (like the CRBs).

Box 3: Centralisation of credit regulation in other markets

The issue of regulatory fragmentation is a function of the evolution of mechanisms and is not unique to Kenya. In South Africa, for example, the legislative and regulatory framework had been fragmented across the Usury Act (1968) and the Credit Agreement Act (1980). This gave rise to practices that promoted unscrupulous lending and over-indebtedness predominantly among lower income earners. The CIS mechanism being governed by voluntary sharing also failed to work with credit providers either refraining entirely or partially to submit their data. This drove South Africa to pass the **National Credit Act (NCA) 2005** and Regulations of 2006 providing comprehensive regulation over all credit providers.

The Act simplified credit regulation, set firm consumer credit protection and rights guidelines, encouraged responsible lending, created provisions for CRB regulation, established the **National Credit Regulator (NCR)** to regulate the entire credit market and established the **National Consumer Tribunal (NCT)** to adjudicate any consumer complaints or disputes. Further to this, the act mandates for all credit providers to provide full-file information on all credit agreements to either a credit bureau or credit registry. While the NCR is responsible for regulating the credit market, the **South African Credit & Risk Reporting Association (SACRRA)** – an industry association, much like CIS Kenya – acts as the centralised hub collecting data from FSPs and companies with regular transactional data and handles majority of the operational and market conduct issues that may arise in the mechanism.[40]

Another example of how regulatory fragmentation can be managed can be found in the USA. The USA has no overarching credit act across the entire industry. Instead, regulations are fragmented across purpose driven acts, with regulatory efforts shared across a number of regulatory bodies. For example consumer protection and credit rights are covered in the **Equal Credit Opportunity Act (ECOA, 1974)** governing credit providers to only award credit based on a person's creditworthiness and not on any personal attributes; the **Truth in Lending Act (TILA, 1968)** protects consumers from inaccurate and unfair credit billing and credit card practices; and the **Home Mortgage Disclosure Act (HMDA, 1975)** mandating disclosures of home loans annually. In conjunction with the acts, the **Consumer Financial Protection Bureau (CFPB 2008)** is charged with enforcing financial laws concerning consumers and protecting them accordingly. Lastly, the **Fair Credit Reporting Act (FCRA, 1681)** regulates the conduct of institutions that collect, share and use consumer information the likes of CRBs and other speciality agencies.[41]

Alternatively, existing legislation can be amended to incorporate the various linkages between different types of credit providers interacting within the CIS mechanism i.e. amending the Banks, Microfinance and SACCO Society Acts to incorporate cross-sharing of data between institutions.

In either of these scenarios, it is clear that stronger enforcement is an essential component of the development of the mechanism. CIS Kenya could be strengthened to act as the SRO for the entire mechanism but in order for them to be effective in enforcing compliance across the mechanism, membership would need to be mandatory. Either of these approaches would need to be consistent with the anticipated move toward a new model of financial regulation in Kenya. This approach requires less effort and can move quicker as it does not require an all new credit act.

It is our belief that broadening the coverage of the mechanism to all types of credit providers is an obvious requirement for completeness and the development of the mechanism. In terms of regulatory responsibility and ensuring adequate enforcement, we believe that the creation of a standalone credit legislation is necessary to incorporate those credit providers which are currently not sufficiently regulated, as amendments to existing legislation will only resolve gaps between currently regulated institutions.

7.2. CUMBERSOME DATA SUBMISSIONS AND FRAGMENTED DATA

Currently, only commercial banks and MFBs are mandated to share full-file data, while SACCOs are required to share negative-only data and other credit providers participate in the mechanism on a voluntary basis. This has led to

40 The Banking Association South Africa website; South African Credit & Risk Reporting Association website; Building effective credit reporting systems, IFC, 2011

41 The Equal Opportunity Act, 1974; Truth in Lending Act (1968); The Fair Reporting Act, 1681; The Department of Justice website; Consumer Finance Protection Bureau website

the creation of information silos whereby credit information is fragmented in the market, with each CRB having distinct databases depending on which third party providers they have signed up. As a result, information asymmetry continues to permeate. As Egypt's experience suggests (Box 4), the persistence of information asymmetry in spite of the development of a CIS mechanism is a direct result of the fragmentation of credit information in the market.

Box 4: A case against fragmentation – an example from Egypt

Egypt's experience illustrates the dangers of maintaining information silos that preserve some level of information asymmetry despite the presence of information sharing.

Driven by a lack of trust in bureaus and traditional lenders, MFIs refused to join I-Score (the first CRB in Egypt that begun operations in 2008) and were planning to develop their own closed user group bureau. Amidst rising portfolio volumes accompanied with rising portfolio-at-risk ratios in the sector, I-Score and the International Finance Corporation (IFC) proposed a cross-tabulation analysis of the three largest MFIs in 2011, comparing sample loan portfolios with data in I-Score to determine the extent of cross lending .

Results showed that over 14% of sampled MFI clients had received further loans by banks amounting to an outstanding balance three times more than those held with the MFIs. Further to that, 6,000 of these clients were over 90 days past due, with 460 undergoing legal actions and approximately 100 recorded as having issued dishonoured checks. In addition to this, about 13,000 clients had been extended credit lines from one or more of the other MFIs. The MFIs had been unaware of the extent of this cross lending.

Subsequently in 2012, an agreement was struck between the IFC and Egyptian Microfinance Network (an umbrella organisation of the main MFIs) to aid the assimilation of the four largest MFIs into I-Score over a year period.

Source: Global financial development report, 2013; Credit reporting knowledge guide, IFC, 2012; Building effective credit reporting systems, IFC, 2011

The clear focus on the banking sector in the formative years of the mechanism has led to the skewing of the DST towards large financial institutions. This has proved cumbersome for smaller and newer credit providers to adhere to. Considering the diverse group of lenders with regards to the size of the institution, type of credit offered and media used, operating in the market it is unlikely that the one template can cater to all.

Disparities in the size and quality of databases found at each CRB could be substantial, especially considering that third party credit providers decide which CRB to submit into. Further still, with no standardised DST for third party credit providers, the CRB can decide whether to accept the data provided as is or compel the provider to format it in a template that the CRB itself decides on. Tenure of existence and validation criteria utilised can similarly affect the size and quality of the database each CRB possess as credit providers individually submit data to each of the CRBs.

Credit providers' perception of difficulty in the submission process will affect their buy in into the mechanism. Concerns such as duplication of effort, challenges with the template and differing validation criteria across the CRBs will result in the institutions putting less effort into the submission of data. The result of this will be poor quality data being fed into the mechanism. The effectiveness of this data addressing the information asymmetry will be affected resulting in further lack of trust in the mechanism at large.

In addressing these problems, our research suggests the following solutions could be utilised:

1. **Refine the DST to ensure a set of fit-for-purpose templates** are available for FSPs. CIS Kenya should drive a process to determine the appropriateness of different DSTs for each type of credit provider;
2. This principle of segmentation could be extended to membership and access rights, where providers can be segmented to allow for fit-for-purpose requirements for participation to be implemented, ensuring the mechanism is accessible to all FSPs;
3. **Establish a centralised data submission hub.** This will eliminate duplication of submissions, centralise the validation and offer a singular view of the data thereby easing enforcing of compliance. Membership would need to be mandatory to ensure that adequate financing of the centralised hub can be established and data fragmentation is resolved;
4. **Increased awareness campaigns for credit providers** to emphasis the value of CIS to the industry and their institutions. In addition, these campaigns can be used to refresh knowledge on the use of the mechanism and to inform on any major advances achieved through an annual report;
5. **CIS Kenya to host periodic industry feedback forums** to discuss current experiences with the mechanisms and map out ways for improvement.

In the short term, industry forums and increased awareness campaigns should be undertaken to foster buy in as they can be enforced quickly. They would need to be run frequently allowing all providers a chance to interact with them to ensure continuity of knowledge and mitigate against the consequence of staff turnover. The medium to long term requires the creation of a centralised hub, refining of the DST and segregating participation so as to incorporate the diverse group of credit providers. Business cases would need to be developed for these activities to ensure their sustainability.

7.3. LIMITED USAGE OF CIS PRODUCTS AND SERVICES

Through focusing only on the negative information at the beginning of the mechanism, CIS was largely used to punish defaulters by denying them access to further loans. This saw the credit providers use only basic CRB reports for decision-making during the credit appraisal process and to assist in collections. Submissions are also largely done on a monthly basis which limits the usefulness of information, particularly as it is not up to date.

Credit providers continue to utilise basic reports for decision-making and collections only, and other than mobile credit that has been fully automated, the reports only form a small part of a manual decision-making process. The credit providers, in addition, are yet to invest adequately in people or to change their policies to allow for deeper use of the mechanism in their operations. Regardless, the cost of doing business has reduced and debt collections have improved from the use of current reports, and yet these savings have not been passed on to the consumers.

It is our belief that the following initiatives can address the problem of limited usage:

1. **Increasing the scope of participation** to include all credit providers and institutions that collect regular transactional data such as utilities providers. This will increase the depth of data;
2. **Increasing the frequency of submission of data** to improve the accuracy of the data and cater for short term loan instruments;
3. **Increasing the capacity and resourcing of CIS Kenya** in order to have them play a larger role in driving usage across the mechanism;

It is our belief that the priority should first be focused on improving the perception of the depth and quality of the data available. Increasing the scope of the participation, establishing a centralised hub and improving CIS Kenya's capacity and resourcing will create this effect quickly.

7.4. LACK OF AWARENESS AMONGST CONSUMERS IN THE MARKET

Although campaigns to raise awareness of CIS among general public have been carried out since 2013 (utilising nationwide media, trade shows, digital media and school visits) the frequency of the campaigns has been low and expected results have not been achieved. In addition, credit providers typically only communicate with borrowers about the CIS mechanism when they have been issued with an adverse notice. This continues to negatively affect the understanding of the mechanism across the general public.

This general negative perception of the mechanism at large has limited the scope of consumers demanding better terms from credit providers for maintaining healthy credit records. This lack of pressure has meant that the mechanism is unable to catalyse change in the credit market as there is no imperative for FSPs to innovate their credit granting processes to incorporate credit scoring into risk-based lending models. As Box 5 below suggests, further effort at broad stakeholder engagement may be necessary to increase the scope of CIS participation.

Box 5: The effectiveness of an inclusive approach – an example from India

In 2009 India experienced a large growth in the number of MFIs that were concentrated in a few states. With no credit information sharing offered in the sector, multiple lending, over-indebtedness and information asymmetry ensued. The global financial crisis exasperated these effects, culminating in reported cases of farmers committing suicide in Andhra Pradesh. Recognising these challenges, all stakeholders of the broader credit sector agreed there was need for dire change and came together to provide a solution in the form of a CIS for MFIs.

The **Microfinance Institution Network (MFIN)** (an organisation of non-bank financial companies which accounted for over 80% of the MFI sector) in conjunction with the IFC, began working on establishing a self-regulating credit information sharing mechanism for MFIs. **CRBs, MFIN members** and **NON-MFIN members** were all consulted to get their input into practical steps for setting up the CIS mechanism. This included scoping MFIN members to assess their readiness and capacity to contribute customer data as well as retrieve reports and incorporate them into their loan process; 11 country wide workshops, targeting all stakeholder groups, to raise awareness of credit reporting by MFIs; and discussions between all stakeholders to decide on the format the MFIs would use to submit data to the CRBs and a list of requirements for a common credit information report.

Through the consultations, the most optimal business model designs for the industry were uncovered and the CRB data collection and submission requirements were tailored to include demographic data that would allow individuals without national IDs to be uniquely identified.

By 2011, two CRBs were actively providing credit reporting services to MFIs, with about two thirds of all MFIs submitting and reading data at least one of the CRBs, covering between 80 to 90 percent of all MFI borrowers. Further consultations with all stakeholders sought to express the benefits of a unified CIS thereby preventing fragmentation.

Source: Credit reporting knowledge guide, IFC, 2013

While it is unlikely that increased awareness will, in isolation, affect the necessary changes in the behaviour of stakeholders, it remains an important element to its continued development. As a result, this study suggests the following approaches to better drive awareness:

1. **Deepen awareness activities for consumers of credit and the general public across all forms of media** specifically targeted towards illustrating the benefits of positive information sharing. Consumers will not only be educated on the consequences of lapsing on their credit commitments, but will be empowered to demand better rates from credit providers with their good credit histories;
2. **Skills development for CRB and FSP staff** to ensure that they leverage the CIS mechanism to the benefits of borrowers and effective communication exists between them and consumers;
3. **CRBs to make checking of credit reports more user-friendly** so as to increase access and understanding of the mechanism.

A sustained multi-media campaign is required to change the general perceptions in the market. The media of choice should be selected carefully to match the intended audience. Coupled with easy to use access to credit reports, and well trained staff to advise customers at each touch point, awareness is bound to grow with most having a positive experience.

7.5. INEFFICIENT DISPUTE RESOLUTION MECHANISM

The CRB regulations, 2013 attempted to address the lack of a strong consumer dispute resolution mechanism by declaring the right of consumers to make use of an ADR mechanism to address disputes that were not resolved satisfactorily through bilateral procedures.[42] While the Tatua Centre was created to house an ADR mechanism for disputes, it is not the exclusive dispute resolution option for the CIS mechanism, and thus is subject to subversion.

However, with the CBK's lack of jurisdiction to regulate non-bank institutions and CIS Kenya's lack of capacity and resources to enforce compliance, procedures and processes governing the lodging of complaints within credit providers and CRBs have continued to be disregarded, with most institutions yet to establish functional departments dedicated to resolving disputes as stipulated by the regulations.[42] Coupled with a lack of suitable awareness drives on the ADR in general, disputes are often addressed through litigation which is expensive and can be time consuming. It was found, moreover, that alterations arising from the resolution of disputes are often not communicated to alternative CRBs or consumers, leading to further complaints down the line. The effective handling of disputes from rural areas may be jeopardised due to the ADR being solely based in Nairobi.

To improve the ADR mechanism, the following activities are suggested:

1. **Redesign and refine the ADR system** in relation to, but not limited to, preventing court cases being filed while a dispute is simultaneously lodged at the ADR, promoting up-to-date communication to all stakeholders of the findings of the resolution;
2. **Enhance awareness campaigns** to educate on the role and the procedures of lodging a complaint at the Tatua Centre to the general public and institutions;
3. **Decentralize Tatua Centre by opening branches across the country** equipping them with the capacity and resources to resolve disputes, and improve the efficiency as well as channel coverage for digital/ mobile lodging of complaints.

In the short run, enhancing awareness campaigns will have the highest effect in educating and changing behaviour. Following this, redesigning the mechanism will address institutionalised problems that currently keep arising. Allocating resources to decentralize Tatua Centre will be challenging as it housed within CIS Kenya, and therefore will require substantial planning.

42 Credit reference Bureau Regulations 2013

Chapter 8

CONCLUSIONS

The CIS mechanism in Kenya has undergone a tremendous evolution over the last 3 years, both in terms of usage and coverage. Despite this, the mechanism remains fairly underdeveloped and limited, and there are a number of issues that must be addressed to ensure that the mechanism is able to meet its broader objectives of improving access to credit.

This study sought to understand the views of each group of stakeholders within the CIS mechanism and, in conjunction with a review of the existing literature focused on the mechanism, understand the major challenges it faces as well as to provide initial thinking on ways in which these challenges can be overcome. The key take-outs of the consultative process can be summarised as follows:

- **Legal and enabling environment.** There is a need to address the regulatory structure as the current structure appears to be disjointed and may be a key obstacle to the mechanism's development.
    - The CBK's oversight of participants' market conduct outside of Banks and MFBs is limited by law and CIS Kenya doesn't have the necessary authority to exercise its SRO responsibilities.
    - The market appears to require specific credit legislation and regulation to address gaps in market conduct issues, particularly to regulate credit provision across the entire system.
    - The mechanism is not well-anchored in law as it is embedded through various pieces of existing legislation, which has created a number of issues in terms of interpretation and compliance.
- **Market development.** CIS Kenya's role as the key driver of the mechanism's development faces a number of challenges given its limited resourcing.
    - CIS Kenya's role in the market is diluted due to having limited resources and a broad mandate of championing market development.
    - CIS Kenya is also given the responsibility of handling market conduct issues around data submission, usage and dispute resolution, while having no jurisdiction to enforce market conduct.
- **Market participation and usage.** The breadth and depth of credit information is limited, as is the coverage of credit providers – this has led to limited participation and usage among financial services providers.
    - FSPs were found to have incorporated only basic CRB credit reports into their credit appraisal process due to limited perceived value of more advanced products and services due to limited coverage of the credit market.
    - Mobile and microloan providers have limited use for CRB data because data is not updated frequently enough for their needs, also data submission templates are too cumbersome for this part of the industry.
    - Credit information is not utilised for risk based pricing of loans because the data provided by the CRBs is considered to be incomplete. Data submission is viewed as a cumbersome process, with CRBs' differing validation criteria hampering the efficiency of the mechanism by delaying submission processes.
    - The existence of information silos between different providers is also an issue, with disparate data between CRBs outside of bank and MFB data meaning that CRBs have fragmented databases which impacts the quality of credit information available.
- **Credit information providers.** As a result of the limited coverage of CIS, CRBs' value propositions are limited to generic credit reports.
    - CRBs find the quality of data submissions very varied and often poor.
    - CRBs require a strong institutional support to address this issue. Particular issues cited were a lack of appropriate feedback forums, the limited power of CIS Kenya to assist in addressing operational issues, including dispute resolution and broadening the coverage of the mechanism due to the fragmentation between market conduct and compliance responsibilities noted above.
    - The limited coverage of the CIS mechanism has meant that, to date, CRBs' offerings are limited to providing highly commoditised, core bureau data services such as generic credit reports and scoring.
    - Despite marketing themselves as business intelligence providers. CRBs' value-added products are perceived among lenders as having low predictive power relative to internal analytics.

This study has also evaluated a number of potential solutions to addressing the mechanism's key challenges, these are summarised in the table below:

Table 5: Summary of challenges and recommended solutions

Challenges facing the CIS mechanism	Recommended solutions
1. Fragmented legal and regulatory framework	Develop a **standalone credit** act that defines a designated regulator to oversee all credit providers operating in the market, including suppliers of information and mobile-based lenders.
2. Cumbersome data submission and fragmented data	In the short term, **industry forums** and increased **awareness campaigns** should be undertaken to foster buy-in as they can be enforced quickly. They would need to be run frequently allowing all providers a chance to interact and to control for staff turnover rates across the industry. The medium to long solution term is to create a **centralised hub**, **refine the DST** and **segregate participation** so as to incorporate the diverse group of participants.
3. Limited usage of CIS products and services	Improve the perception of the depth and quality of the data available. Increasing the **scope of participation,** establishing a centralised hub and **strengthening CIS Kenya's capacity** and resourcing will create this effect quickly.
4. Lack of awareness amongst consumers in the market	A **sustained multi-media campaign** is required to change the general perceptions in the market. The media of choice should be selected carefully to match the intended audience. Coupled with easy to use access to credit reports, and well trained staff to advise customers at each touch point, awareness is bound to grow with most having a positive experience.
5. Inefficient dispute resolution mechanisms	In the short run enhancing awareness campaigns will have the highest effect in educating and changing behaviour. Following this, **redesigning the mechanism** will address institutionalised problems that keep arising.

We would like to thank CIS Kenya and all the stakeholders for their time and participation in the production of this report.

ANNEXES

Table 6: Effectiveness of awareness campaigns

Program/Project	Year and frequency	Audience	Comments
Newspaper articles	2013-date Adhoc	General public	Newspapers offer a national reach increasing exposure. It is however unclear how frequent they are run.
TV & Radio interviews	2013-date Adhoc	General public	Radio and TV offer a national reach increasing exposure and can further be targeted at particular times and therefore specific groups of individuals. It is however unclear how frequent they are run
Jenga Future Campaign	2013 1 year	University students	Joint campaign between the Higher Education Loans Board (HELB), CIS Kenya and Miasha EDU to educate University Students on responsible borrowing as well as the CRB Mechanism. Eight universities were visited. Further campaigns should be done to incorporate additional universities/tertiary institutions as well as for new students.
2nd Regional CIS Conference	2013 Two days	Lenders, Central Banks in Africa, donors and innovators	The two day event covered developmental matters on CIS such as CIS launch, need for self-regulation, credit scoring and participation from credit providers in other sectors. Regional scope allows wider insights to be drawn. Periodic conferences should be run.
CIS Kenya and Trans Union	2014-2015 One Year	Credit managers	Three workshops for various sectors (Banking, Microfinance, Non-Banks) to enlighten them on various CRB products. Follow up conferences should be run to refresh knowledge and introduce new products.
Agricultural Society of Kenya (ASK) participation	2014 Five times	General public	CIS Kenya showcased at exhibitions at the ASK Shows in Nakuru, Kisumu, Mombasa, Nairobi, Eldoret, Nyeri and Kisii. Personal interactions allow for on the spot clarifications.
Kenya Rural Savings & Credit Co-operative Societies Union (KERUSSU) trainings	2014 Four times	Members of KERUSSU	KERUSSU invited CIS Kenya to train their members on CIS and how they can join the mechanism. Limiting the sectors involved allows for focussed discussions. Additional organisations should be approached as well.
Plug & Play Workshop	2015 One Day	Lenders	CIS Kenya held a workshop to train interested members the requirements of joining the CIS mechanism. These should be turned into periodic workshops to ensure increased coverage and to enforce CIS use.
Jenga Future Digital Campaign	2015 Three months	Tertiary students	Extension of the original campaign, but run on Facebook and Twitter and in conjunction with UNISCOO. Digital media allows for creative imagery and graphics that students respond well to.
SQL training	2015 One day	CIS Kenya members	Technical training to SQL (database language) to aid its members to build capacity to extract data. Follow up trainings and evaluations should be carried out to ensure uptake.
ADR training	2015 One day	CIS Kenya members	Following a peer review study, a training on ADR mechanism was run. Periodic follow up trainings should be run in including forums that increase awareness to the general public on the mechanism.

Program/Project	Year and frequency	Audience	Comments
Radio campaign	2015-2016 Seven months	Consumers of credit	CIS Kenya in partnership with one of the major media houses run a spot of adverts increasing awareness on the CIS mechanism and Tatua center. National reach of radio increases exposure.
Newsletters & CIS Digest	2013-date Bi-monthly	Subscribers and members	Periodic soft newsletters are posted on their website and circulated to subscriber mailing lists. Interested members are efficiently kept up-to-date.
CRB Expo	2016 Five days	Consumers of credit	An Expo organised by CIS Kenya for the public. Personal interactions allow for on the spot clarifications.
Business Community summit	2016 Two days	Bank staff and customers	CIS Kenya hosted a seminar to train bank staff and customers on the CIS mechanism. Limiting the sectors involved allows for focussed discussions.

Source: CIS Kenya documents, 2013 - 2016

Table 7: List of CIS Kenya initiatives since 2014

CIS Kenya Initiative	Year
Membership	
Association of Kenya Insurance (AKI) meetings to join mechanism	2016
Kenya Association of Manufacturers (KAM) meetings to join mechanism	2016
Kenya Power meetings to join mechanism	2016
Taskforce to have Insurance sector sharing information	2015
Seven new members added to the mechanism	2015
Database technical training for credit and technical staff	2015
Bi-monthly technical meetings with CRBS	2015
Stakeholders retreat on self-regulation	2015
SACCO Capacity consultancy dissemination workshop	2015
Breakfast meeting for bank and MFB project champions to introduce Creditinfo	2015
Membership visits	2015
New members – AFB Credit, Tourism Finance Corporation and Unaitas SACCO	2015
Trainings for rural SACCOs with KERUSSU	2014
Capacity building activities with MFIs	2014
Procurement capacity assessment consultancy for SACCOs	2014
Kenya Bankers Association added as first member	2014
Capacity assessment exercise for SACCOs	2014
Training for Consumer Federation of Kenya (COFEK)	2014
SACCO Sector, AFB Consumer Credit, Energy Regulatory Authority (ERC) and Communications Authority of Kenya engagements to participate	2014
Five MFIs preparations to join the mechanism	2014

CIS Kenya Initiative	Year
SACCO CIS implementation taskforce	2014
Half-day workshop with TransUnion for MFBs to build capacity	2014
Workshop for Banks, Deposit Protection Fund Board (DPFB) and MFB project champions with FSD, KBA and CBK	2014
SACCO CIS implementation taskforce committee workshops	2014
Workshop for banks and MFBs with TransUnion to build capacity	2014
Exploratory meetings with ERC, Commission of Administrative Justice (CAJ) and the National Centre for International Arbitration with regards to CIS and ADR	2014
Communication and awareness	
3rd Regional Conference and Conference Expo	2016
Radio and social media campaigns	2016
ASK Show stand	2016
Rebranding of CIS Kenya	2015
Radio Africa Group campaign	2015
Nairobi ASK Show	2015
Advert in local dailies	2015
CIS Digest	2015
ASK Show Stand in Kisumu, Mombasa, Nyeri and Nairobi	2015
Brief to CBK governor and Bank Supervision Director	2015
ASK Show in Meru and Nakuru	2015
Jenga Future campaign	2015
Awareness Survey consultancy	2015
Committee to oversee rebranding	2015
Radio and newspaper awareness campaigns	2014
ASK Show – Mombasa	2014
Awareness campaign with HELB	2014
Awareness on uptake of credit report and consumer rights on print media	2014
2nd AGM	2014
Preparations for AFRACA Agriculture Value Chain Financing conference	2014
CIS articles in print media	2014
Jenga Future campaigns in conjunction with HELB	2014
Technical function	
Centralized point of data submission	2016
Feasibility study on Centralized point of data submission	2015
Finance	
Association financial audit	2016
Two day budget retreat	2015
External firm to carry out Associations accountancy functions	2015

CIS Kenya Initiative	Year
ADR	
CGAP platform for e-meditation	2016
Peer review of ADR	2015
5 year Tatua Centre plan	2015
Rebranding of ADR to Tatua Centre	2015
CIS ADR Centre Steering Committee	2015
Business Daily advert on ADR and	2015
Business Post Magazine on CIS Kenya	2015
CIS ADR launch	2014
Regulations and structure	
CIS Kenya Code of Conduct	2015
Review of CRB regulations	2015
CIS draft Self-regulatory framework	2014
CRB Regulations	2014
Five-year strategic plan	2014
Finalized self-regulation framework – Handbook and Code of Conduct	2014
Two- day strategic retreat	2014
Second Governing Council meeting	2014
Review on CIS Bill and Policy	2014
Gazettement of CRB Regulations 2013	2014
First Governing Council meeting	2014
Staffing	
Increased staff to eight	2015
Trainings/conference with TransUnion	2015
Hiring a CEO	2014
Interviews for an Ombudsman	2014

Source: CIS Kenya documents, 2014-2016

Figure 7: Advertising misconduct

PUBLIC NOTICE

This is to notify all members that [redacted] SACCO Society limited has registered with Credit Reference Bureau (CRB).

Consequently non-performing loans (unpaid for 90 days) will be listed as provided under section 18 of the Credit Reference Bureau regulations 2013.

Members with non-performing loans are hereby notified to clear them immediately or visit the SACCO within 30 days to agree on acceptable repayment terms. Failure to comply will lead to listing as a defaulter.

Note that loans listed with CRB will remain so for a period of five (5) years after the loans are cleared thereby affecting access to credit from other financial institutions in future.

Source: CIS Kenya

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