

SACCO CIS CAPACITY REVIEW REPORT

MAY 2015



This report is an outcome of a study conducted by Sigma Business and Analytics Ltd.
To assess the capacity of SACCO's in Kenya to participate in Credit Information Sharing (CIS)
as commissioned by Financial Sector Deepening (FSD) Trust Kenya.

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The report was commissioned by FSD Kenya. The findings, interpretations and conclusions are those of the authors and do not necessarily represent those of FSD Kenya, its Trustees and partner development agencies.



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). In addition to the Government of Kenya, funders include the UK's Department for International Development (DFID), the World Bank, the Swedish International Development Agency (SIDA) and Agence Française de Développement (AFD).



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Abbreviations

CIS KENYA	Credit Information Sharing Association of Kenya
BOSA	Back Office Services Activity
CBK	Central Bank of Kenya
CIS	Credit Information Sharing
DST	Data Specification Template
FSD	Financial Sector Deepening
FOSA	Front Office Services Activity
KCISI	Kenya Credit Information Sharing Initiative
KERUSSU	Kenya Rural Savings and Credit Cooperatives Societies Union
KUSCCO	Kenya Union of Savings and Credit Cooperatives
MIS	Management Information Systems
MFI	Microfinance Institutions
NPL	Non Performing Loans
SASRA	SACCO Societies Regulatory Authority
SACCO	Savings and Credit Cooperatives
S/ADM	Special/Annual Delegates Meeting
S/AGM	Special/Annual General Meeting
USAID FIRM	United States Agency for International Development Financial Inclusion for Rural Microenterprises

EXECUTIVE SUMMARY

INTRODUCTION AND BACKGROUND

This report is an outcome of a study conducted by Sigma Business and Analytics Ltd to assess the capacity of SACCO's in Kenya to participate in credit information sharing (CIS) as commissioned by Financial Sector Deepening (FSD) Kenya. The survey is significant in that its findings will constitute a reality check as to whether the SACCO industry can live up to standards set for CIS participation as well as provide direction on next steps for SACCO entry into CIS.

The study is set against a background of an increased demand for credit in the economy following strategic interventions by the Government of Kenya that have served to reduce lending rates and increase access to finance to a wider spectrum of the public. CIS amongst financial services providers minimises risk of information asymmetry meaning that lenders are likely to have access to pertinent information for lending. It will also encourage lenders to offer differentiated services for customers with good credit history irrespective of who they currently bank with. In addition, CIS for SACCO's will serve to:

- Insulate them from a growing number of members with non-performing loans as a result of multi-borrowing from different lenders.
- Facilitate their competitiveness in a market that will soon be competing on product innovation and services owing to increased transparency on lending rates by banks.
- Enrich the overall CIS ecosystem with information of borrowers who are not in formal banking.

OBJECTIVES

The main objectives of the study were:

- Assess the capacity of the first set of 30 SACCO's to participate in CIS. Specifically:
 1. Level of automation with specific reference to credit operations.
 2. Availability and accuracy of data.
 3. Level of readiness to participate in CIS.
 4. Credit risk management culture.
- Make recommendations on the most appropriate action plan for SACCO participation in CIS.

METHODOLOGY

Our methodology encompassed selection of the SACCO's for the survey, fashioning data collection tools, conducting the assessment and scoring for the purpose of comparison.

SACCO SELECTION

The consultants were tasked with selecting 30 of 175 licensed SACCO's for review. This was achieved through a carefully thought out process that randomly identified the SACCO's while ensuring wide industry representation using 3 variables:

- The 5 SASRA classifications of farmers, teachers, government, community, and private.
- The SACCO's asset size, and
- Its provisions against respective assets.

DATA COLLECTION

The primary form of data collection was through a series of interviews, desktop reviews and online questionnaires, with the data processed through a scoring tool template for uniformity.

ASSESSMENT CRITERIA

Data obtained was then analysed to determine:

1. Availability and accuracy of CIS relevant fields.
2. Ease of extracting these fields from the system and reporting to CRBs.
3. System and resource capacity to make use of credit reports from CRBs.
4. Willingness of management to participate in CIS.

SCORING

The assessment criteria were then broken down into six domains stated below and each domain assigned measurement indicators. Each indicator was independently scored and the final domain score arrived at by averaging out indicator scores of the given domain.

- Data availability & accuracy.
- Ease of data extraction.
- Quality of reports.
- Resource capacity for CIS usage.
- Systems capacity for CIS usage.
- Willingness to participate.

SCORE WEIGHTING

The domain scores were weighted depending on the perceived importance of the domain to overall success of CIS.

FINDINGS

Findings are classified under the regulatory framework supporting SACCO's participation in CIS, data available and banking systems deployed, credit practices, staff knowledge and experience in CIS, and management willingness. A summary of the findings are as listed below.

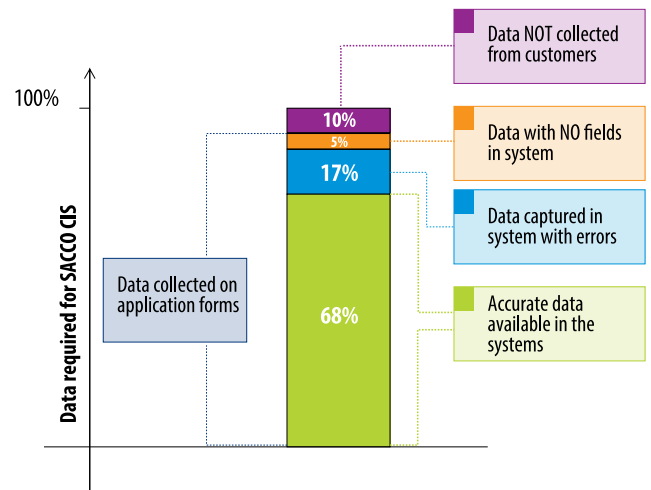
- **Legal and Regulatory Framework.** The SACCO Societies Act 2008 permits the sharing of client's credit information but with the following limitations:
 1. Regulations prescribed by the minister in charge to operationalise credit information sharing must be in effect.
 2. Information to be shared is on non-performing loans which implies there must be customer consent for sharing of positive loan performance data.
 3. Presumes information to be shared is between the SACCO's, SACCO's and SASRA, and CRBs, which implies a closed user group.

SASRA needs to make legal reforms to do away with limitations in the current Act prior to making regulations with provisions that:

1. Mandate SACCO's to share full-file data with all licensed CRBs licensed through the CRB Regulations.
2. Provide for SACCO's to cross share with institutions licensed under the SACCO's Societies Act, Banking Act, Microfinance Act and other subscribers of the CRBs in the prescribed normal course of business.

Consequently, the current avenue is through the Banking Act (which makes reference to SACCO participation) and the CRB Regulations 2013, which provide a window for "3rd party" participation.

- **Data and Systems.** 84 fields in 7 tables were identified as key for SACCO's' participation in CIS.
 1. Using membership and application forms, SACCO's on average collect 90% of data required for CIS. IT systems in place on average have 85% of the CIS data fields required for CIS. Thus, 5% of data collected in physical forms (such as loan forms) is not captured in systems. 68% of data required for CIS was captured accurately in the system. See the following illustration.



2. The SACCO's scored on average 75% for quality of reports, based on assessments of data capture controls, completeness and accuracy of current reports.
 3. SACCO's scored 73% for ease of data extraction, which is an assessment of how easy it is to script reports and pull data from various internal sources. Further, it was noted that 60% of SACCO's can generate the required CIS extracts within 7 days of end of month operations.
- **Credit.** Credit policies in 75% of SACCO's interviewed made no reference to CIS. Only 4% of interviewed SACCO's capture information on declined facilities while only 10% of online questionnaire respondents filed rejected credit applications. Over-guaranteeing is the norm despite section 32(2) of the SASRA regulations 2010, perhaps as a result of lack of clear guidelines on guaranteeing in SACCO's. Rural operating SACCO's mostly have low loan uptake/penetration that generally are small ticket loans – these SACCO's may share their data but struggle to see value in using CRB reports. Organizational structures are weak with underwriting and debt management structures not clearly defined and have the same staff cutting across most of the functions. There are no independent IT systems for loan origination and collection.

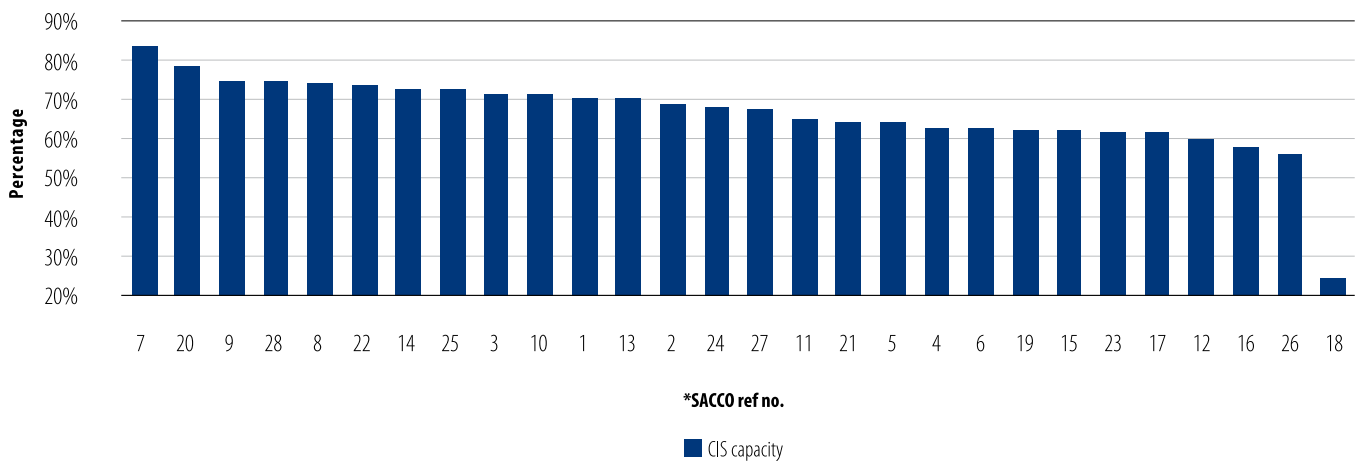
- **Staff.** It was observed that the senior management in SACCO's generally are not aware of CIS and its relevance in credit appraisal with only 20% of interviewees citing CIS initiatives by management. Further, only 28% and 11% of the SACCO's interviewed indicated having expertise in the development of reports and the use of CRB reports respectively. It was apparent that:
 1. There is a need for substantial training and recruitment of personnel in both IT and Credit to bring them up to speed with reporting of credit information to CRBs and using CRB credit reports.
 2. Majority of the SACCO's will need support in setting up a formal CIS project that will be tasked with preparing the SACCO for CIS participation.
 3. Additional resourcing will be needed to enable SACCO's to address collection of missing data from members, update data in previously missing fields in the system, cleanse existing data on the system, train personnel, etc.

- **Willingness to participate in CIS.** The survey used the following attributes to gauge the willingness of SACCO participation:
 1. Board approval of CIS policies and processes – only 1 of 28 SACCO's interviewed has CIS incorporated into their documented credit policies and procedures.
 2. Sponsorship of CIS initiatives – 4 of 28 SACCO's interviewed confirmed having initiated a formal CIS project internally with board approval.
 3. Board budget for IT and data clean-up – 4 of 28 SACCO's interviewed had assigned funds to implement necessary changes to embed CIS.

Results showed an average score of 34% with 12 of 28 SACCO's scoring less than 30%.

- **Overall Readiness.** The average score obtained by 28 SACCO's assessed on readiness to participate in CIS is 66.34%, which 15 SACCO's surpassed. 10 of 28 SACCO's scored over 70% in terms of readiness to participate and were shortlisted for a pilot.

CIS capacity



*For privacy, SACCO's assessed have been assigned a reference code which is used throughout this report.

RECOMMENDATIONS

From our assessment we have made the following recommendations:

No.	Recommendation	Timeline
1	SASRA and the Ministry of Industrialization and Enterprise Development to fast track legal reforms and regulatory framework that allow SACCO's to participate in CIS without the need for client consent and with no legal repercussions on themselves.	Within 3 months
2	SACCO Unions should lobby for guidelines on guarantor management by SACCO's and its place in credit risk management.	Within 3 months
3	Design a comprehensive communication strategy targeted at SACCO board members, members of staff, their clients and masses at large to create awareness and sensitization on CIS policies, reporting and how-to-get-involved, highlighting benefits and dispelling perceived fears.	Immediate and implement over the next 12-18 months
4	CIS KENYA to increase the pace of CIS adoption by owning and driving capacity building initiatives: Equipping of CIS champions and training of trainers, training credit staff on use of CRB reports, drafting of SACCO policies and procedure guidelines and use of and promotion of a CIS self-assessment tool.	Immediate and implement for next 12 months
5	Pilot phase with leading SACCO's to test assumptions and document learning. Monitoring tool and implementation plan prepared to support the pilot phase.	Immediate and implement for next 12 months
6	CIS KENYA to undertake an industry wide push for resolving data fields' availability on MIS by partnering with key MIS vendors. The vendors to provide a CIS service pack to streamline and standardise SACCO MIS platforms, which will also help standardise design and implementation of CIS reports across SACCO's.	Implement over the next 6-12 months
7	Strengthen CIS KENYA oversight role on data i.e. the quality, depth and frequency of data provided to the regulated CRBs by various credit and utility service providers and participation of various subscribers should fall within its scope.	Medium term

CONCLUSION

A paradigm shift in utilizing CIS reports in decision making will only occur once SACCO's kick-start the CIS mechanism by submitting credit information to CRB's. Issues to do with quality of data and reporting can be worked on and improved over time once the mechanism is in place. Of importance to

the SACCO's is a tool to monitor how effective their systems are in CIS. It will enable them monitor progress made in improving the quality of data as well as log challenges encountered, and measures and timelines set to rectify the situation. Capacity building challenges can be followed-up closely with such a tool in place.

Chapter 1

INTRODUCTION

1.1 BACKGROUND

Data sharing by commercial banks was formally launched in July 2010 following the inception of the Kenya credit information sharing Initiative (KCISI) in 2009. The KCISI was set up as a joint project of the Central Bank of Kenya (CBK) and Kenya Bankers Association (KBA) with funding support from Financial Sector Deepening Kenya (FSD) and USAID FIRM, to oversee the implementation of CIS between commercial banks.

A second phase of the project was later launched in 2011 with a primary objective of expanding the mechanism to other non-bank credit providers. In 2013 the credit information sharing Association of Kenya (CIS KENYA) was launched to oversee this expansion. Since its inception, CIS KENYA has achieved a number of milestones, including:

- Official launch on 24th of September 2013 at the 2nd CIS Regional Conference.
- First AGM held on 19th November 2013 and a Governing Council elected.
- First Governing Council meeting in January 2014.
- Began work with the SACCO Regulator and Industry Association to develop a work plan towards sharing of credit information.
- Commenced work towards development of a 5 year strategic plan.

Some of the objectives pursued through CIS KENYA include:

- Expansion of CIS: CIS KENYA will seek to achieve its objectives by, among others, expanding the spectrum of credit provider participation.
- Legal Reform: CIS KENYA will lobby for a comprehensive CIS mechanism through the establishment of an umbrella legislation governing the mechanism.
- Communication and Capacity Building: Members of the Association will benefit from awareness campaigns in sensitizing their stakeholders on CIS, as well as building internal capacities on the mechanism.
- Self Regulation: CIS in Kenya began amongst regulated commercial banks and microfinance banks, and is subsequently expanding to include non-bank credit providers. This expansion introduces risks such as regulatory arbitrage, which could lead to differences in the quality of standards applied when sharing data. In order to build confidence in the system by all credit providers, CIS KENYA will undertake self-regulation by enforcing an industry code of conduct. This will be done in close consultation with existing financial sector regulatory authorities.
- Alternative Dispute Resolution (ADR): CIS KENYA will facilitate this as an option for both customers and financial institutions to cordially mediate cases arising from sharing of customers' credit information with credit reference bureaus.

SACCO CIS preparations

CIS KENYA held meetings with stakeholders in the SACCO sector in late 2013. This resulted in the formation of a taskforce in 2014, assisted by three working committees. The membership to the taskforce and working committees was drawn from SASRA, KUSCCO, KERUSSU and eight SACCO's. The taskforce engaged consultants to assess capacity of sampled SACCO's, deduce capacity of the industry and determine a reasonable road map to bring them on board the credit information sharing mechanism.

Disparities in the quality of SACCO IT systems could impact on the implementation of CIS among SACCO's, because this would affect the development of the data specification template (DST), piloting and roll-out of data submissions.

This report outlines an approach for a structured capacity review on licensed SACCO's to determine their:

- Level of automation with specific reference to credit operations.
- Availability and accuracy of data.
- Level of readiness to participate in CIS.
- Credit risk management culture.

1.2 OBJECTIVES

This report is an outcome of a study conducted by Sigma Business and Analytics Ltd to assess the capacity of SACCO's in Kenya to participate in credit information sharing. It was commissioned by the CIS SACCO taskforce with financing from FSD Kenya. The stated objectives of this consultancy are to:

- Assess the capacity of the sampled SACCO's to participate in the CIS.
- Make recommendations on the most appropriate action plan for SACCO participation in CIS.

A total of 30 licensed SACCO's were assessed using a set of transparent criteria to evaluate their capacity to participate in CIS in terms of:

- Information technology.
- Human resources.
- Credit risk management.

The layout of this report begins with a description of the methodology used in the study as per the project's terms of reference. Following this are the findings and corresponding analysis. The consultant then provides some perspectives on current SACCO industry trends under the section 'summary of observations'. Finally the report concludes with an action plan encompassing all the recommendations.

Chapter 2

METHODOLOGY

The Terms Of Reference required the consulting team to assess a sample of 30 SACCO's, in liaison with the ICT and data committee of the SACCO CIS taskforce. The methodology below outlines the process of short-listing of SACCO's to arrive at the required sample size. It also details the computation of the scoring and weighting of SACCO's to determine their capacity to participate in CIS. An online data collection tool was used to complement data collection efforts.

2.1 SHORTLISTING OF SACCO'S

This assignment required the assessment of 30 sampled FOSA SACCO's that are under direct supervision from SASRA. Selection was based on the following factors:

- The number of members.
- The asset portfolio.
- The size of the provision as percentage of the assets.
- SASRA classification of the SACCO.

The methodology adopted in the above selection process was as follows:

2.1.1 Use of SASRA classifications

SASRA classifies SACCO's into 5 broad classifications based on their primary source of membership as follows:

- *Farmers* – members engaged in a common agricultural activity or activities.
- *Teachers* – members are drawn from the teaching fraternity.
- *Government* – members are civil servants.
- *Community* – members are mostly drawn from within a primary community-based organization.
- *Private* – membership is drawn mostly from private sector employees.

5 graphs were plotted representing the 5 SASRA classifications with SACCO's in respective graphs. The X and Y axes represented the number of members and asset size respectively while size of the bubble represented the percentage size of the provisions against their respective assets. Below are the respective charts generated:

Chart 1: Plotting of farmer SACCO's



Chart 2: Plotting of teacher SACCO's

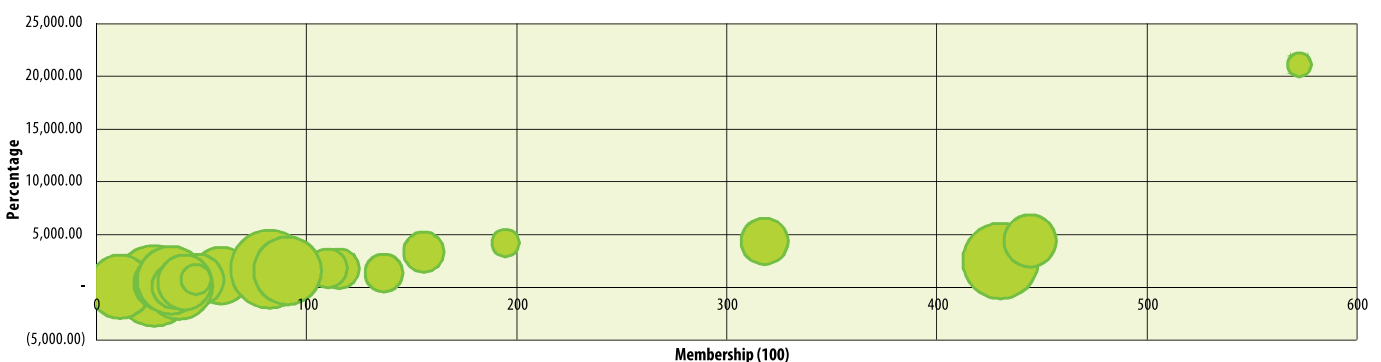


Chart 3: Plotting of government SACCO's

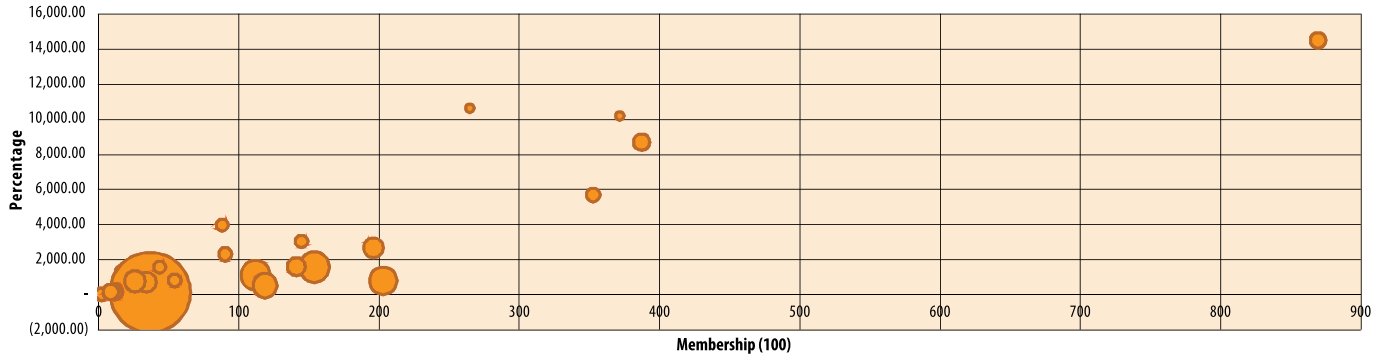


Chart 4: Plotting of community SACCO's

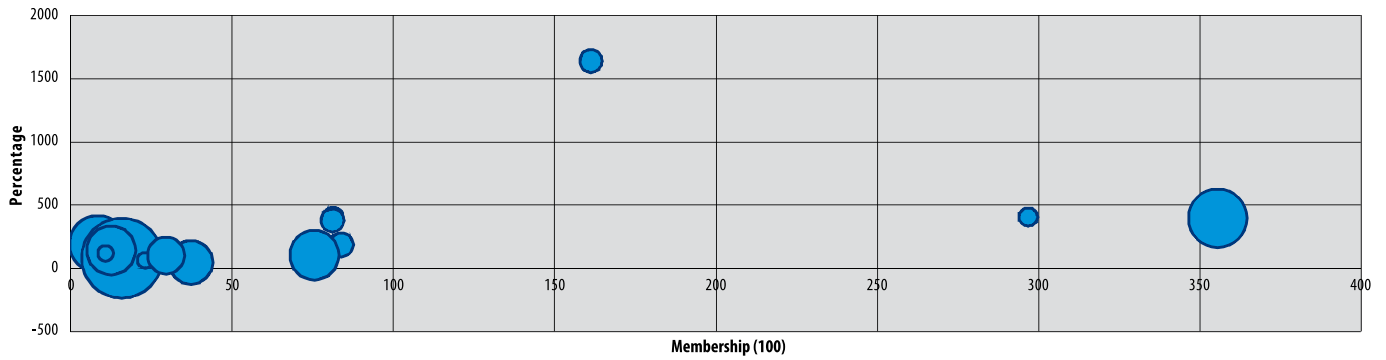
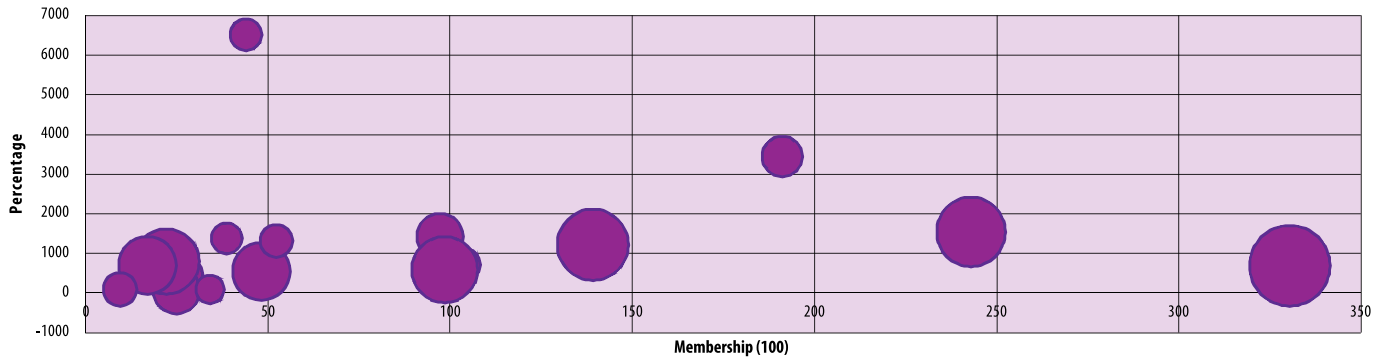


Chart 5: Plotting of private SACCO's



2.1.2 Random selection

SACCO's were randomly selected from respective graphs to ensure diversity in terms of plotting criterion used. The number of SACCO's selected was based on the SASRA classification as follows:

1. Farmers: 10 SACCO's
2. Teachers: 7 SACCO's
3. Government: 7 SACCO's
4. Community: 3 SACCO's
5. Private: 3 SACCO's

2.1.3 Consultants route map

After identifying the SACCO's to be assessed, the consultants drew up a route map for visits to be made, ensuring the most efficient means of travel. SACCO's in extreme or very distant travel locations were replaced with those in travel range sharing similar criterion.

2.2 SCORING TOOL

The purpose of the scoring tool was to standardise the assessment of capacity of each SACCO to participate in CIS. The consultants used the tool to objectively assess capacity by reviewing documentations available in the SACCO as well as holding candid discussions with the management. Domains that the template took into consideration were as follows:

2.2.1 Data availability and accuracy – a%

1. SACCO CIS data fields were achieved. The consultants used their experience with SACCO's to determine which of the fields should be mandatory for a SACCO DST. In total, 84 fields were identified for consideration into SACCO's DST. They also formed the basis for evaluating data availability with the selected SACCO's. Availability of these fields is broken down in 6.2.1 and 6.2.2 below.
2. Comparison of the identified SACCO CIS fields with data collected through SACCO membership forms and loan application forms was done. SACCO's could only report on data they had collected from their members. The numbers of fields available on the forms were expressed as a percentage of those for identified SACCO CIS fields, say a1.
3. Confirmation that the MIS in use was capable of hosting all the fields identified for identified SACCO CIS fields. The numbers of fields available on the system were expressed as a percentage of those for identified SACCO CIS fields, say a2.

4. Using actual membership and loan applications forms, we checked the accuracy of data captured to confirm nature and volume of errors, if any. The level of accuracy was expressed as a percentage of correctly captured fields against the identified SACCO CIS fields, say a3.
5. Reportable data available was then expressed as the product of a1 x a2 x a3 = a%.

2.2.2 Ease of data extraction – b%

This domain had 3 parameters assessed against 4 pre-determined indicators with the lowest scored at 0 and highest at 3. An average of the parameters was then taken to determine the value of b%. Ease of data extraction parameters are as follows:

1. Data was available in a consolidated database.
2. Data was secure from extraction through to the point of receipt at destination.
3. Ease of report scripting.

2.2.3 Quality of existing reports – c%

This domain had 4 parameters assessed against 4 pre-determined indicators with the lowest scored at 0 and highest at 3. An average of the parameters was then taken to determine the value of c%. Quality of existing reports parameters are as follows:

1. Quality of Data Capture into system.
2. Data captured on time - cut off times were observed.
3. Timing of the production of the final and reconciled monthly operational and financial reports.
4. Completeness & correctness of reports currently generated.

2.2.4 Resource capacity for CIS usage – d%

This domain had 2 parameters assessed against 4 pre-determined indicators with the lowest scored at 0 and highest at 3. An average of the parameters was then taken to determine the value of d%. Resource capacity for CIS usage parameters are as follows:

1. ICT personnel assigned to design, develop, and maintain reports had appropriate skills.
2. Capacity of the Credit personnel to analyze CRB Reports.

2.2.5 System capacity for CIS usage – e%

This domain had 2 parameters assessed against 4 pre-determined indicators with the lowest scored at 0 and highest at 3. An average of the parameters was then taken to determine the value of e%. System capacity for CIS usage parameters are as follows:

1. Ease of interrogating CRBs bearing in mind whether they have a centralised or decentralised loan processing model and actual loan processes.
2. Presence of reliable internet connectivity at locations that will be interrogating CRBs.

2.2.6 Management's willingness to participate in CIS – f%

This domain had 3 parameters assessed against 4 pre-determined indicators with the lowest scored at 0 and highest at 3. An average of the parameters was then taken to determine the value of f%. Management willingness to participate parameters were as follows:

1. Existence of credit policies & processes supporting CIS.
2. Existence of sponsorship for CIS.
3. Existence of an IT & data clean-up budget.

The outputs above were weighted. Weighting was determined as follows:

1. Each consultant individually determined the subjective importance of a domain relative to the rest. In the table below, all three consultants concurred Availability & Accuracy of was of highest significance, while each had a different occurrence of importance for Willingness to Participate in CIS Usage.
2. A geometric progression factor of three was then used to assign weightings across the six domains by order of importance, starting with 1 for lowest and 243 for highest.
3. Each consultant's occurrence and/or concurrence on importance of each of the domains was then multiplied with the respective geometric progression factor and summed up to obtain a respective domain score.
4. The scores for all domains were then summed up and used to compute the relative percentage importance of a respective domain.
5. The scores were then moderated to ensure all domains retained significance within reason.

Weighting to generate a final score that defined a SACCO's capacity was then applied as shown in the table below:

Table 1: Weighting of domains

No.	Domains	Order of importance						Weightings		
		1	2	3	4	5	6	Score	Calculated %	Moderated %
1	Availability & Accuracy	3						729	67%	60%
2	Ease of Data Extraction		3					243	22%	20%
3	Quality of Reports			2			1	55	5%	7%
4	Resource Capacity for CIS Usage				2	1		21	2%	4%
5	System Capacity for CIS Usage					1	2	5	0%	3%
6	Willingness to Participate in CIS Usage			1	1	1		39	4%	6%
								1092	100%	100%
		243	81	27	9	3	1			

Table 2: Final weighting

No.	Domains	Score	Weightings	CIS Capacity
1	Availability & Accuracy	a%	60%	a% x 60%
2	Ease of Data Extraction	b%	20%	b% x 20%
3	Quality of Reports	c%	7%	c% x 7%
4	Resource Capacity for CIS Usage	d%	4%	d% x 4%
5	System Capacity for CIS Usage	e%	3%	e% x 3%
6	Willingness to Participate in CIS Usage	f%	6%	f% x 6%
			100%	Σ (CIS Capacity)

A detailed write up of the methodology is attached as Appendix 2: Scoring methodology.

2.3 ONLINE ASSESSMENT SURVEY

We developed an online survey that allowed us to standardise the collection of information from the SACCO's. The tool was specifically used to collect detailed data which could not be picked during the interviews due to time constraints. Each SACCO completed the survey. It was divided into 3 distinct questionnaires:

1. The General Questionnaire: The purpose of this questionnaire was to collect background information on the SACCO, its management set up, number of staff and products offered.

2. The Credit Management Questionnaire: The purpose of this questionnaire was to collect information on the structures of credit management, appraisal process, and requirements for appraisal e.g. collaterals.

3. The IT Questionnaire: This was a detailed questionnaire that sought to identify the type of systems deployed, how long they have been in use; reporting tools, IT Infrastructure available, and skills of resources currently in place.

Questionnaire details are attached as Appendix 3: Online Assessment Questionnaire.

Chapter 3

FINDINGS & ANALYSIS

The consultants encountered challenges in obtaining information from SACCO's, which included inability to hold face-to-face meetings with members of staff from the SACCO's. Therefore, the consultants made visits to twenty-eight (28) of the thirty (30) sampled SACCO's. Further, after enormous follow-up efforts from the consultants, only 25 SACCO's filled in the questionnaire. The findings are constituted within the following areas of evaluation:

1. Legal framework.
2. Data and systems.
3. Credit risk management.
4. Staff.
5. Willingness to participate in CIS.

3.1 LEGAL FRAMEWORK

An assessment of the regulatory framework yielded the following broad results.

The banking act of 2013

It provides for the setting up of Credit Reference Bureaus and their operations. Specifically, it provides for registered CRBs to collect and disseminate prescribed credit information from clients of licensed institutions under the Banking Act 2013, the Microfinance Act, 2006 and the SACCO Societies Act, 2008.

Banking act 2013

Section 31 (4) Without prejudice to the generality of subsection (3)(b) or (c), regulations under that subsection may provide for the establishment and operation of credit reference bureaus, for the purpose of **collecting** prescribed *credit information on clients of institutions licensed under the Act, and institutions licensed under the Microfinance Act, 2006 and the SACCO Societies Act, 2008* and public utility companies and **disseminating it amongst such institutions** for use in the ordinary course of business, *subject to such conditions or limitations as may be prescribed.*

This implies CRBs can indeed receive prescribed client data from licensed SACCO's.

CRB regulations 2013

18. (1) Customer information which shall be exchanged pursuant to these Regulations is any customer information concerning a customer's non-performing loan and any other negative information and may include details specified in sub-regulation (4).

18. (3) An institution other than the banks **may** in addition to exchanging the information required under sub-regulation (1), exchange positive information with Bureaus with prior written consent of the customers concerned.

23. (1) A Bureau may, with the approval of the Central Bank, collect, receive, collate, compile and disseminate information relating to a customer of an institution which is obtained from a third party.

23. (3) A third party credit information provider shall not furnish **any** credit information of a customer to a Bureau or its agent except with the prior written consent of the customer.

30. (1) A customer may, in writing, authorise or give consent to a third party to obtain directly from a Bureau, a credit report in respect of that customer.

The Credit reference bureau regulations 2013

Prescribes credit information to be shared and provides for licensed institutions other than banks to provide information with prior written customer consent. Additionally, it requires a Credit Reference Bureau to obtain approval from Central Bank of Kenya to collect and disseminate information obtained from a third party.

At the same time, the regulations restrict third party credit information providers from sharing ANY information without customer consent, arising from the right of privacy in the constitution (which can only be limited by an act of parliament – of which regulations are not).

This implies that licensed SACCO's are not locked out from providing data of clients to CRBs but will need to have their written consent for both positive and negative data sharing.

Further, the regulations provide that customers of third parties must give consent for the third party to access their data from the bureau.

SACCO's must therefore have consent to request credit information from bureaus for purpose of credit appraisal and to report to bureaus on the performance of a loan.

SACCO societies act 2008

Provides for the exchange of nonperforming loans as may be prescribed by the regulator but with limitations.

However, the SACCO Societies (Deposit-Taking SACCO Business) Regulations 2010 make no reference on how the exchange of nonperforming loans is to be achieved.

SASRA act 2008

Section 54 (5) Notwithstanding the provisions of this section: (b) SACCO societies shall, in the ordinary course of business and in such manner and to such extent as the Minister may, by regulation prescribe, exchange such information on non-performing loans as may, from time to time, be specified by the Authority.

Overall comments on legal framework

From the aforementioned it follows that:

1. The SACCO Societies Act 2008 permits the sharing of client's credit information but with the following limitations:
 - a) Regulations prescribed by the minister in charge to operationalise the act must be in effect.
 - b) Information to be shared is on non-performing loans which implies there must be customer consent for sharing of positive loan performance data.
 - c) Presumes information to be shared is between the SACCO's, SACCO's and SASRA, and CRBs, which implies a closed user group.
2. Current avenue to share is through the Banking Act and the CRB Regulations 2013:
 - a) The former provides for registered CRBs to collect and disseminate prescribed credit information from clients of licensed institutions under the Banking Act 2013, the Microfinance Act, 2006 and the SACCO Societies Act, 2008.
 - b) The latter provides for Credit Reference Bureau to obtain approval from Central Bank of Kenya (CBK) to collect and disseminate information obtained from a third party i.e. non CBK regulated institutions provided there is client approval for positive information.

SASRA needs to make legal reforms to do away with limitations in the current Act prior to making regulations with provisions that:

- a) Mandate SACCO's to share full-file data with all licensed CRBs, licensed through the CRB Regulations.
- b) Provide for SACCO's to cross share with institutions licensed under the SACCO's Societies Act, Banking Act, Microfinance Act and other subscribers of the CRBs in the prescribed normal course of business.

3.2 DATA AND SYSTEMS

The process used to review availability of data relevant for CIS is as below:

1. We checked the application forms to confirm the provision of fields to capture data required for reporting.
2. We checked each SACCO's Core Banking System to confirm the provision of fields to capture data required for reporting.
3. Lastly, the fields available were sampled to confirm that data is captured correctly as per the application forms.
4. For all 3 above, fields were either marked as "Yes", "No", or "N/A":
 - a) Where a data field was available on the form or system it was marked as a "Yes" and where not it was marked as a "No".
 - b) If the field in the system was empty or incorrect then Accuracy was marked as "No".
 - c) In the event that the field was of no use or consequence to the SACCO it was marked as "N/A", for example where SACCO did not give loans on collateral or had no non-individual members.

3.2.1 Performance per CIS file

The table below summarises the findings against each of the CIS files in the DST.

Table 3: Assessment of CIS Files

Individual & account file				Comments
Availability	Forms	System	Accuracy	
Yes	95.40%	90.60%	83.50%	24 fields were considered for this file. Security type, gender and employment fields are a challenge to over a third of the SACCO's. The rest of the data is generally available in both application forms and the core banking system. Key challenge is on accuracy of data in system thus need for clean-up.
No	4.20%	9.00%	16.10%	
N/A	0.50%	0.50%	0.50%	

Non individual & account file				Comments
Availability	Forms	System	Accuracy	
Yes	68.90%	63.80%	57.10%	24 fields were considered for this file. 25% of SACCO's visited are not open to non-individual members. Most of those that allowed for non-individual members were in the process of implementing this new model. Industry code, company type and security type fields are a challenge to over a third of the SACCO's assessed.
No	5.40%	11.30%	16.90%	
N/A	25.70%	24.90%	26.00%	

Guarantor				Comments
Availability	Forms	System	Accuracy	
Yes	84.10%	80.20%	70.70%	11 fields were considered for this file. Gender and guarantee type fields are a challenge to approximately 50% of the SACCO's with non-individual members. The rest of the fields are generally available from majority of SACCO's.
No	12.30%	15.90%	25.30%	
N/A	3.60%	3.90%	4.00%	

Stakeholder (Owners of Non-Individual Businesses)				Comments
Availability	Forms	System	Accuracy	
Yes	58.30%	44.40%	28.80%	9 fields were considered for this file. Like with non-individual file, 25% of SACCO's visited are not open to non-individual members. Gender and company registration fields are a challenge to half of SACCO's with non-individual members.
No	16.70%	30.60%	45.30%	
N/A	25.00%	25.00%	25.90%	

Collateral				Comments
Availability	Forms	System	Accuracy	
Yes	61.40%	35.00%	24.40%	5 fields were considered for this file. 28% of SACCO's visited do not offer loans on collateral. With exception of the National ID, the rest of the fields are a challenge to over a half of SACCO's that ask for collateral.
No	10.00%	36.40%	45.90%	
N/A	28.60%	28.60%	29.60%	

Credit Applications				Comments
Availability	Forms	System	Accuracy	
Yes	100.00%	98.20%	25.90%	6 fields were considered this file. Although all the fields are collected in the application forms, only 7 SACCO's were capturing data for both decline and accept applications.
No	0.00%	1.80%	74.10%	
N/A	0.00%	0.00%	0.00%	

Bounced cheque				Comments
Availability	Forms	System	Accuracy	
Yes	0.00%	0.00%	3.60%	5 fields were considered for this file. Currently only 2 SACCO's are offering cheques to their customers through partnerships with commercial banks. Of these, only one SACCO is able to provide the required information for this file.
No	3.60%	3.60%	3.60%	
N/A	96.40%	96.40%	92.90%	

3.2.2 Performance per field

Evaluation below is based wholly on availability of the fields in the system and accuracy of data in those fields. Out of 84 fields that the consultants recommended to be considered for submission by SACCO's, 24 fields in table

below were ascertained to be a challenge owing to various reasons outlined. Focus is on fields where more than 15% (5 and above) of the SACCO's are not collecting data, have no field to capture data, or where data is incorrectly captured.

Table 4: Review of challenging CIS data fields

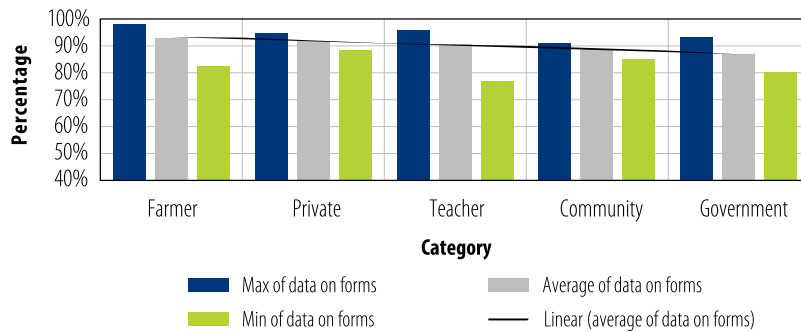
No.	Field	Impacted files	Comments
1	Gender	1. Individual & account file 2. Guarantor 3. Stakeholder	<ul style="list-style-type: none"> SACCO's not collecting this data on the application forms and those who have collected have 25% error rate based on samples i.e. either field is blank or males listed as females and vice versa 1 system affecting 4 SACCO's has no gender field under guarantors though it's assumed as a low issue since guarantors' are also members of the SACCO.
2	Date of birth	1. Individual & account file 2. Guarantor 3. Stakeholder	<ul style="list-style-type: none"> 25% error rate noted based on SACCO sampled – mostly as a result of incorrect data capture
3	Telephone number	1. Individual & account file 2. Guarantor 3. Stakeholder	<ul style="list-style-type: none"> 30% error rate noted based on SACCO sampled – mostly as a result of not capturing the data
4	Physical address	1. Individual & account file 2. Guarantor 3. Stakeholder	<ul style="list-style-type: none"> 5 SACCO's have not customised their systems to capture this field while 40% of those sampled had errors mostly arising from not capturing the data
5	Location town / village	1. Individual & account file 2. Guarantor 3. Stakeholder	<ul style="list-style-type: none"> 50% of sampled SACCO's had errors of data captured in this field
6	Employer industry	Individual & account file	<ul style="list-style-type: none"> 1 system affecting 3 SACCO's has no employer Industry field. Other SACCO's have not created it like their peers with similar systems
7	Instalment due date	Individual & account file	<ul style="list-style-type: none"> 5 SACCO's did not have this indicated on the form. However, these SACCO's fully rely on check-off thus, deemed as a low risk.
8	Type of security	1. Individual & account file 2. Non-individual & account file	<ul style="list-style-type: none"> 1 system affecting 4 SACCO's does not have "type of security" field, Other SACCO's have not created it like their peers with similar systems. Those who attempt to capture the information do not have standard "security types" – This is captured as a free text.
9	Company type	Non-individual & account file	<ul style="list-style-type: none"> 6 SACCO's do not collect this information on the application forms. 13 SACCO's have not customised their systems to capture the field if compared to their peers with similar systems. Those whose systems have this field, leave it blank on assumption of the core economic activity of the members e.g. farmers or teachers. Those who input data to this field lack standard company types since the information is keyed in a free-text field.
10	Date of registration	Non-individual & account file	<ul style="list-style-type: none"> 7 of the SACCO's are yet to create this field in their systems as their peers with similar systems have. Those whose systems have a provision for this field either don't capture the information, or information captured is not accurate.
11	Company registration no.	Non-individual & account file	<ul style="list-style-type: none"> 7 of the SACCO's are yet to create this field in their systems as their peers with similar systems have. Those whose systems have a provision for this field either don't capture the information, or information captured is not accurate.
12	Main telephone number	Non-individual & account file	<ul style="list-style-type: none"> 25% error rate noted based on sampled SACCO's mostly arising from not capturing the data.

No.	Field	Impacted files	Comments
13	Postal address	Non-individual & account file	<ul style="list-style-type: none"> 30% error rate noted based on sampled SACCO's mostly arising from not capturing the data.
14	Industry code	Non-individual & account file	<ul style="list-style-type: none"> 2 systems affecting 5 SACCO's do not have the provision for the Industry Code field. Other SACCO's have not added it like their peers with similar systems. Those who attempt to capture information in this field lack standard codes and thus vary according to the data capturer as they are free-text fields.
15	Guarantee limit	Guarantor file	<ul style="list-style-type: none"> 5 SACCO's did not capture the limit a member has guaranteed as their practice allows for joint & varying responsibility of guarantors. Those who did capture the limit had a 20% error rate or failed to capture field.
16	Guarantee type	Guarantor file	<ul style="list-style-type: none"> 11 of the SACCO's do not collect data on this field. 2 systems affecting 6 SACCO's lack Guarantee Type field. Other SACCO's have not added it like their peers with similar systems. Those who capture information on this field lack standard "guarantee type" options thus dependent on data capturer.
17	Stakeholder surname	Stakeholder file	<ul style="list-style-type: none"> 6 SACCO's are open to non-individual membership for entities whose directors are not necessarily members. Unfortunately they are yet to customise their systems to capture stakeholder's surname or full names.
18	Stakeholder forename	Stakeholder file	<ul style="list-style-type: none"> 6 SACCO's are open to non-individual membership for entities whose directors are not necessarily members. Unfortunately they are yet to customise their systems to capture stakeholder's Forename or full names.
19	Stakeholder national ID	Stakeholder file	<ul style="list-style-type: none"> 7 of the SACCO's are yet to create this field in their systems as their peers with similar systems have. 50% of those with the field have it blank or captured incorrectly
20	Stakeholder type	Stakeholder file	<ul style="list-style-type: none"> 5 SACCO's are not capturing data in this field, 9 SACCO's have not customised their systems to capture it. SACCO's with the field to capture have no standard types of stakeholders thus dependent on data capturer.
21	Account no. with collateral	Collateral file	<ul style="list-style-type: none"> 8 SACCO's have not customised their systems to capture this field. 50% of those with the field have it blank or captured incorrectly.
22	Collateral type	Collateral file	<ul style="list-style-type: none"> 10 SACCO's have not customised their systems to capture this field. 75% of those with the field have it blank or captured incorrectly.
23	Collateral last valuation amount	Collateral file	<ul style="list-style-type: none"> 12 SACCO's have not customised their systems to capture this field. Not all SACCO's whose systems have this field use it.
24	All fields	Credit applications file	<ul style="list-style-type: none"> All SACCO's invariably collect application data via loan application forms. However, only 7 SACCO's were observed capturing declined applications in their systems.

3.2.3 Availability of data on forms

On average, SACCO membership and loan application forms allow them to collect 90% of the data deemed relevant for credit information sharing. SACCO's categorised as government appear to be collecting the least data though at an average of 87%.

Chart 6: Data on forms

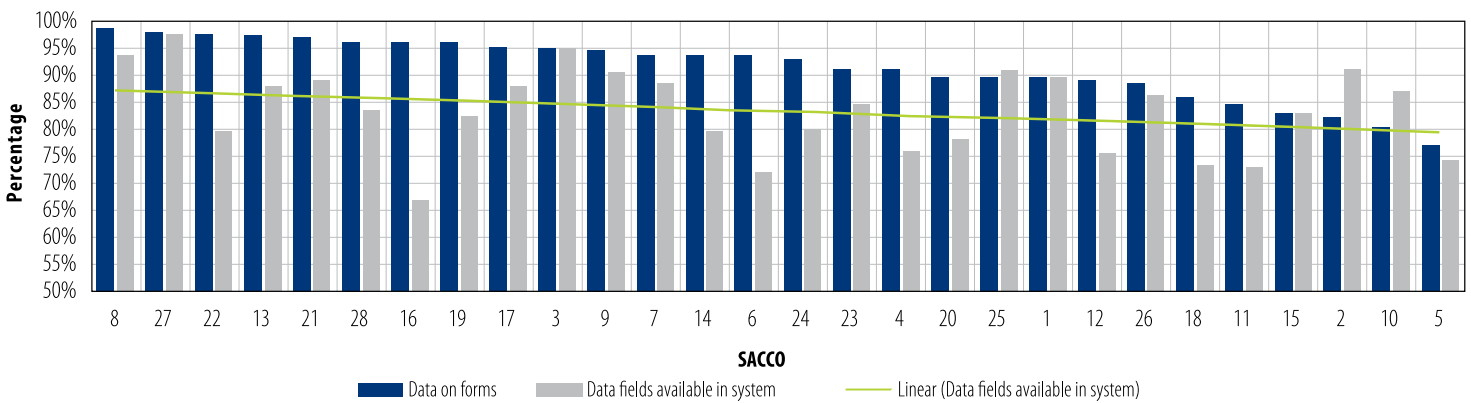


3.2.4 Availability of data fields in IT systems

SACCO's scored system's data fields' availability of between 67% and 98% with an average of 85%. All SACCO's appear to collect more data on forms than in

their respective systems. Only 3 SACCO's (2, 10 and 25) were an exception with specific data not collected being: gender, instalment due date and date of birth fields.

Chart 7: CIS data on forms vs. systems fields



For privacy, SACCO's assessed have been assigned a reference code which will be used throughout this report.

We did not identify any correlation between data availability and the following:

- Categories of SACCO's.
- Systems in use.
- The period a system has been in use.

Table 5: Data availability against category, system and years in use

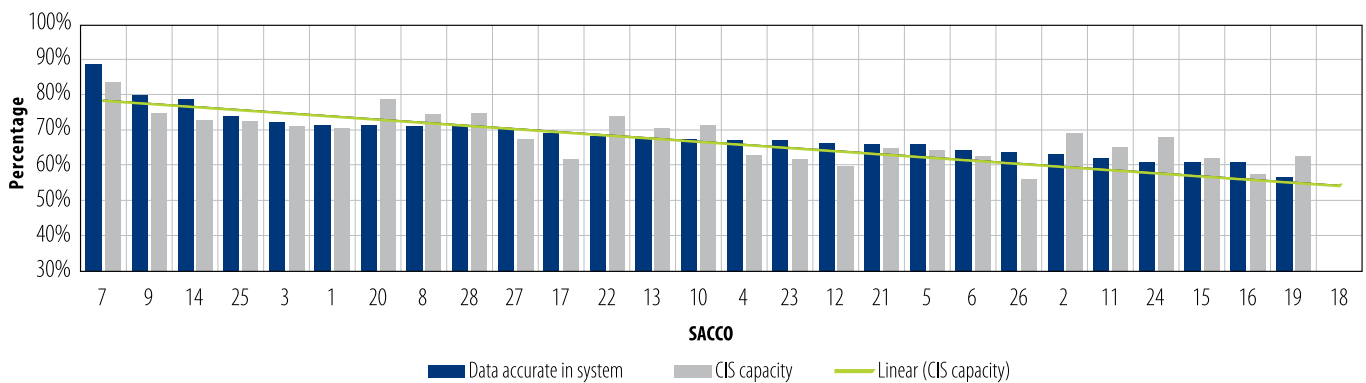
No.	Data fields available in system	Category	System	Years system has been in use to December 2014
26	98%	Community	Navision	1.67
3	95%	Private	T24	6.58
8	94%	Farmer	ORBIT-R	3.92
2	91%	Government	FinSACCO	7.58
24	91%	Community	FinSACCO	7.67
9	91%	Teacher	FinXtreme	8.00
1	90%	Government	Navision	6.50
20	89%	Farmer	ASMAS	11.25
7	89%	Government	ASMAS	3.75
17	88%	Teacher	CMIS	6.50
13	88%	Farmer	BR MFO	Not provided
10	87%	Government	BR MFO	8.00
25	86%	Private	FinXtreme	7.00
22	85%	Community	FinXtreme	7.17
27	84%	Farmer	Navision	8.25
15	83%	Farmer	BR MFO	4.58
18	82%	Teacher	BR MFO	3.17
23	80%	Private	Navision	6.50
14	80%	Teacher	CMIS	8.92
21	80%	Farmer	ASMAS	7.92
19	78%	Government	Navision	9.92
4	76%	Community	FinXtreme	Not provided
12	76%	Teacher	ASMAS	7.50
5	74%	Teacher	FinXtreme	9.75
11	73%	Farmer	Vanguard	1.25
6	72%	Farmer	FinSACCO	7.08
16	67%	Farmer	SMART	2.17

This implies some SACCO's may have failed to scope fields at time of purchase owing to their requirements at the time, or have not actively been engaging system vendors for changes which are favourable to CIS as peers using the same systems appear to have done. It also follows that vendors need to do more to provide updates and better management of versions with their client. On the other hand, SACCO's must budget for such upgrades and must consistently check their data requirements to ensure they get valuable upgrades.

3.2.5 Accuracy of data captured in the system

Accuracy of data captured in the system had an average score of 68% with a low of 57% and a high of 89%. The Data Accuracy score demonstrated a high correlation with assessed CIS capacity of a SACCO as illustrated by the trend line below:

Chart 8: Data accuracy against assessed CIS capacity



When data accuracy is compared through the 5 SASRA categories, the Government SACCO's are among the leading scorers with Private SACCO's unsurprisingly lagging behind owing to their "closed" common bond nature

and purely check-off loans thus lower thresholds of data collection and capturing.

Table 6: Data accuracy by SASRA categories

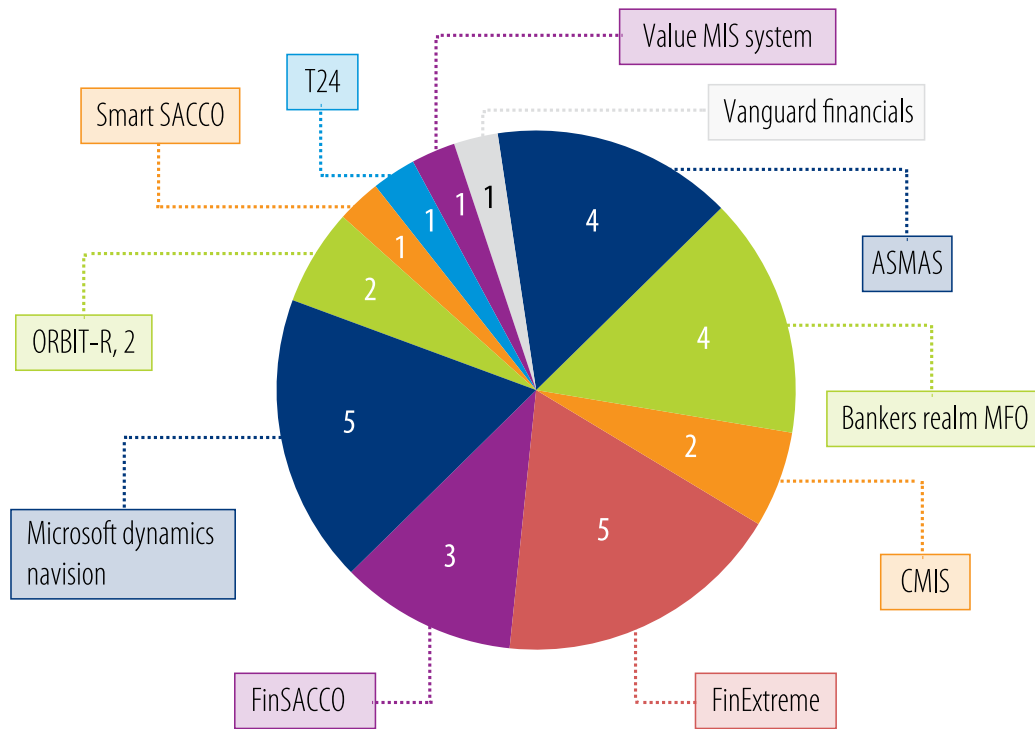
System	Community	Farmer	Government	Private	Teacher
Average	70%	66%	72%	65%	69%

3.2.6 Management information systems (MIS) in use

The 29 SACCO's we visited used 11 distinct systems. 21 SACCO's have

employed 5 of these MIS. FinExtreme and Microsoft's Navision are the leading core banking platforms, used by 15% of the sampled SACCO's.

Chart 9: MIS used by SACCO's



Looking at systems by SACCO category, FinExtreme and Navision are used by a more diverse category compared to the rest, as shown in the table below:

Table 7: System in use by SASRA categories

SYSTEM	Community	Farmer	Government	Private	Teacher	Grand Total
FinExtreme	1		1	1	2	5
Microsoft Dynamics Navision	1	1	2	1		5
ASMAS		2	1		1	4
Bankers Realm MFO		2	1		1	4
FinSACCO	1	1	1			3
CMIS					2	2
Orbit-R		1			1	2
SMART SACCO		1				1
T24				1		1
Value MIS System					1	1
Vanguard Financials		1				1

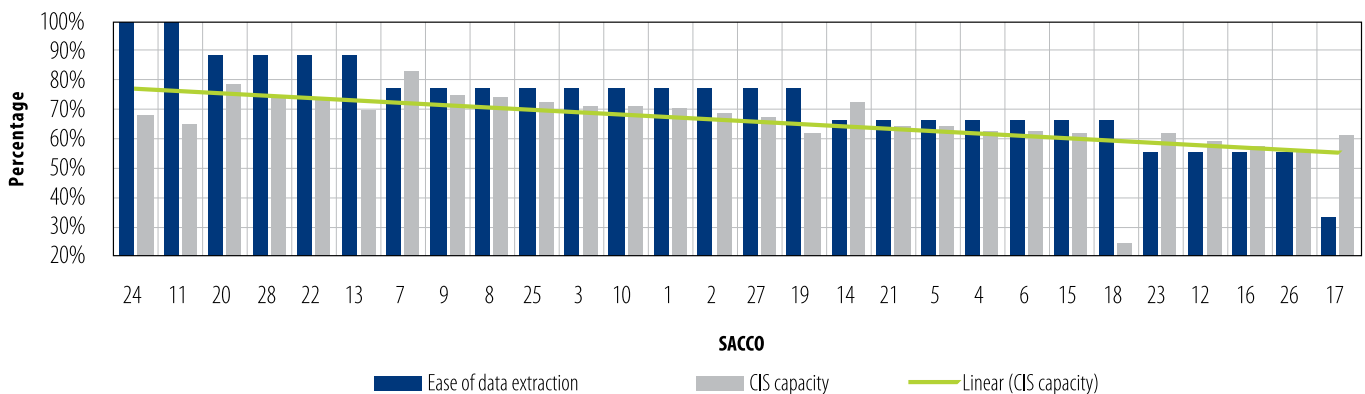
3.2.7 Systems readiness to extract data

CIS participation is dependent on the ease and consistency of acquiring data by a financial institution. It is expected that data be provided in a timely and consistent manner to CRBs who in turn will offer services using the most current position. Ease of extracting data was evaluated on the following 3 parameters:

1. Data is available in a consolidated database:
 - a) 80% of SACCO's are confirmed as operating consolidated databases.
 - b) Of the 20% decentralised, only one or 4% of SACCO's consolidates their databases at a frequency greater than a day, specifically on a weekly basis. This is a decision of the institution, not a limitation of the MIS.
2. Security of Data:
 - a) Less than 15% of the SACCO's employ data protection and encryption tools within their networks. 30% of SACCO's without data protection and encryption mentioned their intent to purchase the tools in the short term.
3. Ease of report scripting/generation:
 - a) All the MIS surveyed either have report writing functions or come bundled with third-party report writing tools. However, 20% of SACCO's lack the capacity to design their own custom reports using these tools, and thus are dependent on their respective vendors for report writing.
 - b) Further, 70% of SACCO's confirmed the existence of scheduled reports which are generated and availed to specific members of staff at pre-defined intervals as opposed to staff requests for ad hoc reports.

On average, the SACCO's scored 73% on ease of data extraction with a high of 100% and a low of 30%. Ease of data extraction also has a positive impact on the CIS Capacity as illustrated in the following chart.

Chart 10: Ease of extraction against assessed CIS capacity



3.2.8 Quality of reports

The quality of financial and operational reports currently being generated by a SACCO is an indicator of what to expect once the SACCO's take on board the CIS mechanism. A SACCO report should be a fair reflection of the processes and controls put in place to ensure data processing work is conducted in an appropriate manner.

Parameters used to gauge quality of reports cover controls over data processing and efficiency of preparing the reports are as follows:

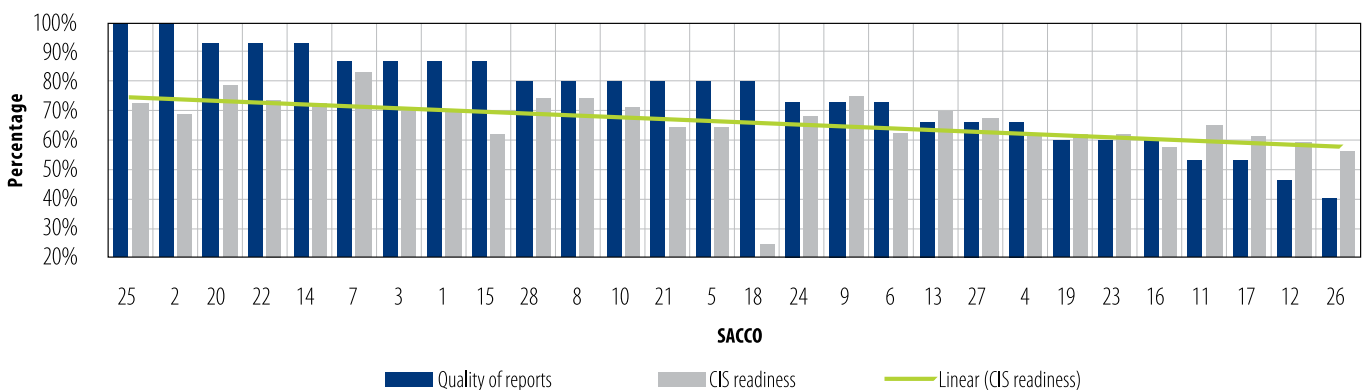
1. Quality of Data Capture into system
 - a) 85% of SACCO's interviewed confirmed having maker-checker controls for capturing data into their systems.
 - b) Only 35% of SACCO's have additional independent checks to verify work is accurately processed.
2. Timeliness of Data Capture

Data to be captured in the system is consistently captured before the system's scheduled end of day processes to allow for most up to date records.

 - a) All SACCO's have specific teams for capturing data into their systems.
 - b) 24 SACCO's (84%) have incorporated controls to track received work along the entire processing chain.
- c) 45% of SACCO's with work-tracking ensure that all work received is processed into the system by end of day.
3. Timely Production of final and reconciled monthly operational and financial reports. It was observed that close to 60% of the SACCO's produce reports within 7 calendar days of the end of a month, with the rest within a fortnight. There is a risk that some of the SACCO's generating their reports after a fortnight may miss the CIS reporting cut-off time.
4. Completeness & correctness of reports currently generated
 - a) Using SASRA returns as an indicator of how well the existing reports are scripted, 12 SACCO's (or 43%) are able to output reports ready for sending without the need of adding data from subsidiary reports.
 - b) 14 SACCO's (50%) need to merge such reports with subsidiary ones or customise data on a spreadsheet before sending to SASRA.
 - c) 2 SACCO's manually prepare the reports as the system is currently not scripted to generate the reports.

On average, the SACCO's scored 75% for quality of reports with a high 100% and a low of 50%. Quality of reports has a positive impact on the CIS Capacity as illustrated in the following chart.

Chart 11: Quality of reports against assessed CIS capacity



3.2.9 Technical interfaces

Reporting CIS data once a month is a lesser challenge than daily use of CRB for credit decisions. SACCO's were therefore evaluated on how well their systems are placed to interrogate CRBs for an applicant's credit report.

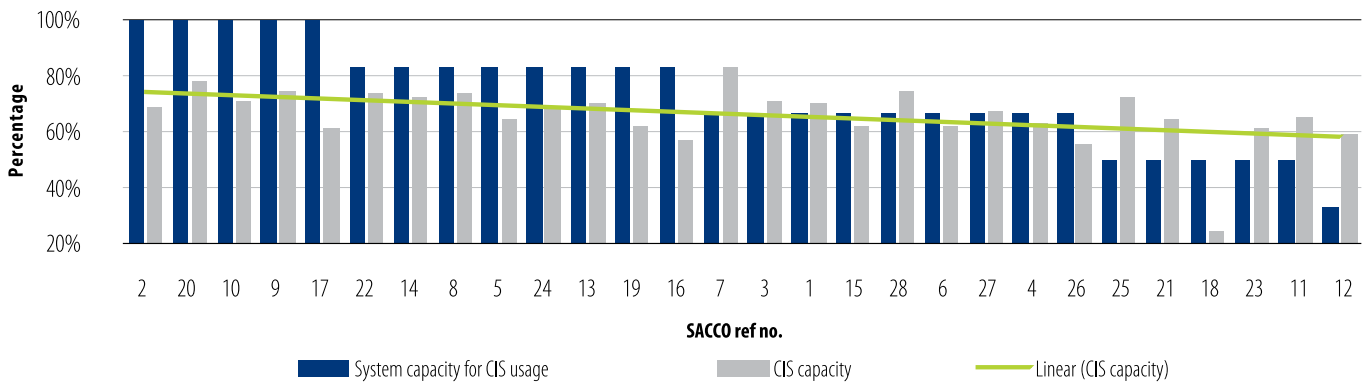
Parameters used to gauge systems capacity to interrogate CRB are as follows:

1. Ease of interrogating CRB: Querying the CRBs from one point within the organization makes it less complex to access credit reports.
 - a) None of the SACCO's opined that they would not make use of CRB to interrogate applicants credit reports.
 - b) 9 SACCO's (32%) indicated that they would work with their centralised credit risk teams to interrogate CRB at head office.
 - c) 18 SACCO's (64%) indicated that it would be credit risk resources at branch level that would interrogate CRB.
 - d) Only one SACCO felt responsibility could be handed over to any staff in branch to interrogate CRB.

2. Reliability of internet connectivity: Service is predominantly offered through online self-service portals by CRBs, although server-to-server connections can also be made.
 - a) 13 SACCO's (46%) have reliable internet connectivity and electricity at head office and all branches.
 - b) 6 SACCO's (21%) have reliable internet connectivity at head office and branches but unreliable power source.
 - c) 8 SACCO's (29%) have reliable internet connectivity at head office only.
 - d) Only one SACCO confirmed not having internet connectivity.

On average, the SACCO's scored 73% for systems capacity with a high of 100% and a low of 30%. Systems capacity positively contributes to CIS Capacity as illustrated below:

Chart 12: System capacity against assessed CIS capacity



3.2.10 General comments on data availability & IT systems

In summary we assessed SACCO's to have an average of 90% of the data required for submission to the CRBs, obtained through membership and loan application forms and requisite documents e.g. a copy of a national identity card. The various systems have an average of 85% of the data fields required to capture the required CIS data whilst captured data stands at an average accuracy of 68%. The following observations are key to interpreting these findings:

1. 25% of sampled SACCO's do not have non-individual members and as such will not be required to submit their respective Non-Individual and Account file and the Stakeholders file. The rest of the SACCO's with exception of Universal and Biashara SACCO's have non-individual membership as a relatively new development with less than 3% membership. Taking this into perspective reduces impact of missing data but at the same time underscores the importance of getting it right going forward.
2. We considered the following data fields required for submission to the CRBs:
 - a) Product Type
 - b) Security Type
 - c) Employer Type
 - d) Industry Type
 - e) Guarantor Type
 - f) Stakeholder Type
 - g) Collateral Type
 - h) Facility Application Type

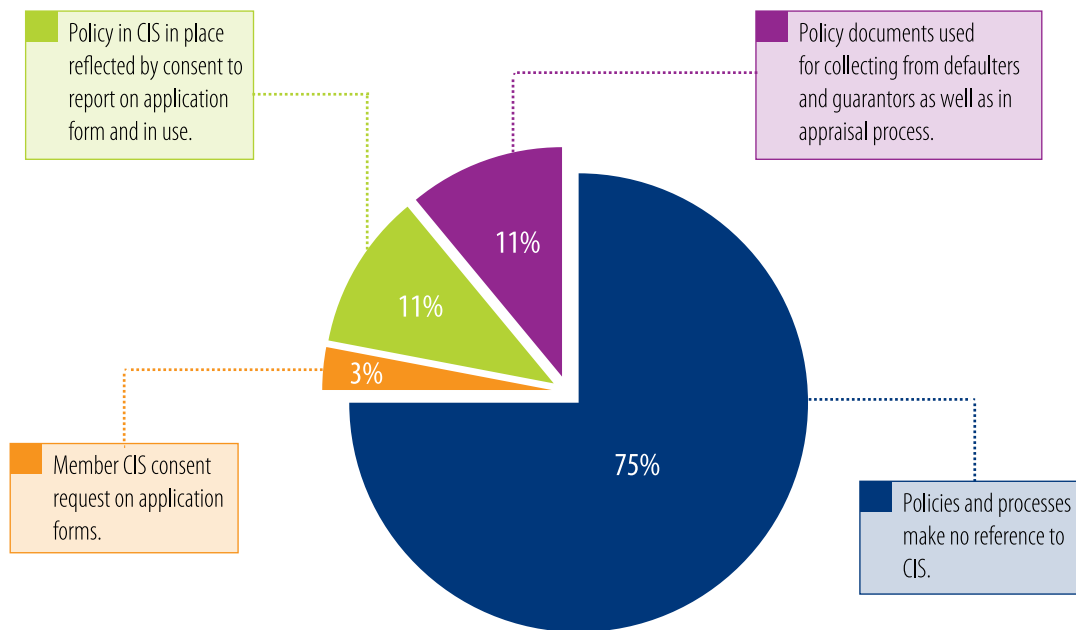
We noted that the SACCO's lacked a standard nomenclature for capturing this data into their systems. Where applicable and/or available, SACCO's systems have them as free-text fields which are dependent of how specific a resource will choose to capture it.
3. All SACCO's sampled capture the National Identity Card number as the primary identifier of a member. Other details like Employee number (key for teacher SACCO's), Farmer number (key for agricultural production cooperatives) and SACCO membership numbers are important though not treated as sole or primary identifiers.
4. We checked whether the SACCO's could extract accurate data from their systems. 24 of 84 fields were determined as problematic for SACCO's. The lowest score on data collected was 87%, the lowest on fields' availability on system was 67%, and the lowest accuracy was 57%. There was a 20% gap noted between data collected in hard copy and systems availability, which is very significant implying SACCO's should channel efforts towards populating all fields into the system prior to conducting data capture and clean-up. (See appendix 4: CIS Data Sharing Fields for the full set of fields and their availability.)
5. 20% of the SACCO's are dependent on the vendors to script their internal reports. 40% of the SACCO's can output reports a fortnight after end month operations while only 57% cannot submit their reports to SASRA without performing some manual intervention on them. This implies SACCO's can expect significant challenges to the timely production of accurate reports if remedial action is not taken.

3.3 CREDIT

During our fieldwork, we noted a consistent lack of awareness about the implementation of CIS amongst the senior management of the SACCO's and its relevance in credit appraisal. To some extent the failure to respond to numerous requests from CIS KENYA on the consultants' survey visit could be attributed to this lack of appreciation for CIS.

- 20% of interviewees indicated having CIS initiatives fronted by management. These institutions were interested in sharing negative information with CRBs. Interviewees of these SACCO's visited were fully aware of the existence of the CRBs but had not started using CRB reports to assess their members' credit worthiness.
- Credit policies in 75% of SACCO's visited made no reference to CIS, meaning that a review of the credit policies and documentation needs to be done to facilitate use of the CIS mechanism in credit appraisal.
- As graphically shown on figure below, only 3% of the SACCO's visited made mention of CIS consent request on the loan application forms (LAF), but were not using CIS for credit application form appraisal or in any way in the CIS mechanism, while 11% of SACCO's mentioned CIS on the LAF and were actively using CRB reports to assess loans. Another 11% were using the policy documents with CIS consent to actively pursue delinquent loans from defaulters and also in pursuit of guarantors.

Chart 13 Credit policies and processes in support of CIS



Lack of awareness among management and members on the benefits of credit referencing was evident from discussions with credit managers who perceived that CIS meant “blacklisting” members with non-performing loans as opposed to assessing a member’s credit risk rating.

SACCO’s did not routinely capture information on rejected credit applications. In the questionnaire, we asked respondents if their institution captured data in MIS on rejected loan applications. Out of the 21 online survey responses received on this, 6 SACCO’s (29%) captured records of rejected applications and 15 SACCO’s (71%) confirmed that they did not capture records of rejected applications. This means that reasons for rejection cannot easily be analysed. Indeed, only 2 out of the 21 respondents filed the rejected applications.

The following issues were noted during discussions with SACCO members:

1. There was considerable lack of awareness by board and management on the working of the CIS mechanism to enhance credit appraisal.
2. Credit policies in 75% of the SACCO’s reviewed during the visits did not make any mention of CIS in credit appraisal. It is therefore necessary for them to revise credit policies to be in tandem with the CIS and have them approved by the board and documented.

3.3.1 Use of collateral as security for credit

From responses received during the SACCO visits, 20 of 28 SACCO’s (71%) use physical collateral as security to guarantee loans. Of these:

1. 90% of the required data for CIS is available on the forms
2. 50% of the data fields are available on the SACCO systems
3. Only 30% of collateral data fields on the systems are accurate

It is therefore not surprising that the maintenance of collateral records was mostly manual with few using the MIS to track and monitor the collateral. This is a function that can be implemented within the SACCO MIS systems

3.3.2 Guarantor management

An important aspect of the traditional SACCO is the use of guarantors as security for the loan. While the guarantor concept within the banking sector refers to the acceptance of a liability by the guarantor in the event that the principle debtor fails to honour his liability, the system of guarantee in SACCO’s is based more on traditional social values where members accept to cover one another in reciprocity. In effect, the guarantor in a SACCO assumes responsibility in line with social ethics within a network of members with common interests. The guarantor assumes that the beneficiary will reciprocate

when the need arises to him or some other SACCO member. Social ethics and reciprocity therefore plays a bigger role in the decision to guarantee a member rather than the expected liability.

SASRA regulations 2010:

Section 32(2) A SACCO shall ensure that no member is allowed to over guarantee.

Section 32(3) a guarantor shall be adequately informed of the nature of liability prior to signing an agreement creating guarantor liability.

According to SASRA regulations 2010, no member of a SACCO is expected to “over guarantee”. Unfortunately “over guarantee” as a term was found to have various meanings depending on the SACCO. 4 broad categories of restriction to avoid “over guaranteeing” are as follows:

- Limit a guarantor to a maximum number of members they can guarantee – no cap on loan amount.
- Limit a guarantor to guaranteeing a maximum number of times per lending product offered by a SACCO – no cap on loan amount.
- Limit a guarantor to a multiple of their respective non-withdrawable savings.

- Limit a guarantor to a fraction of their respective non-withdrawable savings.

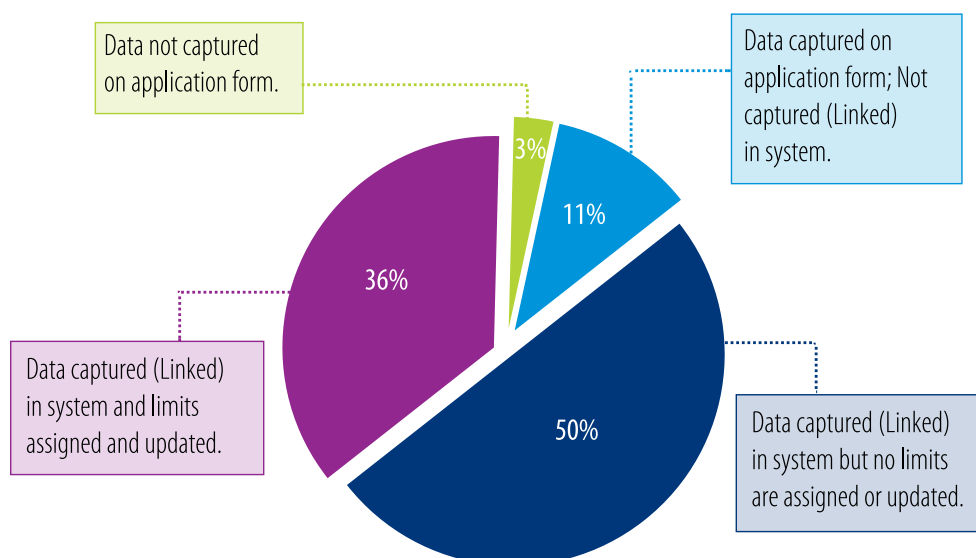
Often, amounts guaranteed in the last two categories above are not taken into consideration when the guarantor themselves apply for a loan, because other members will reciprocate and guarantee their loans. In effect, a SACCO will find it hard to reconcile the level of guarantees pledged against the total value of non-withdrawable deposits used to guarantee loans, with the former several times greater than the latter.

Example:

A rural SACCO in Mt. Kenya area allows members to guarantee up to 8 times their non-withdrawable savings whilst being free to borrow up to 5 times their non-withdrawable savings

This problem is further compounded by the fact that 74% of SACCO’s MIS sampled cannot link a guarantor to a specific loan or track a guarantor’s exposure i.e. as loans get paid, a guarantor’s exposure should automatically reduce.

Chart 14: Completeness of guarantor data



SACCO's seem to comfort themselves with the notion that guarantors are not overcommitted (through their own loans and guarantees) since they continue being members with monthly build-up of their non-withdrawable shares. Indeed, this was one of the reasons advanced by some SACCO's who do not maintain guarantor tracking.

It was interesting that, though not linked on systems, no SACCO mentioned major constraints in making recoveries from guarantors against a principle member's delinquent loan. The reason could be that the risk is spread out among a large number of guarantors who also exert pressure on guaranteed members to pay up. 5% of SACCO surveyed reported initiating recovery activities from guarantors after a loan falls one month behind in arrears, presumably to indirectly pile pressure on a member through the guarantors. 10% initiate a process of loan recovery from a guarantor after 2 months, another 40% recover after 3 months, and 45% after 4 or more months of missed payments. Nevertheless, and in recognition of the associated risk of "over-guaranteeing", especially with the opening up of common bond, most SACCO's are moving to a mix of collateral and guarantors to manage credit risk.

3.3.3 General comments on credit

In our review of the credit management functions of the SACCO's visited, we made the following observations which suggest weaknesses in overall credit management:

- SACCO's have not embraced a document tracking system for all credit applications received and in effect are unable to detail the number of applications declined in any month.
- We noted a number of credit management staff are tasked with multiple non-complementary roles in their SACCO's resulting in the absence of job segregation that would ensure credit applications are initiated, appraised, keyed and approved by different staff. This certainly indicates poor internal control in credit management, emanating from weak organizational structures.
- There is a failure to use system-generated reports in delinquency management, owing to their inaccuracies. This primarily resulted from SACCO's being unfamiliar with their systems' reporting functionality to internally generate reports that meet their requirements.
- Only 9 out of 23 (39.1%) respondent SACCO'S keyed in information on rejected credit applications in their MIS. Out of the rejected applications, 21 out of the 23 (91.3%) respondents confirmed filing the rejected applications. However, the filing was found quite wanting and during our visits to the SACCO's we could not obtain the majority of rejected applications after enquiring.

- Maintaining rejected applications has not been the practice as most members whose applications are declined have tended to walk away with rejected applications as confirmed by 2 of the 23 respondents. This is consistent with current practice as maintaining a database of rejected applications has not been a requirement and will certainly be a concern to many SACCO's due to space constraints, an issue which came up during informal discussions with SACCO staff.

3.4 STAFF

The consultancy assessed resource requirements in terms of knowledge of staff in both Credit and IT and support if any, that would be required for data clean up. Specifically we assessed capacity of staff to:

- Extract data, identify errors in their data and correct
- Understand CIS and how to participate in a CIS Mechanism
- Access reports and other products from a CRB, and use the information in making credit and risk decisions

It did not interrogate the level of expertise in the SACCO's in terms of education levels and training, although we gathered some insights from discussions held and the quality of reports reviewed. The two overriding issues in regards to staff are capacity building and data clean-up to facilitate CIS.

Capacity Building— Credit Personnel

- 11% of SACCO's had no resources to train in credit reports assessment expertise and will be seeking to hire new staff.
- There was a consensus for need to train credit staff in use of CRB reports to appraise member's loan applications. 78% of SACCO's visited had credit staff with some expertise in credit assessment but required further training to fully utilise the CIS reports.
- Only 11% of the SACCO's interviewed indicated having expertise to utilise CRB reports.

Capacity Building — IT Personnel

- 28% of SACCO's will have to outsource the work to vendors as the expertise is not available internally.
- 43% of SACCO's have knowledgeable personnel in generation of reports but will need further support from their system vendors.
- Only 28% of SACCO's affirmed having internal resources with capacity to script complex reports thus will be able to internally handle CIS reports.

The survey results indicate a need for substantial training and recruitment of trainable staff to ensure the CIS initiative amongst SACCO's is successful.

There was no specific trend discernible from data analysis on the relationship between the CIS Capacity and a SACCO's staffing levels. Neither was there any relationship between the skills and competencies of staff against the SACCO's CIS Capacity. The SACCO's that appeared to score highly tended to be those with ambitious growth strategies and supporting human resources policies and procedures adopted by the board to drive the growth pattern.

3.4.1 Data cleanup

A major limitation to SACCO's provision of credit information to CRBs is the existence of high levels of inaccurate data in their systems. With inaccuracy levels standing at 31%, it implies that a third of all fields sent by SACCO's will have an error. It is obvious that SACCO's will need to put in significant effort to cleanse data.

Two schools of thought on data clean-up were observed through the interviews we carried out with the SACCO's:

- One thought was to have the data clean-up conducted in the normal course of business (i.e. SACCO operations run as normal).
- The other thought is to set up a special project to fast-track and finalise the data clean-up exercise in the shortest possible time.

The former is good for SACCO's with low levels of data inaccuracy e.g. SACCO 7 at 11%, while the latter is best for SACCO's with high level of inaccuracy e.g. SACCO 19 at 43%. 26 of 28 SACCO's have a data inaccuracy greater than 20% and may thus need to set up a project to oversee clean-up of the data among other CIS mainstreaming activities. It follows that SACCO's will have to dedicate additional resources to the project depending on the volume of records to be reviewed and corrected.

3.4.2 General comments on staff

Personnel in both credit and IT need capacity building to bring them up to speed with using and reporting of credit information to CRBs. In addition, the majority of the SACCO's will need training support in setting up a formal CIS project that will address collection of missing data from members, update new fields in the system, cleanse data on the system, train personnel etc.

3.5 WILLINGNESS TO PARTICIPATE IN CIS USAGE

The field survey suffered a general lethargy in terms of support from SACCO's during the study. This was mostly through their failure to provide information requested by the consulting team in good time to expedite the survey exercise. Various attributes were reviewed that would inform the degree of willingness of sampled SACCO's to participate in CIS as detailed in table below:

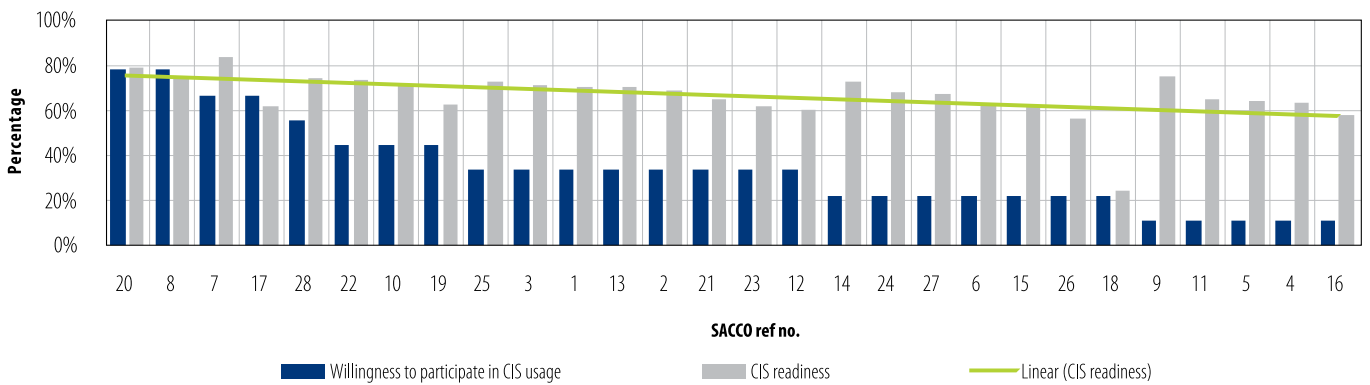
Table 8: SACCO willingness to participate in CIS

No.	Attributes Assessed	Specific area of score matrix	Score
1	Board Policies and processes support CIS and usage?	Policies & processes make no reference to CIS (consent not on application form either)	67.8%
		CIS consent request on application form	10.7%
		Policy on CIS in place and reflected in consent to report on application form and actively being used to collect from defaulters/guarantors	17.8%
		Policy documented and used for collecting from defaulters and guarantors as well as in appraisal process	3.5%
2.	Sponsorship of CIS initiative – CIS project leader or champion in the SACCO	No project leader	21.4%
		Project leader but no executive sponsor	28.5%
		Project leader, executive sponsor	35.7%
		Project leader, executive sponsor, budget for data clean up in next 12 months	14.3%
3	Budget for IT & data clean up towards realization of CIS participation	No definite IT budget	7.1%
		IT budget covers usual operations only	78.6%
		Specific/special IT and data clean-up budget set aside to address limitations of CIS participation	14.2%
		Current system suffers no limitation to CIS participation	0%

On average, the SACCO's scored 34% for Willingness to Participate in CIS Usage with 12 of 28 SACCO's scoring less than 30%. SACCO's had a high and low

score of 78% and 11% respectively. Willingness to Participate in CIS Usage has a positive impact on the CIS Capacity as illustrated in chart below:

Chart 15: Willingness to participate against assessed CIS capacity



From the above graph, it is indicative that only 5 SACCO's from the 28 respondents to the questionnaire achieved scores above 50% in terms of willingness to participate in CIS. Also, only 2 SACCO's (SACCO ref. 8 and 17) achieved higher willingness scores than overall CIS Capacity, implying that the management fully supports CIS participation irrespective of challenges with systems, credit operations or staffing.

Out of the 28 SACCO's only 1 had documented policies on CIS, which were being actively used to appraise credit applications, as well as being used to recover loans from both defaulters and their guarantors. The exercise indicates that a lot of ground needs to be covered to ensure SACCO's amend their policies in line with the expectations of a legal and prudent process.

Chapter 4

PERSPECTIVES DRAWN

4.1 RANKING

The CIS Capacity scores obtained inform us that SACCO's are generally ready to participate. The scores by themselves do not directly translate to predicting sampled SACCO's that will proactively adopt CIS nor provide inference value for others in the industry that will. This will be seen from actual participation and a recalibration of our weightings done for possible future predictions.

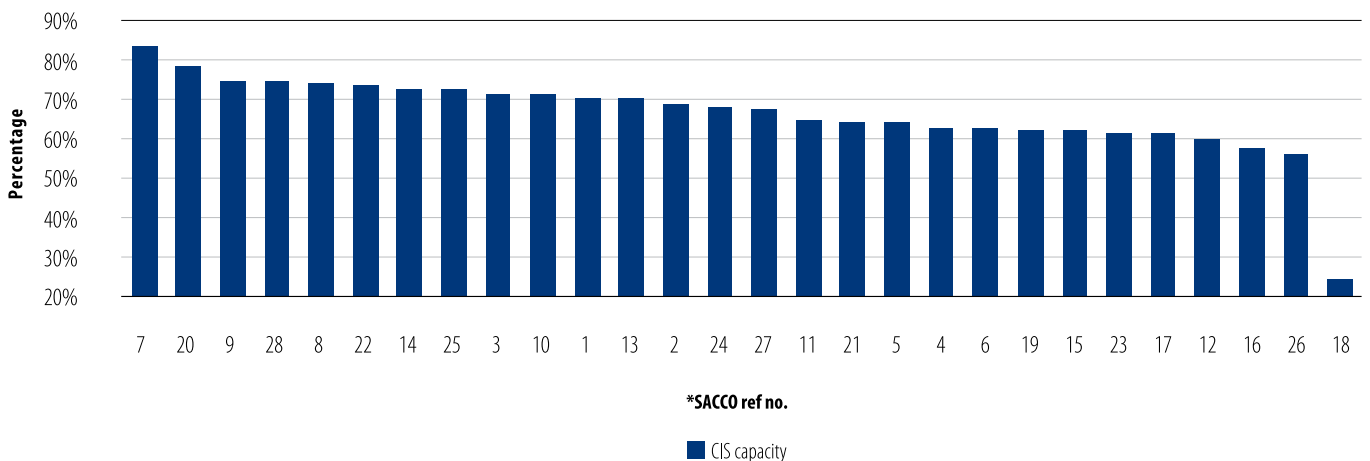
As expounded in section 4.2 Scoring Tool above, the CIS Capacity of a SACCO is arrived at by reviewing the following 6 parameters:

1. Data availability & accuracy i.e. data available in the system and is accurate.

2. Ease of extracting the data and reporting it based on reporting tools available.
3. Quality of existing reports judging by data capture controls, data change control and timely production of reports and completeness of the reports.
4. Resource capacity for CIS usage for both credit and IT staff.
5. Systems capacity for CIS usage in terms of internet connection and ease of interrogating CRBs.
6. Willingness of a SACCO to participate in CIS based on alignment of processes, CIS project initiation and budget i.e. if a SACCO is seeing enough value worth committing resources to.

Overall ranking of CIS Capacity is illustrated in chart below:

Chart 16: Assessed CIS capacity



On average, the SACCO's scored 68% for CIS Capacity with a high of 83% and low of 24%. The average does not include the outlying SACCO number 18 which scored a minimal 24%. 10 SACCO's (7, 20, 9, 28, 8, 22, 14, 25, 3, and 10) scored more than 70%. These SACCO's could be approached for a possible pilot phase where proposed industry interventions will be tried out and successful ones rolled out to the wider industry.

4.2 FRONTIER SACCO'S

Frontier SACCO's are defined as those SACCO's that are reaching a segment of the population that is not being served by banks for various reasons, whether

geographic or economic. These SACCO's are of particular interest in terms of capacity to share, as this would directly enrich the CIS mechanism with new individuals not in formal banking.

8 Frontier SACCO's were included in the survey of which 4 were assessed to have a CIS capacity score of 70% above and were in the top 10 best SACCO's. It is important to note that the average of CIS capacity score for the 8 frontier SACCO's is 68%, which is the same for all SACCO's assessed. This implies they may not need any special consideration or support towards sharing of their member's credit data.

Table 9: Frontier SACCO's assessed

SACCO ref no.	No. of branches	% of borrowers	Loan penetration	% NPL rate	CIS capacity
6	7	26.89%	8,715.00	11.48%	63%
8	11	42.42%	197,000.00	2.22%	74%
11	3	52.08%	20,835.00	0.3%	65%
16	15	13.64%	8,735.00	7.08%	58%
21	7	30.64%	20,835.00	3.33%	65%
22	11	13.00%	5,800.00	8.45%	74%
25	6	10.83%	10,705.00	10.56%	72%
28	9	54.75%	53,275.00	2.42%	75%

Some of the interesting characteristics we picked up from these frontier SACCO's are:

1. They serve the rural areas, though some had plans to open branches in the major towns to tap into their "diaspora" community.
2. With the exception of SACCO 11 above, they have more than 6 branches, of which most if not all are in the rural areas.
3. Most people join SACCO's to save in the hope of borrowing at some point in the future. The percentage of Frontier SACCO borrowers against that of their total membership is 31%, which is less than the 62.5% average of all SACCO's surveyed. In fact, 5 of the 8 SACCO's are below 31%.
4. With the exception of SACCO's 8 and 28 above, the average loan penetration figure for Frontier SACCO's (i.e. if all the members are deemed to have borrowed their respective SACCO's equally) is below KSh 21,000. The average loan penetration figure if all members of SACCO's surveyed had borrowed stands at just below KSh 106,000.
5. The average Non Performing Loan rate for all surveyed SACCO's stands at 4.35%. Only 4 of the Frontier SACCO's are below this benchmark.

Most members don't borrow but when they do, they borrow relatively small amounts of money as compared to non-Frontier SACCO's. This confirms that the majority joins the Frontier SACCO's for transactional banking services in the absence of banks. It is also apparent that some of these SACCO's have excellent processes of managing the credit risk of these small ticket loans as compared to their peers. There is need to share this knowledge with other institutions struggling to do business in this segment.

Though not within scope of our assignment, the issue of excise tax on financial services to Frontier SACCO's was deemed counterproductive to financial inclusion. Dr. James Mwangi, Chief Executive Officer and Managing Director of Equity Bank once said his bank was competing against mattresses in

years past. The same can be said in the case of Frontier SACCO's. SACCO Chief Executive Officers we spoke to were keen to give this issue more voice so as not to dampen momentum of financial inclusion in the country.

4.3 COMMON WEAKNESSES IDENTIFIED DURING SURVEY

4.3.1 No encryption of shared data

We noted that 24 of 28 SACCO's (86%) do not encrypt data while transmitting information within their branch network. Whilst the CRB's have their own data protection protocols that would safeguard any data sent to CRB's, SACCO's need to implement information security systems to monitor and detect actual and attempted attacks on, or intrusions into, member information databases. SACCO's should also periodically test, monitor, and adjust the systems as part of risk mitigation measures to safeguard the integrity of data in their systems.

4.3.2 Reports are inaccurate

16 of 28 SACCO's (57%) confided that their key reports need some form of intervention once they are generated from the system in order to get the final reports that the management will use. Looking at these statistics from a CIS point of view makes for a risky read. SACCO's should begin building their capacity to develop in-house reports and schedule their generation at timely intervals. Through the increased capacity, SACCO's can detect errors in their data and correct them through a proactive process.

4.3.3 Policies, processes and procedures not aligned with CIS

Policies define the objective and scope of a business decision. Processes define the steps to be taken for the objective to be met while the procedures dictate each action that must be taken under each step for it to be fulfilled as expected. In the absence of any of the three, it is safe to say the overall goal will at best be attained by luck.

The average score obtained by the 28 SACCO's assessed for having CIS relevant policies, processes and procedures is 19% with specifics as below:

- Only 1 of 28 SACCO's (4%) had relevant CIS policies, processes and procedures in place.
- 8 of 28 SACCO's (28%) did not have the policies but at least had CIS consent included in application and offer letter documents as part of the terms and conditions.
- The vast majority – 19 of 28 SACCO's (68%) neither had policies, processes and procedures documented nor consents in place.

The SACCO's expressed the desire to have the policies in place but were also keen on receiving guiding support and best practice from either other SACCO's or their respective unions.

4.3.4 Opening of common bond

Common bond in SACCO's refers to the cord that founding members who formed a SACCO shared. From an online survey question on common bond, 18 of 22 SACCO's responded that they have since opened or expanded the bond to accommodate members not originally targeted. Only 4 of the 22 (18%) have retained the common bond confirming that SACCO's are expanding their operations to non-traditional sources of members to pool resources and in the process improve on financial inclusion in regions of their operations.

4.3.5 Minimal knowledge of CIS

Despite letters alerting target SACCO's of the purpose of the CIS Capacity Assessment and numerous follow-up calls, few of them were prepared to meet with us and even fewer understood the mission of this study. Those who

confirmed having some knowledge of credit information sharing thought it was mostly around debt collection. It is safe to say that the wider SACCO industry can benefit from communication interventions on credit information sharing, from a reporting, collection and usage perspective.

4.3.6 Cost of credit reports

Whilst the SACCO's to a large extent are enthusiastic about credit information sharing, questions on the cost of the services that CRB will provide, specifically in terms of credit reports, were predictably sought. There was a feeling that "CIS KENYA" should negotiate with the CRBs for lower rates to allow faster uptake by SACCO's or alternatively charge a minimal fee to individuals when they seek additional reports over and above their free annual one. This reasoning was premised on the fact that SACCO's provide numerous loans to members such as school fees, emergency, development, bridging loans and top up loans in almost the same period of 12 months. Pulling a credit report each time a loan is processed would be expensive for members.

It is necessary to clarify to SACCO's that they do not have to obtain a credit report for every loan. The intensity with which they use various risk management tools is dependent on their risk appetite.

4.3.7 Perceived risk of member attrition arising from CIS

A number of SACCO's were apprehensive about the use of CIS considering that there are numerous invigorated financial institutions currently in the market place all looking to increase their numbers in terms of membership and deposit base. This fear of losing members to competition owing to sharing of their credit information with CRBs is a misconception that needs to be cleared via consistent communication with the SACCO industry.

RECOMMENDATIONS

1. Design and execute a masses-centric communication plan

CIS KENYA should re-invigorate its awareness and sensitization programs focusing on SACCO boards and the common 'mwananchi'.

- a) It should seek to effect policies on the utilization of CIS amongst SACCO's and its impact on NPL balances. This should be explained in plain language that SACCO board members can understand.
- b) It should seek people-driven change by communicating directly with the masses specifically on the following:
 1. What a CRB Credit Report is.
 2. Benefits of having a credit report.
 3. How to access a credit report and check for its accuracy.
 4. Avenues for redress, in the event that there is inaccurate information in a credit report.
 5. What a borrower needs to do to ensure his entire borrowing history is contained in the CRB.

These messages need to be distilled into concise and memorable sound-bites in all major languages spoken in Kenya for both print and radio, sustained over a long period of time, and designed so that each sound-bite reinforces the previous ones.

Appealing directly to the masses will help dampen the current view that financial institutions are only using CIS for the purpose of blacklisting non-performing loans. It will also generate desired momentum at the grass roots to which credit providers would have to react in terms of better loan terms and conditions for clients with good rating.

2. Legal and regulatory amendments to cover SACCO CIS with CRBs

SACCO Societies Act 2008 provides for SACCO's sharing of credit information but with the following limitations:

- Regulations prescribed by the minister in charge to operationalise the act must be in effect.
- Information to be shared is on non-performing loans, which implies there must be customer consent for sharing of positive loan performance data.
- It presumes information to be shared is between the SACCO's, SACCO's and SASRA, and CRBs, which implies a closed user group.

CRB regulations 2013 open up participation in CIS by third-party credit providers through express consent by the customer. Though this could be

deemed sufficient, it does not auger well for SACCO's who need to report existing performing and non-performing loans; getting client consent will be difficult. In addition the regulations require that clients must be informed of the listing:

- Members need to be notified via formal notices of an impending listing in writing through registered mail, email or SMS prior to the listing as their delinquent loans approach non-performing status i.e. 60 days and above.
- Members need to be notified as soon as they are listed, through written notices through registered mail, email or SMS confirming the CRB they have been listed with and its address.

SASRA needs to make legal reforms to do away with limitations in the current Act prior to making regulations with provisions that:

- a) Mandate SACCO's to share full-file data with all licensed CRBs licensed through the CRB Regulations.
- b) Provide for SACCO's to cross-share with institutions licensed under the SACCO's Societies Act, Banking Act, Microfinance Act and other subscribers of the CRBs in the prescribed normal course of business.

It is also our recommendation that SACCO's work through their respective unions to ensure the legislative amendments and supporting regulations are fast tracked. However, it is not lost to us that amendments to various statutes relevant to CIS may take time owing to the processes that amendments need to go through. In recognition of these delays and the fact that SACCO's most urgent concern is on collecting bad debt, the SACCO's should seek to:

- a) Compel members to sign new loan forms incorporating consent to share credit information and query CRBs on their performance by way of:
 1. Initiating dialogue with defaulted members to possibly restructure their non-performing loans.
 2. Refinancing current loans in terms of amount top-ups or a longer repayment period.
- b) Use Skip Trace services from CRBs, which are not limited by the laws and regulations. Skip trace is a service where the CRB can assist SACCO's to trace a member who has contact details not known to the SACCO.
- c) Write off defaulted loans and be ready to lose problematic members.

3. Guarantor management standards

Owing to the importance of guarantors to SACCO's, CIS KENYA should consider playing a facilitative role between SACCO's, SASRA, KUSCCO and KERUSSU in defining or clarifying guidelines on guarantor management by SACCO's, and consider its place in credit risk management for the SACCO industry as a whole in Kenya. This will also serve to guide the reporting of guarantors at the CRB. The current guarantor management practice introduces a major risk for a SACCO when reporting, especially where:

- a) Guarantee-ship is based on number of members or loans guaranteed as opposed to the amount of loan guaranteed, thereby presenting a risk of over guaranteeing.
- b) The SACCO system is unable to track reduction of the guarantee exposure as the loans get repaid thus cannot report a member's true guarantee exposure.

It is our recommendation that SACCO's immediately base their guarantee criteria on loan amount as opposed to number of members guaranteed. In addition, they should adopt processes and systems that allow them to track a member's respective guarantee exposure for monthly reporting to CRBs. It is also our recommendation that the SACCO's adopt technology that will support tracking of guarantee exposure as loans are repaid as well as automate SMS notification to guarantors for confirmation before a loan is booked. In the meantime, usage of alternative security such as collateral in place of guarantors will reduce reliance of guaranteees.

4. CIS KENYA's gatekeeper role for CIS participation

CIS KENYA should do more in breathing life into its core mandate and thereby garnering the support of SACCO's and other credit providers. CIS KENYA's stated objectives are:

- a) Development of efficient credit information sharing (CIS) mechanism in Kenya.
- b) Lobbying for comprehensive legal framework for CIS.
- c) Awareness creation of CIS in Kenya.
- d) Capacity building of all players in the CIS framework.
- e) Facilitation of the Alternative Dispute Resolution mechanism.
- f) Self regulation through code of conduct.

In light of the above, some of the challenges that CIS KENYA should move with haste to address are:

- a) CRB Regulations 2013 require a CRB to seek approval of CBK to list credit information from third party providers. This implies each CRB would have to independently seek CBK's approval for any given SACCO. CIS KENYA should seek amendments that allow for CBK to delegate this authority so

that "third party" credit providers need only apply to them for assessment and, if successful, confirmation of participation in the CIS mechanism.

- b) Ensure that financial service providers participating in CIS send their data directly to each of the CRBs on a regular basis without fail.
- c) Ensure participating financial service providers submit data to all CRBs. Currently some SACCO's are only sending data to one CRB.
- d) Support with capacity building initiatives at low or no cost to CIS KENYA members. The initiatives should address the following.
 1. Awareness of the legal & regulatory requirements for:
 - SACCO's to be informed prerequisites for both reporting and requesting for information from credit reference bureaus.
 - Members to be informed of the benefits of their credit information being shared, possibly through AGM/ADM forums and statement inserts.
 2. Support resolution of data and systems issues through:
 - Formulation of an aide memoire for setting up of data clean-up projects within SACCO's. It should act as a guide for SACCO's on data to be verified, reports to be generated, how to quantify support needed to resolve, strategy options to adopt for clean up, and budgets to be set aside.
 - Engagement of vendors to make them aware of CIS requirements and need for them to update their systems to remain competitive. Also explore with vendors avenues of minimizing costs for implementing systems updates to existing users.
 3. Support SACCO's in generation of sufficient internal capacity for CIS:
 - Draw up CIS reporting and report usage procedure guidelines that will easily be adopted by SACCO credit management manuals.
 - Train SACCO staff on the procedures and specifically on usage of CRB reports in making credit decisions on both loan appraisal and collection.

CBK expects all SACCO's to be members of CIS KENYA to ensure standards on data are observed. As an industry led initiative, CIS KENYA should be seen as the gatekeeper of credit information providers. The quality, depth and frequency of data provided to CRBs by various credit and utility service providers and participation of various subscribers should fall under its purview. In effect, any SACCO participating in CIS should be a member of CIS KENYA. It is our view that by providing the above capacity development initiatives, SACCO's will see value and voluntarily seek to be members, thereby signing onto the code of conduct.

5. Systems

The lack of key data fields or linkages in SACCO systems was identified as a major constraint to provision of complete credit information to CRBs. From 29 surveyed SACCOs we noted 11 distinct core banking platforms, variously referred to as MIS. Five of these MIS products were employed by 75% of the SACCOs. What is confounding is that SACCOs with the same MIS version scored differently for availability of data fields in their systems.

We recommend that CIS KENYA adopt an industry-wide push by partnering with key MIS vendors to provide a CIS service pack fix for SACCOs. The same approach should be adopted for design and implementation of CIS reports for those SACCOs whose systems limit user development. As part of support to the SACCOs, CIS KENYA would be tasked with organizing workshops involving CRBs, Vendors of IT software and the SACCO movement to review incorporation of various amendments to the current IT software to accommodate CIS, especially where the requisite fields are missing. Whereas, SACCOs need to come up with budgets to support MIS changes, CIS KENYA could offer support in terms of bringing together the players in software provision. This would certainly reduce the cost of the consultation to SACCOs whilst also sending message to software players that they ought to be proactive in supporting SACCOs by upgrading the MIS.

6. Capacity building

To increase the pace of CIS adoption in SACCOs, CIS KENYA should consider owning and driving the following capacity building initiatives.

- a) Equipping CIS Champions and training of trainers: We envision CIS champions as those forwarded by SACCOs selected for the pilot, while trainers are independent and/or those from the Union. The training should focus on benefits of CIS, building on a burning platform for adopting CIS within a SACCO, scoping, and setting up and managing a CIS project amongst others. The trained trainers can then work with CIS champions from pilot SACCOs to actualise the learning prior to heading out to train SACCOs in assigned regions.
- b) Training credit staff on usage of CRB reports: This training is different from above in that the focus is on how the credit team can use the CIS mechanism to improve on the credit appraisal process of their SACCOs. It could also possibly be added as a section within the credit management training offered by Cooperative University College and/or offered by independently by CRBs.
- c) As a member organization, CIS KENYA in partnership with SACCO unions and the regulator should commission drafting of guidelines for SACCO

Policies & Procedures on CIS, which the SACCOs can then customise, thus supporting accelerated use of CIS.

- d) Encourage formation of middle tier CRB report service providers to cater for low volume subscribers at discounted rates. The middle tier service provider would in effect serve subscribers with few references at a discount, having bulk purchased access to the reports from CRBs.
- e) Self-Assessment Tool: CIS KENYA can promote its CIS capacity self-assessment tool, which would focus on data availability on forms, system (data fields), and related dropdown options. (A draft template is attached as Appendix 5: Data availability and self-assessment tool.)

7. SACCO CIS implementation road map

The road map proposed prioritises the above six recommendations in the following order.

- a) Communications: prioritise packaging of messages and a sustained campaign for a period not less than 12 months. This should target individuals or the masses and the SACCO boards to proactively manage uninformed politicking.
- b) Regulatory provisions: should be fast tracked to allow SACCOs reporting of performing and non-performing loans to CRBs licensed under the Banking Act. This will eliminate the need for SACCOs to seek approval from clients with existing loans that have no consent. Also changes to provisions requiring CRBs to seek approval of CBK for a data provider to list should be dropped in favour of CIS KENYA taking up that role.
- c) System changes support: the SACCOs will feel encouraged on the process of CIS participation when their developers proactively provide the data fields and report fixes to facilitate CIS, preferably at no further costs to them.
- d) Develop a tool for checking data quality: the immediate purpose of the tool is to engage and support the SACCOs in preparing themselves for CIS participation. SACCOs would then be required to submit data for feedback from CRBs on whether to proceed or to double up their effort in readiness for sharing. This tool would therefore come in handy for CIS KENYA's proposed role as a gate-keeper.
- e) Development of commensurate services: CRBs should seek to develop commensurate services for the level of data they receive from a SACCO. Those who offer the bare minimum accepted by CIS KENYA should not get the same services as those who offer complete and full files. This would allow SACCOs to share and have some benefits while encouraging them to rectify their files in line with getting more benefits.

- f) Pilot Phase: Currently over 70 SACCO's are sharing their member's credit data after getting approval from Central Bank of Kenya. We recommend that these SACCO's credit information sharing experience is monitored to better understand the challenges of CIS participation and work on viable solutions for the industry. The phase would encompass the following:
1. Facilitate capacity building for CIS Champions and Trainers from pilot SACCO's on supporting CIS change management within their SACCO's.
 2. Test adoption of designed policies and procedures guidelines and improve on them as need be.
 3. Submit monthly updated monitoring tool to CIS KENYA/SASRA to check on progress of desired changes. SACCO's confirmed as meeting the minimum threshold are to immediately start submitting to CRBs.
 4. Test a commensurate services model (CRBs to define various service levels against data provided) and SACCO's' satisfaction with it, and amend the model as required to accelerate SACCO participation.
 5. Review approach of implementation with unions, and use learning from pilot phase to get backing from SACCO unions.
- g) Full roll-out to all SACCO's meeting the data requirement threshold as determined by CIS KENYA that have adopted the CIS policies and procedures. It is envisaged that CIS KENYA will use a standardised template in the interim period and thereafter migrate to a standardised template for SACCO's. The DST will be standard for both members and non-members.

Proposed implementation timelines are attached as appendix 6: SACCO CIS Roadmap.

MONITORING TOOL FOR SACCO CIS

The monitoring tool was designed to guide and keep a SACCO in control of the CIS implementation process. It takes into consideration key components such as the availability of resources to facilitate enhancement of CIS capacity within agreed timelines. Any impediments to the implementation of CIS can then be traced back to missing components within the template to keep the implementation plan on track. It is designed as a self-use tool as well as one that a third party can use to independently review the progress made in implementing the CIS initiatives. To this end, we recommend the tool be voluntarily filled in by participating SACCO's with a copy sent to CIS KENYA and SASRA for independent tracking of progress.

The following are the envisioned steps to take in implementing the tool:

- A SACCO is invited in writing to participate in CIS and told how to use the monitoring tool.

- The CEO as the custodian and driver of the CIS initiative in the SACCO will present the template to the Board as a tool to indicate the steps that are necessary prior to utilization of the CIS. This will be the first step in sensitizing the BOD that the CIS initiative requires various issues/areas within the SACCO's operations to be addressed.
- Once approved by the board, the CEO formally communicates with staff on CIS to obtain buy-in and acceptance of CIS by the board and staff. The CEO also forms an implementation committee to help own the deliverables.

The monitoring tool is attached as Appendix 7: Monitoring tool for SACCO CIS.

CONCLUSION

Notwithstanding the issues identified on data quality and possible incompleteness of reports, SACCO's should start providing data to the CRBs at the earliest possible time and kick-start the use of credit reports in their decision-making processes. Submission of complete information to CRB's is a continuous process that will need to improve over time. A SACCO can embark on the journey of data clean-up and test submissions if they have:

1. A functional system with CIS recommended fields OR fields that can be added easily with minimal budget implications.
2. Policy approval (AGM/ADM or board) to participate in CIS.
3. Reporting tool(s) to facilitate prompt credit sharing with CRBs.
4. Skills to develop CIS reports or quick access to one.
5. Sound operational controls that guarantee quality of data.

A SACCO will get the most value out of CIS if they have:

- Policies & procedures that incorporate usage of CRB reports for credit assessment, collections and recoveries.

- Knowledgeable credit personnel who can maximise use of CRB reports in members credit application appraisal and strategies for debt collection and recoveries.

Despite the CIS's intention to enhance credit appraisal and deepen credit inclusion in the economy, some SACCO's are apprehensive about the possible unintended consequence of a backlash by some members who may feel uncomfortable with disclosure of their information to 3rd parties. On the bright side, this may be a positive step to update data on their members as well as clean up perennial defaulters and SACCO hoppers.

Each SACCO should adopt a monitoring and evaluation tool to monitor how effective their participation in CIS is. It will enable them to monitor progress made in improving the quality of the data, as well as log challenges encountered, and measures and timelines set to rectify the situation.

The CIS initiative, though an important aspect of the credit appraisal system in SACCO's, should be seen as an additional tool for Credit Risk Management as opposed to a solution for non-performing loans. SACCO's should thus maintain robust systems and policies that will address credit management with the sole aim of safeguarding members' funds through improved loan quality and enhanced efficiency in credit management.

APPENDICES

Appendix 1: Terms of Reference

CREDIT REFERENCE II: SACCO'S CAPACITY ASSESSMENT REVIEW

1. BACKGROUND

Credit markets play a critical role in the promotion of economic growth and development. However, inefficiencies such as information asymmetry have been known to limit the level of their contribution to financial inclusion. In the absence of comprehensive borrower information, credit decisions are often less than optimal, leading to high levels of nonperforming loans, high interest rates and stringent collateral requirements and limited access to credit by SMEs.

Credit information sharing (CIS) has gained recognition as a critical component of the financial infrastructure for the attainment of a more efficient and robust credit environment. In Kenya, the Kenya credit information sharing Initiative (KCISI) was set up in 2009 as a joint project of the Central Bank of Kenya (CBK) and Kenya Bankers Association (KBA) with funding support from Financial Sector Deepening Trust (FSD Kenya) and USAID FIRM, to oversee the implementation of CIS between commercial banks. The outcome of this phase of the CIS project in Kenya was a formal launch of data sharing by commercial banks in July 2010, although the focus at this time was the sharing of non-performing loans. Thereafter, KCISI organized the 1st Regional CIS Conference held in July 2011 which recommended formation of a National CIS Forum on CIS.

Later, in 2011, the second phase of the project was launched, with a primary objective of expanding the mechanism to other non-bank credit providers. In line with Phase II work plan, the Association of Kenya Credit Providers (AKCP) was registered and launched in 2013 to oversee expansion of CIS amongst all credit providers in Kenya.

The deliberations of the CIS National Forum demonstrated a growing appreciation among many credit providers of the enormous potential for using credit information to make responsible credit granting decisions and enhance access to finance. The Forum facilitated the registration of AKCP and reviewed a draft CIS Bill that was developed to address the weaknesses identified in the current legal framework.

Since its registration in April 2013, AKCP has achieved a number of milestones, including:

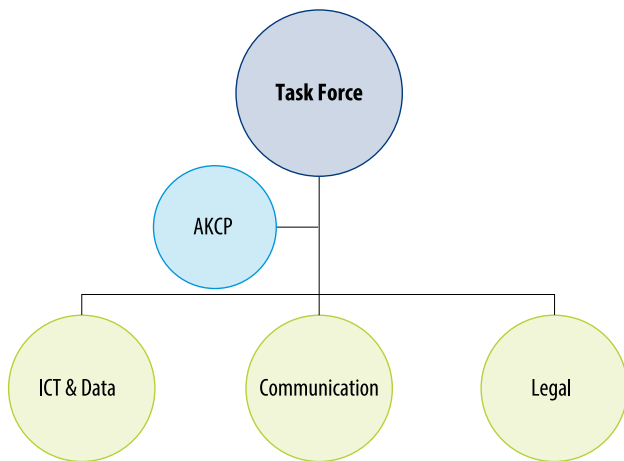
- Official launch on 24th of September 2013 at 2nd CIS Regional Conference.
- First AGM held on 19th November 2013 and a Governing Council elected
- First Governing Council Meeting in January 2014
- Began work with the Sacco Regulator and Industry Association to develop a work plan towards sharing of credit information
- Commenced work towards development of a 5 year Strategic Plan.

The objectives to be pursued through AKCP include:

1. **Expansion of CIS.** AKCP will seek to achieve its objectives by, among others, expanding the spectrum of credit provider participation.
2. **Effective self-regulation.** By joining AKCP, members subscribe to a Code of Conduct that promotes reciprocity, accuracy, timeliness, fairness and suitability of CRB products and services. The Disciplinary committee established under the associations' constitution will oversee implementation of the Code of Conduct.
3. **Provide alternative dispute resolution.** This will focus on (i) effective consumer complaints resolution within credit provider institutions and (ii) Alternative Dispute Resolution Centre to handle escalated disputes
4. **Legal reform.** AKCP will lobby for a comprehensive CIS mechanism through the establishment of an umbrella legislation governing the mechanism.
5. **Communication and capacity building.** Members of the Association will benefit from awareness campaigns in sensitizing their stakeholders on CIS, as well as building internal capacities on the mechanism.

Section 54 (5) and (6) of the Sacco Societies Act (SSA) contain provisions that mandate licensed Deposit-Taking SACCO's (DTS) share amongst themselves information on Non-performing loans (NPLs) only. The implementation of these provisions had delayed to allow DTS' to comply with other regulatory conditions for their operations.

Between November 2013 and January 2014, AKCP worked with the Sacco Societies Regulatory Authority (SASRA), Kenya Union of Savings and Credit Co-operatives (KUSCCO), Kenya Rural Savings and Credit Co-operative Societies' Union (KERUSSU) and senior management of large SACCO's, to set up a process of implementing CIS within the Sacco sector. A Taskforce was formed, supported by three technical committees. Secretariat services would be provided by AKCP; as per the diagram below:



The Taskforce and the committees held a joint induction workshop in February to begin the process of implementing CIS amongst SACCO's.

The wide disparities in the quality of SACCO IT Systems (depending on target clientele, rural vs. urban setting, etc.) will affect the development of the Data Specification

Template (DST), piloting and roll-out of data submissions. There is therefore a need for a structured capacity review which will determine each SACCO's:

- a) Level of automation with specific reference to credit operations.
- b) Availability and accuracy of data.
- c) Level of readiness to participate in CIS.
- d) Credit risk management culture.

It is envisaged that every licensed Sacco shall be assessed, albeit in a phased approach.

2. OBJECTIVES

The objectives of this consultancy are to:

- Assess the capacity of the sampled SACCO's to participate in the CIS.
- Make recommendations on the most appropriate action plan for Sacco participation in CIS.

3. SCOPE OF WORK

The consultant(s) will undertake the following specific tasks:

- 3.1 Interview various stakeholders (including AKCP, SASRA, CRBs, KUSCCO/ KERUSSU) to gather expectations on the outcome of Sacco participation in CIS.
- 3.2 Carry out desktop reviews to understand the Sacco sector and the CIS mechanism.
- 3.3 Design a data collection tool that will be completed as part of the exercise of assessing:
 - The robustness of available IT systems in SACCO's for purposes of facilitating CIS among the SACCO's in Kenya.
 - The appropriateness of the existing data storage in SACCO's and the related ease with which data extraction and data cleanup is undertaken.
- 3.4 Visit the sampled SACCO's to establish.
 - 3.4.1 The processes and procedures of the institution to collect and store information received from members.
 - 3.4.2 The level of accuracy in inputting data into the IT systems.
 - 3.4.3 The availability and accuracy of required data for CIS.
 - 3.4.4 The accuracy of the IT Systems to calculate balances and/or arrears.
 - 3.4.5 The credit risk management culture.
- 3.5 Prepare a needs assessment report of the sampled SACCO's' state of readiness to participate in the CIS mechanism with recommendations for their effective participation in CIS.
- 3.6 Prepare recommendations on how the capacity of SACCO's will be enhanced to ensure readiness to share data within agreed timelines, including a Monitoring and Evaluation (M&E) Tool.
- 3.7 Present the findings to the Sacco CIS Taskforce.
- 3.8 Present findings at a Stakeholders' workshop.
- 3.9 Present individual reports to sampled SACCO's on their state of readiness to participate in CIS.

4. CONDUCT OF THE WORK

The consultant will formally report to the Interim CEO- AKCP, working with the SACCO CIS Taskforce. Progress on implementation will be monitored by the Taskforce. The Data and ICT Committee in liaison with the Communications and Capacity Building Committee will take charge of the logistics including organizing meetings with stakeholders.

5. OUTCOMES AND DELIVERABLES

The following shall be the delivered outcomes as per these terms of reference:

- a) Inception Report within five (14) days of commencement of contract, including a detailed work plan of the assignment.
- b) Findings of the needs assessment (gaps), draft capacity building plan and M&E tool within fifty (50) days of commencement of contract.
- c) Individual Sacco Reports and the Final Report consisting of findings, recommendations as well as Capacity Building Plan, within sixty (60) days of commencement of contract.

Payment under these terms of reference shall be made according to the following guidelines;

- 5.1. Upon acceptance of the inception report, FSD will authorize payment of 30% of the agreed fee together with all expenses incurred to date
- 5.2. Upon acceptance of report of findings, draft capacity building plan and M&E Tool, 30% of the agreed fee shall be authorized together along with all expenses incurred.
- 5.3. Upon acceptance of the final reports, the remaining 40% of the agreed fee shall be paid after all substantive comments from the Taskforce are submitted and finalized with the consultants. Should the Taskforce not provide substantive comments within 30 days of the submission of the draft (or subsequent re-drafted) report then the report will be deemed to have been finalized to the Taskforce's satisfaction and payment will be due.

All documentation should be provided to FSD in electronic format as well as 3 hard copies. The copyright for all material prepared under this terms of reference will pass to AKCP, SASRA, KUSSCO and FSD Kenya.

The copyright for all material prepared under this terms of reference will pass to FSD Kenya. It is FSD's practice to publish the reports it commissions in its own house style. There is therefore no requirement for material to be extensively formatted beyond that required to indicate how material should be logically presented in the final report. All final reports should be presented in an electronic format allowing the text and graphics to be manipulated in preparation for publication. Where a final report is presented in a portable

document format (pdf) generated from another format (such as Microsoft Word) it should be accompanied by the original file from which it is generated. All representations of graphic material (tables, figures, drawings, charts, graphs and photographs) must be able to be reproduced at high print resolution. Tables, figures, drawings, charts, graphs should be provided in Microsoft Excel or Adobe Illustrator format. Photographs must be provided in high-resolution JPG images set to minimum of 300 dots per inch (dpi). Any technical questions regarding these requirements should be addressed to FSD's Communications Officer.

6. REQUIREMENTS

Mandatory requirements
Knowledge and understanding of CIS
Proven experience in the design and implementation of capacity building programs, baseline surveys or needs assessments
Knowledge of Databases and Report Systems
Proficiency in written and spoken English
Ability to meet deadlines
Relevant credentials

7. TIMETABLE

The assignment is expected to take a maximum of sixty (60) working days spread over two and a half months.

Assessment criteria	Weighting (%)
Skills/experience in conducting assessment of capacity needs	30
Project resources and proposed team members CVs	30
Experience with credit reference systems	15
Knowledge of Kenya's Sacco industry	15
Cost	10
Total	100

Appendix 2: Scoring Methodology

SACCO CIS Capacity Assessment Methodology

Consulting Team: Sigma Business & Analytics

1. PURPOSE, OBJECTIVE, AND SCOPE

1.1 Purpose

The Association of Kenya Credit Providers (AKCP) seeks to expand the credit information sharing spectrum by having SACCOs included in the CIS mechanism. As part of this initiative, AKCP requires assessing the capacity of Saccos to participate in credit information sharing (CIS). To this effect, Sigma Business & Analytics (the Consulting Team) was recruited to set-up and design the methodology to undertake and perform the assessment.

The purpose of this document is to describe this assessment methodology.

1.2 Objective

The main objective of this exercise is to assess the current capacity of each Sacco to participate in CIS, and to establish the various challenges that exist in so far as CIS, as well as identify initiatives that would allow for most Saccos to participate in CIS eventually.

1.3 Scope

The assessment touches upon the Sacco's operational performance, organizational strength both in IT and Credit Management. While the assessment seems exhaustive, the indicators and scores are merely used to assess the Sacco's capacity to participate in CIS, not in the overall capacity of the Sacco. E.g., the gross loan portfolio in the balance sheet is matched against the total of the individual outstanding loan as an indicator of data accuracy and nothing else. The gross loan portfolio is not compared against the Sacco's total assets and the rest of the financial statement and ratios are not reviewed.

While the results may show that strong Saccos tend to be CIS ready. The contrary cannot be assumed with this assessment i.e. a CIS ready Sacco does not mean that the Sacco is a strong Sacco that one should invest on. This assessment methodology is designed solely to assess the Sacco's capacity to participate in CIS and nothing else.

2. OVERVIEW OF THE ASSESSMENT METHODOLOGY

The Saccos will be assessed in the following areas:

1. Availability and accuracy of data.
2. Ease of data extraction and risk management awareness.
3. Quality of reports - Ability to generate comprehensive reports with structured processes of data capture on a timely basis with minimum human interface.

4. Review of Resource Capacity for CIS and Usage in the underwriting process.
5. MIS capacity assessment in reporting, connecting, and integrating with the credit bureau.
6. Willingness and awareness of stakes from senior management in CIS participation.

Each of the above areas will be broken down into several sections and these sections will have indicators/questions, each of which will be scored. Scores will be assigned depending on the capacity of the Sacco to satisfy each of the components.

The consulting team will perform scoring after a half-day interview with the Sacco's staff.

Interviews will start with a session with senior management during which Strategic information about the Sacco's business and challenges will be gathered. They will be followed by 2 sessions in parallel, one with the Head of IT, and the other with the Head of Credit/Operations.

Outcome of the process will be:

- Completed SACCO scoring tool.
- A summary of the findings for respective SACCO.

These spreadsheets contain the scores for the areas of assessment mentioned earlier. The scores are then weighted and averaged to form the final rating for the Sacco, indicating the Sacco's overall readiness.

These ratings will then be used to identify a route map for SACCOs to participate in the CIS initiative.

They will also highlight the nature of challenges to be overcome to bring Saccos into CIS and the specific level and nature of support many of them may require.

3. GENERAL AREAS OF ASSESSMENT

The following are the general criteria for a Sacco to be ready to participate in CIS.

3.1 Data Availability and Accuracy

1. Review of the data specification template (DST) to determine mandatory fields for SACCOs and or new fields for consideration into the DST. This document then forms the basis for evaluating data availability.

2. Comparison of the SACCO DST with SACCO membership forms and loan application forms; a SACCO can only report data they have collected from their members. The numbers of fields available on the forms are expressed as a percentage of those for SACCO DST, say a1.
3. Confirm that the system in use is capable of hosting all the fields identified for SACCO DST. The numbers of fields available on the system are expressed as a percentage of those for SACCO DST, say a2.
4. Using actual membership forms and loan applications, check accuracy of specific fields of the SACCO DST to confirm nature of errors if any. Again, the accuracy is expressed as a percentage of correctly captured fields against the SACCO DST, say a3.
5. Reportable data available is then expressed as compound of $a1 \times a2 \times a3 = S1\%$.

3.2 Ease of data extraction and risk management awareness

This refers to the ease with which data is extracted from the MIS. The review will assess 3 components; Availability of data in a consolidated data base, data security during extraction to the point of receipt at destination and ease of data scripting.

3.3 Quality of reports – Ability of MIS to generate comprehensive reports with structured processes of data capture on a timely basis with minimum human interface

This refers to the Sacco's readiness to submit data to the Credit Bureau. The first focus is on availability of required data at the Sacco. This is evaluated in 5 dimensions. First, that the Sacco is capturing the data; 2nd, that the data is reviewed and checked for quality at point of capture and; 3rd, that the data is promptly captured and processed, and 4th that reports are timely generated, and 5th, the reports generated are complete and accurate and can be repurposed to the Credit Bureau reporting format. However, due to the nature of this assessment, only random on-the-spot inspection of data is used for the data accuracy assessment. This includes confirming that the loan portfolio in the balance sheet is the same as the sum of all loan balances. Then, the loan schedule and arrears calculation are verified by looking at 3 sample data. Lastly, 3 completed loan applications are compared with the data on the MIS to check if data is recorded accurately. The idea here is to focus on critical data required for credit reporting.

The assessment expands on areas that have a strong bearing on risk management such as origination, collections and bad debt write-off, and analytics. The Sacco is assessed on how well they are managed and resourced with a view to understand whether the Sacco has the resources and talents needed to make the most of Credit Bureau reports when they become available to the organization.

3.4 Review of Resource Capacity for CIS and Usage in the underwriting process

This category evaluates if the IT department has the requisite human capital, to cope with the implementation of CIS, be it on the provision of data but also on the implementation of Credit Bureau querying. In here, the IT departments' capacity to create the credit bureau extract and the capacity to integrate credit report results into MIS is assessed.

It is also assessed here if an analytics department exists and if it does, what are its activities – whether the Sacco executives analyse the output and whether the Sacco's have had experience using scoring systems.

3.5 MIS capacity assessment in reporting, connecting, and integrating with the credit bureau

This refers to the ability of the MIS to interrogate CRB. In this area, it is pinned down how hard it will be for the Sacco to implement CB querying, however ready or eager they are to do so.

Constraints will come from:

- Sales and underwriting organizations (centralized or decentralized)
- Capacity to implement a credible querying mechanism
- Capacity to integrate the CB report analysis in the underwriting process
- Need for additional resource

The degree to which these areas today are identified and organized will be captured in this section. This will show an indication of the Sacco's overall efficiency in credit management. It is also in this area, where it will be determined how a Sacco will be impacted by CIS and if they can absorb the Human Resource impact of integrating CIS.

It also verifies if the Sacco has the basic IT infrastructure to ensure that computer systems are reliable in terms of internet connection reliability.

3.6 Willingness and awareness of stakes from senior management in CIS participation

This refers to the management's utilization of appropriate credit policies and procedures approved by BOD to support CIS and usage in the Sacco credit administration. The member's and guarantors awareness of CIS through documentation used reflects active consent of CIS. Corporate perception of the importance of Risk Management and the level of awareness at senior level of the benefits the CIS initiative are key in assessing buy in to support the initiative. This is very important, as Senior Executive's support will be key in overcoming the obstacles of implementing CIS within the Sacco. An added component is the BOD support in availing budget support for IT and data clean up. This will include assessing whether the Sacco has allocated sufficient resources for implementation of the CIS initiative.

4. INTERVIEWS AND UNIT SCORES

Each of the above major areas is further broken down into sections with each section comprised of different indicators/questions. Each indicator is scored from 0 to 3, with 3 meaning that the Sacco fully satisfies the indicator/requirement. The indicator scores are then averaged into the section and these sections further comprise the score for the area.

As an example, the area "Systems Capacity for CIS and Usage" is comprises two sections; How easy to interrogate CRB, and Reliability of Internet Connectivity. Each of this sections is then broken down into several indicators. The sample scores for indicators for the 1st section are:

0. Ease of interrogating CRB will not be an underwriting requirement.
1. Ease of interrogating CRB will be decentralized, any branch/field resource to run query.
2. Ease of interrogating CRB will be decentralized, specific branch roles to run query.
3. Ease of interrogating CRB will be centralized, credit risk resource to run query.

The scores are described to be as specific as possible for uniform scoring.

The outcome of this process will be a spreadsheet containing all Unit and Section Scores per SACCO.

5. AGGREGATE SCORES AND FINAL SCORE

The scores are then summarized into 6 Aggregate Scores to measure:

Score1 (S1):	Availability and Accuracy
Score2 (S2):	Ease of data extraction
Score3 (S3):	Quality of reports
Score4 (S4):	Resource Capacity for CIS usage
Score5 (S5):	Systems Capacity for CIS usage
Score6 (S6):	Willingness to participate in CIS usage

Weights will be attributed to each Aggregate Score: W_1, W_2, W_3, W_4, W_5 and W_6 .

Final Score will be computed as a weighted mean of aggregate Scores:

$$FS = W_1 * S_1 + W_2 * S_2 + W_3 * S_3 + W_4 * S_4 + W_5 * S_5 + W_6 * S_6$$

Weights (W) considered at this stage are:

Score1:	60%	Availability and Accuracy
Score2:	20%	Ease of data extraction
Score3:	7%	Quality of reports
Score4:	4%	Resource Capacity
Score5:	3%	Systems capacity for CIS & Usage
Score6:	6%	Willingness to participate in CIS

Appendix 3: Online Assessment Questionnaire

<http://www.CIS Kenya.co.ke/survey/>

No.	Question	Possible answers	
1	Name of person completing this survey		
2	Title of person completing this survey	<input type="checkbox"/> CEO/MD	<input type="checkbox"/> Head of IT
		<input type="checkbox"/> Head of Operations	<input type="checkbox"/> Head of Accounting/ Finance
		<input type="checkbox"/> Head of HR	<input type="checkbox"/> Others, please specify:
General IT information			
3	IT contact person name		
4	IT contact Position	<input type="checkbox"/> IT Manager	<input type="checkbox"/> MIS Manager
		<input type="checkbox"/> Others, please specify:	
5	IT contact person phone number		
6	IT contact person email		
7	As a percentage of the total operating budget, how much was spent on technology last year?	<input type="checkbox"/> 0-2%	<input type="checkbox"/> 5-10%
		<input type="checkbox"/> 2-5%	<input type="checkbox"/> >10%
8	Is there a budget set aside for the purchase or upgrade of a Core Banking System/MIS in the coming year	<input type="checkbox"/> Yes	<input type="checkbox"/> No
MIS for portfolio management			
9	What type of MIS do you use to keep track of loans?	<input type="checkbox"/> Paper	<input type="checkbox"/> Be-spoke software
		<input type="checkbox"/> Spreadsheet	<input type="checkbox"/> Purchased software
		<input type="checkbox"/> Others, please specify:	
10	If NOT Be-spoke or Purchased, how does the organisation update customer's loan balances	<input type="checkbox"/> Spreadsheet	<input type="checkbox"/> Passbook
		<input type="checkbox"/> Manual Register	<input type="checkbox"/> Others, please specify:
11	If a Be-spoke or Purchased MIS system is used, does BOSA and FOSA run the same system/ application i.e. from one vendor	<input type="checkbox"/> Yes	<input type="checkbox"/> No
12	Is it a single database instance to support both BOSA and FOSA or each is independent?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
13	What is the name of the system?		Text Box
14	Version		Text Box
15	Who is the manufacturer of the system		Text Box
16	Date (Month, Year) when system went live		Date
17	Who is the implementation and support partner in your implementation		Text Box
18	Are all loans (from all channels including mobile) captured in this system?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
19	How many loans have ever been processed through the system		Edit - Number
20	Does the core banking application automate the aging of loans	<input type="checkbox"/> Yes	<input type="checkbox"/> No
21	What is the name of the BOSA system?		Text Box
22	Version		Text Box

No.	Question	Possible answers	
MIS for portfolio management			
23	What is the database used for your MIS?	<input type="checkbox"/> MS Access	<input type="checkbox"/> MySQL
		<input type="checkbox"/> MS SQL Server	<input type="checkbox"/> Informix
		<input type="checkbox"/> Oracle	<input type="checkbox"/> Postgress
		<input type="checkbox"/> Sybase	
		<input type="checkbox"/> Others, please specify:	
24	Who is the manufacturer of the system		Text Box
25	Date (Month, Year) when system went live		Date
26	Who is the implementation and support partner in your implementation		Text Box
27	Are all BOSA loans captured in this system?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
28	How many BOSA loans have been processed through the system since going live		Edit - Number
29	Does the BOSA system automate the aging of loans	<input type="checkbox"/> Yes	<input type="checkbox"/> No
30	What is the name of the FOSA system		Text Box
31	Version		Text Box
32	What is the database used for your MIS?	<input type="checkbox"/> MS Access	<input type="checkbox"/> MySQL
		<input type="checkbox"/> MS SQL Server	<input type="checkbox"/> Informix
		<input type="checkbox"/> Oracle	<input type="checkbox"/> Postgress
		<input type="checkbox"/> Sybase	
		<input type="checkbox"/> Others, please specify:	
33	Who is the manufacturer of the system		Text Box
34	Date (Month, Year) when system went live		Date
35	Who is the implementation and support partner in your implementation		Text Box
36	Are all FOSA loans (from ALL channels including mobile) captured in this system?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
37	How many FOSA loans have been processed through the system since going live		Edit - Number
38	Does the FOSA system automate the aging of loans	<input type="checkbox"/> Yes	<input type="checkbox"/> No
39	Where is the be-spoke or purchased software availed for used?	<input type="checkbox"/> Head Office only	<input type="checkbox"/> Head Office and all branches
		<input type="checkbox"/> Branch-level only	<input type="checkbox"/> Head Office and selected branches
40	How is the database set-up?	<input type="checkbox"/> Centralised (only 1 server serving HO; and all branches)	
		<input type="checkbox"/> Decentralised (branches/regions have own independent servers)	

No.	Question	Possible answers	
MIS for portfolio management			
41	If decentralised, how is data updated between branch to branch or branch to head office?	<input type="checkbox"/> Automatically via network	<input type="checkbox"/> Fax
		<input type="checkbox"/> Periodic transfer through electronic files	<input type="checkbox"/> Courier of papers
42	If decentralised, are there data protection controls at source, transmission and destination	<input type="checkbox"/> Yes	<input type="checkbox"/> No
43	If Yes, what are the controls	Text Box	
44	If decentralised- how often is data consolidated?	<input type="checkbox"/> Daily - Through out the day	
		<input type="checkbox"/> Daily - End of day	<input type="checkbox"/> Monthly
		<input type="checkbox"/> Weekly	<input type="checkbox"/> Annually
45	If manual on any of the above, please describe the process of retrieving information from the field.		Text Box
46	Please select all data available in your MIS.	<input type="checkbox"/> Institution information	<input type="checkbox"/> Client loan information
		<input type="checkbox"/> Branch information	<input type="checkbox"/> Guarantor information
		<input type="checkbox"/> Client information	<input type="checkbox"/> Collateral register
		<input type="checkbox"/> Client employment information	
		<input type="checkbox"/> Bounced cheque information	
		<input type="checkbox"/> Credit application information	
		<input type="checkbox"/> Fraudulent activities	
MIS for loan processing			
47	Is there an independent (from be-spoke or purchased core banking MIS) loan processing tool?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
48	What is the name of the loan processing system		Text Box
49	Version		Text Box
50	What does the loan processing do?	<input type="checkbox"/> Data Capture	<input type="checkbox"/> Collateral Management
		<input type="checkbox"/> Loan Appraisal	<input type="checkbox"/> Loan Collections
		<input type="checkbox"/> Loan Underwriting/Approval	<input type="checkbox"/> Scoring & Analytics
		<input type="checkbox"/> Loan Disbursement	<input type="checkbox"/> Loan Repayment Schedules
		<input type="checkbox"/> Other: _____	
51	What Database does the Loan Processing System run on?	<input type="checkbox"/> Sybase	<input type="checkbox"/> MS SQL Server
		<input type="checkbox"/> MySQL	<input type="checkbox"/> Oracle
		<input type="checkbox"/> Other: _____	
52	Does the Loan Processing system have a centralized Database?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
53	Who is the manufacturer of the loan processing system		Text Box
54	Who is the implementation and support partner on your loan processing system		Text Box
55	Date (month and year) when the automated system went live		Date
56	Number of applications(declined and approved) processed via the automated system		Edit - Number

No.	Question	Possible answers	
MIS for Collection			
57	Is there an independent (from be-spoke or purchased core banking MIS) loan collection tool?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
58	What is the name of the collection system		Text Box
59	Version		Text Box
60	What Database does the Loan Collection System run on?	<input type="checkbox"/> Sybase	<input type="checkbox"/> MS SQL Server
		<input type="checkbox"/> MySQL	<input type="checkbox"/> Oracle
		<input type="checkbox"/> Other: _____	
61	Who is the manufacturer of the collection system		Text Box
62	Who is the implementation and support partner on your collection tool		Text Box
63	Does the collection system support management apply the appropriate collection strategies based on the age of the loan	<input type="checkbox"/> Yes	<input type="checkbox"/> No
64	Can the system automate loan demand letters	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Reporting			
65	Do the existing systems support scheduled reporting where management reports are automated and generated without human intervention	<input type="checkbox"/> Yes	<input type="checkbox"/> No
66	Are there report writing tools in your organisation?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
67	If yes, which one and who are the vendors		Text Box
68	Does your MIS allow addition of new data fields to be added without vendor intervention? I.e. user defined fields.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
69	Does your MIS have any existing data extracts for third party software or companies? E.g. SASRA	<input type="checkbox"/> Yes	<input type="checkbox"/> No
70	If yes, please list all data extracts and their frequency		Text Box
71	Do you require supplier support to develop any new data extract?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
72	Do you capture details of a primary identification number for each borrower- i.e. National ID, Passport, Alien ID or Forces Services ID?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
73	What percentage of your customers would you estimate as having captured their Primary Identification Details	<input type="checkbox"/> 0-10%	<input type="checkbox"/> 51-60%
		<input type="checkbox"/> 11-20%	<input type="checkbox"/> 61-70%
		<input type="checkbox"/> 21-30%	<input type="checkbox"/> 71-80%
		<input type="checkbox"/> 31-40%	<input type="checkbox"/> 81-90%
		<input type="checkbox"/> 41-50%	<input type="checkbox"/> 91-100%
74	Is this number validated to ensure that no two entities can have the same ID number?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

No.	Question	Possible answers			
Infrastructure					
75	What kind of internet connectivity do you have at the head office?	<input type="checkbox"/>	No internet connectivity	<input type="checkbox"/>	GSM Modem
		<input type="checkbox"/>	Dial up	<input type="checkbox"/>	DSL Connection
		<input type="checkbox"/>	Satellite	<input type="checkbox"/>	T1 Connection
76	What percentage of your branches has internet connectivity?	<input type="checkbox"/>	76-100%	<input type="checkbox"/>	26-50%
		<input type="checkbox"/>	51-75%	<input type="checkbox"/>	0-25%
77	What kind of internet connectivity do you have at the branches?	<input type="checkbox"/>	No internet connectivity	<input type="checkbox"/>	GSM Modem
		<input type="checkbox"/>	Satellite	<input type="checkbox"/>	Fixed Line
78	What are the power contingency plans at your data centre? Select all applicable	<input type="checkbox"/>	Grid	<input type="checkbox"/>	Solar
		<input type="checkbox"/>	UPS	<input type="checkbox"/>	Invertor batteries
		<input type="checkbox"/>	Generator		
79	Do you have procedures for data backup and recovery?	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
IT skills					
80	Activities of the IT personnel/team/department. (Check all that applies)	<input type="checkbox"/>	Data entry and report generation work		
		<input type="checkbox"/>	Hardware/OS/Network related maintenance work		
		<input type="checkbox"/>	Coordination with 2rd party MIS software vendors		
		<input type="checkbox"/>	System Administration		
		<input type="checkbox"/>	Programming		
		<input type="checkbox"/>	Others, please specify:		
81	Please check all of the skills that in-house staff has:	<input type="checkbox"/>	Ability to maintain computer hardware		
		<input type="checkbox"/>	Ability to troubleshoot and maintain software		
		<input type="checkbox"/>	Network Administration		
		<input type="checkbox"/>	IT Planning and Strategy Development		
		<input type="checkbox"/>	Database Administration		
		<input type="checkbox"/>	MIS maintenance		
		<input type="checkbox"/>	Backup/recovery of computer systems		
		<input type="checkbox"/>	Maintain appropriate security features for office computers (virus protection, firewall, etc.)		
		<input type="checkbox"/>	Programming		
		<input type="checkbox"/>	Project Management		
		<input type="checkbox"/>	Telecommunications Maintenance		
		<input type="checkbox"/>	Report Writing		
<input type="checkbox"/>	Others, please specify:				
82	Do most of your staff member know how to use a computer?	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
83	Do most of your staff members know how to use a smart phone?	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
84	Who does the Head of IT report to?	<input type="checkbox"/>	CEO/MD	<input type="checkbox"/>	Head of Accounting/ Finance
		<input type="checkbox"/>	Head of Operations	<input type="checkbox"/>	Head of HR
		<input type="checkbox"/>	Others, please specify:		

Appendix 4: Availability of required information for CIS

A	File	Performance of SACCO's			No. of SACCO's with challenge:		
	Field name	Forms	System	Accuracy	Forms	System	Accuracy
	Individual & account file						
A01	Surname	100.0%	85.7%	88.9%	0	W4	3
A02	Forename	100.0%	85.7%	85.2%	0	4	4
A03	Gender	71.4%	78.6%	51.9%	8	6	13
A04	Date Of Birth	96.4%	92.9%	74.1%	1	2	7
A05	National ID No.	100.0%	100.0%	92.6%	0	0	2
A06	Telephone No.	96.4%	85.7%	66.7%	1	4	9
A07	Physical Address 1	85.7%	82.1%	55.6%	4	5	12
A08	Location Town / Village	96.4%	85.7%	48.1%	1	4	14
A09	Employer Industry	82.1%	53.6%	48.1%	5	13	14
A10	Member No.	100.0%	100.0%	100.0%	0	0	0
A11	Account Product Type	92.9%	96.4%	96.3%	1	0	0
A12	Loan Account No.	100.0%	100.0%	96.3%	0	0	1
A13	Original Loan Amount	100.0%	100.0%	100.0%	0	0	0
A14	Loan Disbursement Date	100.0%	100.0%	100.0%	0	0	0
A15	Repayment Period	100.0%	100.0%	100.0%	0	0	0
A16	Payment Frequency	96.4%	92.9%	92.6%	1	2	2
A17	Instalment Due Date	82.1%	85.7%	85.2%	5	4	4
A18	Instalment Amount	100.0%	100.0%	100.0%	0	0	0
A19	Current Balance	100.0%	100.0%	100.0%	0	0	0
A20	Overdue Balance	100.0%	100.0%	100.0%	0	0	0
A21	Overdue Date	100.0%	100.0%	100.0%	0	0	0
A22	No. of Days in Arrears	100.0%	100.0%	100.0%	0	0	0
A23	No. of Instalments in Arrears	100.0%	100.0%	100.0%	0	0	0
A24	Type of Security	92.9%	42.9%	25.9%	0	14	18
B	Non individual & account file						
B01	Registered Name	71.4%	60.7%	63.0%	1	4	3
B02	Company Type	53.6%	28.6%	22.2%	6	13	14
B03	Date of Registration	60.7%	50.0%	29.6%	4	7	12
B04	Company Registration No.	71.4%	46.4%	33.3%	1	8	11
B05	Main Telephone No.	75.0%	67.9%	48.1%	0	2	7
B06	Postal Address	75.0%	67.9%	40.7%	0	2	9
B07	Physical Address 1	71.4%	53.6%	33.3%	1	6	11
B08	Location Town / Village	71.4%	60.7%	48.1%	1	4	7
B09	Industry Code	25.0%	17.9%	11.1%	14	16	17
B10	Member No.	71.4%	71.4%	70.4%	1	1	1

B	File	Performance of SACCO's			No. of SACCO's with challenge:		
	Field name	Forms	System	Accuracy	Forms	System	Accuracy
	Non individual & account file						
B11	Account Product Type	71.4%	75.0%	74.1%	1	0	0
B12	Loan Account No.	75.0%	75.0%	74.1%	0	0	0
B13	Original Loan Amount	75.0%	75.0%	74.1%	0	0	0
B14	Loan Disbursement Date	75.0%	75.0%	74.1%	0	0	0
B15	Repayment Period	71.4%	75.0%	74.1%	1	0	0
B16	Payment Frequency	75.0%	71.4%	70.4%	0	1	1
B17	Instalment Due Date	60.7%	67.9%	66.7%	4	2	2
B18	Instalment Amount	75.0%	75.0%	74.1%	0	0	0
B19	Current Balance	75.0%	75.0%	74.1%	0	0	0
B20	Overdue Balance	75.0%	75.0%	74.1%	0	0	0
B21	Overdue Date	75.0%	75.0%	74.1%	0	0	0
B22	No. of Days in Arrears	75.0%	75.0%	74.1%	0	0	0
B23	No. of Instalments in Arrears	75.0%	75.0%	70.4%	0	0	0
B24	Type of Security	71.4%	35.7%	25.9%	1	11	13
C Guarantor file							
C01	Surname	100.0%	82.1%	85.2%	0	5	4
C02	Forename	100.0%	82.1%	85.2%	0	5	4
C03	Gender	53.6%	64.3%	37.0%	13	10	17
C04	Date Of Birth	89.3%	92.9%	63.0%	3	2	10
C05	National ID No.	100.0%	100.0%	96.3%	0	0	1
C06	Telephone No.	92.9%	89.3%	66.7%	2	3	9
C07	Location Town /Village	92.9%	92.9%	85.2%	2	2	4
C08	Member No.	92.9%	100.0%	92.6%	2	0	2
C09	Account No. being Guaranteed	100.0%	100.0%	96.3%	0	0	1
C10	Guarantee Limit	67.9%	67.9%	59.3%	5	4	6
C11	Guarantee Type	35.7%	10.7%	11.1%	11	18	17
D Stakeholder File							
D01	Surname	67.9%	53.6%	40.7%	2	6	9
D02	Forename	67.9%	53.6%	40.7%	2	6	9
D03	Gender	42.9%	35.7%	18.5%	9	11	15
D04	Date Of Birth	57.1%	42.9%	29.6%	5	9	12
D05	National ID No.	60.7%	50.0%	33.3%	4	7	11
D06	Telephone No.	57.1%	42.9%	29.6%	5	9	12
D07	Location Town /Village	53.6%	42.9%	22.2%	6	9	14
D08	Company Registration No.	60.7%	35.7%	22.2%	4	11	14
D09	Stakeholder Type	57.1%	42.9%	22.2%	5	9	14

E	File	Performance of SACCO's			No. of SACCO's with challenge:		
	Field name	Forms	System	Accuracy	Forms	System	Accuracy
	Collateral file						
E01	Account No. of loan with Collateral	64.3%	42.9%	37.0%	2	8	9
E02	National ID No. of Borrower	71.4%	60.7%	55.6%	0	3	4
E03	Collateral Type	67.9%	35.7%	22.2%	1	10	13
E04	Collateral Last Valuation Amount	57.1%	28.6%	7.4%	4	12	17
E05	Last Valuation Date	46.4%	7.1%	0.0%	7	18	19
F	Credit applications file						
F01	National ID No.	100.0%	100.0%	25.9%	0	0	20
F02	Member No.	100.0%	100.0%	25.9%	0	0	20
F03	Application Date	100.0%	96.4%	25.9%	0	1	20
F04	Facility Application Type	100.0%	96.4%	25.9%	0	1	20
F05	Application Amount	100.0%	100.0%	25.9%	0	0	20
F06	Product Type	100.0%	96.4%	25.9%	0	1	20
G	Bounced cheque file						
G01	Account No.	0.0%	0.0%	3.6%	1	1	1
G02	Cheque Amount	0.0%	0.0%	3.6%	1	1	1
G03	Cheque Date	0.0%	0.0%	3.6%	1	1	1
G04	Cheque No.	0.0%	0.0%	3.6%	1	1	1
G05	Cheque Bounce Date	0.0%	0.0%	3.6%	1	1	1

Appendix 5: Data Availability Self-Assessment Tool

SACCO CRB returns have 7 files. Use the following guidelines to check how well placed your SACCO is to participate in CIS:

I. FORMS: check that all information required is either on the: 1. Membership application form; 2. Account opening form; 3. Loan Application form; or 4. Various mandatory documents attached which must be verified as true copy of original	II. SYSTEM: check that there are discrete fields available on your MIS to capture these fields or can calculate/derive	III. ACCURACY: sample some loan accounts and confirm information is captured or linked correctly	Mark * YES where field is available or Accurate * NO where field not available or captured wrong * N/A where field of no use to SACCO
--	---	---	---

A	Individual & Account File	Forms	System	Accuracy
1	Surname			
2	Forename			
3	Gender			
4	Date Of Birth			
5	National Identification Number			
6	Telephone Number			
7	Physical Address 1			
8	Location Town / Village			
9	Employer Industry			
10	Member Number			
11	Account Product Type			
12	Loan Account Number			
13	Original Loan Amount			
14	Loan Disbursement Date			
15	Repayment Period			
16	Payment Frequency			
17	Instalment Due Date			
18	Instalment Amount			
19	Current Balance			
20	Overdue Balance			
21	Overdue Date			
22	Number of Days in Arrears			
23	Number of Instalments in Arrears			
24	Type of Security			

B	Non Individual & Account File	Forms	System	Accuracy
1	Registered Name			
2	Company Type			
3	Date of Registration			
4	Company Registration No.			
5	Main Telephone Number			
6	Postal Address			
7	Physical Address 1			
8	Location Town / Village			
9	Industry Code			
10	Member Number			
11	Account Product Type			
12	Loan Account Number			
13	Original Loan Amount			
14	Loan Disbursement Date			
15	Repayment Period			
16	Payment Frequency			
17	Instalment Due Date			
18	Instalment Amount			
19	Current Balance			
20	Overdue Balance			
21	Overdue Date			
22	Number of Days in Arrears			
23	Number of Instalments in Arrears			
24	Type of Security			

C	Guarantor (Accuracy is NO if cannot link loan to guarantor)	Forms	System	Accuracy
1	Surname			
2	Forename			
3	Gender			
4	Date Of Birth			
5	National Identification Number			
6	Telephone Number			
7	Location Town /Village			
8	Member Number			
9	Account Number being Guaranteed			
10	Guarantee Limit			
11	Guarantee Type			

D	Stakeholder (Owners of Non Individual Businesses)	Forms	System	Accuracy
1	Surname			
2	Forename			
3	Gender			
4	Date Of Birth			
5	National Identification Number			
6	Telephone Number			
7	Location Town /Village			
8	Company Registration No.			
9	Stakeholder Type			

E	Collateral	Forms	System	Accuracy
1	Account No of loan with Collateral			
2	National Identification Number of Borrower			
3	Collateral Type			
4	Collateral Last Valuation Amount			
5	Last Valuation Date			

F	Credit Application (only applicable before loan is granted)	Forms	System	Accuracy
1	National Identification Number			
2	Member Number			
3	Application Date			
4	Facility Application Type			
5	Application Amount			
6	Product Type			

G	Bounced Cheque	Forms	System	Accuracy
1	Account Number			
2	Cheque Amount			
3	Cheque Date			
4	Cheque Number			
5	Cheque Bounce Date			

Comments & Observations

SUMMARY (Automated Fields, do NOT enter figures)

	YES	NO	
1 Data Available on Forms	0	0	#DIV/0!
2 Data Fields Available in System	0	0	#DIV/0!
3 Accurate Data in System	0	0	#DIV/0!
4 Total Data Reporting Readiness			#DIV/0!
N/A			
A Individual Account File	0		
B Non Individual & Account File	0		
C Guarantor	0		
D Stakeholder	0		
E Collateral	0		
F Credit Application	0		
G Bounced Cheque	0		

NOTES

- Ensure fully completed with either YES; NO; or N/A, do not leave any gaps. Use N/A where field is not applicable or of any purpose to SACCO.

- Checks
 For Forms – confirm field available on loan application form or Member card.
 For System – confirm field is available in the system.
 For Accuracy – confirm field is not empty and data is correct.

Appendix 6: SACCO CIS Roadmap

The road map proposed has taken the following aspects into consideration:

- a) **Communications:** this should target individuals or the masses and the SACCO boards to proactively manage uninformed politicking.
- b) **Regulatory provisions:** should be fast tracked to allow SACCO's reporting of performing and non performing loans to CRBs licensed under the banking act. This will eliminate the need for SACCO's to seek approval from clients with existing loans which have no consent thereby increase the volume of credit information shared. Also changes to provisions requiring CRBs to seek approval of CBK for a data provider to list should be dropped in favour of AKCP taking up that role.
- c) **System changes support:** the SACCO's will feel encouraged on the process of CIS participation when their developers proactively provide the data fields and report fixes to facilitate CIS preferably at no further costs to them.
- d) **Develop tool for checking data quality:** the immediate purpose of the tool is to engage and support the SACCO's in preparing themselves for CIS participation. SACCO's would then be required to submit data for feedback if to proceed or to double up effort on readying the data for sharing. This tool would therefore come in handy for AKCP's proposed role as a gate keeper.
- e) **Development of commensurate services:** CRBs should seek to develop commensurate services for level of data they receive from a SACCO. Those who offer the bare minimal accepted by AKCP should not get the same services with those who offer complete and full files. This would allow SACCO's to share and have some benefits while encouraging them to rectify their files in line with getting more benefits.
- f) **Pilot Phase:** to better understand the challenges of CIS participation by SACCO's and work on viable solutions, we recommend a pilot phase with the 10 leading SACCO's from our ranking i.e. those referenced as 3, 7, 8, 9, 10, 14, 20, 22, 25, and 28. Consider also opening to other SACCO's not surveyed but thought to have good quality data. Also include the SACCO Unions. The phase would encompass the following:
 1. Facilitate capacity building for CIS Champions and Trainers on supporting CIS change management within SACCO's.
 2. To test adoption of designed policies and procedures guidelines and improve on them as need be.
 3. Biweekly submission of credit information data to AKCP to confirm readiness or check on progress of desired changes. SACCO's confirmed as meeting the minimum threshold are to immediately start submitting to CRBs.
 4. Test commensurate Services model and SACCO's' satisfaction with it; amend the model as required to accelerate SACCO participation.
 5. Review approach of implementation with Unions: use learning from pilot phase to get backing from SACCO unions.

Appendix 7: Monitoring tool for SACCO CIS

USING THE TOOL – SACCO'S

Each SACCO in the CIS initiative should review its readiness for CIS based on parameters A to F in the template (shaded in dark blue) to ensure they understand the key steps in adoption of CIS. At the start of the CIS readiness preparation, SACCO'S willing to take part in the CIS initiative should complete the blank spaces to indicate the planned dates of finalizing with the various areas A to G of the monitoring tool. This will assist to determine the willingness and preparedness of their SACCO to adopt CIS.

Each SACCO'S CEO will submit the report after review of each area by officers designated to action various components necessary for CIS to be implemented without flaws. The CEO'S signature will be appended to the report to signify ownership of the CIS implementation plan as well as to confirm validity of the status report. In section G of the template, the CEO will indicate reasons for failing to keep within the planned implementation schedule and action taken to resolve challenges.

The completed monitoring tool will then be submitted to CIS KENYA/SASRA as a record of each SACCO taking part in the program.

USE OF TOOL BY CIS KENYA & SASRA:

CIS KENYA and SASRA will use the template by requiring that those SACCO'S that seek participation in CIS to submit a report indicating the status of their compliance with the CIS adoption road map as detailed in the tool. The template can be submitted monthly for the duration of the implementation plan and CIS KENYA can stipulate the maximum time a SACCO should take to implement the CIS project.

On receipt of the template, SASRA/CIS KENYA will review the template and where implementation appears unsatisfactory, such as where delays in various sections go beyond 1 week, CIS KENYA/SASRA will determine whether to drop the SACCO from CIS participation until such a time that they confirm that they are ready to rejoin the CIS initiative.

This review exercise requires CIS KENYA/SASRA to maintain a record of the SACCO'S performance in terms of implementation status.

CREDIT INFORMATION SHARING READINESS MONITORING TOOL						
REF:	AREA	PLANNED		DAYS DELAYED	ACTION / RESPONSIBILITY	COMPLETION STATUS (Y/N)
		START DATE	END DATE			
A. CAPACITY BUILDING						
1	Board sensitization on CIS				CEO	
2	Assignment of CIS champion in SACCO				CEO/Board	
3	Development of CIS Policy				CEO/Board	
4	Instituting a CIS project & developing CIS budget				CEO/Board	
5	Training needs analysis – CIS and data validation for CIS				CEO	
6	Board and senior management staff training on CIS				CEO	
7	Induction of staff on CIS – In house training				CEO	
B. MIS						
8	Review of MIS data fields for compliance with CIS template				IT manager/ CEO	
9	Data clean up				IT manager/ CEO	
C. OPERATIONS						
10	Review of policies and procedures in credit appraisal to incorporate CIS attributes				CEO/Credit manager	
11	Review of credit application documentation to incorporate CIS attributes				CEO/Credit manager	
12	Review on Internal controls to guarantee quality of data integrity				CEO/IT manager/ Internal audit	
D. MEMBER SENSITIZATION						
13	Member education on CIS				CEO	
E. TESTING OF CIS USE						
14	Testing use of MIS to dispatch CIS data to CRB				CEO/IT manager	
15	Dispatch of clean data to CRB				CEO/IT manager	
F. IMPLEMENTATION						
16	Use of CIS in credit appraisal				Credit manager	
17	Impact analysis of CIS on credit				CEO	
G. CIS IMPLEMENTATION PERIOD					CEO	
H. CEO COMMENTS ON STATUS						
REPORT PREPARED BY:		REPORT REVIEWED BY:			REPORT REVIEWED BY:	
NAME: _____		NAME: _____			NAME: _____	
DESIGNATION: _____		DESIGNATION: _____			DESIGNATION: _____	
DATE: _____		DATE: _____			DATE: _____	
SIGNED: _____		SIGNED: _____			SIGNED: _____	



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