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INFLUENCE OF CREDIT REFERENCING ON COMMERCIAL BANKS' CREDIT LENDING DECISIONS IN KENYA - A CASE OF COMMERCIAL BANKS IN MOMBASA COUNTY IN KENYA

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ABSTRACT

The banking industry has in the past been faced with the challenges of obtaining comprehensive information on clients' repayment history for use during the credit assessment process and eventual disbursement of loans. This has led to poor lending decisions as defaulters move from one bank to another to secure credit facilities. The general objective of this study was to assess the influence of credit reference bureaus on commercial banks credit lending decisions in Kenya. The specific objectives of the study were; to investigate the influence of credit information sharing on commercial banks' credit lending decisions in Kenya, to analyze the influence of borrower credit reports on commercial banks' credit lending decisions in Kenya, to assess the influence of borrower future credit risk identification on commercial banks credit lending decisions in Kenya and to assess the influence of borrower repayment ability on commercial banks credit lending decisions in Kenya. The study was supported by credit rationing theory, modern portfolio theory, corporate risk management theory and agency theory. This research adopted a cross-sectional survey research design aimed to collecting large number of quantitative data at a point in time to address the formulated hypotheses. The target population was 41 commercial banks which in total have 51 branches in Mombasa County in Kenya. Census technique was used as a sampling procedure therefore all banks in Mombasa County were included in the study. The study collected data from all the respondents in the rank of branch managers, credit managers, and mortgage managers from all commercial banks in Mombasa County in Kenya. Primary data was collected by use of structured questionnaires which was distributed through the drop and pick method. Secondary data collected from various bank's websites, in annual and published financial statements, in national newspapers, during annual general meetings and in-house magazines, important business disclosures in journals, manuals and the various firm's documents were used to cross validate the primary data information collected Data analysis was by descriptive statistics and inferential statistics using Statistical Package for Social Sciences (SPSS) version 24. The study analyzed data through means, medians and standard deviations as descriptive statistics while correlation, regression and ANOVA analysis were the inferential statistics used. The data was presented by the use of tables and figures for purpose of giving a pictorial view of the results. The study provided a clear-cut mechanism of lending decisions and efficiency to the business fraternity in Mombasa. The study revealed that credit referencing, Credit information sharing, Borrower credit reports and Borrower repayment

ability had a statistically significant influence on commercial banks' credit lending decisions in Kenya as their R^2 and Anove were 63.6% and F = 39.249, p = 0.000 respectively. The study recommended that commercial banks in Kenya should continue working closely with credit referencing and improvise real time reports sharing mechanisms so as to boost commercial banks' credit lending decisions in Kenya. The study was important since it led to awareness in the commercial bank's credit lending decisions. This study has a possibility of being used as a benchmark to borrowing and lending in future.

Key Words: Credit Reference Bureaus, Credit Lending Decisions, Credit Risk Identification

1. INTRODUCTION

The concept of credit bureau reporting was historically born in the United States of America where merchants had to keep track of information about their customer more so those with poorer credit scores (Abula, Otitolaiye, Ibitoye, & Orebiyi, 2013). These merchants compiled a list of the customers that were the first credit bureaus to be established. With the growth of commerce and advancement of technology, companies and institutions began to take shape by collecting credit data for their customers. This was practiced in few selected countries in Africa through private credit bureaus such as Compuscan that operated in Botswana, Rwanda and Namibia while Kutz Univer operated in Kenya Uganda and Tanzania (Afolabi, 2010).

Subsequent to the institution of credit reference bureaus, there had been pressing demands by the lending segment industry players for sharing of credit data between financial establishments so as to deal with the rising problem of customers defaulting their loans or overdrafts. The government responded in 2008 by allowing credit information sharing which has facilitated the establishment of Credit Reference Bureau (Akerele, Aihonsu, Ambali, & Oshisanya, 2014).

Credit Bureaus are defined as institutions, which play a pivotal role in collecting and collating data on individual financial information from various financial organizations with which they have an association with. The gathered data is compiled and stored in the form of central credit reports, which can be availed, on application by financial sector lending organizations for the sole purpose of credit appraisal, assessment and rating (Edakasi, 2013). One of the leading credit-lending agency in the world, Standard and Poor's (S&P), describes credit rating as "a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation. The opinion evaluates the obligor's capacity and willingness to meet its financial commitments". In other words, the information contained in the credit sharing reports relates to how you pay your bills, repayment of monthly loans, the amount of credit one has accumulated, the monthly debts an individual has accrued, and any meaningful information that can lead to crucial information which can be relied upon by potential lenders in deciding whether a customer is in a respectable position and within the limits of good credit risk rating or a wicked credit risk rating (Field & Pande, 2017).

The report itself does not say whether you are a good or bad credit risk but however, it makes available data to financial sector lenders thus giving them a picture on the customer creditworthiness and hence allowing them to make a decision themselves on whether to lend to the customer. Credit providers make their decisions bearing in mind the organizations risk-reward trade-off. The lenders can only make the right decision regarding the borrower's

creditworthiness by having the right and much needed information from the credit reference bureaus, which play a key role in assessing the borrower's credit soundness. Thus, overall the credit report acts as a mirror to the lender on the general reputation of the customer with regard to credit management in some sense (Mburung'a, 2014).Credit reference bureaus (CRBs) exist as a pre-requisite meant to remedy the perennial problem of lacking clear information asymmetry amongst lending institutions and borrowers with regard to the creditworthiness of the latter. Larger risk premiums is achieved by issuers with lower credit ratings since they pay higher interest rates thus embodying larger risk premiums than higher rated issuers (Mungai, Maingi, & Muathe, 2014).The existence and need of credit registry is necessitated by the volume of increased lending, increase in consumer borrowing, high rates of financing and stability in the banking sector (Khurana, 2015).

2. RESEARCH PROBLEM

There has been a challenge faced by the banking institutions in Kenya with regard to obtaining wide-ranging data on consumer's credit repayment past for utilization in the customer credit assessment process and eventual loan disbursement. This has led to a high rate of NPLs due to bad lending decisions as defaulters move from one bank to another to secure credit facilities. Ideally, commercial banks are expected to have in place mechanisms that will ensure that they only give credit to those who are able to repay loans through a credit scoring mechanism whether the loan is secured or not. The commercial banks are consequently expected to benefit from this practice on interests charged on the loan. Conversely, commercial banks are supposed to be giving out loans to the borrowers based on defined criterion that will secure the loans from the borrowers and also get to reward those that have good repayment history. Most bank clients have been locked out of loans due to unpaid loans such as mobile loans, land rates, HELB loans and guarantors listed on CRB. This has led to declining number of loans lend to clients hence less business for the banking industry and also making lending decisions to be difficult. This research examined the influence of credit reference bureaus on commercial banks' credit lending decisions in Mombasa County taking into consideration the contribution of CRB tools such as credit information sharing, borrower credit reports, borrower future credit risk identification and borrower repayment ability in making prudent credit lending decisions.

3. GENERAL OBJECTIVES

The study was guided by the overall objective that was to analyze the influence of credit reference bureaus on commercial banks' credit lending decisions Kenya.

3.1 Specific Objectives

i. To investigate the influence of credit information sharing on commercial banks' credit lending decisions in Kenya.
ii. To analyze the influence of borrower credit reports on commercial banks' credit lending decisions in Kenya.
iii. To assess the influence of borrower future credit risk identification on commercial banks' credit lending decisions in Kenya.
iv. To assess the influence of borrower repayment ability on commercial banks' credit lending decisions in Kenya.

3.2 Research Hypotheses

H_{01}: Credit information sharing has no statistically significant influence on commercial banks credit lending decisions in Kenya.
H_{02}: Borrower credit reports has no statistically significant influence on commercial banks credit lending decisions in Kenya.
H_{03}: Borrower future credit risk identification has no statistically significant influence on commercial banks credit lending decisions in Kenya.
H_{04}: Borrower repayment ability has no statistically significant influence on commercial banks credit lending decisions in Kenya.

4. REVIEW OF LITERATURE

4.1 Theoretical Framework

The study was guided by the modern portfolio theory, information sharing theory, credit-rationing theory and agency theory.

4.1.1 Credit Rationing Theory

Stiglitz propagated this theory in 1976. Credit Rationing Theory suggests that asymmetric information leads to credit rationing conditions by modifying the risk-return distribution. This fact encourages banks to refuse advancing capital for investments and produce divergence between capital demand and supply. Constrained accesses to finance derived from financial institutions' credit rationing behavior are not efficient because managers work under conditions of asymmetric information. This results into less profitable investments being financed while more profitable investments are left out resulting into adverse selection and moral hazard risks (Jain & Mansuri, 2013). This theory is relevant to this study as commercial banks approve loans to firms which provide collateral in addition to those firms that have established long term relationships with lenders. Due to the existence of asymmetric information, banks base their lending decisions on the amount of collateral availed and Credit Reference Bureaus ratings. Collateral act as a screening device and reduce the risk of lending faced by commercial banks. By pledging an asset, a borrower signals the quality of his project and his intention to repay the amount advanced. In the event of default, collateral taken by the bank place it in a privileged position with regard to other creditors (Green, 2003).

4.1.2 Modern Portfolio Theory (MPT)

Portfolio Theory was initially developed by Harry Markowitz in the early 1950s (Markowitz, 1952). In the 70s, Black and Scholes (1973) published the theory and provided banks with a strategy on how to diversify their loans and investments. Prior to this, banks had no real investment strategy and their only option was to obtain as much collateral as possible and make default an unattractive option. The theory was the first serious theoretical attempt to quantify the relationship between risk and return. Portfolio theory characterizes risk as the uncertainty of returns, and uses standard statistical techniques to quantify the relationship between risk and return in credit lending decisions. These techniques include the application of statistical measures such as variance and standard deviation to quantify the uncertainty of returns in credit lending decisions (Asokore, 2017). The theory purports that investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward. Thus, it is possible to construct

an ‘efficient frontier’ of optimal portfolios, offering the maximum possible expected return for a given level of risk by reviewing CRB reports.

The portfolio theory approach is the most relevant in commercial bank performance and credit lending decisions studies since a good portfolio points directly to the quality of asset book. Additionally, the ability to obtain maximum profits depends on the feasible set of assets and liabilities determined by the management and the unit costs incurred by the bank for producing each component of assets (Nzongang & Atemnkeng, 2006). The theory further suggests that it is not enough to look at the expected risk and return of one particular stock. By investing in more than one stock, an investor can reap the benefits of diversification, particularly a reduction in the riskiness of the portfolio. Thus, in relation to this study, Portfolio Theory quantifies the benefits of commercial banks’ diversification, also known as ‘not putting all of your eggs in one basket’. This implies that portfolio diversification and the desired portfolio composition of commercial banks are results of decisions taken by the bank management and CRB reports play a critical role in the diversification process.

4.1.3 Corporate Risk Management Theory

This theory was developed by the Pyle (1975) who emphasized on the need for risk management framework for the survival of the financial institution. The theory helps financial institutions to make prudent credit lending decisions by countering several risks such as credit risk, liquidity risk and operation risks which influence the banks’ profitability therefore need to manage them in order to realize a profit. Credit Reference Bureaus play a pivotal role towards the implementation of corporate risk management theory in the sense that they provide critical and timely information through CRB reports for well-informed credit lending decisions. The corporate risk management theory is relevant to this study because it considers that organizations have several risks therefore need for risk management framework by the banks with CRB tools that enables installation of proper risk management practice in credit lending decisions.

As long as investors can act in the capital markets at the same terms and conditions as the firm itself, the only way to impact firm value is by influencing the expected level of firm cash flows (Jain & Mansuri, 2013). Since corporate risk management is part of an overall financing policy, the findings of this theory directly have important implications for the hedging policy of the firm.Any hedging policy is irrelevant because investors can alter their holdings of risky assets and undo any change in the firm's hedging policy by themselves (Jagadeesh, 2015).Any investor's wealth position is unaffected by corporate risk management activities on the part of the firm (Odhiambo, *et al*., 2013). Additionally, shareholders have differing preferences regarding hedging that cannot be taken into consideration when hedging at the firm level. The immense importance of the corporate risk management theory, however, becomes apparent when it is used as a starting point for identifying conditions under which corporate risk management makes economic sense.

4.1.4 Agency Theory

During the 1960’s and early 1970’s economists explored risk sharing among individuals or groups. Agency theory broadened this risk sharing idea. Agency theory is directed at the ubiquitous agency relationship in which one party (The Principal) delegates work to the other

party (the Agent) who performs the work. Agency theory is a theory that shows the contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling those resources (Lambert, 2002). Jenses and Meckling (1976) were the first scholars to explicitly model the theory of agency. Agency theory is based on the premise that agents are more informative than the principals. This information asymmetry affects the ability of the principal to effectively monitor their wealth and this is where the agents came in hand to help. It also assumes that principals and agents act rationally (Brigham & Gapenski, 1993). In the simplest agency models, the organization is reduced to these two contracting characters: the principal and the agent. The principal's roles are to supply capital, to bear risk, and to construct incentives, while the role of the agent are to make decisions on the principal's behalf and to also bear risk (Lambert, 2002). Banking surplus funds with scheduled banks meeting certain minimum rating criteria (State Bank of Pakistan, 2011).

4.1.5 Decision Theory

Decision theory is the study of the reasoning underlying an agent's choices. Decision theory can be broken into two branches: normative decision theory, which gives advice on how to make the best decisions given a set of uncertain beliefs and a set of values, and descriptive decision theory which analyzes how existing, possibly irrational agents actually make decisions. Closely related to the field of game theory, decision theory is concerned with the choices of individual agents whereas game theory is concerned with interactions of agents whose decisions affect each other (Winter, 2015).

Empirical applications of this rich theory are usually done with the help of statistical and econometric methods, especially via the so-called choice models, such as probit and logit models. Estimation of such models is usually done via parametric, semi-parametric and non-parametric maximum likelihood methods. Thus, the decision theory is helpful in making managers get to a well informed decision when making lending choices.

4.2 Review of Study Variables

4.2.1 Credit Information Sharing and Commercial Banks' Credit Lending Decisions

The idea underlying information sharing it that "the best predictor of future behavior is past behavior (Modigliani, Merton, & Miller, 2013). In practice, it is an arrangement by which lenders contribute information about their customers to a common pool, which is accessible to all lenders that contribute (Miller, 2016). Consumer credit bureaus emerged in the United States in the late 19th century. Other early adopters include Austria, Sweden, Finland, Canada, Germany, and Australia (Jain & Mansuri, 2013).

Until World War II, most consumer credit was offered by retailers directly to consumers. A retailer's credit relationships were often based on personal familiarity with its customers (Hassam & Bashir, 2014). As the economy grew after World War II, many 0changes occurred in the consumer credit market. The retail sector expanded, while banks and finance companies took over from retailers as the primary source of consumer credit. Consumers became more mobile, and banks began issuing credit cards which could be used nationwide. This together with the development of computers which could store, and process large amounts of data

enabled the credit bureaus to efficiently provide credit information to consumer lenders (Were, 2013).

4.2.2 Borrower Credit Reports and Commercial Banks' Credit Lending Decisions

Kabede, Tegegn and Tafese (2016) undertook a study in Ethiopa. The general objective of the study was to analyze and identify the major factors that determine loan repayment performance of the small-scale enterprises and to identify the major challenges of the MFI's in the wolaita and Dawuro area. The specific objectives were to identify the major socio-economic factors that influence loan repayment rate of the borrowers of micro finance institution, to examine the businesses and loan related factors influence the repayment performance of the Private borrowers and to investigate the major problems faced by the borrowers and lenders in the repayment process in micro finance institution. The study employed explanatory research design with quantitative and qualitative methods. For this study, multi-stage probability sampling techniques were used. About 300 sample respondents were selected through using simple random sampling technique. The study revealed that majority of those who have defaulted were granted a loan much lower than their request in relation to those of non-defaulter borrowers. Most borrowers request below sufficient amount and are granted even below their request. This condition leads to lower amount of investment on business, unable to hold all the necessary stocks demanded by the market and minimal return from business activity.

4.2.3 Credit Risk Identification and Commercial Banks' Credit Lending Decisions

Risks are uncertainties or threats that may derail a company from achieving the set goals (Kannan & Thangavel, 2008). Risk management is the identification, assessment and prioritization of risks followed by coordinated application of resources to minimize, monitor and control the probability of unfortunate events (Njogo, 2012). Risk management practices in banking sector have greater impact not only the bank but also on the economic growth (Tandelilin, Kaaro & Mahadwartha, 2007). Oluwafemi, Obawale, and Oladunjoye, 2014) observed that banks with better implemented risk management practices may harness some advantages example increased reputation and opportunity to attract more wide customers in building their portfolio of funds resources and experience increased efficiency and profitability. Ariffin and Kassim (2009) stress the importance of good risk management practices to maximize firms' value. Adeusi, Akeke, Adebisi and Oladunjoye (2013) in their study in Nigerian banks confirmed that there was a significant relationship between performance and risk management and recommended prudent management of risks in order to protect the interest of investors.

Soyemi, Ogunleye, Ashogbon and O., F., I (2014) in their study in Nigeria established that risk identification as a risk management practice is critical and therefore identified the risks to be credit liquidity, operating and capital risk and that had a significant relationship on financial performance. Asemeit *et al*. (2012) observed other risk to be added were interest rate, competition and liquidity. Further Gakure, Ngugi, and Waithaka (2012) in his Kenyan study mentioned another risk management practice to be risk assessment and measurement. He found a significant relationship between risk assessment and financial performance of commercial banks. Risk assessment involves analysis of acceptable or tolerance levels of risks, evaluation of risk, likelihood of the risk happening and the severity in case the risk

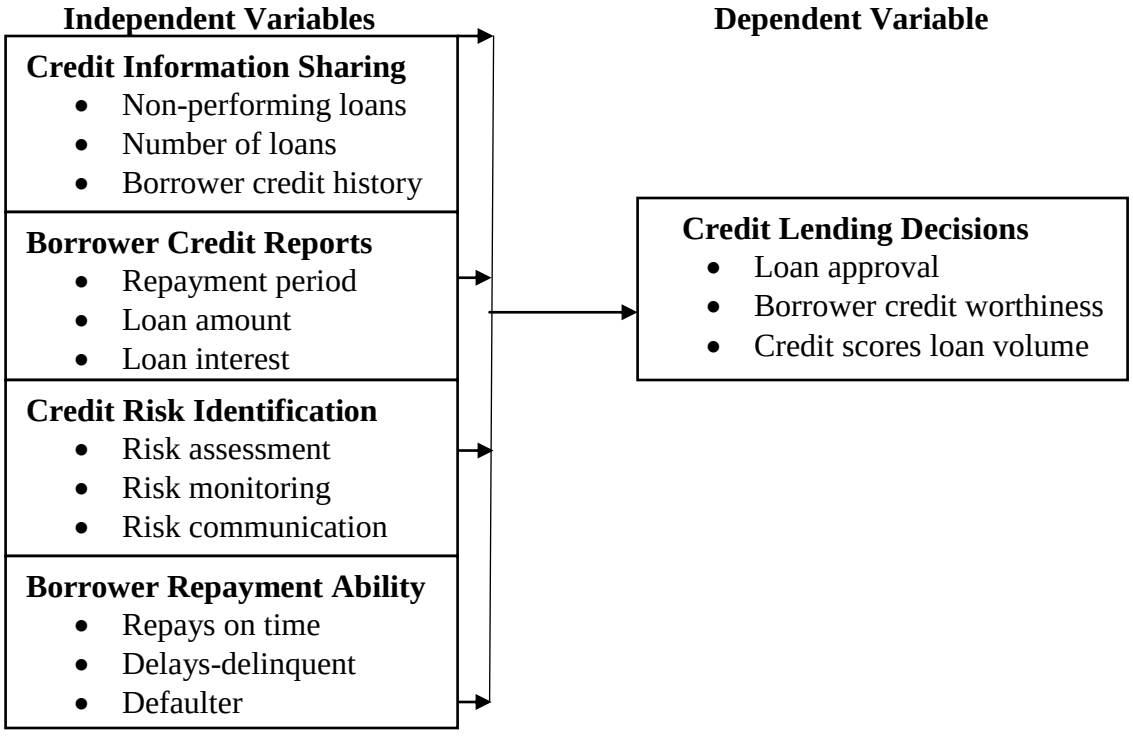
occurs. Risk assessment and measurement may assist the banks management categorise risks into high risk, moderate and low risks and this becomes beneficial when allocating resources. High-risk areas have given priority and maximum allocation of resources compared to low risk areas.

4.2.4 Borrower Repayment Ability and Commercial Banks' Credit Lending Decisions

Mungai, Maingi and Muathe (2014) studied the crucial role of the government in providing start-up funds and their relationship to sustainability. The focus of this research was to analyze the loan repayment and sustainability issues of government micro-credit initiatives in Murang'a County. The specific objective of the study was to establish the effect of borrower characteristics to micro-credit repayment in Murang'a County. The study adopted a positivism philosophy of research, where the researcher was independent on what was being observed and what was studied. Descriptive survey design was used to determine the level of government funded micro-credit loan repayment and its effect on sustainability for other borrowers. The target population was 1520 social and economic groups in Murang'a County. Clustering and Simple Random Sampling techniques were applied to select a sample size of 307 groups including a census of 16 constituency credit officers, who were interviewed. This, in total accounted to 19.5% of the total population. A questionnaire and an interview schedule were used to collect data. Descriptive data were analyzed using tables and charts. Qualitative data were analyzed using Chi square, Analysis of Variance and Logit Regression Model. Hypothesis testing revealed statistically significant results, for borrowers' characteristics effect to loan repayment and sustainability. The study found that due to problems of high risk and high cost of borrowing, uncertainty of repayment capacity on the rural borrower has been reported high due to irregular income streams.

4.3 Conceptual Framework

Figure 1 Conceptual Framework



5. Research Methodology

This study adopted a cross-sectional survey research design aimed at collecting large number of quantitative data at a point in time to establish the influence of credit reference bureaus on commercial banks credit lending decisions in Mombasa County. Census technique was used and therefore all 51 commercial bank branches in Mombasa County were included in the study. The study selected respondents at the category of branch managers, credit managers/loan officers and mortgage managers to form the sample size of 114 respondents. Primary data was collected by use of self-administered structured questionnaires which were distributed through the drop and pick method. Secondary data collected from various bank's websites, Kenya Bankers Association, in annual and published financial statements, in national newspapers, during annual general meetings and in-house magazines, important business disclosures in journals, manuals and the various bank's documents were used to cross validate the primary data information collected.

6. DATA ANALYSIS AND RESULTS

6.1 Correlation Results

Correlation analysis was carried out to establish the relationship between the independent variables and the dependent variable. Pearson Bivariate correlation coefficient was used to compute the correlation between the dependent variable (credit lending decisions) and the independent variables (credit information sharing, borrower credit reports, credit risk identification and borrower repayment ability). According to Sekaran, (2015), this relationship is assumed to be linear and the correlation coefficient ranges from -1.0 (perfect negative correlation) to +1.0 (perfect positive relationship). The correlation coefficient was calculated to determine the strength of the relationship between dependent and independent variables (Kothari and Gang, 2014).

In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson's coefficient of correlation (r). This is as shown in Table 4.13 below. According to the findings, it was clear that there was a correlation between the independent variables, credit information sharing, borrower credit reports, credit risk identification (inverse correlation) and borrower repayment ability and the dependent variable credit lending decisions. The analysis indicates the coefficient of correlation, r equal to 0.720, 0.613, -0.343 and 0.443 for credit information sharing, borrower credit reports, credit risk identification (inverse correlation) and borrower repayment ability respectively. This indicates positive relationship between the independent variables namely credit information sharing, borrower credit reports, borrower repayment ability, and the dependent variable credit lending decisions while credit risk identification exhibited a negative relationship with the dependent variable credit lending decisions.

Table 1 Pearson Correlation

		ER	ET	CD	JS	CP
Credit Lending Decisions	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	95				
Credit Information Sharing	Pearson Correlation	**.720****	1			
	Sig. (2-tailed)	.000				
	N	95	95			
Borrower Credit Reports	Pearson Correlation	**.613****	**.642****	1		
	Sig. (2-tailed)	.000	.000			
	N	95	95	95		
Credit Risk Identification	Pearson Correlation	**-.343****	-.109	**-.268****	1	
	Sig. (2-tailed)	.001	.294	.009		
	N	95	95	95	95	
Borrower Repayment Ability	Pearson Correlation	**.443****	.046	-.219*	.032	1
	Sig. (2-tailed)	.007	.659	.033	.759	
	N	95	95	95	95	95

KEY:CLD=Credit Lending Decisions, **CIS**=Credit Information Sharing,**BCR**=Borrower Credit Reports **CRI**=Credit Risk Identification, **BRA**=Borrower Repayment Ability
****. Correlation is significant at the 0.01 level (2-tailed).
***. Correlation is significant at the 0.05 level (2-tailed).

6.2 Coefficient of Determination (R^2)

To assess the research model, a confirmatory factor analysis was conducted. The four factors were then subjected to linear regression analysis in order to measure the success of the model and predict causal relationship between independent variables (credit information sharing, borrower credit reports, credit risk identification and borrower repayment ability), and the dependent variable (credit lending decisions).

Table 2 Coefficient of Determination (R^2)

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	797[a]	636	619	1.86158

a. Dependent variable: Credit Lending Decisions
b. predictors: (Constant), Borrower Repayment Ability, Credit Risk Identification, Borrower Credit Reports, Credit Information Sharing

This means that 63.6% of credit lending decisions is influenced by credit reference bureaus indicators namely; credit information sharing, borrower credit reports, credit risk identification and borrower repayment ability. The rest 36.4% is explained by other influences of credit lending decisions not studied in this research. Clearly, there are factors other than the four proposed in this model which can be used to predict credit lending decisions. However, this is still a good model as Cooper and Schinder, (2013) pointed out that as much as lower value R square 0.10-0.20 is acceptable in social science research. In summary, the four factors studied namely credit information sharing, borrower credit reports, credit risk identification and

borrower repayment ability determines 63.6% of the relationship while the rest 36.4% is explained or determined by other factors.

6.3 Analysis of Variance (ANOVA)

ANOVA was used to establish the significance of the regression model. In testing the significance level, the statistical significance was considered significant if the p-value was less or equal to 0.05. The significance of the regression model is as per Table 4.15 below with P-value of 0.000, which is less than 0.05. This indicates that the regression model is statistically significant in predicting factors of credit lending decisions. Basing the confidence level at 95% the analysis indicates high reliability of the results obtained. The overall Anova results indicates that the model was significant at F = 39.249, p = 0.000.

Table 3 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	544.065		136.016	39.249	.000[b]
	Residual	311.893	90	3.465		
	Total	855.958	94			

a. Dependent Variable: Credit Lending Decisions
b. Predictors: (Constant), Borrower Repayment Ability, Credit Risk Identification, Borrower Credit Reports , Credit Information Sharing

6.4 Regression Analysis

Table 4 Multiple Regression

Model		Unstandardized Coefficients		Standardized Coefficients		
		β	Std. Error	Beta		Sig.
1	(Constant)	16.919	7.705		2.196	.031
	Credit Information Sharing	.378	.140	.182	2.706	.008
	Borrower Credit Reports	.829	.247	-.223	3.352	.001
	Credit Risk Identification	.270	.095	.258	2.835	.006
	Borrower Repayment Ability	.387	.064	.521	6.054	.000

a. Dependent Variable: Credit Lending Decisions

The regression equation was:

$Y = 16.919 + 0.378\mathbf{X_1} - 0.829\mathbf{X_2} + 0.270\mathbf{X_3} + 0.387\mathbf{X_4}$

Where;

Y = the dependent variable (Credit Lending Decisions)

X_1 = Credit Information Sharing

X_2 = Borrower Credit Reports

X_3 = Credit Risk Identification

X_4= Borrower Repayment Ability

The regression equation above established that taking all factors into account (credit lending decisions as a result of credit information sharing, borrower credit reports, credit risk identification and borrower repayment ability) constant at zero credit lending decisions was

16.919. The findings presented also shows that taking all other independent variables at zero, a unit increase in credit information sharing will lead to a 0.378 increase in the scores of credit lending decisions; a unit increase in borrower credit reports will lead to a 0.829 decrease in credit lending decisions and this could be as a result of failure by management to enforce the use of credit reports in loan appraisal; a unit increase in credit risk identification will lead to a 0.270 increase in the scores of credit lending decisions; a unit increase in borrower repayment ability will lead to a 0.387 increase in the scores of credit lending decisions. This therefore implies that credit information sharing, credit risk identification and borrower repayment ability have a positive influence with borrower repayment ability contributing most to the dependent variable while borrower credit reports has a negative relationship with the dependent variable due to failure by the management to enforce borrower credit reports. From the table above we can see that the predictor variables of credit lending decisions as a result of credit information sharing, borrower credit reports, credit risk identification and borrower repayment ability got variable coefficients statistically significant since their p-values are less than the common alpha level of 0.05.

6.5 Results of Hypotheses Testing

F - test (ANOVA test) was used to assess overall robustness and significance of the regression model using hypothesis test. The hypothesis rule was:Reject $H_0$1 if P- value ≤ 0.05 otherwise fail to reject $H_0$1 if P- value is > 0.05.

The first research hypothesis, **$H_0$1**: Credit information sharing has no statistically significant influence on commercial banks credit lending decisions in Kenya ($\beta = 0.182$; $t = 2.706$; $p \leq 0.05$) was rejected and conclusion made that there was a statistically significant influence of credit information sharing on commercial banks credit lending decisions in Kenya.

The second research hypothesis, **$H_0$2**: Borrower Credit Reports has no statistically significant influence on commercial banks credit lending decisions in Kenya ($\beta = -0.223$; $t = -3.352$; $p \leq 0.05$) was rejected and conclusion made that there was a statistically significant influence of borrower credit reports on commercial banks credit lending decisions in Kenya.

The third research hypothesis, **$H_0$3**: Credit Risk Identification has no statistically significant influence on commercial banks credit lending decisions in Kenya ($\beta = 0.258$; $t = 2.835$; $p \leq 0.05$) was rejected and conclusion made that there was a statistically significant influence of credit risk identification on commercial banks credit lending decisions in Kenya.

The fourth research hypothesis, **$H_0$4**: Borrower Repayment Ability has no statistically significant influence on commercial banks credit lending decisions in Kenya ($\beta = 0.521$; $t = 6.054$; $p \leq 0.05$) was rejected and conclusion made that there was a statistically significant influence of borrower repayment ability on commercial banks credit lending decisions in Kenya.

Table 5: Hypotheses Testing

Research Hypothesis	β	t	Sig.	Comments
$H_0$1: Credit information sharing has no statistically significant influence on commercial banks credit lending decisions in Kenya	.182	2.706	.008	**Reject $H_0$1**
$H_0$2: Borrower Credit Reports has no statistically significant influence on commercial banks credit lending decisions in Kenya	-.223	-3.352	.001	**Reject $H_0$2**
$H_0$3: Credit Risk Identification has no statistically significant influence on commercial banks credit lending decisions in Kenya	.258	2.835	.006	**Reject $H_0$3**
$H_0$4: Borrower Repayment Ability has no statistically significant influence on commercial banks credit lending decisions in Kenya	.521	6.054	.000	**Reject $H_0$4**

7. CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusions

From the findings of this study a number of conclusion were made as per objectives of the study as follows;

From the research findings, the study concluded that credit information sharing had an influence on commercial banks credit lending decisions in Kenya. The conclusion was that majority of the respondents indicated that non-performing loans, number of loans and borrower credit history were key determinants of commercial banks credit lending decisions in Kenya. The findings concluded that non-performing loans, number of loans and borrower credit history had a very strong influence on commercial banks credit lending decisions in Kenya. Thus from the study results it was generally concluded that there was a high degree of positive significance on influence of credit information sharing and commercial banks credit lending decisions in Kenya.

From the research findings, the study concluded that borrower credit reports had an influence on commercial banks credit lending decisions in Kenya. The conclusion was that majority of the respondents indicated that repayment period, loan period and loan interest were key determinants of borrower credit reports and thus helping in commercial banks credit lending decisions in Kenya. The findings concluded that repayment period, loan amount and loan interest had a very strong influence on commercial banks credit lending decisions in Kenya. Thus from the study results it was generally concluded that there was a high degree of positive significance on influence of borrower credit reports on commercial banks credit lending decisions in Kenya.

From the research findings, the study concluded that credit risk identification had an influence on commercial banks credit lending decisions in Kenya. The conclusion was that majority of the respondents indicated that risk assessment, risk monitoring and risk communication were key determinants of credit risk identification and thus helping in commercial banks credit lending decisions in Kenya. The findings concluded that risk assessment, risk monitoring and

risk communication had a very strong influence on commercial banks credit lending decisions in Kenya. Thus from the study results it was generally concluded that there was a high degree of positive significance on influence of credit risk identification on commercial banks credit lending decisions in Kenya.

From the research findings, the study concluded that borrower repayment ability had an influence on commercial banks credit lending decisions in Kenya. The conclusion was that majority of the respondents indicated that timely repayment, delays in delinquent and defaulting were key determinants of borrower repayment ability and thus helping in commercial banks credit lending decisions in Kenya. The findings concluded that timely repayment, delinquent delay and defaulting had a very strong influence on commercial banks credit lending decisions in Kenya. Thus from the study results it was generally concluded that there was a high degree of positive significance on influence of borrower repayment ability on commercial banks credit lending decisions in Kenya.

7.2 Recommendations

From the research findings, the study concluded that credit information sharing had an influence on commercial banks credit lending decisions in Kenya. The conclusion was that majority of the respondents indicated that non-performing loans, number of loans and borrower credit history were key determinants of credit information sharing and thus helping in commercial banks credit lending decisions in Kenya. The findings concluded that non-performing loans, number of loans and borrower credit history had a very strong influence on commercial banks credit lending decisions in Kenya. Thus from the study results it was generally concluded that there was a high degree of positive significance on influence of credit information sharing and commercial banks credit lending decisions in Kenya. The recommendation is that commercial banks should embrace credit information sharing tactics geared towards revealing clients non-performing loans, number of loans and borrower credit history. This will reduce the burden of Non-Performing Loans (NPL) in commercial banks.

From the research findings, the study concluded that borrower credit reports had an influence on commercial banks credit lending decisions in Kenya. The conclusion was that majority of the respondents indicated that repayment period, loan amount and loan interest were key determinants of borrower credit reports and thus helping in commercial banks credit lending decisions in Kenya. The findings concluded that repayment period, loan amount and loan interest had a very strong influence on commercial banks credit lending decisions in Kenya. Thus from the study results it was generally concluded that there was a high degree of positive significance on influence of borrower credit reports on commercial banks credit lending decisions in Kenya. The recommendation is that commercial banks should enhance borrower credit reports mechanisms, which should comprise of repayment period, loan amount and loan interest for its clients. This will help in dealing with the perennial menace of Non-Performing Loans (NPL).

From the research findings, the study concluded that credit risk identification had an influence on commercial banks credit lending decisions in Kenya. The conclusion was that majority of the respondents indicated that risk assessment, risk monitoring and risk communication were key determinants of credit risk identification and thus helping in commercial banks credit

lending decisions in Kenya. The findings concluded that risk assessment, risk monitoring and risk communication had a very strong influence on commercial banks credit lending decisions in Kenya. Thus from the study results it was generally concluded that there was a high degree of positive significance on effect of credit risk identification on commercial banks credit lending decisions in Kenya. The recommendation is that commercial banks should come up with mechanisms for risk assessment, risk monitoring and risk communication order to enhance credit risk identification in commercial banks credit lending decisions in Kenya. This will help in giving early signal on potential bad debts.

From the research findings, the study concluded that borrower repayment ability had an influence on commercial banks credit lending decisions in Kenya. The conclusion was that majority of the respondents indicated that timely repayment, delays in delinquent and defaulting were key determinants of borrower repayment ability and thus helping in commercial banks credit lending decisions in Kenya. The findings concluded that timely repayment, delays in delinquent and defaulting had a very strong influence on commercial banks credit lending decisions in Kenya. Thus from the study results it was generally concluded that there was a high degree of positive significance on influence of borrower repayment ability on commercial banks credit lending decisions in Kenya. The recommendation is that commercial banks should come up with ways to determine borrower repayment ability such as timely repayment of loan, delays in delinquent and defaulting in order to cushion the commercial banks against potential bad debts. This will help in dealing with the burden of Non-Performing Loans and hence help in commercial banks credit lending decisions in Kenya.

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