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Credit Reference Bureau Services and Loan Performance in Microfinance Deposit Taking Institutions in Uganda.

The study assessed Credit Reference Bureau (CRB) services and loan performance in the Microfinance Deposit taking Institutions (MDIs) in Uganda. The specific objectives were; to establish the trend of loan performance before and after the introduction of CRB, to assess the operational performance of the CRB, and to investigate the relationship between CRB and loan performance. The study used a survey research design, using both quantitative and qualitative approaches. The study covered a period from 2006 to 2014 and a sample size of 100 respondents was used. Data was collected using the questionnaires, interview guide and documentary review. The research discovered that sharing of credit information with CRB has helped to improve the clients' repayment record. The default rate had reduced since the introduction of the CRB (2008-2014) compared to 2006-2007 when the CRB had not yet been introduced. It was also found out that there is a positive relationship between CRB and loan performance. Most clients responded that they were aware that if they repaid their loans on time, the good credit history would be shared with other financial institutions and hence enable them have easy access to the facilities, similarly the poor repayment record is shared with other financial institutions. The successful CRB implementation is hampered by a couple of challenges including: delays in data submission, submission of inaccurate data, system failure, complexity of credit reports, thus making it difficult to interpret by the borrowers and foreign currency risk experienced by MDIs. The study recommends that the Central bank should enhance its efforts in continuing to create awareness of the CRB. A new regulatory regime should be put in place to ensure that even institutions not supervised and licensed by the Central bank can submit credit data on the CRB. Additionally, institutions that submit data on the bureau should ensure that the data is accurate and timely.

Key Words: Credit Reference, Bureau Services, Loan Performance, Microfinance Deposit Taking Institutions