

The sharing of credit information enables banks to make informed credit decisions and is in turn expected to deter the incidence of non-performing loans. More importantly the credit information sharing mechanism enables customers develop personal collateral based on their credit track records. This enables particularly those in the informal sector and small and medium enterprises to access credit. This segment of the lending market is at times constrained by lack of physical security to offer banks as collateral for loans. Through credit reference bureaus (CCRBs), the credit industry and the market is provided with crucial credit information. The broad objective of the study was to investigate the factors influencing adoption of credit information sharing with a focus on Micro-Finance Institutions in Thika Municipality. The study was significant in that Micro-Finance Institutions would have in place information regarding the need for and factors surrounding the adoption of credit information sharing. This would enable them to effectively serve their clients and reduce amount of defaulted loans. The study targeted micro-finance institutions operating in Thika Municipality. These included KWFT, Faulu Kenya, BIMAS, SMEP, and Kenya ECLOF among others. The factors to be considered included availability of customer information, number of licensed credit bureaus, legal and regulatory framework and customer credit track history. The study was done between September and October 2011. The study population was 125 respondents comprising of managers or supervisors and credit officers of all MFIs operating in Thika Municipality. Stratified sampling, census and stratified random sampling was used to select a sample of 60 respondents for the study. Primary data was used in this study. The data was collected through structured self completed questionnaires with both open and closed ended questions. Upon completion of data collection, descriptive statistics was used for analysis. From the research findings, all the factors under investigation influenced credit information sharing and legislation factor posed the greatest hindrance to adoption of credit information sharing. Association of Micro Finance Institutions and CBK should hasten the process of ensuring a legal and regulatory framework that was favorable for credit information sharing. The study recommended an intervention by the government through its agencies to make it mandatory for all financial institutions to share credit information through CRBs, strengthen the laws governing the operations of CRBs and increase the number of CRBs.