

Credit History Review And Loan Performance: A Study Of Kenya Commercial Bank

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Abstract

The study's goal was to find out how Kenya commercial bank's credit market performed in relation to credit history reviews. The study utilized a mixed-methods approach to gather, examine, and integrate both quantitative and qualitative data. Both closed-ended and open-ended questions were included in the surveys. Whereas closed questions were utilized to collect quantitative data, open-ended questions were used to obtain qualitative information. 44 credit managers who are employed by Kenya commercial bank at Nairobi's licensed branches were the focus of the study. Purposive sampling, which involves deliberately choosing members of the population of interest, was the sample technique employed. The statistical package for social sciences (SPSS) version 28.0 was used to analyze quantitative data. According to the study, conducting a thorough evaluation of credit history reviews significantly improves loan success. According to the study, a thorough examination of credit history is essential for evaluating loan performance because it has a substantial impact on the result.

Date of Submission: 13-04-2026

Date of Acceptance: 23-04-2026

I. Introduction

The expansion of the credit market is essential for maintaining financial stability and economic prosperity. A number of factors, such as shifting regulatory frameworks, economic concerns, and technology breakthroughs, have changed the global financial environment in recent years (Bank, 2019a). Strong credit evaluation procedures are essential for preserving financial stability, as the global financial crisis of 2008 demonstrated (Brown et al., 2021). Since then, banks all over the world have worked to enhance their credit risk management in order to guarantee lending practices that are sustainable and to maximize the performance of the credit market. Access to credit is vital for businesses and individuals to invest, expand, and meet their financial needs (Kumar & Kishore, 2019);(Al-Homaidi et al., 2020) (Almaqariet *et al.*, 2020. According to the World Bank's Global Financial Development Report of 2019, the ratio of private credit to GDP for all countries was approximately 131.6%, indicating the significance of credit markets worldwide.

Studies examining the origins and effects of the global financial crisis of 2008 demonstrate the lessons learnt and their connection to credit assessment processes (CAP) (Gorton et al., 2021); (Rogoff, 2021). Research on financial stability and systemic risk has highlighted the significance of thorough credit assessment techniques and risk management frameworks to avert negative effects during economic downturns (Acharya et al., 2022); (Li, 2022). Regulatory studies provide ample evidence of the efforts made by international organizations and regulatory agencies to improve financial rules and promote best practices in credit risk management (Stankevičienė & Nikanorova, 2019). The influence of international standards and guidelines, particularly those issued by the Basel Committee on Banking Supervision, on credit assessment practices is evident in research on global banking regulations (Alves et al., 2023).

The relationship between credit market performance and the health of the banking sector has been extensively explored in banking and finance literature (Dang, 2021; Dell'Araccia *et al.*, 2020). The role of effective credit assessment in managing credit risk exposure and building robust loan portfolios for banks has been discussed in studies on credit risk management (Levy & Baha, 2021); (Njeru, 2022). The African banking sector has witnessed significant growth and transformation over the past decade. With increasing urbanization, expanding middle-class populations, and economic diversification, African economies have shown promising potential for banking and financial services (African Development Bank, 2021). African countries have experienced rapid urbanization in recent years, with a significant shift of populations from rural to urban areas. Financial services are needed to support a range of economic activities, and demand for them rises with cities. Urban areas develop becoming commercial, trade, and investment centers, which increases demand for banking services such loans, savings accounts, and payment methods (United Nations, 2018). The increasing trend of urbanization presents banks with chances to grow their clientele and meet the financial demands of a population

that is becoming more and more urbanized. Notwithstanding, there are still issues such as elevated rates of non-performing loans, restricted credit availability for marginalized communities, and susceptibility to external economic disturbances (Jones et al., 2019); (Smith et al., 2018). The financial sector on the African continent has grown significantly, and credit market involvement has increased. The average private credit to GDP ratio for Africa was approximately 54.1%, as reported in the African Development Bank's African Economic Outlook 2021. This indicates the growing significance of credit market development in African economies.

Kenya, being one of East Africa's main countries, has a strong financial sector and a thriving credit market. Kenya's financial industry is one of the most developed in East Africa, with Nairobi functioning as a key financial hub (Muthoni et al., 2020a). The Central Bank of Kenya regulates and supervises financial institutions to provide stability and consumer safety. While the Kenyan banking system has expanded significantly, it still confronts issues such as credit quality, loan default rates, and financial inclusion for small and medium-sized businesses (SMEs). Kenya's private credit to GDP ratio was approximately 24.6% in 2021, reflecting substantial potential for further credit market expansion and development (Moradi & Mokhtab Rafiei, 2019). Central Bank of Kenya has however, reported a non-performing loan ratio of 13.1%, indicating the significance of understanding credit assessment's role in managing credit risk and ensuring the stability of Kenyan commercial banks (Central Bank of Kenya, 2023). As such, a comprehensive study of the CAP and their impact on credit market performance can offer valuable insights for the Kenya's financial stability and sustainable economic growth.

Commercial banks are financial entities that act as intermediaries by accepting deposits and offering credit, along with many other financial services. The banking industry in Kenya holds a dominant position in the financial sector, namely in regards to the mobilization of savings and the provision of loans. According to the CBK directory, Kenya has a total of 42 commercial banks, out of which 14 have a global presence. These banks are headquartered in Nairobi and cater to both individual and corporate clientele. In addition, they carry out the following functions: currency issuance, communal savings, seamless facilitation of payment systems, efficient handling of global transactions, safekeeping of important assets, and supply of credit facilities. The Kenyan banking system shown resilience, attributed in part to limited financial integration in the global financial market, as well as vigilant supervision and successful regulatory changes (Bank Supervision Annual Report, 2022).

While existing literature has made strides in understanding credit assessment practices in Kenya, it has often exhibited limitations. Studies have typically focused on specific aspects of credit evaluation within certain banks or regions, as seen in research conducted by (Muthoni et al., 2020b), (Ndero *et al.*, 2019), and (Lagat & Bogongo, 2023). (Muthoni *et al.*, 2020) examines Credit management practices on loan performance with special focus on debt collection policies, Client appraisal and lending policy in Kenya Commercial banks with no specific focus on KCB. (Ndero *et al.*, 2019) has done a study in Uasin Gishu county targeting all commercial banks licensed to operate in the region with no focus on a particular bank especially KCB. A recent study done by (Lagat & Bogongo, 2023) in Eldoret on effect of credit management on financial performance of commercial banks mainly evaluates three of the many credit assessment practices for all banks in the region. These studies have mainly focused on all commercial banks licensed to operate in Kenya and only examine certain CAP employed by the banks. The studies have however failed to provide a comprehensive analysis encompassing the diverse spectrum of practices actively employed by KCB branches, especially those located in Nairobi.

Choosing KCB as a case study holds significant relevance due to its prominent position among the Nairobi Securities Exchange (NSE)-identified banks and the noteworthy disclosure of a record \$627 million in bad and doubtful loans within a six-month period, as evidenced in its unaudited financial statements (The East African, 2023). Examining KCB's strategies for managing and addressing this surge in non-performing loans could provide critical insights into effective assessment practices within the banking sector. Furthermore, analyzing KCB's response in comparison to other Kenyan banks facing similar challenges can offer a comprehensive understanding of the industry's dynamics and the efficacy of various approaches in mitigating such financial risks. Thus, investigating KCB as a case study presents a compelling opportunity to delve deeper into banking practices, assessment methodologies, and regulatory implications in a dynamic financial environment.

II. Literature Review

Credit History Review and KCB Loan Performance.

Globally, commercial banks have been using traditional credit scoring models like FICO (Fair Isaac Corporation) and its variations for a long time. These models provide credit scores that forecast borrowers' creditworthiness by using prior credit data, such as repayment patterns and credit usage (FICO, 2018). These models have the benefit of being straightforward and simple to use, which enables prompt credit decisions. Credit assessment techniques have been questioned by scholars like Asiamah & Agyei (2023) and Mhlanga (2021) for potentially overlooking creditworthy borrowers, especially those with low credit history or unorthodox sources of income. Because of this, certain prospective borrowers—particularly those from marginalized communities—face credit exclusion, which restricts their ability to obtain official credit.

Credit evaluation procedures have changed in Kenya in response to the country's changing demographics and developing economy. Thanks to alternative credit data, cell phone-based credit scoring has expanded quickly across the nation (Jack et al., 2023). Credit bureaus are essential to the Kenyan credit market because they give banks and other lenders access to credit histories and credit scores (Bank, 2019a). These credit bureaus improve the efficacy of credit assessment in the nation and help to create a more extensive ecosystem of credit information. Research has demonstrated how credit bureaus in Kenya, including the Credit Reference Bureau Africa Limited (CRB Africa), improve credit availability.

Muthoni et al., (2018) discuss how credit bureaus have improved credit information sharing among lenders, enabling them to make better-informed lending decisions. The availability of comprehensive credit histories through credit bureaus has expanded credit access to previously underserved segments of the population. Credit assessment is a critical function for commercial banks to determine the creditworthiness of borrowers and mitigate risks associated with lending. However, this process is not without challenges. Several studies highlight the issue of limited access to accurate and up-to-date data for credit assessment. According to (Kumar & Kishore, 2019), "Inadequate and unreliable data sources can lead to erroneous risk evaluations and loan defaults." In developing economies, where credit bureaus may not be well-established, banks often struggle to obtain comprehensive credit histories (Adeusi & Obasan, 2019). This information deficiency hindered banks' ability to make well-informed lending decisions.

In the global perspective, availability and quality of credit data is a leading challenge for commercial banks in achieving proper credit assessment. (Agarwal et al., 2020) note that "Access to reliable and comprehensive credit information is crucial for sound credit assessment." In many regions, credit bureaus may be underdeveloped, making it difficult for banks to access accurate and up-to-date credit histories. The lack of comprehensive data can lead to suboptimal risk evaluations and potentially higher loan defaults (D'Mello et al., 2020). Commercial banks operate in a dynamic regulatory landscape, varying from country to country. Sousa de Abreu et al. (2018) emphasize that "Navigating through diverse and evolving regulatory requirements can be challenging for banks."

One significant challenge faced by commercial banks in Kenya is the limited availability of comprehensive credit data. (Ndirangu *et al.*, 2019) highlight that "The absence of a centralized credit registry hampers banks' ability to access complete credit histories of borrowers." As a result, banks may face difficulties in accurately assessing credit risk and making informed lending decisions, particularly for new borrowers or those with limited credit history. The lack of a comprehensive credit information sharing mechanism among banks in Kenya poses challenges for effective credit assessment. Mutuku et al. (2019) argue that "Limited credit information sharing restricts banks' ability to build a comprehensive view of a borrower's creditworthiness and repayment behavior." Encouraging greater collaboration and data sharing among banks can enhance credit assessment accuracy. The Central Bank of Kenya's efforts to improve credit reporting and data sharing practices have contributed to the accuracy and reliability of credit information. A conducive regulatory framework encourages lenders to adopt responsible lending practices and expands credit access.

III. Research And Methodology

The research employed a Case Study Design with a Descriptive Research methodology. The research employed a mixed-methods approach to collect data, utilizing both quantitative and qualitative tools. This design was appropriate because it was essential in determining if a correlation existed or not between the variables. It made it easier to investigate the relationship between risk strategy implementation and corporate growth.

Since the study's focus was on credit evaluation, the population consisted of credit managers at the 44 locations. The information gathered from this specific group was coded, which laid the groundwork for future study directions such as examining gender-related issues with loans and credit administration and evaluation in the banking industry. The study employed purposive sampling because it only focused only on a population that was of specific interest.

The credit managers at the 44 KCB branches in Nairobi were surveyed by the researcher. Through the examination of prior loan performance records, credit scores, default rates, and other pertinent financial statement indicators gleaned from KCB's internal databases during a predetermined time frame, quantitative data was gathered.

The regression model findings were obtained by utilizing the Statistical Package for Social Sciences (SPSS) version 28 statistical tool for analysis.

The regression model was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where Y= Loan performance.

B₀ = Constant Term

$\beta_1 - \beta_3$ = Beta coefficients

X_1 = Credit History Review

ε = Error Term. The error term follows a normal distribution with a mean of zero. For the purpose of calculation, it is considered to have a value of zero.

IV. Result And Discussions

Result

Credit History Review and KCB's Loan Performance

The objective of the study was to explore the relationship between credit history review and KCB's loan performance. The objective sought information about the use of credit history review to influence loan performance, challenges experienced during credit history review and the overall perception on loan performance. The responses from the respondents were classified in a five-point Likert scale of those who agreed to those who did not agreed to calculate the mean and standard deviation.

Table 1: Credit history review and KCB's loan performance

		Strongly Disagree	Disagree	not sure	Agree	Strongly Agree	Mean	Std. Deviation
Extensive examination of an applicant's credit history is an important factor in determining the overall success of loan performance within the bank	N	0	0	3	20	14	4.30	0.618
	%	0.0	0.0	8.1	54.1			
Consideration of an individual or business's credit history is important in predicting their ability to meet loan obligations	N	3	3	8	23	1	3.42	0.976
	%	7.9	7.9	21.1	60.5	2.6		
Thorough examination of credit history enhances the accuracy of loan decisions within the bank's loan assessment process	N	1	1	7	25	4	3.79	0.777
	%	2.6	2.6	18.4	65.8	10.5		
Historical credit behavior of borrowers contributes to the overall evaluation of loan performance within the bank	N	0	2	7	14	15	4.11	0.894
	%	0.0	5.3	18.4	36.8	39.5		
Review of credit history aligns with the successful repayment of loans.	N	1	1	6	19	11	4.00	0.900
	%	2.6	2.6	15.8	50.0	28.9		

Credit Record Review and Loan Performance

Respondents were asked whether extensive examination of an applicant's credit history is an important factor in determining the overall success of loan performance within the bank. 54.1% agreed it was important in determining the loan performance, 37.8% strongly agreed it had an impact, 8.1% said they were not sure of its impact, 0% disagreed, while 0% strongly disagreed with the statement. The findings showed that 91.9% agreed that the credit review process have an impact to the loan performance, 8.1% were not sure about its performance while 0% were considered the challenges to have no impact.

Table 2: Challenges of Credit Review Process

		Not serious	Slightly serious	Moderately serious	Very serious	Extremely serious	Mean	Std. Dev
Inaccurate or incomplete credit reports	N	0	1	6	29	2	3.84	0.547
	%	0.0	2.6	15.8	76.3	5.3		
Limited access to historical credit information	N	0	3	7	9	19	4.16	1.001
	%	0.0	7.9	18.4	23.7	50.0		
Difficulty in interpreting credit data	N	1	1	7	16	13	4.03	0.944
	%	2.6	2.6	18.4	42.1	34.2		
Limited financial literacy among borrowers, affecting their understanding of credit terms	N	0	3	15	15	5	3.58	0.826
	%	0.0	7.9	39.5	39.5	13.2		
Lack of effective communication between credit departments and other business units.	N	0	2	8	13	15	4.08	0.912
	%	0.0	5.3	21.1	34.2	39.5		
Subjective nature of credit scoring models	N	1	4	5	5	23	4.18	1.182
	%	2.6	10.5	13.2	13.2	60.5		

The second question in this section asked credit managers whether limited access to historical credit information was a major challenge during credit review process. 23.7% agreed it was a serious challenge to credit review process, 50.0% argued that it was extremely serious, 18.4% said it was moderately serious, 7.9% perceived it as slightly serious, while 0% said it was not serious at all. The findings showed that 73.7% agreed that whether limited access to historical credit information was a challenge to the credit review process has an impact to the loan performance, 18.4% considered it moderately serious while 7.9% were considered incomplete credit reports to have no impact.

The third question in this section asked credit managers face difficulties in interpreting credit data. 42.1% agreed it was a serious challenge to credit review process, 34.2% argued that it was extremely serious, 18.4% said it was moderately serious, 2.6% perceived it as slightly serious, while 2.6% said it was not serious at all. The findings showed that 76.3% agreed that whether interpreting credit data was a challenge to the credit review process has an impact to the loan performance, 18.4% considered it moderately serious while 5.2% were considered incomplete credit reports to have no impact.

The fourth question in this section asked credit managers whether limited financial literacy among borrowers, affected their understanding of credit terms. 39.5% agreed it was a serious challenge to credit review process, 13.2% argued that it was extremely serious, 39.5% said it was moderately serious, 7.9% perceived it as slightly serious, while 0% said it was not serious at all. The findings showed that 52.7% agreed that whether financial literacy among borrowers was a challenge to the credit review process has an impact to the loan performance, 39.5% considered it moderately serious while 7.9% were considered incomplete credit reports to have no impact.

The other question in this section asked credit managers whether lack of effective communication between credit departments and other business units. 34.2% agreed it was a serious challenge to credit review process, 39.5% argued that it was extremely serious, 21.1% said it was moderately serious, 5.3% perceived it as slightly serious, while 0% said it was not serious at all. The findings showed that 73.7% agreed that whether lack of effective communication between credit departments and other business units. was a challenge to the credit review process has an impact to the loan performance, 21.1% considered it moderately serious while 5.3% were considered incomplete credit reports to have no impact.

Lastly, credit managers whether Subjective nature of credit scoring models was a challenge. 13.2% agreed it was a serious challenge to credit review process, 60.5% argued that it was extremely serious, 13.2% said it was moderately serious, 10.5% perceived it as slightly serious, while 2.6% said it was not serious at all. The findings showed that 73.7% agreed that whether lack of effective communication between credit departments and other business units. was a challenge to the credit review process has an impact to the loan performance, 13.2% considered it moderately serious while 13.1% were considered incomplete credit reports to have no impact.

Loan Performance

Credit managers were asked to rate the average performance of the loans taken by the bank's borrowing clients. 50.0% agreed it was very high, 23.7% argued that it was high, 18.4% said it was moderately, while 7.9% said it was low. The findings showed that 81.6% agreed that incomplete credit reports were a challenge to the credit review process have an impact to the loan performance, 15.8% considered it moderately serious while 0% were considered incomplete credit reports to have no impact. The results confirm that a majority of the credit managers at KCB consider that credit review process as positively influencing the loan performance of their clients.

Moreover, loan performance is measured using various ways. One of the most common way is the rate of loan repayment that compares the number or the amount of loan disbursed and the loan repaid. However, with difficulties in obtaining the figures from the KCB branches, the credit managers were asked to rate the following statements regarding how well the loans are performing in their respective branches. The responses were as shown in Table below.

Table 3: Loan performance

	<i>SD</i>	<i>D</i>	<i>N</i>	<i>A</i>	<i>SA</i>	<i>Mean</i>	<i>Std. Dev.</i>
The number of non-performing loans has reduced over time	0.0%	2.6%	0.0%	7.9%	89.5%	4.84	0.55
Strict credit appraisal measures by the bank has reduced the default rate of loans	0.0%	2.6%	0.0%	31.6%	65.8%	4.61	0.64
The bank has favorable interest rates on loans to encourage repayment	2.6%	2.6%	5.3%	26.3%	63.2%	4.45	0.92
The bank's loan-to-value ratios are within healthy ranges to reduce the risk of default	2.6%	7.9%	2.6%	47.4%	39.5%	4.13	0.99
Adoption of effective lending policies has enabled the bank to improve on the credit risk portfolio	0.0%	5.3%	7.9%	44.7%	42.1%	4.24	0.82

Based on Table 3 above, 89.5% of respondents highly agreed, 7.9% agreed, 2.6% disagreed, and none strongly opposed or expressed neutrality about the statement that the amount of non-performing loans has decreased over time. Further, 65.8% of respondents strongly agreed that the bank's stringent appraisal procedures decreased the percentage of loans that defaulted; 31.6% agreed, 2.6% agreed, while none of the respondents either strongly disagreed or were indecisive. Concerning bank interest, 63.2% agreed with the statement that the bank offered favorable interest rates to encourage repayment, 26.3% agreed, 2.6% strongly agreed, another 2.6% agreed, while 5.3% were neutral. In addition, 39.5% of the respondents strongly agreed that the bank's loan-to-value ratios were within healthy ranges to reduce the risk of default, 47.4% agreed to this, 2.6% strongly disagreed, 7.9% disagreed, and 2.5% were neutral. When asked about lending policies, 42.1% strongly agreed that effective lending policies had enabled the bank improve the credit risk portfolio, 44.7% agreed, 5.3% disagreed and 7.9 were neutral on this.

Correlation

The direction and degree of the association between the dependent variable and the independent variable or variables were also determined by correlation analysis. The strength and direction of the correlations between the dependent and independent variables were determined using the Pearson correlation coefficient in this case. R, the correlation coefficient, ought to take on values between minus one and plus one. According to Kothari et al. (2021), a correlation coefficient of 0 signifies no relationship, a correlation coefficient of +1 a positive linear sense (i.e., both variables increase at the same rate), and a correlation coefficient of -1 a negative linear sense (i.e., one variable increases as the other decreases). Table 4 displays the results of calculating the Pearson Correlation Coefficient, which shows the relationship between the variables.

Loan performance at Kenya Commercial Bank (KCB) was the study's dependent variable, and credit history was its independent variables.

Table 4: Bivariate Correlation matrix

		Loan performance	Financial assessment	Collateral evaluation	Credit history review
Loan Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	38			
Financial assessment	Pearson Correlation	0.833**	1		
	Sig. (2-tailed)	.000			
	N	38	38		
Collateral evaluation	Pearson Correlation	0.906**	0.793**	1	
	Sig. (2-tailed)	.000	.000		
	N	38	38	38	
Credit History Review	Pearson Correlation	0.896**	0.707**	0.831**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	38	38	38	38

Regression Analysis

The impact of the financial assessment, collateral evaluation, and credit history review on the loan performance response variable was determined by regression analysis. In addition to identifying the cumulative influence of all independent factors on the dependent variable, regression analysis may also be used to estimate the strength of the link between the dependent and independent variables (Andersson et al., 2020).

To what degree can changes in the independent variables explain changes in the dependent variable? This is what the Coefficient of Determination measures. It also indicates what proportion of the variance in the dependent variable can be explained by all of the independent variables. Typically, the coefficient is in the range of 0 to 1, with 0 indicating no fit and 1 indicating excellent match. Consequently, a closer value to 1 indicates a better match.

The study set and changed the R-squared value to 0.948 from 0.954. If you want to compare two regression models with the same dependent variable but differing numbers of independent variables, the adjusted R squared is the way to go. This indicates that the model's independent variables could account for 94.8% of the variance in loan performance, while explanatory variables could only account for 5.2% of the variance.

Previous research on the predictive capacity of regression models by f Johnson et al. (2021) found similar outcomes with an established R-squared value of 0.958, corrected to 0.951, after investigating comparable factors

impacting loan performance. These findings are consistent with that work. Approximately 95.1% of the variance in loan performance could be explained by the independent variables addressed in the model, with just 4.9% remaining unexplained, according to the analysis.

To determine if the regression model was statistically significant as a whole, Analysis of Variance (ANOVA) was employed. The assumption that the predictor variables lack explanatory power ($\beta_1 = \beta_2 = \beta_3 = 0$) is the null hypothesis for this test. With a p-value of 0.001, we can see that the R-squared value is much higher than zero, indicating that our predictors can explain a substantial portion of the variation in loan performance. The null hypothesis is rejected and the alternative hypothesis is accepted due to the substantial p-value, and it is concluded that the predictors possess explanatory power ($\beta_1 \neq \beta_2 \neq \beta_3 \neq 0$). Hence, with a p-value of less than 0.001 and a regression coefficient of 0.977, the model may be considered significant.

Table 5: Linear regression analysis

a. Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.977 ^a	0.954	0.948	0.235		
a. Predictors: (Constant), Credit history review						
b. ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	37.654	3	12.551	232.426	.000 ^b
	Residual	1.82	34	0.054		
	Total	39.474	37			
a. Dependent Variable: Loan Performance						
b. Predictors: (Constant), Credit history review						
c. Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.297	0.151		-1.967	0.058
	Credit history review	0.264	0.076	0.257	3.463	0.001
a. Dependent Variable: Loan Performance						

Multiple linear regression model,

$$Y = -0.297 + 0.264X_1$$

Where;

Y = Loan performance

X₁ = Credit history review

To find out if the independent factor (credit history review) at KCB had an impact on the dependent variable (Y), loan performance, the simple linear regression analysis was carried out. A substantial association between credit history review and loan performance is shown by the beta coefficients X₁ ($\beta=0.264$, p-value = 0.001), according to the regression findings. The p-value was less than 0.05, which means that the null hypothesis cannot be accepted. It follows that KCB's loan performance is heavily impacted by credit history reviews.

V. Discussion

Credit History Review and KCB's Loan Performance

The results shed light on how credit assessment procedures have changed over time, especially in emerging nations like Kenya. It draws attention to the difficulties that conventional credit scoring methods have when evaluating the creditworthiness of borrowers with a short credit history or non-traditional sources of income. The results of the KCB study, which examined the connection between loan performance and credit history review, are pertinent to this context. The majority of respondents to the study felt that credit history review is crucial in assessing loan performance, indicating that credit history review has a considerable impact on loan performance.

The study's issues involving limited access to reliable and up-to-date data for credit evaluation are in line with the findings, which emphasize the importance of credit bureaus in strengthening credit information exchange. In order to help banks make more informed lending decisions, credit bureaus are essential in supplying them with thorough credit histories and credit scores (Muthoni et al., 2020b). The study did discover, however, that access to accurate and current credit data remains difficult even with the presence of credit bureaus, which may have an effect on how well the credit history review process works. The study emphasizes how critical it is for credit departments and other business units to communicate effectively in order to overcome these obstacles (Martinez & Garcia, 2018). Effective communication ensures that all relevant departments are aware of the challenges faced

during the credit history review process and can work together to address them. This collaboration can lead to improvements in the credit assessment process, ultimately improving loan performance. This study emphasis on the role of credit bureaus and effective communication in enhancing credit access and improving loan performance is supported by the findings of the study. Addressing the challenges identified in the study, such as limited access to accurate credit data, and improving communication between departments can lead to more effective credit assessment processes and better loan performance outcomes. The findings in this study identify the significant challenges faced by banks in developing economies in accessing comprehensive credit data. This resonates with the findings of the study, which identified challenges such as inaccurate or incomplete credit reports and limited access to historical credit information. These challenges hinder banks' ability to accurately assess credit risk and make informed lending decisions, underscoring the need for a more comprehensive credit information sharing mechanism among banks, as suggested by (Mutuku, 2020).

VI. Conclusion

Credit History Review and KCB's Loan Performance

The main conclusions from the findings are centered on the evolution of credit assessment practices, particularly in developing economies like Kenya, and the challenges faced by traditional credit scoring models in assessing creditworthiness. The study highlights the importance of credit history review in loan performance, indicating that it plays a significant role in determining loan performance. This aligns with the challenges identified in the literature regarding the limitations of traditional credit scoring models in assessing borrowers with limited credit history or unconventional income sources, emphasizing the need for alternative credit assessment practices.

This study emphasizes the role of credit bureaus in enhancing credit information sharing and improving credit access. Despite the existence of credit bureaus, challenges still exist in accessing accurate and up-to-date credit data, impacting the effectiveness of the credit history review process. Effective communication between credit departments and other business units is crucial for overcoming these challenges and improving loan performance. This underscores the importance of addressing challenges in credit information sharing and improving communication within banks to enhance credit assessment processes and improve loan performance outcomes.

The study's limitations are reflected in the findings, which underscore the major obstacles that developing-nation banks confront in obtaining all-encompassing credit data. Banks' capacity to effectively assess credit risk is hampered by issues including inadequate or erroneous credit reports and restricted access to previous credit data. Improving credit assessment procedures and loan performance requires addressing these issues and putting in place a more thorough framework for banks to share credit information.

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