Timeline
2020-2021

Study Type
Quasi-experimental Analysis

Research Implemented by IPA
Yes

Understanding the Effects of Digital Credit Information Sharing in Kenya

Researchers

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Abstract

Digital credit in Kenya has become a tool for households and small businesses to manage their day-to-day expenses, but concerns have been raised regarding rising household debt levels and defaults. In this project, IPA will collaborate with the Digital Lenders Association of Kenya (DLAK) to analyze credit data with a new information sharing system and measure the system's effects on issues such as multiple lending, loan screening, and defaults. The study coincides with the COVID-19 crisis and will also measure its effect on repayment rates and borrowers' household and economic activities. Understanding the impacts of COVID-19 on different types of borrowers is critical for policymakers and credit providers to design responses that protect affected borrowers while limiting risks to providers.

In this study, IPA and the Digital Lenders Association of Kenya (DLAK) will combine administrative data from digital lenders and a survey of borrowers for two objectives:

Effects of Information Sharing: To improve upon the providers' lending capability, IPA will monitor usage of DLAK's information-sharing platform, how historical loan information is assessed, and its effects on multiple lending and loan repayments going forward. On the side of borrowers, the research team will monitor borrower responses to DLAK's disclosure of information-sharing and identify borrower patterns that may indicate strategic defaults using SMS messages.

Impacts of COVID-19: This study will also measure the impact of the 2020 pandemic and accompanying economic crisis on repayment rates and borrowers' household and economic activities. In addition, the team will explore some of the lenders' policies towards borrowers who missed their payments during the lockdown.

The study will take advantage of the staggered entry of lenders into the platform to test the various hypotheses that are of interest to DLAK and the research team.

Project Outcomes of Interest

Loan repayment rates and borrowers' household and economic activities during the COVID-19 crisis

Partners

Digital Lenders Association of Kenya

Impact Goals

- Build resilience and protect the financial health of families and individuals

Project Data Collection Mode

- CATI (Computer-assisted telephone interviewing)
- Web

Results Status

No Results Yet