HOUSEHOLD INDEBTEDNESS SURVEY REPORT

DECEMBER 2020

BANK OF BOTSWANA

EXECUTIVE SUMMARY

This survey measures the level of household indebtedness in Botswana, using data collected from commercial banks, statutory banks, micro-lenders, hire purchase stores, and Savings and Credit Cooperative Societies (SACCOS). Data was collected by the use of an online questionnaire and from statutory returns of commercial and statutory banks.

It is envisaged that the findings of this survey will determine the extent of vulnerability of the financial system to exposures from the household sector and guide the determination and implementation of financial sector policies, in general, for the efficient functioning of the financial system. Furthermore, the survey results will be used as a public awareness material that makes it easier for the public to comprehend credit markets and guide households towards more effective financial management. Additionally, since over-indebtedness is a structural state, which indicates the inability (on an ongoing basis), to fulfil debt obligation in full and on time the results of the survey can be used to determine the magnitude of indebtedness among households.

As at the end of December 2019, total household debt amounted to P50.7 billion, comprising of bank loans (88.6 percent), micro-lenders loans (9.4 percent), hire purchase credit (1.3 percent) and SACCOS loans (0.6 percent). As a percent of GDP, total household debt was 25.8 percent in the same period. Generally, banks and microlenders viewed the outlook for demand for credit to be moderate, while hire purchase stores expected it to be generally low in 2020. Similar to the 2018 survey, the current survey indicates that men tend to borrow more than females and the middle-aged population (30 to 49 years old) tends to take on more debt than other segments of the population. Furthermore, households earning incomes between P3 001 and P20 000 per month actively participate in credit markets compared to those who earn income outside this range.

1. INTRODUCTION

1.1 This survey measures the level of household indebtedness in Botswana, using data collected from commercial banks, statutory banks, micro-lenders, hire purchase stores, and Savings and Credit Cooperative Societies (SACCOS). The survey examines the demographic profile of borrowers; purpose of household credit; cost of credit; quality of loan book; lending and risk mitigation strategies. The results are expected to inform policy formulation, as well as institutional frameworks and regulations in order to facilitate disciplined access to credit and mitigate the risks associated with any form of unsupported high levels of borrowing, from multiple sources, by the households and/or retail sector. Overall, policy makers need to carefully balance the benefits and risks of household debt over various time horizons while harnessing the benefits of financial inclusion and economic development.

1.2 A general expansion in borrowing by households is supportive of economic growth and development, mainly through consumption spending and acquisition of high-value assets, such as property (housing) and other income-generating assets (e.g. livestock). However, there can be an increase in financial risks when increasingly higher rates of household credit growth are not supported by a commensurate increase in personal incomes, wealth accumulation or such credit does not generate a rise in welfare. Risks are particularly elevated when financial conditions suddenly tighten; for example, a sharp increase in interest rates or financing costs that adversely affect the ability of borrowers to continue to meet the repayment obligations in a sustainable manner. Risks emanating from high levels of household leverage are usually more pronounced in developed countries than in emerging markets and developing economies (EMDEs), due to relatively lower average household debt and limited participation in the credit markets in EMDEs. In general, the financial sector of many EMDEs is small relative to the size of the economy, consequently the ratio of household debt to Gross Domestic Product, is similarly low, as is the case in Botswana.

1.3 This Survey report is organised into three sections. Section 2 describes the methodology used in conducting the survey. Section 3 discusses the findings of the Survey, while Section 4 concludes the report.

2. DATA DESCRIPTION AND METHODOLOGY

2.1 This survey measures the features of household debt, including debt-to-income ratios, debt service capacity and alternative sources of funding in 2019. The debt service ratio is a key parameter for assessing the capacity of households to meet their debt obligations in a sustainable manner. The analysis makes use of information gathered from commercial and statutory banks, eight micro-lenders, four large hire-purchase stores and fifteen savings and credit cooperative societies (SACCOS). In order to achieve the objective of the Survey, primary data was collected using an on-line questionnaire, and was augmented with secondary data from statutory returns of commercial and statutory banks submitted to the Bank of Botswana (the Bank). Data submitted to the Department of Cooperatives by SACCOS in Gaborone Region was also utilised. The Survey questions covered aspects on the outlook for the demand of credit; demographic characteristics of households; credit application processes; characteristics of the credit/loan book; and credit risk strategies relating to household debt. Due to COVID-19 movement and social distancing restrictions, the Survey was conducted using an on-line platform, whereby respondents could access and submit the completed questionnaire from their respective remote working areas.

2.2 For purposes of this Survey, household debt refers to a loan or credit acquired, or debt incurred for a variety of purposes. Often, credit is acquired or debt is incurred to finance the purchase of specific assets, such as owner-occupied residential property, commercial real estate, equipment and vehicles, which are pledged as collateral for loans. Households also incur debt to finance current consumption, education or medical expenses, development of small businesses, and purchase of equity or other financial assets. Interest rates, the size of monthly payments for installment loans, expectations regarding future income, and wealth are all factors that affect household decisions to borrow.

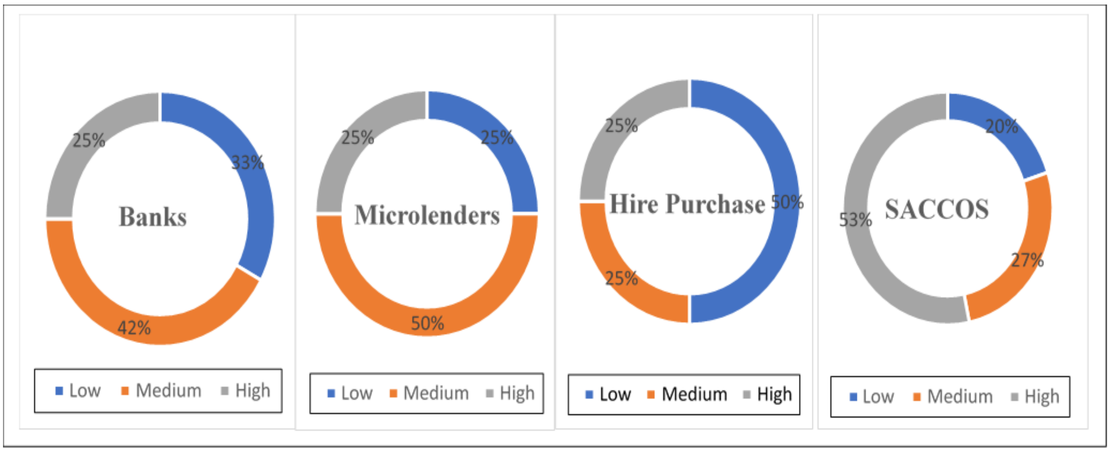
3. FINDINGS

(a) Demand for Credit - 2020 Outlook

3.1 Overall, banks and microlenders generally viewed the outlook for demand for credit to be moderate, while hire purchase stores expected it to be generally low in 2020 (Chart 3.1). On average, 25 percent of both banks and microlenders expected demand for credit to be high in 2020 on the backdrop of the increase in Government employee salaries and the reduction in the Bank Rate. On the other hand, 50 percent of microlenders, 42 percent of banks, 27 percent of SACCOS and 25 percent of hire purchase stores expected demand for credit to be moderate in 2020. The banks explained that their moderate outlook for demand for credit is informed mainly by their intention to grow the loan book, particularly secured lending. However, microlenders indicated that they expect most of their customers to continue with their “normal’’ borrowing habits as most of them are employed by Government (government workers have not lost their jobs even during COVID-19 pandemic). Other factors mentioned by microlenders that influenced their moderate outlook for demand for credit include delays in the salary increment for Government employees; reduction of incomes due to COVID-19, the possibility of job losses due to COVID-19; and lockdowns (as well as restrictions of movements) which resulted in closure of some businesses.

3.2 Meanwhile, 50 percent of hire purchase stores, 33 percent of banks, 25 percent of microlenders and 20 percent of SACCOS stated that they expect demand for credit to be low in 2020. The expected slowdown in the economy anchors the banks’ expectations, while uncertain prospects for employment as a result of COVID-19 informs the expectations of hire purchase stores.

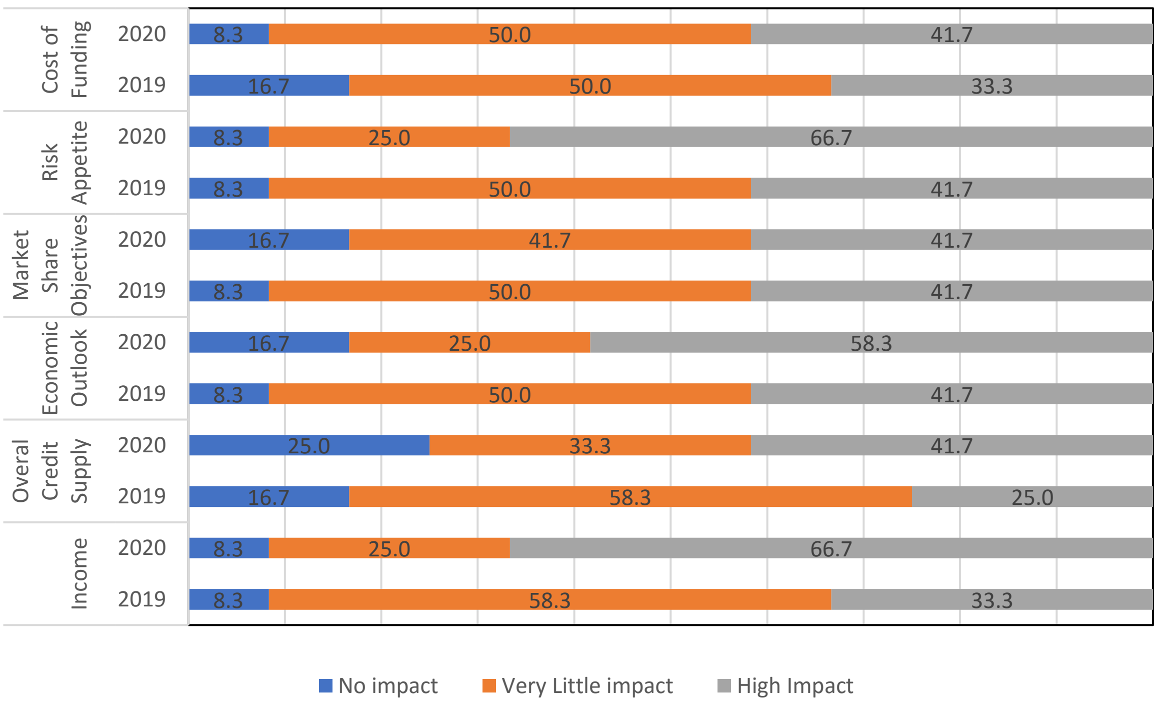
Chart 3.1: 2020 Outlook – Demand for Credit



Source: Banks, Microlenders, Hire Purchase Stores and SACCOS

3.3 The majority of banks expect income, economic outlook and risk appetite to have high impact on the demand for credit in 2020 (Chart 3.2). On the other hand, some banks indicated that the said indicators, (together with overall credit supply and cost of funding) had very little impact on the demand for credit during the one-year period ending December 2019.

Chart 3.2: Factors Affecting the Availability of Credit (Percent)



Source: Banks and Author's calculations

(b) Demography of Households

3.4 As at the end of 2019, there were 640 433 household borrowers comprising 349 681 (54.6 percent) male and 290 752 (45.4 percent) female borrowers at banks, micro-lenders, hire-purchase stores and SACCOS. According to Morsy (2020), gender bias towards males in the credit market, indicates that it is not necessarily the supply side constraints that discourage females to participate, but rather, their own perceived low credit worthiness due to relatively lower financial literacy and risk aversion (which can manifest as fear of failure).

3.5 Banks (commercial banks and statutory banks) accounted for 65.7 percent of total household borrowers, followed by hire purchase stores (17.0 percent), microlenders (16.0 percent) and SACCOS (1.4 percent). The Survey indicates that household borrowers aged 30 to 50 years participated more in the overall credit market, at 60.7 percent, followed by those less than 30 years (20.5 percent) and those aged 50 years and above (18.7 percent). In terms of categorisation of amount outstanding by gender, more males (61 percent) were indebted than females (39 percent).

3.6 The summary of findings presented in Table 3.1 also shows that the majority of household borrowers were Government employees (54.8 percent), followed by private sector employees (43.2 percent). Unemployed individuals made up 1.3 percent and those that are self-employed accounted for 0.7 percent of total household borrowers. Relating to monthly income levels, the majority of borrowers earned monthly income ranging from P3 000 to P19 999[1] (56.8 percent), followed by those who earned less than P3 000 per month (33.2 percent), while those earning P20 000 and above per month constitute 10.1 percent.

Table 3.1: Percentage Distribution of Household Borrowers by Gender, Age, Employment and Income

	2017	2018	2019
Gender	**Percent**	**Percent**	**Percent**
Males	56	57.2	54.6
Females	43	42.8	45.4
Unclassified	1		
Age	**Percent**	**Percent**	**Percent**
< 30	12	11.6	20.5
30 - 50	68	59.9	60.7
50+	20	19.1	18.7
Unclassified		9.4	
Employment Status	**Percent**	**Percent**	**Percent**
Government Employed	94	60.4	54.8
Privately Employed	1	25.2	43.2
Self Employed	2	0.7	0.7
Unemployed	3	2.7	1.3
Unclassified		11	

[1] Monthly average cash earnings for employees in the formal sector was P5 495 in December 2019.

Income	Percent	Percent	Percent
<P3000	19	27.6	33.2
P3001 - P19 999	71	59.1	56.8
P20 000+	8	13.3	10.1
Unclassified	2		

Source: Banks, Microlenders, Hire Purchase Stores and SACCOS

Note: Household Indebtedness Survey for 2017 covers banks (commercial banks and statutory banks); 2018 covers banks, microlenders and hire purchase stores; and 2019 covers banks, microlenders, hire purchase stores and SACCOS.

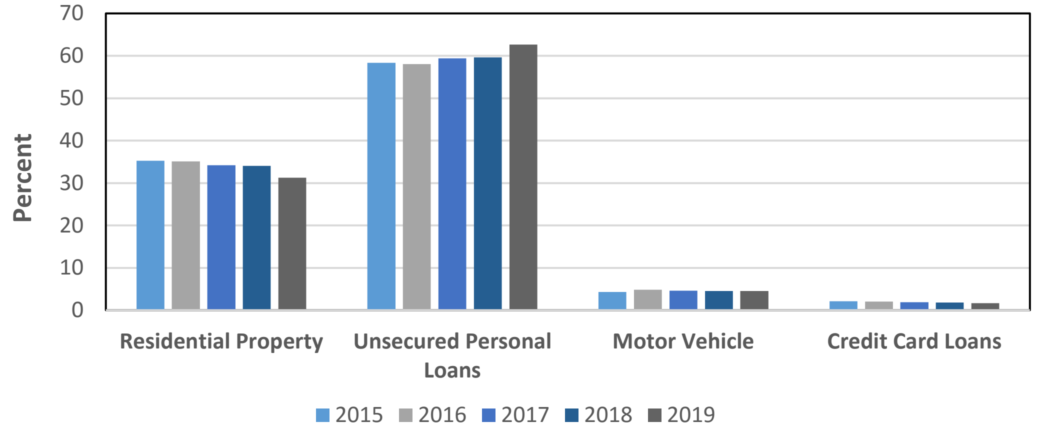
3.7 In Botswana, Government is the largest single employer, which explains the largest contribution of Government employees to total household debt. Cognizant of that, some credit providers use Government-prescribed net take-home pay rules. Furthermore, domestic credit is being channelled to the most productive age group (30 - 50 years) in terms of the consumption smoothing concept of the life cycle income hypothesis; thus, being supportive of welfare enhancement, economic growth and development.

3.8 The survey results are consistent with the findings of the Global Financial Stability Report (2017), which states that lower-income groups typically participate less in credit markets, and their credit profiles are weaker. This suggests that lower-income households are most vulnerable to cyclical fluctuations in income and are less likely to benefit from positive wealth effects, given their relatively low net asset holdings. From the banks' perspective, low-income earners are generally perceived to represent a higher credit risk and, therefore, have credit constraints imposed upon them, which, in turn, reflects their relatively low participation rate. The report further states that household groups that participate actively in credit markets, however, have, on average, higher risk profiles, with higher debt-to-assets and debt-to-income ratios as well as higher debt service ratios (defined as total debt repayment as a percentage of total income).

(c) Types of Credit by Banks, Microlenders, Hire Purchase Stores and SACCOS

3.9 As shown in Chart 3.3, most of the lending to households by banks is in the form of unsecured personal loans which stood at 63 percent of the total bank credit in December 2019, up from 58 percent in 2018. The second largest debt category is for residential property at 31 percent, which declined from 34 percent in 2018, followed by motor vehicle loans at 5 percent and credit cards at 2 percent.

Chart 3.3: Share of Household Borrowing by Type



Source: Banks

3.10 The evidence obtained from the survey is that hire-purchases are mostly used for furniture (52.9 percent), followed by home appliances (27.6 percent), and electronic equipment and devices (19.4 percent). Loans from micro-lenders are mostly for personal use on education, renovations of property, acquisition of business or expansion and debt consolidation. Majority of SACCOS (93 percent) offer convenience, quick or salary advance loans, while 86.7 percent and 60 percent grant short term (emergency) and personal loans, respectively.

(d) Credit Application Process

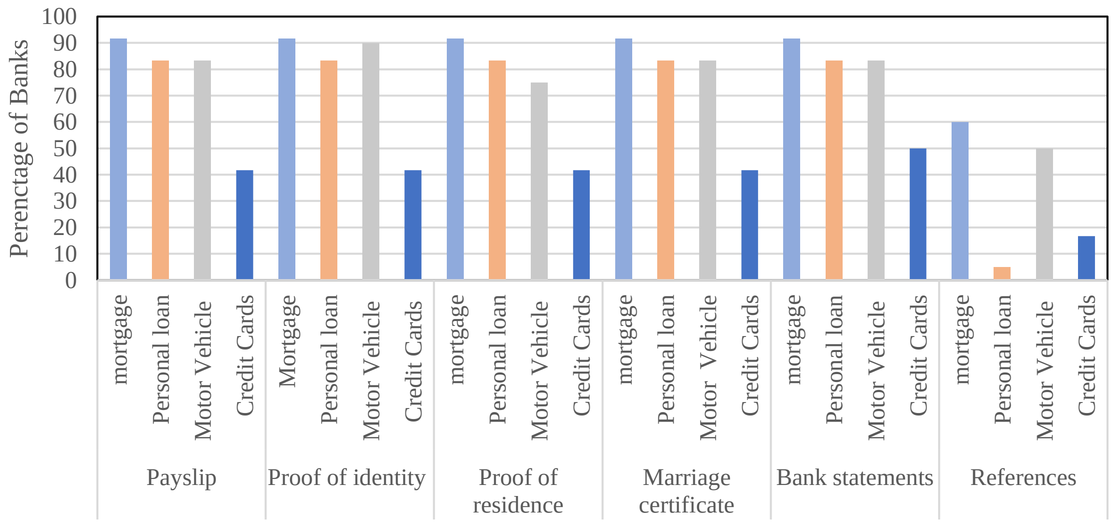
(i) Documents Required During Application for Credit

3.11 The credit underwriting standards are established by lenders; that is, it is the credit providers who determine the minimum standards for credit extension and accordingly ensure that the borrowers meet the terms and conditions for accessing the credit. As such, credit providers undertake a wide spectrum of assessments to determine the credit worthiness of potential borrowers. Moreover, the terms of household debt contracts and various institutional factors are important in ensuring that credit is granted to individuals that have the capacity to service debt in accordance with agreed repayment terms.

3.12 The results indicate that the majority of institutions surveyed require borrowers to produce an identification document and proof of earnings (payslip and bank statements). In addition, banks subject potential borrowers to credit bureau checks for credit history profile to identify any adverse credit reference, which if any, would disqualify a borrower from being granted the credit. The requirements are generally the same for hire purchase stores and micro-lenders. All the SACCOS who responded to the survey indicated that a payslip is one of the required documents for a loan application to be processed, while 60 percent require proof of identification, 13.3 percent both proof of residence and bank statements, and 6.7 percent marriage certificate.

3.13 The identification and document requirements for loan application by bank is standard across the industry. Chart 3.4 shows requirements of documents by banks per the type of credit facility applied for. The majority of banks (between 60 - 90 percent) require more documentation in the processing of mortgage loans, followed by personal and motor vehicle loans while fewer banks require detailed documentation for processing credit card loans. A few banks require references when processing applications for different types of loans. Screening for mortgage applications tends to be stricter than other types of loans because the credit facility is long term in nature, and the longer the maturity, ceteris paribus, the greater the risk of the borrower encountering problems to service their debt obligations.

Chart 3.4: Documents Required During Application of Credit



Source: Banks

3.14 Other documents required by banks include: letters confirming employment; consent by spouse; copy of title deed, sale agreement, valuation report and architectural plan for home loans; valid driver's licence and quotation for new vehicles; and motor vehicle registration book, road worthiness certificate and sales offer indicating price of vehicle for boarded (used) vehicles.

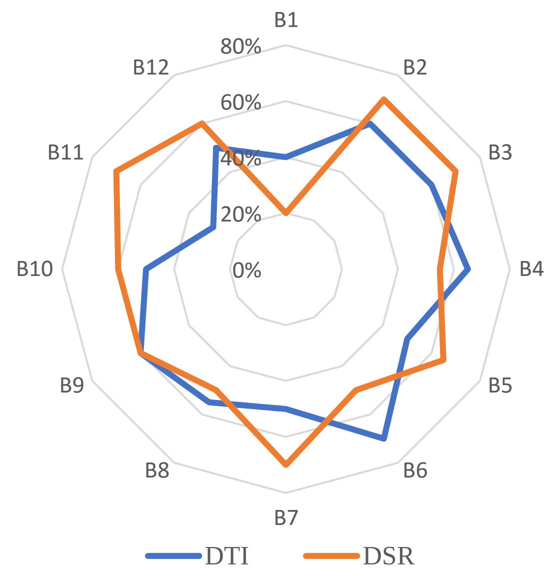
3.15 For the year ending December 2019, a total number of 31 133 loan applications, valued at P5 286 million were rejected by banks. This represented approximately 40 percent of total loan applications for the reference period. Inability of some households to satisfy certain stipulated requirements led to the rejection of credit applications. Specifically, the survey reveals that rejections were mainly due to observed bad management of personal bank accounts; failure to meet minimum employment period and thresholds such as the debt-to-income ratio (reflecting over-indebtedness); failure to agree on the rate of interest by the bank and the customer; and rejection of property presented to the bank as collateral due to poor structural integrity (in the case of mortgage loans).

(ii) Assessment of Credit

3.16 Credit providers use the debt-to-income (DTI) ratio to evaluate the credit worthiness of applicants and the debt-service ratio (DSR) to assess the borrowers' debt service burden during the life cycle of the credit facility. The DTI ratio compares the periodic instalment to periodic earnings, while the DSR is the share of a borrower's income allocated to loan repayments over a given period, say one year (total loan repayments/total income). A low (high) DTI indicates good credit worthiness (indicates over indebtedness); while a low (high) DSR indicates an increased capacity to timely service the credit (indicates some financial constraint).

3.17 For 2019, the DTI ranged between 30 percent and 70 percent for banks (average of 54.2 percent), 35 percent and 70 percent for microlenders (average of 44.7 percent); and 25 percent to 35 percent (average of 30 percent) for hire purchase stores. Compared to survey results obtained in 2018, the DTI was largely unchanged. The DTI in the previous year ranged between 35 percent and 70 percent for banks, 35 percent and 65 percent for microlenders; and 25 percent to 35 percent for hire purchase stores. Evidence from the survey shows that DTI varies from one lender to the other, but Angel and Heitzmann (2015), suggest that the DTI should be 40 percent or below. Thus, households that find themselves with higher DTIs would have a relatively higher financial burden than those at the lower end of the spectrum. On the other hand, DSR for banks ranged between 20 percent and 70 percent (Chart 3.5).

Chart 3.5: Debt-to-Income Ratio and Debt-Service Ratio



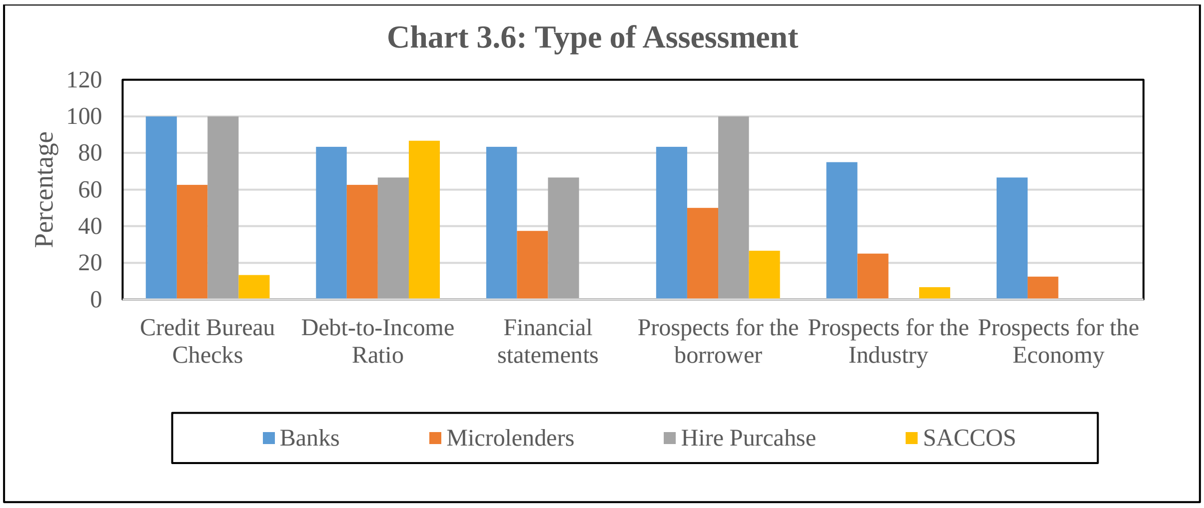
Source: Banks
Note: B1 to B12 represents banks that were surveyed.

3.18 In addition, the Loan-to-Value (LTV) ratio is used by lenders to assess the potential coverage of outstanding loan through liquidation of collateral, thus the level of risk associated with debt taken. The LTV relates the amount borrowed to the value of property financed, typically mortgage loans. Therefore, the ratio is also often used for evaluating mortgage applications or acquiring mortgage insurance. A higher LTV ratio represents low "equity" contribution in the property financed, hence exposes the credit provider to a higher risk of loss in the event of default. As a macroprudential policy measure, LTV thresholds are imposed or recommended to ensure that banks are sufficiently prudent in their lending standards to safeguard individual banks' solvency and the stability of the whole financial system, particularly given the vulnerability of the property market to large price fluctuations.

3.19 During the year under review, the lowest LTV for banks was 40 percent, while the maximum LTV was 105 percent. Majority of banks reported that they have higher LTV ratio as high as 100 percent for mortgage loans, exposing them to financial losses in situations where the proceeds from the sale of repossessed property (foreclosures) are not adequate to expunge the amount of loan balance outstanding from the books of the lender. This is also what is often referred as Loss-Given-Default (LGD) or recovery risk. For this reason, loans with high LTV ratios have stricter requirements. For example, the borrower may be required to obtain insurance cover, which increases the cost of the mortgage. Therefore, mortgage insurance can be used as a risk mitigation tool in relation to high LTV mortgages. Additionally, in terms of the capital adequacy requirements for banks in Botswana, known as Basel II rules, the LTV ratio that is in excess of 90 percent is assigned a higher risk weight than the standard 35 percent for owner-occupied residential mortgage loans.

3.20 On average, 75 percent of banks use credit rating models to assess the credit worthiness of customers. Majority (89 percent) of these banks' models include information relating to current and past loans; 67 percent to records and bankruptcy measures; and 33 percent to unpaid medical and utility bills. Extra information embedded in the models include interest rates, income, years with the bank and employer, dishonoured cheques, years at residential place, tenure of the loan requested, contactability (different contact points of a customer like mobile number, work number, home number) and age of the borrower.

3.21 In addition to indicators embedded in the banks' credit rating models, credit providers give due consideration to prospects for the economy, industry and the borrower, as well as financial statements when assessing a potential borrower (Chart 3.6). Furthermore, banks use credit bureau checks to identify high risk borrowers. Generally, the assessment undertaken by SACCOS is less strict compared to those undertaken by other credit providers because of a different SACCOS business model whereby they lend money only to their members and the security of the loan is the members' savings. The debt-to-income ratio is the most commonly used indicator by SACCOS, while other indicators are less prevalent.



Source: Banks, Microlenders, Hire Purchase Stores and SACCOS

(e) Characteristics of the Loan Book

(i) Quality of the Loan Book

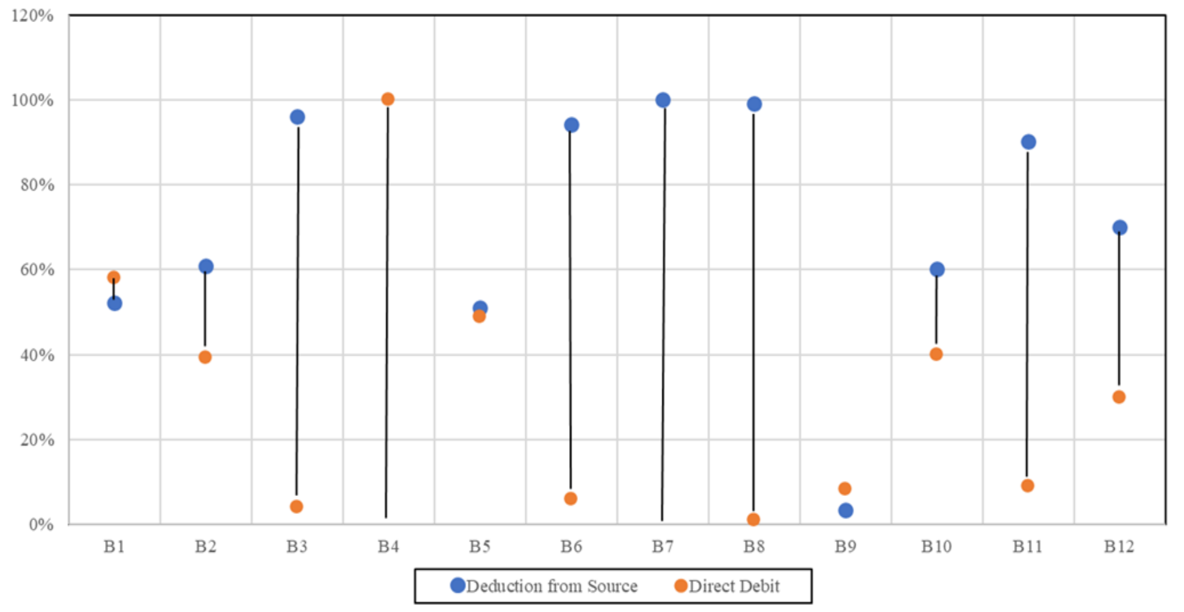
3.22 In general, banks and micro-lenders indicated that the default rate was well managed during 2019, the same sentiments revealed in the results of the survey conducted for the year 2018. On average, 58.3 percent of banks experienced a moderate default rate and 41.7 percent a low default rate. In terms of the outlook for 2020, 50 percent of banks expect a high default rate while 33.3 percent and 16.7 percent expect the default rate to be moderate and low, respectively. Banks which indicated that the default rate is likely to be high in 2020 attributed that to the expected impact of COVID-19 on jobs, thus impairing the ability of households to service their debt.

3.23 Similarly a large percentage of microlenders indicated that there was a reduction in the default rate during the period under review compared to the prior years. However, half of hire purchase respondents indicated that the default rate was a concern in 2019, while the other half indicated that it was not a major concern.

(ii) Servicing of Debt by Households

3.24 Across the banking sector, the percentage of households who serviced their debt directly from their payroll ranged from 51 percent to 100 percent; whilst that for direct debit from personal bank accounts ranged from 1 percent to 100 percent (Chart 3.7). As for hire-purchase, the majority of households service their debt through in-store payments (an average of 88 percent). Some microlenders deduct monthly repayments directly from the employer and also allow for electronic funds transfer. On the other hand, SACCOS have indicated that, on average, 96 percen t of their customers service their debt directly from source.

Chart 3.7: Servicing of Debt by Households



Source: Banks
Note: B1 to B12 represents banks that were surveyed.

(iii) Cost of Credit to Households

3.25 The interest rate charged by banks on most household loans is linked to the prime lending rate (and therefore, the Bank Rate), therefore carry variable or floating rates. The prime lending rate decreased from 6.5 percent in December 2018 to 6.25 percent in December 2019 (2020: 5.75 percent), reflecting a more accommodative monetary policy stance by Bank of Botswana. As such, the cost of credit has generally been declining. Across the commercial banking sector, interest rates charged on mortgage loans declined from an average of 8.3 percent in December 2018 to 8.1 percent in December 2019 while for personal loans decreased from 14.9 percent to 12.7 percent. Over the same period, interest rates charged on credit cards[2] increased from an average of 21.9 percent to 26.8 percent. By type of loan, credit card loans are the most expensive (as high as 36 percent), followed by unsecured personal loans (as high as 28.5 percent) across all banks that have these facilities. Mortgage and motor vehicle loans are generally cheaper in comparison because they are asset-backed, hence they are less risky to lenders.

3.26 In addition to interest rates, banks impose different types of charges, and these include administration fees or arrangement fees or processing fees, documentation fees, insurance fees, collection fees, facility fees and valuation fees. Some banks have early repayment penalty and credit reference or clearance fees. These fees are either proportionate to the loan amount (ad valorem) or fixed.

3.27 The lowest and highest interest rates charged on hire purchase was 22 percent and 33 percent, respectively over the period under review. Late payment fees are extra charges applied by hire purchase stores, while other charges include application and insurance

2 Credit cards are the riskiest of the credit facilities available at banks. Interest rates charged on them can be adjusted upwards or downwards to reflect the level of risk, usage and the timing of re-payments. These interest rates are not linked to the prime rate.

fees. About 50 percent of micro-lenders who responded to the survey indicated that they charge application fee and about 25 percent charge administration fees. Some microlenders charge interest rates as high as 60 percent per annum. Interest rates charged by SACCOS on unsecured personal loans are relatively low compared to those charged by other credit providers, with some SACCOS charging 10 percent per year.

(f) Strategies by Credit Providers on Household Lending

(i) Lending Strategies

3.28 Most banks' lending strategies focussed on increasing the market share, proportion of loan book and contribution to overall income. Regarding microlenders, 37.5 percent focused solely on increasing market share, while the other 37.5 percent focused on the combination of increasing the market share, proportion of loan book and contribution to overall income. Lastly, 12.5 percent of microlenders aimed to increase the proportion of the loan book and the remaining 12.5 percent to increase their membership. Almost all hire purchase stores focused on increasing the market share and profits.

(ii) Risk Mitigation Measures

3.29 In order to mitigate risks associated with lending to the household sector, banks engage in extensive credit worthiness checks and arrange for deducting monthly repayments from source and through direct debit (standing debit orders). Other risk mitigation measures include cession of credit life policies, obtaining retrenchment insurance covers, personal guarantees and mortgage protection policies. The measures are generally the same for microlenders. Hire purchase stores generally mitigate the risks by carrying out extensive credit worthiness checks and obtaining retrenchment insurance cover.

3.30 As mentioned earlier, the business model for SACCOS is unique in comparison to other credit providers. An individual qualifies for membership if he/she is employed by the organisation that has established the SACCOS. Karagu and Okibo (2014) note that this set up, has enabled SACCOS to manage risk, enforce lending contracts and reduce transaction costs of delivering credit.

4. CONCLUSION

4.1 Generally, the Survey results, which are based on data sourced through the administration of online questionnaires, suggest minimal risks to financial stability posed by the level of household indebtedness in 2019. Majority of credit providers expect a moderate to high demand for credit in 2020 as a result of progressive reductions in the Bank Rate and increase in salaries of Government and other public sector employees. However, the demand for credit is likely to be negatively affected by the loss of incomes and possible losses of employment due to the COVID-19 pandemic. Banks continue to dominate in providing credit to households with the majority of loans being unsecured personal loans. A larger percentage of household borrowers are the middle-aged (men or female) who earn around the average monthly income in the formal sector. Therefore, credit extension accords with the life cycle consumption pattern. It also contributes to cross-generational welfare enhancement and is supportive of economic growth and development.

4.2 There were no new types of loan products introduced in 2019, nor any additional documents required for processing loan applications. The majority of borrowers are employed; with most credit providers deducting the monthly repayments at source, that is from the payroll, thus reducing the probability of default by borrowers. Other risk mitigation strategies in place include insurance cover and personal guarantees.

4.3 Compared to previous surveys, the DTIs were unchanged in 2019 while the lowest LTV was 40 percent and the maximum was 105 percent (an increase from 100 percent reported in the previous survey). The DSR for banks, which was calculated for the first time in 2019 ranged between 20 percent to 70 percent.

4.4 In general, banks and micro-lenders indicated that the default rate was well managed during 2019, the same as in the survey conducted for the year 2018. Policy makers should continue to closely monitor the level of household indebtedness, as well as domestic and international developments that could potentially affect the ability of households to honour their debt obligations, thus negatively affecting the asset quality of credit providers. This would ensure a timely response to any disturbances emanating from such shocks.

4.5 Finally, data challenges remain a major constraint in undertaking some vital household indebtedness analysis. In particular, data inconsistencies proved to be a problem. Furthermore, there is possibility of double counting as borrowers can be counted more than once due to their association with more than one credit provider. Therefore, there is need for a central credit reporting system whereby the data for household borrowers is hosted in a central place.

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