

CALL FOR PAPERS

Theme: Credit Market Dynamics in an Evolving Regulatory and Market Participants' Environment



CENTRE FOR RESEARCH ON
FINANCIAL MARKETS AND POLICY®

The Kenya Bankers Association Centre for Research on Financial Markets and Policy® invites researchers to submit proposals for papers to be presented at its 7th Annual Kenya Bankers Association Banking Research Conference. The theme is this year's Conference, scheduled for September 2018, is: **Credit Market Dynamics in an Evolving Regulatory and Market Participants' Environment**.

The goal of the Conference is to stimulate a deeper understanding how the financial system can promote efficient credit allocation to the real economy. In the event that the credit market tightens or is skewed towards one economic segment at the expense of others, then the extent of its growth catalysing role is impaired.

Over the past decade the credit market has been characterised by major developments, notably the following:

- Subsequent to the 2007–08 global financial crisis the regulatory environment upon which financial market players operate in has tightened in a manner that has a bearing on the credit market. Risk management generally, and credit risk management particularly, has quickly moved from being seen as a support function of banks to being the core function.
- Technology has embedded itself in the financial intermediation process to the extent that perceptions of market competition have evolved beyond the narrow sense of what happens amongst players in a similar industry to incorporate entities offering similar financial services but in a different, if at all, regulatory environment. In this respect, financial technology players have emerged both as enablers of credit delivery by conventional credit providers as well as being financial service providers themselves.
- The role of the state – expressly or otherwise – has influenced credit allocation either through its fiscal resource requirement that affects credit cost and availability to other segments of the economy or by policy designs seeking the financial system to allocate financial resources to certain sectors pursuant to stated developmental aspirations.

The Kenyan financial system is, in many respects but more so based on the asset size, bank-led. The banking industry assets, predominantly private sector loans, have over the decade registered a double digit annual rate of growth until the last quarter of 2015. Subsequently, the rate has plummeted to lower single digit. While that in itself is interesting to examine, there are other factors that make a deeper analysis of the credit market dynamics compelling.

First, the economy's real growth rate has been characterised as healthy even as the private sector is evidently credit constrained. Then the share of credit classified as non-performing has been increasing. Further, there is an asymmetric credit pricing regime introduced by the Banking (Amendment) Act 2016. Finally, the accomplishment of the government's identified areas of development focus – namely housing, manufacturing, food security and universal health coverage – will require the complementarity of private and public resources.

Against the above background, the Conference papers will put a spotlight on three areas.

- One, examining how the credit market structure – not just in terms of the number of players but also the type of players – has an influence on expectations of credit allocation. Proposals on this area should aim to answer the question on whether the credit provided by the prudentially regulated institutions is substitutable with that provided by non-regulated agencies, including financial technology companies.
- Two, analysing the emergence of asymmetric behavioural patterns on the part of credit providers and credit seekers. Proposals on this area should interrogate whether there is a behavioural switch in terms of borrowers' expectations in the context of cost of and access to credit in the event of a shift from regulated to unregulated lenders and vice versa.

- Three, an assessment of the argument that the complementarity of public sector and private sector financial resources depend not just on the quantum of the public resources but also on the extent to which they contribute to derisking, thus incentivising private sector resources. Proposals in this area should seek to answer the question on whether there are opportunities for commercial lenders in key sectors such as housing, agriculture that are not being fully realised and what are the constraints to the full realisation of the potential.

In addressing these three areas, the Conference will seek to contribute to the knowledge on the following:

- What influences credit flows or lack thereof to key sectors of the economy such as agriculture, housing and manufacturing;
- Financial technology as an enabler or a disrupter in the credit market and what that means to access and cost of credit to vulnerable but critical segments of the economy such as low income households and micro small and medium enterprises;
- Perceptions and behaviour of credit seekers to the various credit providers and how they are revealed in the nature of credit they access, its cost and other terms, and the credit record; and
- Regulation and how it influences credit at the aggregate levels as well as sector and/or business segment level.

The emphasis of the conference will be on high quality research on the theme motivated above, with a clear balance between theory and application, and policy relevance of the research findings.

An honorarium will be paid for each paper selected for the conference. Further, all conference papers will be reviewed for possible publication in the KBA Centre for Research on Financial Markets and Policy® Working Paper Series (<http://www.kba.co.ke/research-center/working-paper-series>)

Requirements

1. Interested researchers should submit a written research proposal to the KBA. All proposals should be strongly aligned to the above motivated theme of *Credit Market Dynamics in an Evolving Regulatory and Market Participants' Environment*. Each proposal **should not be more than five pages** and should include:
 - Motivation of the study
 - Key hypotheses to be tested
 - Research methodology
2. The research area can focus on either one of the areas outline or bring out dimensions of linkages to other areas in the theme line.
3. The proposal should include a **300-500** word abstract.
4. A **brief biography of the researcher/research team** including their professional qualifications and research experience. The biography **should not be more than two pages**.

Key Dates 2018

14 th April 2018	Deadline for submission of research proposal
28 th April 2018	Notification of the authors of selected research proposals
22 nd July 2018	The full research papers completed by the authors and submitted to KBA Centre of Research on Financial Markets and Policy®
August 2018	Technical Review Workshop
September 2018	7 th Annual KBA Banking Research Conference

Submission

Researchers responding to this call can submit their proposals by email:

Email: research@kba.co.ke
To the Attention of: The Director, KBA Centre for Research on Financial Markets and Policy
Email Caption: Annual Research Conference 2018