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FACTORS INFLUENCING PERFORMANCE OF MORTGAGE FINANCING AMONG COMMERCIAL BANKS IN KISII TOWN, KENYA

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Abstract

Demand for residential and commercial houses in Kenya increased in the recent years; consequently the growth rate in mortgage loans has grown steadily at 14% annually. But the mortgage loan portfolio in the banks remains small. Banks are financial intermediaries that serve as resource mobilization points in the economy. The main objective of this study was to assess the factors influencing mortgage financing by commercial banks in Kenya. This study adopted descriptive research design which helped in obtaining information concerning the current status of the factors influencing commercial banks mortgage lending. Data was obtained through self-administered questionnaires with closed and open ended questions. Data analysis which includes regression and correlations was done to establish factors influencing mortgage financing by commercial banks in Kenya. The study established that commercial banks can be able to identify various risks they face in lending to the borrower; this would help them to determine their interest rates through mortgage lending, the study further establishes that employment status of clients affects mortgage financing among banks, the study recommended that banks are be able to identify various risks they face in lending to the borrower; this would help them to determine their interest rates.

Keywords: Mortgage Financing, Interest rates, Income Levels and Mortgage Valuation Costs

INTRODUCTION

Housing delivery system in developing countries is a combination of many interrelated components which include land, infrastructure, building materials, policies, building regulations and more importantly the finance component. Finance in housing delivery is very important because of the huge financial requirement for housing production. Studies have been conducted along this line including that of Fasakin (1998) who suggested the need to strengthen the co-operative housing system, Onibokun (1985) and Ebie (2003) who stated that rent in major cities in Nigeria was about 60% of an average workers disposable income. This is much higher than the 20-30% recommendation by the United Nations. Omirin (1998) posits into land accessibility and low income house building in metropolitan developing countries. Based on her analysis lack of finance and escalating cost now takes precedence over land accessibility.

Williams (2002) indicated that access to shelter produced by public agencies continue to elude the urban poor who simply cannot muster the financial resources required to procure these housing units. Jaiyeoba and Amole (2002) examined the appropriateness and socio-economic implications of income housing delivery as supportive rather than a provider approach. They stated that what is required is the determination of the extent to which the income groups require support. Olusola, Aina and Ata (2002) identified lack of commercial bank short term mortgage as one of the major obstacles against rural and urban housing production in emerging economies like Kenya. Mburu and Owiti (2013) identified that central bank rates has an inverse relationship on mortgage but they conclude that inflation and central bank rates have a significant positive influence in Kenya which they say are great determinants of mortgage uptake.

Today, developed countries have advanced housing finance systems in which funds flow from savers to home-buyers by the mortgage markets. On the other hand, despite its recognized economic and social importance, housing finance often remains under-developed in developing countries mainly due to the lack of macroeconomic stability. The impact of variations in commercial mortgage rates on banks' profitability is largely dependent on the degree of responses of asset and liability rates.

In general, since both sides of banks' balance sheets are affected by commercial bank mortgage lending rates in a parallel fashion, the net impact on banks' profitability can be deduced by tracing the responses of both house assets and liabilities as market interest rates change (Gemmill and Thomas 2004). The impulse response functions show that low and lagged response of mortgage rates contribute to the decline in banking spread following an increase in money market rates, thus, adversely affecting banking activities. Commercial banks lending policy determine who the target customer is.

State of Mortgage Financing is a number of housing finance systems around the world and they differ from each other in sources of funds, linkage with secondary market, mortgage products and in the role of government (Le 2001; Stephens 2000). The Mortgaging system of Germany and Denmark is characterized by specialized mortgage banks with mortgage bonds backed by collateral pool as the principal source of funding. Government has stringent control of the system. The UK has a depository-type housing finance system with commercial banks and savings banks as mortgage lenders. The source of fund is mainly retail deposits and the mortgage instrument is 'variable rate mortgage'. The government insures deposits. The housing finance system of the USA is linked to the secondary mortgage market (Lea, 2001).

Banks are principal lenders and mortgages are sold to investors in the secondary market as mortgage backed securities (MBS) and this constitutes the major source of funding. Both variable and fixed rate mortgages are issued and the role of government is to regulate securities. Another form of housing finance system is through a directed credit system. The lender is a specialized housing lender who has a privileged source of funding. Lenders make long-term loans and the government backs lenders and provides funding. A direct credit system is the major component of the developing housing finance system besides the depository system. Earlier papers (Diamond and Lea 1992) have concerns with the compared efficiency of housing finance systems across countries and their results have not been very categorical in saying which system is best. Commercial banks, finance companies, the Government Housing Loan Corporation (GHLC), and other public sector organizations provide housing loans in Japan. Both public and private institutions finance homeownership. Among public institutions, GHLC is the largest financier. Besides GHLC, the Pension Welfare Services Public Corporation (PWSPC) and local government bodies also finance home purchases. Among private institutions, commercial banks (City banks and regional banks) are major financiers for home purchases. Specialized housing loan companies, which existed until 1995, also funded home buyers. These institutions mostly fund individuals and developers. The Bank of Japan regulates these financial institutions except for the GHLC, which is supervised by the Ministry of Infrastructure, Land and Transportation. Institutions other than GHLC compete in the free financial market for lending and funding, and generally use such means as expanding their branch network to get more business and gain a larger share of the market. The GHLC receives a major share of its resources from the treasury allocation of the Fiscal Investment and Loan Program of the national government. Among the financial institutions, commercial banks as a group have mobilized the greatest proportion of household savings and are currently the largest provider of housing loans (Buckley and Kalarickal, 2004).

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act, and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The Central Bank of Kenya, which falls under the Ministry of Finance, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. Central Bank of Kenya publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines (CBK, 2011).

Banks represent a significant and influential sector of business worldwide that plays a crucial role in the global economy. Commercial banks are financial intermediaries that serve as financial resource mobilization points in the global economy. They channel funds needed by business and household sectors from surplus spending to deficit spending units in the economy (Johnson and Johnson, 1985). A well developed efficient banking sector is an important prerequisite for saving and investment decisions needed for rapid economic growth. A well functioning banking sector provides a system by which a country's most profitable and efficient projects are systematically and continuously funded. The role of banks in an economy is paramount because they execute monetary policy and provide means for facilitating payment for goods and services in the domestic and international trade.

According to market intelligence survey (2009), there are 44 commercial banks in Kenya out of which 9 control 74% of the total assets in the sector. 10 mainstream commercial banks have ventured into the mortgage industry, the latest entrants being CFC Stanbic bank, Equity bank, Co-operative bank of Kenya, Family bank and Kenya Rural Enterprise Programme (KREP) bank. The other forerunners include Barclays bank, Standard chartered bank, Kenya Commercial Bank through its (Savings and Loans) and Investment &Mortgage (I&M) bank. The focus of this research will be the responses of commercial banks offering mortgage finance in Kenya to the challenges of global financial crisis.

Statement of the problem

The demand for housing in Kenya is immense and driven by a growing population and urbanization; hence an efficient housing finance system has significant importance both in meeting the housing needs of individuals and in reinforcing the development of the construction, finance and other related sectors of an economy. According to the CBK 2011 report, new mortgage loans were approximately 1,278 whereas by 2009 the new loan portfolio had grown to over 6,000. By May 2010, the number of new loans was 2,966 which is line with the steady growth seen in the previous years. Demand for residential and commercial houses in Kenya increased after the central bank cut its benchmark interest rate eight times between December 2008 and January 2011 to help boost economic growth. But the mortgage market is still relatively small by international standards with only 13,803 loans. While the growth rate in mortgage loans has been rapid at just under 50% since 2006 and has been growing steadily at 14% annually, the loan portfolio remains small. Nine out of ten Kenyans cannot afford to buy the houses they live in- even with a mortgage loan in tow, if at all they qualify. Highlights of a report by Central Bank and World Bank released indicate that eight per cent of Kenyans can afford a mortgage. The total commercial bank mortgage loan book in the country was only 16,000 accounts, while the total value of mortgage loans, as at the end of December last year was Sh133.6 billion (CBK, 2010). Lwali (2008); a case study of Shelter Afrique whose objective was to find out challenges faced by shelter Afrique as an international housing institution with operations in various countries including Kenya. Using multiple regression equation the researcher identified inflation, interest and foreign exchange rates as the major challenges. Kimeu (2008) carried out a survey on credit risk management techniques on unsecured bank loans of commercial banks in Kenya for the period 2004 to 2007 and found out that market risk, credit risk, operational risk and event risk are the major risks prevalent in the banking industry nowadays. However the research did not cover the risks affecting secured lending like mortgage facilities hence need to carry out more research on this area.

It is in this light that this study aims to close the existing knowledge gap by assessing factors influencing mortgage financing by Commercial banks in Kenya. The specific objectives of the study are:

i. To establish whether interest rate level influence performance of mortgage financing among Commercial banks in Kisii Town, Kenya.
ii. To find out the extent to which income level of the borrowers influence performance of mortgage financing among Commercial banks in Kisii Town, Kenya.
iii. To establish the extent to which mortgage valuation cost influence performance of mortgage financing among commercial bank in Kisii Town, Kenya

THEORETICAL FRAMEWORK

The last two decades have witnessed a revolution in mortgage finance. As recently as 1990, lenders offered relatively few mortgage products. The products that were offered had relatively uniform interest rates and served borrowers meeting stringent credit standards, loan-to-value and debt-to-income ratios. Not so today, as risk-based pricing has changed underwriting standards and origination volumes have soared, diverse mortgage products have flourished in both the traditional prime and growing non-prime markets and a broker-dominated mortgage delivery system has emerged. Mortgage financing in this study will be based on the following theories.

Title theory and lien theory of mortgages

Some banks retain and treat the mortgage as a title theory. Since the mortgage is said to hold a title interest, she has the right to possession under this theory. Some banks apply a lien theory. This theory only gives the mortgagee a lien interest in the property. In a title theory bank, the mortgage is treated as having transferred title to the mortgage, subject to the mortgagee's duty to recovery if payment is made. The title is said to remain in the mortgagee until the mortgage has been satisfied and foreclosed. Although the mortgagee has the right of possession to the property, there is generally an express agreement giving the right of possession to the mortgagor. The mortgagee is said to hold the title for security purposes only. The mortgagor is given the right of possession (Buckley and Kalarickal, 2004).

In a lien theory bank, the mortgagor retains legal and equitable title to the property, but conveys an interest that the mortgagee can only foreclose upon to satisfy the obligation of the mortgagor. This is equivalent to a future interest in the property which allows the mortgagee to use the process of foreclosure. The interest is a security interest or mortgage, which forms a lien on the property. In this theory the right to possession arises upon a default. The mortgagor has a right to sue the mortgagee for any interference with his right of possession (Buckley and Kalarickal, 2004).

For practical applications there is usually very little difference between a lien theory and a title theory. The principle difference arising in the title theory bank is that the mortgagee is given the right to possession before the foreclosure is complete. The language of the mortgage provides for possession rights being in the mortgagor up to the time of the foreclosure.

Innovation Theory of Mortgage Financing

Innovations are often adopted by organizations through two types of innovation-decisions: collective innovation decisions and authority innovation decisions. The collection-innovation decision occurs when the adoption of an innovation has been made by a consensus among the members of an organization. The authority-innovation decision occurs when the adoption of an innovation has been made by very few individuals with high positions of power within an organization (Rogers, 2005). Unlike the optional innovation decision process, these innovation-decision processes only occur within an organization or hierarchical group. Within the innovation decision process in an organization there are certain individuals termed "champions" who stand behind an innovation and break through any opposition that the innovation may have caused.

The champion within the diffusion of innovation theory plays a very similar role as to the champion used within the efficiency business model Six Sigma. The innovation process within an organization contains five stages that are slightly similar to the innovation-decision process that individuals undertake. These stages are: agenda-setting, matching, redefining/restructuring, clarifying, routinizing. There are both positive and negative outcomes when an individual or organization chooses to adopt a particular innovation. Rogers states that this is an area that needs further research because of the biased positive attitude that is associated with the adoption of a new innovation (Rogers, 2005). In the Diffusion of Innovation, Rogers lists three categories for consequences: desirable vs. undesirable, direct vs. indirect, and anticipated vs. unanticipated.

The innovation adoption curve of Rogers is a model that classifies adopters of innovations into various categories, based on the idea that certain individuals are inevitably more open to adaptation than others. The concept of adopter categories is important because it shows that all innovations go through a natural, predictable, and sometimes lengthy process before becoming widely adopted within a population (Rogers, 2000).

The late majority, on the other hand, are creatures of habit and predictability. They want to know the rules, they love systems. The beautiful thing about the late majority is that when they don’t find rules or systems, they’ll start figuring them out. Laggards are very set in their way, and will only adopt innovation when it has become mainstream i.e. standard practice in an organization (Repp, 2004).

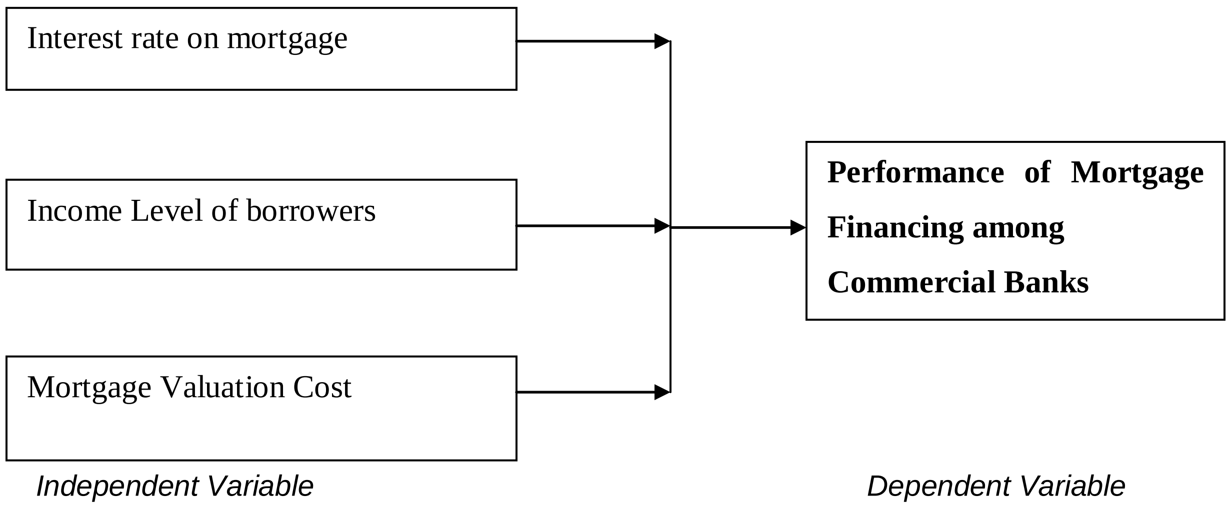
Another important concept described by Rogers (2000) is the S-shaped adoption curve i.e. successful innovation goes through a period of slow adoption before experiencing a sudden period of rapid adoption and then a gradual leveling off (forms an S-shaped curve).Rapid expansion of most successful innovations will occur when social and technical factors combine to permit the innovation to experience dramatic growth.

CONCEPTUAL FRAMEWORK

Conceptual framework is a systematic presentation which identifies the variables that when put together explain the issue of concern. The conceptual framework is therefore the set of broad ideas used to explain the relationship between the independent variables (factors) and the dependent variables (outcome). Conceptual framework provides the link between the research title, the objectives, the study methodology and the literature review (Courtyard, 2004).

This study will adopt some concepts generated by mortgage financing theories and models and conceptualize them in framework explaining the relationship between (the independent variables-factors) risk management , interest rate, cost of fund on mortgage financing and how they affect mortgage financing by the commercial banks shown in the schematic figure 1 below.

Figure 1: Conceptual framework



Knowledge Gap

Over the last two decades, the rise of risk based pricing, the growing importance of the secondary mortgage market, and the emergence of mortgage brokers in the marketing and origination of residential home mortgages has keyed a virtual revolution in U.S. financial markets. The dramatic increase in mortgage lending – especially in non-prime lending – has brought with it a diverse array of new mortgage products. This growth has expanded access to credit to consumers who have not traditionally been well served by the mortgage market and has enabled millions of homeowners to tap accumulated home equity to help meet their consumption and investment needs.

Despite the benefits of the new mortgage market, there are nevertheless reasons for concern. For example, the recent rise in mortgage delinquencies and foreclosures suggests that some households are taking on debt that they have little or no capacity to repay. Alternatively, there is growing evidence that many families are taking out mortgages that they do not understand or that are not suitable for their needs. According to Nwaoba (2006) access to long-term funds and cost of the investment are great impediment to the growth of their mortgage portfolio. Locally study had investigated the effect of types of Mortgages on financial performance of Mortgage Institutions in Kenya indicating that falling asset prices have adversely affected mortgage financing (Ndirangu 2004).This study seeks to investigate challenges affecting mortgage financing by the commercial banks in Kenya

RESEARCH METHODOLOGY

This study adopted descriptive research design for it portrays an accurate profile of situations (Cooper, 1999). This is designed to describe the characteristics of a particular phenomenon in a situation. It was used to obtain information concerning the current status of the industry, to survey what exists with respect to the conditions in a situation.

The target population of this study comprised of the Branch Managers, Operations Managers and Credit Officers working in all the 17 commercial banks in Kisii Town totaling to 51 respondents. In selecting the sample to be studied, purposive sampling was used to select the cases to be studied. Purposive sampling is a sampling technique that allows a researcher to use cases that have the required information with respect to the objectives of his or her study (Mugenda & Mugenda, 2003) The cases to be studied therefore were handpicked because they possess the required information

Primary data was obtained through self-administered questionnaires with closed and open-ended questions. The researcher used the questionnaires since they are the most appropriate tool to gather information that can determine the effects of mortgage financing in commercial bank in Kenya and to ascertain the benefits of mortgage financing to Commercial bank. The questionnaires included structured and unstructured questions that were administered to the respondents who are financial managers and credit officers Reliability was used to focus on the degree to which empirical indicators or measures are consistent across two or more attempts (Mugenda and Mugenda, 2003). The researcher used the test-retest method whereby questionnaires were administered twice to the same group of commercial mortgage bank managers.

Data presentation was done by the use of pie charts, bar charts and graphs, percentages and frequency tables. Factors influencing mortgaging financing in this study; interest rates, income level of bank customers, cost of mortgage and risk on secured mortgage were quantified from Likert questions. This enabled the researcher to assess the factors influencing mortgage financing by commercial banks in Kenya

EMPIRICAL RESULTS AND DISCUSSION

Descriptive statistics was used to discuss the findings of the study. The study targeted a sample size of 51 respondents from which 48 filled in and returned the questionnaires making a response rate of 97.2%, this response rate was satisfactory to make conclusions for the study as Cooper and Schindler (2003), states that a response rate of between 30 to 80% of the total sample size can be used to represent the opinion of the entire population.

Interest rate

Table 1: Statements on effects of interest rates factors on mortgage financing

Statement	Very great extent	Great extent	Moderate extent	less extent	No extent	Mean	standard deviation
Criteria of security required	25	12	8	3	0	1.91	0.25
Income of individual or investor	14	32	2	0	0	1.71	0.28
Price of the property	15	30	2	1	0	1.86	0.32
Lack of property price indices	17	29	0	2	0	1.83	0.30
Price of alternative goods and services	13	28	4	2	1	1.84	0.27
Market unpredictable trends	22	24	1	0	1	1.79	0.26
Management fees	16	25	4	1	2	1.85	0.31

The study sought to determine the extent to which respondents agreed with the above statements relating to effects of interest rates factors on mortgage financing, from the finding majority of the respondents agreed that through income of individual or investor among commercial banks will influence mortgage financing as shown by a mean of 1.71 and a standard deviation of 0.28, although the market's unpredictable trends and market risk management are applicable to determine mortgage lending as shown by mean of 1.79 and a standard deviation of 0.26, Lack of property price indices is positively significant to influence mortgage financing as shown by mean of 1.83 and a standard deviation of 0.30, price of alternative goods and services is vital for effective mortgage lending as shown by mean of 1.84 and a standard deviation of 0.27. Management fees is also positively significant to influence mortgage financing as shown by mean of 1.85 and a standard deviation of 0.31, price of the property also influence mortgage financing as shown by mean of 1.86 and a standard deviation of 0.32. Criteria of security required are also a vital determinant of mortgage financing as shown by mean of 1.91 and a standard deviation of 0.25.

The above findings concurs with study findings by Sundararajan (2007) he asserts that through income of individual or investor among commercial banks, commercial banks can be able to identify various risk they face in lending to the borrower, this would help them to determine their interest rates through mortgage lending.

Cost of Funds

Table 2: Statements relating to effect of cost factor on mortgage lending rate

Statement	Very great extent	Great extent	Moderate extent	Less extent	No extent	Mean	Standard deviation
Statutory reserve requirement	10	30	5	2	1	1.75	0.23
Core liquid asset requirement	15	27	4	1	1	1.72	0.25
High incidental costs borrowing, stamp duty fees, advocate fees, valuation charges and insurance premiums	20	24	2	1	1	1.78	0.27
Central Bank of Kenya supervisory fee	13	32	1	1	1	1.75	0.27
Taxation for the commercial banks withholding taxes, stamp duties, transaction taxes and value added taxes, profit taxes and license fees	7	37	2	1	1	1.73	0.26
Weighted average deposit rate, reserve and liquidity requirements, mandatory investment levels	10	36	2	0	0	1.65	0.28
Management fees	6	40	1	1	0	1.73	0.22
Staff costs	8	36	2	2	0	1.75	0.21
Transaction costs	13	32	3	0	0	1.72	0.24
Communication costs	14	41	2	1	0	1.67	0.27
Costs of provisioning	5	42	1	0	0	1.68	0.26
Cost of capital (return on equity)	9	39	0	0	0	1.76	0.25
Internal cash reserves	7	38	2	1	0	1.71	0.28

The study sought to determine the respondent's level of agreement with the above statements relating to cost factor. From the research findings the study established that majority of the respondents agreed that weighted average deposit rate, reserve and liquidity requirements, mandatory investment levels if possible as shown by 1.65 and a standard deviation of 0.28. Determining Communication costs first will ensure that cost factor and mortgage financing are aiming for the same goal as shown by a mean of 1.67 and a standard deviation of 0.27, Costs of provisioning influence mortgage financing as shown by a mean of 1.68 and a standard deviation of 0.26, Internal cash reserves as shown by a mean of 1.71 and a standard deviation of 0.28 affect mortgage financing, Transaction costs and core liquid asset requirement affects mortgage lending as shown by a mean of 1.72 in each case and a standard deviation of 0.24 and 0.25 respectively, Management fees and Taxation for the commercial banks withholding taxes, stamp duties, transaction taxes and value added taxes, profit taxes and license fees affects housing financing as shown by a mean of 1.73 and a standard deviation of 0.22 and 0.26 respectively, Staff costs, Statutory reserve requirement and Central Bank of Kenya supervisory fee affects housing financing as shown by a mean of 1.75 and a standard deviation of 0.21, 0.23 and 0.27 respectively, Cost of capital (return on equity) also affects housing financing as shown by a mean of 1.76 and a standard deviation of 0.25 and finally high incidental costs borrowing, stamp duty fees, advocate fees, valuation charges and insurance premiums influences mortgage financing as shown by a mean of 1.78 and a standard deviation of 0.28, this was due the insurance cover for the loan, transactional/appraisal fees and lending rate of central bank of Kenya. The above findings concurs with the findings by (Mwisho, 2001) according to Mwisho (2001), increased mortgage funding costs have been the most important determinant of the increase in mortgage lending rates relative to the cash rate, the estimates suggest that there has been a material effect from increases in bank capital and expected losses,

CONCLUSIONS

From the findings the study established that commercial banks are be able to identify various risks they face in lending to the borrower; this would help them to determine their interest rates through mortgage lending. The study also established that that interest rate spreading affect mortgage financing among commercial banks to a very great extent due to high interest rates mortgages financing by commercial banks

The study established it is useful to determine employment status of clients since they affects mortgage financing among commercial banks in Kisii town also that customer's monthly income should effectively be established to determine how commercial banks give mortgage financing.

The study revealed that revealed that that cost of capital/return on equity influence mortgage financing among commercial banks to a great extent thus the pricing of mortgage amount theoretically depends on the cost of funds, transaction cost, investment income, and mark-up among commercial banks in Kisii town.

RECOMMENDATIONS

Based on the findings, the study recommends that the management on commercial banks should take into consideration interest rates during mortgage financing. This will allow the management to create a comprehensive understanding that can be leveraged to influence stakeholders and create better decisions.

The study also recommends that is very crucial that the commercial banks determine income levels of individuals this will help the organization to gather valuable information that will provide valuable insights in mortgage financing and the necessary input to find effective responses to optimize the financing.

The study recommends that the management keeps on determining the cost of funds so as to be able to keep on re-assessing cost of capital and cost factors. This will help to identify whether the adopted counteractive measures are making any acceptable difference.

LIMITATIONS OF THE STUDY & SCOPE FOR FURTHER STUDIES

The main constraints of this study were limited time and the inability to include more financial institutions. The study should have covered more financial institutions across all financial sectors such as the Housing finance co-operation, SACCOs and Microfinance institutions so as to provide a more broad based analysis. The study also encountered unwillingness by respondents to reveal information, which may be thought to be confidential. However, the researcher assured the respondents of confidentiality in the information they gave and that its primarily to be used for academic purposes.

This research had intended to assess the factors influencing performance of mortgage financing among commercial banks in Kisii Town, Kenya. Other researcher may focus on the relationship between mortgage financing and financial performance in commercial banks in Kenya

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APPENDIX: Questionnaire

Interest rate

To what extent do the following factors affect commercial bank mortgage lending? WHERE; 1- means: very great extent. 2-great extent. 3-moderate extent. 4-Less extent and 5-No extent.

Statement	1	2	3	4	5
Criteria of security required					
Income of individual or investor					
Price of the property					
Lack of property price indices					
Price of alternative goods and services					
Market unpredictable trends					
Management fees					

Cost of funds

The following are cost factors that affect mortgage lending in commercial banks in Kenya. To what extent do the following cost factors affect mortgage lending rate in commercial banks? (1-means Very great extent, 2-Great extent, 3-Moderate extent,, 4-Less extent, and 5- No extent).

Statement	1	2	3	4	5
Statutory reserve requirement					
Core liquid asset requirement					
High incidental costs of borrowing, stamp duty fees, advocate fees, valuation charges and insurance premiums					
Central Bank of Kenya supervisory fee					
Taxation for the commercial banks withholding taxes, stamp duties, transaction taxes, and value added taxes, profit taxes and license fees					
Weighted average deposit rate ,Reserve and liquidity requirements, mandatory investment levels,					
Management fees and					
Staff costs					
Transaction costs					
Communication costs					
Costs of provisioning					
Cost of capital (return on equity).					
Internal cash reserves					