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DETERMINANTS OF MORTGAGE UPTAKE FROM FINANCIAL INSTITUTIONS IN NAKURU TOWN, KENYA

Patrick Chege Macharia
Jomo Kenyatta University of Agriculture and Technology, Nakuru, Kenya
patrickchegemacharia@gmail.com

Daniel M. Wanyoike
Jomo Kenyatta University of Agriculture and Technology, Nakuru, Kenya
danwanyoike@gmail.com

Abstract

Home ownership in Kenya is dominated by commercial banks, housing finance corporations and real estate companies. Over a billion people world over are not adequately housed. In view of the low number of mortgage accounts in Kenya, the researcher sought to assess factors (viz. mortgage costs, mortgage approval process and mortgage product range) that influence mortgage uptake in Nakuru, Kenya. The study was based on three models namely; Rogers Innovation Adoption Model, Michael Porter's Five Forces Model and Loanable funds Theory of Interest Rates. The study targeted employees from commercial banks and mortgage companies in Nakuru Town where a census was conducted. Structured questionnaires were administered. Descriptive and inferential statistics were applied using SPSS Version 17. Research findings revealed that mortgage costs hinder mortgage acquisition and that not all mortgage applicants find it easy going through the mortgage process. It also revealed that mortgage products offered meet the market needs across all economic divides. The researcher recommended that mortgage providers invest in technology and infrastructure to reduce mortgage costs, be more innovative with mortgage products to keep abreast with the dynamic market demands and focus on mortgage products that give value to customers. The recommendations for future studies as proposed by the researcher included the influence of political instability, legislation, customer income cycles, availability of land & housing as well as lack of information on mortgage uptake.

Keywords: Mortgage cost, Mortgage product range, Housing, Mortgage uptake, Kenya

INTRODUCTION

Housing is amongst the basic needs for human survival as affirmed by The Universal Declaration of Human Rights, Article 25, which notes that everyone has the right to a standard of living adequate for the health and well-being of himself and his family. These include food, clothing, housing, medical care, necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood.

Mortgage financing, as defined by Mehdian (2001), is the process of underwriting and extending a home loan or mortgage on commercial property to a qualified applicant. Some mortgage loans are secured by the real property, and provide a schedule of payments of interest and repayment of the principal to a bank. Most mortgage contracts arrange for loans to be fully amortized with adjustable mortgage interest rates and either payment or maturity is fixed for the term of the loan. The mortgage market is important for housing because it makes the investments of real property divisible thereby allowing households more flexibility in adjusting inter-temporal allocation of savings and housing consumption between the present and the future as desired. Elaborating how mortgages work, Asare and Whitehead (2006), assert that the arrangement is such that the property that is purchased with the financing is used as collateral for the debt. For the duration of the mortgage, the lender functions as the mortgage holder on the property, and in the event that the owner of the mortgaged property defaults on the loan, the mortgage company has the right to secure full ownership of the property and offer it for resale to another party.

Mortgage Uptake in the World and Africa

On the global scene, different countries employ different regimes to govern mortgage financing. The Canadian mortgage market, as Kiff 2009, observes, is relatively simple and conservative, particularly when compared with its U.S. counterpart with many Canadians signing five-year, fixed-rate mortgages that are rolled over with new five-year, fixed-rate contracts for the life of the mortgage, typically 25 years. As Stephens, 2000, observes, specialized mortgage bonds, backed by collateral pool as the principal source of funding, form the basis of the mortgage system for Germany and Denmark, with the respective governments controlling the systems. Stephens, further notes that, while the USA mortgage market is linked to the secondary market, with banks being the principal lenders and mortgages sold to investors in the secondary market as mortgage backed securities, the UK, on the other hand, has a depository type housing finance system, with commercial banks and savings banks as mortgage lenders. In the UK, Stephens also notes that the source of funds for the mortgage market is basically retail deposits which are insured by the government, with the mortgage rates being variable.

It is observed that the Sub Saharan Africa face significant housing deficits due to poorly developed housing institution and markets, stocks which are in poor condition, a huge backlog of housing need and weak policy responses (Awuvafoge, 2013). He further observes that the housing deficit in Ghana stood at two million housing units with an annual housing demand of 133,000 units. There is limited access to mortgage facilities in Ghana. There is a provision for partial mortgage facilities, but it is only about 15% of the Ghanaians who have access to this provision. The housing deficit in Sub Saharan Africa as noted by Ngacha (2013) has led to the entry of international housing finance institutions like Shelter Afrique, East Africa Development Bank (EADB), and Preferential Trade Area (PTA) bank.

Mortgage Uptake in Kenya

Kaimenyi (2016) affirms that the Kenyan urban areas have been experiencing an annual shortfall of housing exceeding 250,000 units and the current provision of 50,000 per annum, is a low number because a 200,000 deficit has been left per annum. 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).

While developed countries have advanced housing finance systems in which funds flow from savers to home-buyers by the mortgage markets, Wahome (2010) further asserts that housing finance in developing countries often remains underdeveloped, despite its recognized economic and social importance, mainly due to the lack of macroeconomic stability, and the impact of variations in commercial mortgage rates on banks’ profitability is largely dependent on the degree of responses of asset and liability rates. A residential Mortgages Survey done by CBK in 2015 indicates that the main risk factors closely examined by lending institutions are; Ability to service the loan (debt service ratio) credit history, proposed security’s value, the location of the property and ease of sale in the event of default as well as the purpose of the mortgage (whether the mortgage is o acquire or develop an owner occupier or a rental property). The report further affirms that the value of mortgage loans stood at Ksh 203.3 Billion in December 2015 up from Ksh 164.0 Billion in December of 2014, representing a growth of Ksh 39.3 Billion (23.4%). About 71.6% of lending to mortgage market was carried out by 5 institutions (one medium sized bank with 23.4%, and four bank from large peer group with

48.2% as compared to 68% lending by 4 institutions by end of December 2014. The report further notes that there were 24,458 mortgage loans in the Kenyan market by end of December 2015 compared to 22,013 mortgage loans in December 2014, an increase of 2,445 mortgage loans (11.11% growth). The report further asserts that the outstanding value of non-performing mortgages increased from Ksh 10.8 billion in December 2014 to Ksh 11.7 Billion in December 2015 (CBK 2015). The main obstacles as noted by the CBK Mortgages Survey of 2015 were high cost of properties, high interest rates, high incidental fees, low income levels, difficulties with property registration and titling, stringent land laws, access to long term finance, high construction costs, lengthy charge process timelines, startup costs, high cost of funds and credit risk.

Statement of the Problem

International human rights law recognizes everyone's right to an adequate standard of living, including adequate housing. This right to affordable housing is echoed in Kenya's constitution (2010) which affirms that every person has right to accessible and adequate housing and reasonable standard of sanitation. Despite the central place of this right within the global legal system, well over a billion people are not adequately housed. Millions around the world live in life- or health threatening conditions, in overcrowded slums and informal settlements, or in other conditions which do not uphold their human rights and their dignity. Further millions are forcibly evicted, or threatened with forced eviction, from their homes every year.

Wahome (2010) argues that housing finance plays a major role in the housing system and services of any given country. The importance of properly structured mortgage service provision is also significantly important to the wider economy as well as to the individual home owner. It is further posited that, well-structured mortgage facilities can deliver accessibility to housing facilities to a wider population segment. Home ownership remains the largest single asset that a majority of the individual owners will have in their lifetime.

Kenyan urban areas have an annual demand of 250,000 units, against the current supply of 50,000 units per year, thereby leaving an annual shortfall of housing 200,000 units. CBK's Bank Supervision Annual Report for December 2015 revealed that there were 24,458 mortgage loans in the market in December 2015 with a total mortgage loan book of Ksh 203.3 Billion. The Central Bank of Kenya Bank Supervision Annual Report for year 2013 affirms that home ownership in urban centers stood at 17.7% and 82.2% in rural areas. Out of these Kenyans with houses, a third had acquired their houses through inheritance while only 1.5% had taken up mortgage facilities to own up their houses.

Available literature, points out that no specific study has been conducted to assess the determinants of mortgage uptake in Nakuru. For this reason, therefore, and considering the fairly low number of mortgage accounts in the country in relation to the existing demand for housing units in the country, the researcher seeks to assess the main factors that influence the mortgage uptake among prospective and repeat home owners in Nakuru Town.

Objectives of the Study

The general objective of the study was to establish the determinants of Mortgage Uptake in Nakuru town, Kenya.

The specific objectives of the study were:

i. To examine the influence of mortgage costs on mortgage uptake in Nakuru town
ii. To assess the influence of mortgage approval process on mortgage uptake in Nakuru town
iii. To analyze the influence of mortgage product range on mortgage uptake in Nakuru town

Research Hypotheses

i. H_o: Mortgage costs have no significant influence on mortgage uptake in Nakuru Town,

H_A: Mortgage costs have a significant influence on mortgage uptake in Nakuru Town,

ii. H_0: Mortgage approval process has no significant influence on mortgage uptake in Nakuru Town,

H_A: Mortgage approval process has a significant influence on mortgage uptake in Nakuru Town,

iii. H_0: Mortgage product range has no significant influence on mortgage uptake in Nakuru Town,

H_A: Mortgage product range has a significant influence on mortgage uptake in Nakuru Town,

Justification of the Study

From the findings of this study, commercial banks and mortgage companies in Nakuru will get better insights as to the main drivers of mortgage uptake in the county. Government bodies like NEMA and NCA will also get a better understanding of how their role influences mortgage uptake. The land control boards will also get to understand how they influence mortgage uptake as well and the resultant access to housing. County officials involved in approval of plans and drawings for housing projects will also see how their critical role fits in project development, house ownership and mortgage uptake. Customers who are the ultimate end users of mortgage products will also get better insights to mortgage uptake drivers. With this information, the end users are bound to make more informed decisions in their real estate investments specifically through mortgage financing. Future researchers may also find the findings of this study useful in their quest to grow the body of knowledge in similar areas of study.

THEORETICAL REVIEW

This study was guided by Porter's Competitive Forces Model, Rodgers' Innovation Adoption model and Loanable Funds Theory of Interest Rates. On the basis of their applicability to this study, these theories enhanced an understanding of the determinants of mortgage uptake in Nakuru.

Porter's Five Forces of Competitiveness Model

Michael Porter's five forces of competitiveness model provides a tool for analyzing competitiveness with all its implications. The model provides a simple perspective for assessing and analyzing the competitive strength and position of a business organization. Porter's competitive forces theory contributes to understanding of the competitive advantage of nations in international trade and production. Its core, however, focuses upon individual industries, or clusters of industries, in which the principles of competitive advantage are applied. This theory applies to the cluster of mortgage companies in this study as it takes into account the implications of various competitive capabilities of the various institutions on the competitive advantage for each and hence the uptake of mortgage products on offer. The model primarily focuses on the industry environment within which a business organization operates in relation to the forces influencing its operations and performance. As Jaradat, Almomani & Butaineh (2013) observe, the five forces developed by Michael Porter that influence organizational competitiveness include the industry rivalry, bargaining power of the suppliers, bargaining power customers, threat of new entrants and threat of substitute products as instigated by technology and product innovations. The interaction of these five forces can pose constant threats to the success of any business entity operating in a particular industry.

Rivalry among existing competitors in the industry can be a major impediment to any business organization as Dalken (2014) notes, and thus influence the profitability of the industry if not watched and surmounted properly. This force can be influenced by industry growth rate, cost factors, number of firms and competitor balance, differentiation, switching costs between competitors and 0regulation of exit barriers. New entrants into the industry bring with them new capacity, desire to gain market share and more resources as well. When entry barriers exist, rivalry among the existing competitors stiffens. Besides, the bargaining power of the suppliers and buyers influences the prices and quantities at which they sell to the entity and hence the profitability of the industry. This theory will be helpful in explaining how competitiveness can be achieved using competitive strategies for managing the five forces identified. Figure 2.1 outlines the five forces of competitiveness postulated by Michael Porter. The variables of this study that are linked to the five forces of competitiveness are mortgage cost and mortgage product range.

Diffusion of Innovation Theory

The Diffusion of Innovation theory as advanced by Rogers in 1962 presents a framework that describes how ideas and technologies spread among individuals or organizations over time. The end result of this diffusion is that people adopt new ideas, behaviours, or products based on the perception that the idea, behaviour, or product is new or innovative as Frambach and Schillewaert, 2002 observe. This study tries to link innovation to the uptake of mortgage in Nakuru. Innovation can broadly be described as a process, product, service that is perceived as new by a different set of users, or which can be used in a different way from how it has been used before to offer new benefits. Sahin (2006) notes that innovation does not happen simultaneously in a social system, but rather is a process whereby some stakeholders are more apt to adopt the innovation than others. The process involves knowledge sharing, persuasion, decision making, implementation and confirmation. Researchers categorize innovation adopters into five classes: Innovators who want to be the first to try the innovation. They are venturesome and interested in new ideas; Early Adopters who represent opinion leaders enjoying leadership roles, and embrace change opportunities; Early Majority people who are rarely leaders, but they do adopt new ideas before the average person. They typically need to see evidence that the innovation works before they adopt it; Late Majority, skeptical persons who only adopt an innovation after it has been tried by the majority and the Laggards who are bound by tradition and are very conservative. They are very skeptical of change and are the hardest group to bring on board.

According to the theory of Diffusion of Innovation, certain innovations diffuse more than others while some of the innovations fail. The reasons for the varying rate of adoption of innovative strategies are looked at in terms of the relative advantage it presents to a given entity, compatibility with the values, experiences, and needs of the potential adopters, its complexity, triability and observability to the stakeholders. This theory is relevant to this study as it makes a valuable checklist to frame credit product evaluations and further identifies weaknesses to be addressed in improving products or behaviours. This is relevant to the study as mortgage uptake is pegged on continuous improvements and innovations in product portfolios. The variables linked to this model are mortgage approval process and mortgage product range.

The Loanable Funds Theory of Interest Rate

The loanable funds Theory of Interest rates is an extension of the classical savings and investment theory of interest rate. The theory is associated with Wicksell and several other Swedish economists as well as the British economist D.H. Robertson. It incorporates monetary factors with the non-monetary factors of savings and investment. According to this theory, the rate of interest is determined by the demand for and the supply of funds in the economy at such a level that both demand and supply are equated. Thus, it is a standard demand-supply theory as applied to the market for loanable funds (credit), treating the rate of interest as the price (per unit time) of such funds. The theory is based on two major assumptions: firstly, that the market for loanable funds is one fully integrated market, characterized by perfect mobility of funds throughout the market; and that there is perfect competition in the market, so that each borrower and lender is a 'price-taker' and one and only one pure rate of interest prevails in the market at any time. The forces of competition are also supposed to clear the market pretty fast, so that the single rate of interest is the equilibrium rate of interest. The theory finds application since, besides the real factors of savings and investment; it also considers the monetary factors of hoarding, dishoarding, and increase in money supply in the determination of interest rate. As such, the theory combines both the monetary and non-monetary factors in determination of loanable mortgage funds and it is on the basis of the banks with a minimum loan book of Ksh 1 Billion are studied. The variable linked to this theory is mortgage cost.

EMPIRICAL REVIEW

Accessibility to affordable shelter has been a major concern in the developing countries, Kenya included, where human population is fast growing. Accessibility to shelter as an basic human need is offered through housing finance schemes such as mortgages. As Njiriri and Wanyoike (2012) reveal, mortgage facilities are important to the economy as they deliver accessibility to housing to a wider population in a country. However, the uptake of mortgage in developing countries is determined by a host of factors including affordability, inflation rates, lending rates, personal financial commitments, income levels, financial literacy and pursuit of high profit margins by the mortgage institutions (Wanja, 2015; Njiriri & Wanyoike, 2012). This literature review is thus in line with the objectives of the study.

Influence of Cost of Mortgage on mortgage uptake in Nakuru Town

The element of cost can be looked at from two perspectives which are interest rates levied on mortgages during the entire term and associated mortgage costs incurred in the process of procuring a mortgage,

(i) Influence of Interest Rates

Whereas lending at interest rates that are in excess of inflation rates is viewed as a prerequisite for successful and sustainable finance (Buckley, 1999), long term loans, like mortgage financing loans have higher interest rates due to the expectation of, among other factors higher inflation as observed by Gitman, 1997. The CBK Bank Supervision Annual Report for the year 2013 identifies high interest rates as the first major obstacle for the mortgage market. It further notes that the high interest rates witnessed in 2012 continued to impact negatively on the mortgage market with non performing loans (NPLs) increasing from Ksh 6.9 billion in December 2012 to Ksh 8.5 billion in December 2013 (CBK, 2013). This is further supported by Wambui (2013) whose study on the effect of interest rate volatility on mortgage default rate in Kenya between 2008 and 2012 found a positive relationship between the level of interest and default rate.

As Makori and Memba (2015) conclude that interest rate spreading affects mortgage financing among commercial banks to a very great extent due to high interest rates, the CBK Bank Supervision Annual Report for year 2014 picks high interest rates in Kenya as the second main mortgage market obstacle, after high cost of houses. The CBK report further affirms that quality of loans in 2014 also registered a decline with the non-performing loans (NPLs) ratio increasing from 5.2 per cent in December 2013 to 5.6 percent in December 2014. The increase in NPLs was partly attributed to the lag effects of high interest regime in 2012/2013 and subdued economic activities witnessed in the period ended December 2014. In her study on the effect of flexible interest rates on the growth of mortgage finance in Kenya during the financial period 2007 to 2011, Muguchia (2012), concludes that the flexible interest rates have a strong negative and significant effect on mortgage financing among the financial institutions in Kenya. Her findings were further upheld by Njongoro (2013) whose study notes a strong negative relationship between mortgage interest rate and growth of mortgage financing. Nyakundi (2015) also establishes that interest rate and inflation negatively affect mortgage uptake, while Wanja (2015) concludes that an increase in interest rates leads to lower uptake of mortgage products. However, contrary to these findings, Agao (2012) finds a positive relationship between mortgage uptake and interest rates.

Another aspect of cost that influences the uptake of mortgage is operational cost. Makori and Memba (2015), in their study of factors influencing the performance of mortgage financing among commercial banks in Kenya, single out interest rates among other cost drivers. Their study establishes that increase in the interest rate charges lead to increase in the cost of the mortgage thus limiting uptake of mortgage. According to Okanga (2015), exorbitantly high interest rates in the financial sector in Kenya strongly discourage long-term investment and economic growth. Interest rates ranging from 20-30% make access to housing through mortgage so expensive that the private sector finds it untenable to borrow finances to invest in the mortgage sector. However, in the event that they borrow and invest at such alarming interest rates, the mortgage prices have to be adjusted such that all costs and required profit margins are covered within the stated mortgage prices. As a result, the overall cost of housing through mortgage arrangements deters many persons from taking mortgages (Kalui & Kenyanya, 2015). From the available literature, it is evident that there is a negative correlation between the rate of interest for a mortgage and the uptake, in that the higher the mortgage interest rates, the lower the uptake. Although these studies focus more on the effect of high interest rates on mortgage uptake, only few of the studies done focus on the effect of the associated mortgage costs on mortgage uptake.

(ii) Influence of Associated Mortgage Costs

Mortgage contracts attract fees and costs such as legal fees, stamp duty, arrangement fees, valuation fees and mortgage protection policies among others, which add up to as much as 10% of the mortgage cost. These additional costs push mortgage costs out of reach for most people as cautioned by the 2011 Baseline Survey on Mortgage Finance in Kenya by CBK. The 2014 CBK Bank Supervision report ranks the high incidental cost of a mortgage (stamp duty, valuation and legal fees), ranks third as a mortgage market obstacle. It is in light of these costs, that the Retirement Benefits Mortgage regulations (2009), were repealed to allow a pension scheme member, if the rules of the scheme permit and subject to the Act, assign a proportion of his benefits to a scheme for consideration for the purposes of furnishing a guarantee, by a scheme, in favor of an institution, in respect of a loan granted or to be granted by the institution to a member, to enable the member to: acquire immovable property on which a house has been erected; erect a house on immovable property in respect of which, the member has, or the member and his spouse have obtained ownership or have the right to ownership through a right of occupation, as noted by Were, 2012.

According to Wanja (2015) mortgage contracts attract fees and other charges that are levied on the mortgage hence increasing its entire cost. Such costs relate to legal fees, stamp duty, valuation fees, mortgage protection policy charges and arrangement fees. A study done by Wanja (2015) on the Mortgage uptake indicates that increasing interest rates charged by commercial banks and mortgage companies can lead to increased cost of accessing mortgage facilities hence locking out some people from acquiring housing. In essence, when the interest rates charges rise, so does the cost of mortgage payment and in effect, the demand for housing goes down. From the available literature on mortgage related costs, it is observed that these costs are also prohibitive to the mortgage uptake.

Influence of Mortgage Approval Process on mortgage uptake in Nakuru Town

In reference to a study by The World Bank (2011), title registration is both slow and expensive. It is also unreliable and prone to fraud with many fake documents circulating. According to the same study, registering a property in Kenya takes an average of 64 days, while the cost payable to the Government of Kenya amounts to approximately 4.2% o the property value. Governments are in most cases involved in business activities in many different ways including serving as providers of products and services, as consumers, regulators and promoters of business activities. Mortgages are some of the businesses that are regulated by the governments in many jurisdictions. In line with the second objective of this study, the researcher seeks to demystify the influence of regulation by government on uptake of mortgages.

The construction industry in Kenya, according to Gitau (2000), consists of several players namely clients, project consultants, contractors, material suppliers, local authorities, financiers and property managers. Whereas most professionals have realized the benefits of technology and have embraced information technology (Gitau 2000), there is need to remove key construction bottlenecks, for example, reducing delays in property transactions by reforming and digitizing the title registry and increasing capacity at land registry offices to speed up land valuations and processing capability. Investigating the impact of regulation on Mortgage Risk in India's housing finance system, Campbell, Ramadorai and Ranish (2014) establish that regulatory subsidies for low-cost housing and less leveraged loans are associated with higher delinquencies, interest rates at loan issuance notwithstanding. They further emphasize that while it is necessary to consider the design of regulatory policies in order to boost mortgage uptake, regulatory changes in the issuance and administration of mortgages can be instrumental in influencing customer decision on whether to take mortgage or not.

In their study on the factors affecting growth of mortgage industries in Kenya, Njiru and Moronge (2013) reveal that the growth of the mortgage industry in Kenya is dependent upon among other factors, insufficient regulations to encourage greater uptake of mortgage. They further establish that mortgage providers quite often take advantage of low government regulation and thus exploit customers by charging very high prices for mortgage products. Their study recommends the need for the governments to put in place rules and regulations to curb customer exploitation through high interest rates and other charges. From this, it is observable that having favourable regulations in place, in the mortgage approval and administration process, the government encourages many people to take mortgages hence an increase in uptake of mortgage. The studies done however do not explore the effects of bureaucracies and replicated roles across different government bodies (like NCA, NEMA and local authorities for construction loans) in influencing mortgage uptake for different mortgage products in the country.

Influence of Mortgage Product Range on Mortgage Uptake in Nakuru Town

Human life is dependent on three basic needs namely food, shelter and clothing. In the contemporary world, shelter proves to be the most expensive of all the three basic needs possibly because of the global population increase and the subsequent rise in demand for housing. To meet the rising demand for housing, many commercial banks and mortgage companies have come up with innovative models and systems of offering various mortgage products to the consumers. As a result, there are numerous mortgage products that are designed and offered to suit the diverse needs as well as the social and economic status of different customers. In a study to understand the demand and supply conditions of Islamic Housing Finance in the United Kingdom, Tameme (2014), affirms that a range of mortgage products, drawn from various Islamic methods of finance that are consistent with the Islamic law, influence the customer choice.

According to the study findings, the mortgage product portfolio comprises of interest free loans and installment sale products (where the financier sells a house to a client and receives the value in deferred, mutually agreed-upon installments). Other products include mortgage products acquired through hire contracts for persons who have secured land and construction materials and would want to enter into agreements with contractors to put up the house against deferred payment, partnership mortgage, lease mortgage and sale contract mortgage. For an individual to acquire a desirable housing, one chooses from among these types of mortgages a product that suits his/her needs, income level and socio-economic status. Lea (2010) while studying the international comparison of mortgage product offerings concludes that there is a wide range of mortgage products, including fixed interest rate mortgage, partly fixed rate and variable rate mortgages. Other products that can make the mortgage product portfolio, as Scanlon, Lunde & Whitehead, (2010) observe include adjustable-term mortgage, graduated-payment mortgage, balloon mortgage or a hybrid of two or more of these mortgage products.

Depending on the customers' financial position and the prevailing economic conditions, the choice and uptake of a mortgage can vary from customer to customer. Those with favourable credit rating and stable financial positions would find it easy to acquire a desirable mortgage while those with lower borrowing capacity may opt not to take any mortgage option. According to Scanlon, Lunde & Whitehead (2010) wrong or misinformed choice of a particular mortgage product from a range of alternative products may increase risks and costs to the borrower very significantly. This can influence the customers' future decision to take certain mortgage as opposed to a different one. Although available literature dwells on available mortgage products, scholars have not quite assessed the possibility of different mortgage products being more popular than others.

Mortgage Uptake

Brueggeman (2010) defines a mortgage as a transfer of a legal or equitable interest in a specific immovable property for the payment of debt. It is a loan secured by real property through the use of a mortgage note which evidences the existence of the loan and the encumbrance of that realty through the granting of a mortgage which secures the loan. However, the word mortgage alone, in everyday usage, is most often used to mean mortgage loan. The mortgage document is thus created in a transaction whereby one party pledges real property to another party as security for the purpose of purchasing, renovating or construction of a house. The loan is secured by a mortgage lien over the property.

A majority of the financing institutions offer mortgage financing for house purchase, construction and refinancing purpose with the mortgage loan uptake largely skewed towards house purchase. Mortgage uptake in the mortgage market can increase when the types of mortgage loans increase, when the rates of these mortgages are affordable, when mortgage financing is the preferred mode for acquiring housing for companies and individual, when the housing supply meets the demand in the market, when the competition in this market is strong enough to moderate rates through several competitive commercial mortgage providers. Based on a ranking of mortgage market constraints, access to long-term funds is considered the most constraining factor to the growth of their mortgage portfolio. Overlapping constraints of low level of incomes/informality and credit risk were listed as second and third respectively with high interest rates also being regarded as a major constraint (C.B.K, 2010).

Recommendations by experts on how to stimulate mortgage lending and thus uptake tend to be quite similar, as they all focus on promoting stable macroeconomic conditions, developing a legal framework for property rights, establishing a property market and a housing chain, building mortgage market infrastructure and encouraging funding sources to promote financial intermediation. The growth in mortgage uptake over the years is a result of financial market liberalization in Kenya coupled with an increase in number of middle class. Financial liberalization led to many new entrants of mortgage providers which increased affordability and accessibility of mortgage in Kenya. Stiff competition in the financial market led to a substantive reduction in interest rates charged on mortgage which enhanced mortgage uptake by the consumers (World Bank Report, 2011).

METHODOLOGY

Research Design

As defined by Kombo and Tromp (2006), research design is the structure of research that holds all the elements in a particular research project together. This study used a descriptive research design to demystify the determinants of mortgage uptake in Nakuru Town. The study engaged staff members of mortgage companies and commercial banks offering mortgage loans in a census to find out their perspectives and experiences on the issues relating to mortgage uptake. Quantitative data will be collected using close ended structured questionnaires.

Target Population

According to Kothari (2004), target population constitutes the totality of the items under study. The 2015 CBK report shows that there are 30 banks in Nakuru. The research targeted banks with a minimum loan book of Ksh one billion. According to the 2015 CBK report on Residential Mortgage Market Development Survey, commercial banks and mortgage institutions are ranked in the order of their number of mortgage accounts and mortgage book size, and from this secondary data from the regulator, the researcher focused on banks with a minimum loan book of Ksh one billion shillings. This translated to 17 banks, making the study a census.

Sampling and Sampling technique

According to Mugenda and Mugenda, 1999, 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. In such a case, therefore, subjects are hand-picked because they are informative and or they possess the required characteristics. In thus study, the researcher proceeded to select three respondents from each of the 17 banks (Branch Manager, Business or Mortgage Banker and Credit Administration Officer) thus a total of 51 respondents were used in the study, making the study a census. This technique was used in the study as it enabled the researcher target the bank employees who would best provide information relating to mortgages for the different banks under study.

Pilot Testing

A pilot survey as Kothari (2004), affirms is the replica and rehearsal of the main survey, and helps to bring out the weaknesses (if any) of the questionnaires and also of the survey techniques. From the experience gained in this way, improvement can be effected. The researcher conducted a pilot study on three respondents (Branch Manager, Business or

Mortgage Banker and Credit Administration Officer) from 5 banks which have a mortgage book of under Ksh one billion each, making a total of 15 respondents for the pilot study.

Validity of Research Instrument

According to Golafshani (2003) validity is concerned with whether the research measures what it was intended to measure and how true the research findings are. Robson (2002) identifies some unsystematic threats to reliability which include unforeseen happening before or during data collection, participants' refusal to cooperate and change of behavior of the participants such that the results obtained will not be a true representation of the study. Validity was determined by conducting a pilot study and the results were checked against the objectives of the study. According to Kimberlin & Winterstein (2008), a valid instrument is that which measures what it purports to measure. To guarantee validity, the researcher conducted face and content validity test on the measuring instrument.

Reliability of Research Instrument

Reliability refers to the degree at which a researcher's data is free from error and hence yields consistent findings (Saunders et al, 2009). Kimberlin and Winstein are of the view that a reliable instrument facilitates the collection of consistent data whenever it is determined. To ensure reliability of the measuring instrument, careful wording, format and content was used, and necessary amendments made with the Cronbach alpha (α) with a reliability threshold of ($\alpha \geq 0.7$) was used as the yard stick to test the consistency of the questionnaire. From the pilot study, a Cronbach's Alpha of 0.691, 0.662 and 0.801 were arrived at for the three independent variables, Mortgage Cost, Mortgage Approval Process and Mortgage Product Range respectively.

Data Collection Procedure

The researcher visited the commercial banks and mortgage companies offering mortgages to seek their consent before commencing data collection. The researcher used structured questionnaires to collect data from the sampled population. The data collection instrument was distributed through the drop and pick method. This was achieved through research assistants who dropped and picked the filled questionnaires.

Data Processing and Analysis

Data collected was analyzed using both descriptive and inferential statistics. Different determinants were identified by explaining their interrelationships with uptake of mortgage.

Questionnaires were coded and edited for completeness. SPSS version 19 was used to analyze the data. A range of descriptive statistical measures used include the mean and standard deviation. In addition, the researcher conducted linear regression and Pearson correlation analyses to assess the determinants of mortgage uptake. The following regression equation was used to determine the effect of the independent variables on the dependent variable:

$Y = a + \beta_1 C_1 + \beta_2 C_2 + \beta_3 C_3 + \varepsilon$

Where,

Y represents Mortgage Uptake

a represents Constant

β represents Coefficients to be estimated

C_1 represents Mortgage cost

C_2 represents Mortgage approval process

C_3 represents Mortgage product range

ε represents Error term

RESEARCH FINDINGS

Response Rate

According to Mugenda and Mugenda, (2009), a response rate of 50% is adequate for analysis and reporting; a response rate of 60% is good and a response rate of 70% and over is excellent. Out of the 51 questionnaires that were issued to the respondents, 43 were filled and returned yielding a response rate of 84.3%. This depicts an excellent response rate as observed by Mugenda & Mugenda (2009).

Respondents' Profile

The profile of respondents identified key information about the bank employees who participated in the research process depending on the relevance of the information sought. The researcher sought to find out the distribution of respondents according to their gender, educational qualification, length of service and the position held in their respective banks.

Table 1: Respondents demographics by Gender

Gender	Frequency	Percent
Male	27	63
Female	16	37
Total	43	100

The study revealed (Table 1) that majority of the respondents were male (63%) with only 37% representing female. This, however, shows no gender imbalance in the mortgage institutions as the 2/3 gender rule is observed generally.

Table 2: Respondents demographics by Educational Qualifications

Educational Qualifications	Frequency	Percent
Diploma	1	2
Undergraduate degree	33	77
Masters and above	9	21
Total	43	100

As shown in Table 2, 2% of the respondents were diploma holders, 77% of the respondents were undergraduate degree holders while 21% of the respondents had attained a masters degree or higher qualification. These results imply that majority of the respondents who participated had first degree qualification, implying that the commercial banks and mortgage institutions prefer university graduates, who are then trained and developed to excel upwards in their roles.

Table 3: Length of Service in the Institution

Years Worked	Frequency	Percent
0-5 years	20	46
5-10 years	14	33
10-15 years	9	21
Total	43	100

The number of years of service by the mortgagers was also determined as depicted in Table 3. It emerged that 46% of the respondents had served for a period of 0-5 years, 33% worked for 5-10 years while 21% had 10-15 years experience in mortgage business.

Findings of the Study Variables

The researcher analyzed the determinants of mortgage uptake in Nakuru town. The selected determinants (independent variables) were mortgage cost, mortgage approval process and mortgage product range while the dependent variable for the study was mortgage uptake.

Mortgage Cost on Mortgage uptake in Nakuru

This study also sought to find out the perceptions held by the respondents regarding the effect of mortgage cost on the uptake of mortgage in Nakuru town. The results of the descriptive analysis are shown in Table 4.

Table 4: Descriptive Statistics for Mortgage cost

	n	Min	Max	Mean	Std. Dev
Mortgage fees and other charges increase the entire cost of a mortgage	43	2	5	4.14	.804
Increasing interest rates can increase the cost of accessing mortgages locking out some people from acquiring housing	43	3	5	4.30	.741
Increase in interest rates increases the cost of a mortgage hence limiting mortgage uptake	43	1	5	4.14	.941
High interest rates discourage long term investment and economic growth	43	1	5	4.02	1.012
Related mortgage costs discourage house ownership through the uptake of mortgage loans	43	1	5	3.74	.954
Unexpected changes in mortgage prices make it difficult for low income earners to afford houses	43	1	5	4.14	.915

According to the study findings, the respondents agreed (mean of 4.14; standard deviation of 0.804) that mortgage fees and other charges increase the entire cost of a mortgage. This is asserted by the CBK 2011 Baseline survey on mortgage finance. The study also reveal that the respondents agreed (mean of 4.30; standard deviation of 0.741) that increasing interest rates can increase the cost of accessing mortgages locking out some people from acquiring housing through mortgage. This is in line with the observations by Wanja (2015) that increasing interest rates charged by commercial banks and mortgage institutions can lead to increased cost of accessing mortgage facilities, hence locking out some people from acquiring housing through mortgage finance. The respondents also agreed (mean of 4.14; standard deviation of 0.941) that any increase in interest rates often increases the mortgage cost hence limiting mortgage uptake. This is in line with the observations by Nyakundi (2015) who established that interest rate and inflation negatively affect mortgage uptake in Kenya. The respondents further agreed that high interest rates discourage long term investment and economic growth (mean of 4.02; standard deviation of 1.012), as asserted by Okanga (2015) who also observed that exorbitantly high interest rates in the financial sector in Kenya strongly discourage long term investment and economic growth. The respondents further agreed (mean of 4.14; standard deviation of 0.915) that unexpected changes in mortgage prices make it difficult for low-income earners to afford houses. This further concurs with the findings by Muguchia (2012) who observed that flexible interest rates have a strong negative and significant effect on mortgage financing among financial institutions. There was, however, divided opinion, as some respondents agreed while others disagreed (mean of 3.74; standard deviation of 0.954) that related mortgage costs discourage house mortgage acquisition.

Mortgage Approval Process on Mortgage Uptake in Nakuru

In line with the second objective of the study, this census also sought to establish the views of the respondents regarding the influence of mortgage approval process on mortgage uptake in the market. The results of the descriptive analysis are shown in Table 5.

Table 5: Descriptive Statistics for Mortgage Approval Process

	N	Min	Max	Mean	Std. Dev
Fair mortgage processes should receive equal treatment, yet not all mortgage applicants find it easy going through the entire process.	43	2	5	4.02	.672
The entire mortgage process can be hectic and in some instances may involve falsification in provision of client information	43	1	5	3.53	1.077
The government plays a critical role through legislation and regulation of the activities involved in the mortgage process	43	1	5	3.93	.856
Growth of mortgage is constrained by insufficient regulations to encourage greater uptake of mortgage	43	1	5	3.30	1.103

The findings of the study reveal that the participants agreed (mean of 4.02; std dev of 0.672) that fair mortgage approval process should receive equal treatment, yet not all mortgage applicants find it easy going through the entire process. This asserts the findings by Campbell, Ramadorai and Ranish (2014) who observed that regulatory changes in issuance and administration of mortgages can be instrumental in influencing customers' decisions on taking mortgages. The respondents also agreed (mean of 3.93; std dev of 0.856) that the government plays an important role through legislation and regulation of the activities involved in the mortgage process. This is in agreement with the observation by Gitau (2000) who asserts that the construction industry in Kenya consists of different stakeholders, including government through local authorities, land titling and registry through the land offices. However, it was also observed (mean of 3.53; std. dev. of 1.077) that the respondents agreed that the entire mortgage process can be hectic and in some instances may involve falsification in provision of client information. Some respondents supported the claim, concurring with The World Bank study (2011) which observed that title registration is both slow and expensive, unreliable and prone to fraud, with many fake documents circulating. Other respondents were however of a different opinion contrary to this. It was further observed (mean of 3.30; std. dev. of 1.103) that the respondents had mixed reactions regarding the influence of government regulations on mortgage uptake. While some respondents held that regulations improve the uptake of mortgage, others were of a contrary opinion. This concurs with the findings by Njiru and Moronge (2013) who revealed that the growth of mortgage industry in Kenya is dependent upon insufficient regulations, with mortgage providers taking advantage of low government regulation to exploit customers by charging high prices for mortgage products through high interest rates and other charges.

Mortgage Product Range on Mortgage Uptake in Nakuru

In line with the third objective, this study also sought to find out the effect of mortgage product range on uptake of mortgage products. The results of the descriptive analysis are shown in Table 6.

Table 6: Descriptive Statistics for Mortgage Product Range

	N	Min	Max	Mean	Std. Dev
The bank develops new mortgage products to meet the dynamic market needs	43	1	5	4.05	.899
The mortgage products available perfectly meet the mortgage market needs and demands	43	1	5	3.53	1.077
Mortgage products offered by banks are easily accepted in the market	43	2	5	3.56	.959
Mortgage financing procedure is fast and efficient	43	1	5	3.40	1.116
Our product portfolio suits all clients in low, middle and high income classes	43	2	5	3.56	1.031

Going by the findings of the study, it was agreed (mean of 4.05; standard deviation of 0.899) that the commercial banks and mortgage institutions develop new mortgage products to meet the dynamic market needs. This further supports the observations by Lea (2010), who concluded that there is a wide range of mortgage products offered by different mortgage institutions, including fixed interest rate mortgage, partly fixed rate and variable rate mortgages. The respondents also agreed (mean of 3.53; standard deviation of 1.077) that the mortgage products available perfectly meet the market needs and demands. This is in tandem with the observation by Tamene (2014) who affirmed that a range of mortgage products drawn from various Islamic methods of finance, that are consistent with the Islamic law influence the customer choice. The respondents concurred (mean of 3.56; standard deviation of 0.959) that mortgage products offered by banks are easily accepted in the market, and further agreed (mean of 3.56; standard deviation of 1.031) that their mortgage product portfolios suit all clients in low, middle and high income classes This concurs with Tamene (2014) who observed that for an individual to acquire housing, one chooses from among other types of mortgages, a product that suits his or her needs, income levels and socio-economic status. The respondents however expressed divergent opinion regarding the speed and efficiency of mortgage financing (mean of 3.40; standard deviation of 1.116).

Mortgage Uptake

This study also sought to establish factors influencing mortgage uptake. The results of the descriptive analysis are shown in Table 7.

Table 7: Descriptive Statistics for Mortgage Uptake

	N	Min	Max	Mean	Std. Dev
Mortgage costs (interest rates and associated costs) have an influence in mortgage uptake	43	2	5	4.51	.631
Mortgage approval process has an influence on mortgage uptake	43	1	5	3.91	.921
Mortgage product range has an influence on mortgage uptake	43	2	5	4.09	.868

The study findings indicate that the respondents strongly agreed (mean of 4.51; standard deviation of 0.631) that mortgage costs (interest rates and associated costs) influence customer decision in taking up mortgages. This is in agreement with the findings by Kalui and Kenyanya (2015) who observed that the overall cost of housing through mortgage arrangements deters many people from taking mortgages. The respondents further agreed (mean of 3.91; standard deviation of 0.921) that the mortgage approval process has an influence on mortgage uptake. This is also in line with The World Bank Report (2011) which affirmed that the property registration process in Kenya takes an average of 64 days with the costs to the government of Kenya amounting to approximately 4.2% of the property value. The respondents also agreed (mean of 4.09; standard deviation of 0.868) that the mortgage product range has an influence on mortgage uptake. This is as observed by Scalon, Lunde and Whitehead (2010) who observed that depending on the customer’s financial position and prevailing economic conditions, the choice and uptake of a mortgage varies from one customer to another, those with favourable credit ratings and stable financial positions finding it easy to acquire a desirable mortgage.

Inferential Analysis of the Variables

This study focused on the determinants of mortgage uptake. The determinants analyzed here included mortgage cost, mortgage product range and mortgage price range. Correlating each of the aforesaid variables against mortgage uptake enabled the researcher to determine their respective relationships. A Pearson Correlation analysis was thus done to indicate the relationships between these variables.

Relationship between Mortgage Cost and Mortgage Uptake

Table 8: Correlation between Mortgage Cost and Mortgage Uptake

		Mortgage Uptake
	Pearson Correlation	.317*
Mortgage Cost	Significance. (1-tailed)	.019
	N	43

*. Correlation is significant at the 0.05 level (1-tailed).

The study findings revealed (Table 8) that the relationship between mortgage cost and mortgage uptake was positive, weak but statistically significant ($r = 0.317$; $p < 0.05$). The study observed that the cost of acquiring mortgage significantly influences the propensity of the customers to take mortgage investment products.

Relationship between Mortgage Approval Process and Mortgage Uptake

Table 9: Correlation between Mortgage Approval Process and Mortgage Uptake

		Mortgage Uptake
	Correlation Coefficient	.509**
Mortgage Approval Process	Sig. (1-tailed)	.000
	N	43

*. Correlation is significant at the 0.05 level (1-tailed).

The study findings showed (Table 9) that the relationship between mortgage approval Process and mortgage uptake was positive, strong and statistically significant ($r = 0.509$; $p < 0.05$). The findings implied that the decision to take up a particular mortgage product is significantly influenced by the efficiency of the mortgage approval process.

Relationship between Mortgage Product Range and Mortgage Uptake

Table 10: Correlation between Mortgage Product Range and Mortgage Uptake

		Mortgage Uptake
Mortgage Product Range	Correlation Coefficient	.035**
	Sig. (1-tailed)	.413
	N	43

*Correlation is significant at the 0.05 level (1-tailed).

The findings revealed (Table 10) that the relationship between mortgage product range and mortgage uptake was positive but weak and statistically insignificant ($r = 0.035$; $p > 0.05$). The findings of the study implied that the uptake of mortgage in the market is hardly determined by the availability of a variety of mortgage products in the market.

Relationship between Determinants influencing Mortgage Uptake Decisions

This study assessed how mortgage cost, mortgage approval process and mortgage product range influenced the uptake of mortgage products. Table 11, 12 and 13 show the results of multiple regression analysis.

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.574[a]	.330	.278	.51108

a. Predictors: (Constant), Mortgage Product Range, Mortgage Approval Process, Mortgage Cost

Table 11 outlines the results of coefficient of determination (r^2) and correlation coefficient (R). The results of ($r^2 = 0.330$) and ($R=0.574$) reflected a strong positive correlation between the determinants of mortgage uptake and the actual decision to take up mortgage.

Table 12: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	5.007	3	1.669	6.390	.001[b]
1Residual	10.187	39	.261		
Total	15.194	42			

a. Dependent Variable: Mortgage Uptake (Df = n-1)

b. Predictors: (Constant), Mortgage Product Range, Mortgage Approval Process, Mortgage Cost

Table 12 presents the findings of analysis of variance (ANOVA). The analysis indicated that the mortgage cost, mortgage approval process and mortgage product range had significant effect on mortgage uptake ($F=6.390$; $p < 0.05$ at 95% degree of confidence).

Table 13: Results of Regression Analysis

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.559	1.071		.522	.604
Mortgage Cost	.372	.186	.349	2.001	.052
Mortgage Approval Process	.374	.126	.413	2.958	.005
Mortgage Product Range	.196	.132	.248	1.480	.147

a. Dependent Variable: Mortgage Uptake

The outcomes of the regression analysis (Table 13) were interpreted using the following regression function: $Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$ where Y, X_1, X_2, X_3 represented the mortgage uptake, mortgage cost, mortgage approval process and mortgage product range respectively. The results were interpreted as follows:

$Y = 0.559 + 0.372X_1 + 0.374X_2 + 0.196X_3 + \varepsilon$.

The results led to the first null hypothesis not being rejected ($t=2.001$; $p>0.05$). The second null hypothesis was however rejected ($t= 2.958$; $p<0.05$), while the third null hypothesis was not rejected ($t= 1.480$; $p>0.05$).

The study findings further revealed that the mortgage uptake was significantly influenced by 0.372 mortgage cost, 0.374 mortgage approval process and 0.196 mortgage product range.

SUMMARY OF FINDINGS

Based on the study findings, it emerges, that the fees charged on mortgage together with other charges significantly increase the entire cost of a mortgage. The researcher also found out that increasing interest rates often increase the cost of accessing mortgages, hence locking out some customers from acquiring housing through mortgage arrangements. The study findings also reveal that any increase in interest rates often increases the mortgage cost hence limiting mortgage uptake yet there subsists some divided opinion as to whether mortgage cost deters the uptake of mortgage products by customers. Besides, the findings of the study show that mortgage costs hinder mortgage acquisition and that unexpected changes in mortgage prices make it unaffordable to low-income earners.

The findings of the study show that the participants agreed that their mortgage processes are fair to the effect that all customers receive equal treatment. However, it emerged that not all mortgage applicants find it easy going through the entire process. The study established that the participants alluded to the fact that the government plays an important role through legislation and regulation of the activities involved in the mortgage process. However, the respondents further expressed mixed reactions regarding the belief that mortgage processing is hectic and may involve falsification in providing information to the clients. In fact, some respondents supported the claim while others refuted it. In addition, it was also observed that the respondents differed in opinion with some respondents indicating that mortgage regulations improve the uptake of mortgage while others held a contrary opinion.

Drawing from the findings of this study, the respondents indicated that their organizations always develop new mortgage products to meet the dynamic market needs. It also emerged from the outcome of the study that the mortgage products available perfectly meet the market needs and demands. In addition, the study participants indicated that their mortgage product portfolios suit all clients including the low-income clients, middle-income clients and high-income clients. On the other hand, the findings of the study showed divided opinion amongst the respondents regarding the speed and efficiency of mortgage financing as some of the respondents indicated that they provide mortgages faster and more efficiently while others indicated a contrary opinion.

It also emerged from the study findings that investment in mortgages is influenced by availability of resources and that the cost of mortgage determines whether the customers would acquire housing through mortgage financing or otherwise fail to take up any mortgage product. According to the study, it is evident that the respondents strongly agreed that interest rates and other mortgage-related costs influence customer decision and choice of mortgage and that the speed of mortgage approval has an influence on mortgage uptake. It also emerged from the study that the availability of a wide mortgage product range from which customers can make a choice has an influence on their propensity to acquire housing through mortgage.

CONCLUSIONS

The conclusions made in this section were in context of the objectives of the study. The study revealed that the relationship between mortgage cost and mortgage uptake was positive and statistically significant. The study observed that the cost of acquiring mortgage significantly influences the propensity of the customers to take mortgage investment products. This implied that one's ability to take up a mortgage does not only have to be driven by their income levels, but as well the value they get in return for the cost incurred in procuring the mortgage.

The study findings showed that the relationship between mortgage approval Process and mortgage uptake was positive, strong and statistically significant implying that the decision to take up a particular mortgage product is significantly influenced by the efficiency of the organization's mortgage approval process. The findings indicate that customers would go for efficient services that provide value in terms of speed, efficiency and satisfaction for the cost they incur. As a result, an efficient and effective mortgage approval process attracts more customers hence increased rate of mortgage uptake. The study further indicated that relationship between mortgage product range and mortgage uptake was positive, weak and statistically insignificant implying that the uptake of mortgage by customers is hardly determined by the availability of a variety of mortgage products in the market. This implied that more financially informed customers can capitalize on the availability of a range of mortgage products to make a choice of an ideal mortgage product. However, this is not always the case as the range of products alone may not attract a customer to take a mortgage. There could be other factors driving an individual to take up a mortgage or otherwise opt for a different option.

RECOMMENDATIONS

The recommendations made in this study draw from the study findings in relation to the existing literature. According to the findings presented in the previous chapter, the following recommendations were imperative: first, there is need for commercial banks, mortgage companies and other stakeholders in the mortgage industry to invest more in technology and leverage on appropriate infrastructure so as to enhance service delivery and cut down mortgage-related costs. Secondly, it is necessary to undertake product innovations continuously so as to keep abreast with the dynamic market needs and wants. Commercial banks and mortgage companies should also focus on maintaining mortgages that are profitable and offer more customer value rather than holding big product portfolios that hardly inspire customers to make purchase decisions.

LIMITATIONS OF THE STUDY

Access to secondary data on mortgages is quite limited in the country as the regulator does not mandate commercial banks and mortgage institutions to submit data to the regulator. Being bank employees, the respondents were also skeptical divulging information in line with the research tool, but with the help of the letter of introduction from the University, the researcher managed to allay these fears. Limited time was also a constrain to the study, and it is proposed that similar studies be carried out within a time span of a year or more.

SUGGESTIONS FOR FURTHER STUDIES

This study provided a detailed analysis of the determinants of mortgage uptake and focused on mortgage cost, mortgage approval process and mortgage product range. It is important that further research is carried out to assess implications of these determinants on the customer choice of and preference for specific mortgage products. From this study's findings, further research can also be carried out to determine the influence of political instability, legislation, customers' income cycles, availability of land and housing as well as lack of information in determining mortgage uptake in Nakuru town, Kenya.

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