ISSN 2349-7807

International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)
Vol. 11, Issue 4, pp: (28-36), Month: October - December 2024, Available at: www.paperpublications.org

Drivers of Mortgage Uptake among Primary Mortgage Lenders under the Affordable Mortgage Scheme in Kenya

Samuel Omondi Okelo

Department of Business Management, Maasai Mara University, Kenya

DOI: https://doi.org/10.5281/zenodo.14172474

Published Date: 16-November-2024

Abstract: **The Kenya Mortgage Refinance Company (KMRC) provides low-cost secondary mortgages to selected banks and Saccos (Primary Mortgage Lenders - PMLs) who subsequently offer affordable mortgages to borrowers. Both sets of players, however, recorded low mortgage uptake up to 2023 despite the scheme's initially anticipated potential. On this background, the researcher sought out to identify the determinants of mortgage uptake under the scheme. Structured questionnaires were administered to 60 respondents; with 3 from each of the 20 registered PMLs. Findings indicated that only 12 PMLs (7 banks and 5 Saccos) were actively lending affordable mortgages. Further, affordable housing supply, incidental mortgage costs, and consumer awareness significantly influenced mortgage uptake while potential bank margins had a statistically insignificant effect on mortgage uptake. KMRC and PMLs should intensify marketing campaigns and seek more partners under the affordable mortgages scheme. Further studies should focus on the effect of social factors on mortgage uptake from local, regional and global perspectives.**

Keywords: **Affordable housing, Awareness, Costs, Lenders, Mortgage, Supply, Uptake.**

1. INTRODUCTION

Conventional wisdom holds that monetary easing, via lowering the mortgage rate, would benefit first-time homebuyers and all homebuyers in general. However, the recent housing boom, which started before the COVID-19 pandemic and gained pace after the massive monetary stimulus during the pandemic, casts doubt about the actual benefits for first-time homebuyers of monetary easing, as many such buyers have been priced out by soaring house prices. In the current context of global monetary tightening, numerous studies and publications hold the view that monetary tightening would always worsen housing affordability. In the United States (US), estimations imply that house prices need to fall by 40 percent to offset the adverse impact of the higher rates on affordability. Such a big fall is unlikely, given the structural changes that have occurred during the pandemic, such as preference shifts due to working-from-home practices. Therefore, deteriorating housing affordability is still an issue in the current context. The ultimate net effect on affordability depends on the relative strength of the mortgage payment channel and the house price channel, the latter of which also depends on the housing demand elasticity and housing supply elasticity with respect to a change in the house price, which is associated with a change in the mortgage rate (Beraldi and Zhao, 2023).

Housing markets in the Asia-Pacific region are at an important juncture. Having risen over the past decade and during the pandemic, housing prices now appear slated for a decline in many countries. Pronounced housing cycles, which Asia-Pacific has experienced repeatedly also in the past, come at a cost. The buildup of vulnerabilities in the upswing tends to come to the fore during downturns, often with marked impacts on the broader economy. High housing prices and the prospect of increasing mortgage rates, as central banks tighten monetary policy, also imply a significant deterioration in housing affordability. Improving housing affordability requires a multi-faceted policy approach. Facilitating a stronger supply response will be crucial in many countries to address underlying imbalances. This includes reviewing land use regulations, increasing the focus on urban planning, incentivizing the use of idle land, and providing adequate social and affordable housing, both directly by the public sector and indirectly through incentives for private developers. However, supply-side measures often take significant time to produce results, putting a premium on demand-side measures, which work more quickly. Such measures can include targeted government support, progressive taxation on property, targeted macro-prudential policy to contain systemic risks while being mindful of its repercussions on lower-income households and owner-occupiers, and making use of targeted financing, insurance, and guarantee mechanisms. (IMF, 2022).

With the supply of residential dwellings in the Netherlands having failed to live up to demand over the last decade, apprehension among the population about the availability of affordable housing has risen. Particularly spatial, regulatory, planning, environmental and supply chain constraints have kept a lid on construction. Recognizing the socio-economic challenges posed by inadequate housing supply, the government has embarked on an ambitious agenda with promising steps to boost the availability of affordable properties. To strengthen the traction of housing policies to reach its intended goals, a larger role for economic incentives and private sector involvement should be evaluated (Geis, 2023). In England, apart from social and affordable rent dwellings, intermediate housing is offered to at a cost that is below market levels, in both the rental and capital markets. Intermediate rent housing is offered to occupiers who do not qualify for social rented housing and nor can they afford affordable rents. For intermediate ownership housing, shared ownership and equity loans are offered to those unable to buy a dwelling outright. Housing associations (or private registered providers) have become the main providers of new affordable homes and they have become very dependent on planning obligations for land and funding (Crook and Monk, 2011).

The high rate of household formation, due to an increase in the population, has resulted in a significant shortage of affordable housing in South Africa. It has become a challenging task, for both the government and private real estate developers, to provide affordable housing to lower- and medium-income families in urban centres, mainly because of high demand, escalating prices and non-preference to vertical expansion apartments. The policy focus of the South African National Government has been to provide housing for the historically disadvantaged citizens. Thus, government adopted the use of "subsidy payment" as mode of financing affordable housing to ensure that the beneficiaries are allocated free houses to right the wrongs of the past (Ganiyu et. Al, 2016). Like most of its counterparts in the developing countries, Nigeria has housing shortages, with a high percentage of its citizens living in poor quality housing and in unsanitary environments. This problem of inadequate housing is because of the rapid rural-urban migration, which results from the lack of development, poor economic conditions of the dwellers, etc. in rural areas. A functional mortgage system is essential to home ownership. Overall, reforms are necessary to develop a functional mortgage market in Nigeria. Such reforms should be encompassing because action will be required in some other sectors of the economy beyond housing finance. Relevant policies should be evaluated and monitored to ascertain their effects on housing markets. To substantially reduce the barriers and make mortgages more accessible to households demands dealing with the problems of low incomes and inflation and creating environment conducive for savings and thriving of small businesses. It also demands an overhaul of the land administration systems, revisiting building costs and methods and review of the laws dealing with mortgages. It requires innovative approach to mortgage financing to create mortgage products that are affordable to the majority (Nwuba and Nwuba, 2017).

As part of its long-term development agenda, the Kenya Government identified the provision of Affordable Housing as one of its main development priorities alongside manufacturing, Universal Health Care and food security. The Government seeks to realize the housing goal through, among other strategies, addressing challenges in the domestic mortgage market. It was in this regard, that the National Treasury initiated amendments to the Central Bank of Kenya (CBK) Act, through the Finance Act, 2018. The CBK Act was amended to provide for licensing and regulation of the mortgage refinance business in Kenya. Subsequently, CBK licensed the first MRC namely, the Kenya Mortgage Refinance Company (KMRC) on September 18, 2020. KMRC is a non-deposit taking financial institution whose mandate is to provide long-term funds to Primary Mortgage Lenders (PMLs) for the purpose of increasing the availability of affordable home loans to Kenyans. KMRC provides concessional, fixed, long-term finance to the PMLs, who then transfer the same benefits to their customers. This contributes towards making home loans more accessible to especially, the moderate to low-income earners in the country (CBK, 2023). The right to housing is enshrined in Kenya's Constitution under article 43 (1) (b), which stipulates that all citizens have the right to accessible and adequate housing, and to reasonable standard of sanitation. However, Kenya still grapples with a huge housing demand and supply gap. There have been developments coming from the Capital Markets with the Kenya pension stakeholders backing real estate investment trusts to pool funds for long-term projects such as affordable housing. The Kes1.6 trillion asset-rich sector has been reinvigorated with calls to diversify conservative portfolios from investments such as bonds and fixed deposits to long-term projects and other alternative asset classes (KMRC, 2023). It is on the backdrop of such challenges that this study sought to investigate the determinants of mortgage uptake among the PMLs under the affordable mortgage scheme in Kenya.

Statement of the problem

The Kenya Mortgage Refinance Company (KMRC) was set up by the Kenyan government under a public private partnership (PPP) to provide long-term funds to primary mortgage lenders (PMLs) namely banks and Saccos for purposes of increasing availability of affordable home loans to Kenyans. KMRC had however, only refinanced 12 PMLs as at December 2023 with 3,128 mortgages. This represents only 60 percent of all the registered PMLs under the scheme and despite the fact that the company was established in 2018 and had operated for a period of 6 years. This study therefore set out to investigate the potential influence of mortgage drivers on the uptake of affordable mortgages among PMLs under the scheme. Potential drivers considered for the study were housing supply, incidental mortgage costs, level of potential margins for the PMLs and consumer awareness regarding the product offering amongst potential borrowers in Kenya.

General Objective

The general objective of this study was to establish the influence of mortgage drivers on mortgage uptake among the PMLs under the affordable mortgage scheme in Kenya.

Specific Objectives

1. To establish the influence of affordable housing supply on mortgage uptake among the PMLs under the affordable mortgage scheme in Kenya.

2. To determine the impact of incidental mortgage costs on mortgage uptake among the PMLs under the affordable mortgage scheme in Kenya.

3. To investigate the effect of potential margins on mortgage uptake among the PMLs under the affordable mortgage scheme in Kenya.

4. To establish the influence of consumer awareness on mortgage uptake among the PMLs under the affordable mortgage scheme in Kenya.

2. LITERATURE REVIEW

Theoretical Framework

This study was founded upon three theories that attempted to lay a foundation for subsequent research procedures and analysis; the title theory, the lien or equitable theory and the modern mortgage theory.

The Title Theory of Mortgage

In a Title State, the lender holds title to the property in the name of the borrower through a Deed of Trust. When the loan is completely paid off, the lender issues and records a Deed of Reconveyance in favor of the borrower who then has clear title to the property. The Deed of Reconveyance removes any interests that the lender may have in the property. In title theory or mortgage states title is held in the lender's name until the final payment is made, when title is passed or re-conveyed to the borrower. This means that when you go to buy a home, your lender will retain title rights to the property and allow you, the borrower, to occupy the residence as if you own it (Iyandemye et. al., 2018).

During a real estate transaction, the seller actually transfers the property to the lender. The lender holds the actual legal title on the property while the borrower will hold equitable title. The lender holds title to the property in the name of the borrower through a document called a Deed of Trust. When a borrower finally pays off their loan in full, a Deed of Reconveyance is issued and the debt is officially extinguished in the public record. If a borrower defaults on their loan, there is no court proceeding to determine if the borrower has any merit to contest the foreclosure. These non-judicial foreclosures are conducted in accordance with procedures established by state statutes, which usually include mailing a default letter to the homeowner and filing a Notice of Default. If the homeowner doesn’t address the default within a state specified time period, a Notice of Trustee Sale will be mailed to the homeowner, posted in public places, recorded in the public record, and published in regional legal publications. After that, the property is put up for auction or a Trustee Sale and sold to the highest bidder. Georgia is a “non-judicial foreclosure” state. That means the lender can foreclose on your home without filing suit or appearing in court before a judge (Torluccio and Dorakh, 2011)

Lien or Equitable Theory of Mortgage

In a Lien State, the deed stays with the borrower, and the lender places a lien on the property using the mortgage. The lien is extinguished when the loan is paid off in full. In lien theory states, title to the property is held in the name of the borrower with a security interest or lien to the property being granted to the lender. In lien theory states, the borrower holds the title to the property. Instead of a Deed of Trust, a Mortgage is recorded in the public record and acts as a lien against the property until the debt is paid off. With a mortgage, a homeowner has both legal and equitable title. When the mortgage is paid in full, a release or mortgage satisfaction is filed in the public record to remove the lien. Should a borrower default on a loan in a lien theory state, a judicial foreclosure is required for a lender to take possession of the property (Gunin, 2024).

During the 2008 housing crisis, many borrowers in default used a “produce the note” defense in foreclosure proceedings that required lenders to demonstrate they had the legal right and authority to enforce it. The promissory note acts as an official IOU, so if the loan is sold off to another entity, both it and the Mortgage must be properly transferred. While the defense is unlikely to be used successfully today and some states like Florida have addressed the issue with a law requiring the note at the time of the foreclosure, the process gives the homeowners a chance to defend their rights to the property and requires a lender to meticulously track and file the proper paperwork before initiating a foreclosure. A judicial foreclosure usually begins with the filing of a Lis Pendens, which acts as a complaint against the borrower.

The borrower is given a notice of complaint by either mail, direct service, or it’s published in newspapers, and he or she will have an opportunity to be heard in court. If the court finds that the debt is valid and in default, it will issue a judgment for the total amount owed, including court fees. Like in title theory states, when a lender is found to have a valid complaint against a borrower, the house is auctioned off. Unlike title theory states, there is an additional step in which the highest bidder is subject to the court’s approval of the sale. Once that’s granted, the highest bidder becomes the new owner of the property (Mose, 2021)

Modern Mortgage Theory (MMT)

Under what has come to be called the "intermediate theory" of mortgages, a mortgage is viewed as creating a lien on the mortgaged property until such a time as an event of default occurs pursuant to the loan contract. After such a time, the same mortgage is construed under title theory. This is accomplished by the inclusion of a stipulation within the loan contract to the effect that the borrower is allowed to retain legal title to the collateralized property with the express agreement that the lender may foreclose in a non- or extrajudicial manner if the borrower defaults on the loan.In the United States, more states are lien-theory states than are title-theory or intermediate-theory states. In title-theory states, a mortgage continues to be a conveyance of legal title to secure a debt, while the mortgagor still retains equitable title. In lien-theory states, mortgages and deeds of trust have been redesigned so that they now impose a nonpossessory lien on the title to the mortgaged property, while the mortgagor still holds both legal and equitable title (Gunin, 2024).

For housing finance to be successful, continuous flow of funds must be guaranteed. Secondary Mortgage Markets (SMMs) are a mean to an end. The end is to increase the flow of funds housing. Therefore, a secondary market provides the means to accomplish this end by bringing together the originators of mortgage loans with the ultimate investors. It does this by developing new instruments and institutions that can lower the risks of mortgage lending for originators and provided them with new funding outlets. The mechanism of capital mobilization through mortgage securitization as found in advanced economies like the US, Germany, France, Italy, and others will serve as a potent driver of real estate growth and housing finance in Nigeria. Similar examples are obtainable in Asia, where the National Housing Fund thrives on, not only the deposit subscriptions, but also on housing bonds issued by the Housing Bank to finance housing development programs (Li, 2022).

In the Modern Mortgage Lending Model (MMLM), there is a wide variety of investors ranging from depositories to mutual funds. The quality of mortgages produced by the primary market becomes much more important in a SMM. The SMM separates the act of making mortgage loans from the act of holding mortgage loans. The 19 mortgage holding function is the strategic focus for dealing with the risks of mortgage lending (Mose, 2021). According to them, the basic principle of SMM is to tap capital market investor as the long-term source for the mortgage market, thus mitigating risks of interest rate and credit risk.

ISSN 2349-7807

International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)
Vol. 11, Issue 4, pp: (28-36), Month: October - December 2024, Available at: www.paperpublications.org

Empirical Review

Niu (2008) in a study paper to estimate the benefits and costs of China's affordable housing program as well as to provide recommendations to the housing policy found that the home ownership affordability is still low in cities in China mainly due to the high price of commercial housing. The study recommended that to improve China's affordable housing program, there was need to determine housing characteristics such as income, family size, housing prices, and housing expenditure. There was also need to set clear government regulations and increase the supply of affordable houses. Boon et. al (2017) conducted a study to explore the various elements affecting the affordability of residential properties in Malaysia using a mixed research methodology. The study discovered a mismatch of house price and household income that led to the housing market becoming seriously unaffordable with a ration of 4:40 respectively. They argued that housing affordability was determined by income, property price, land cost, demand and supply, change in economy, demographics, construction costs, interest rates, developer's profit margin and government red tape. They also identified government, private developers and bankers as key parties in the implementation of policies to ensure successful deliverability of affordable housing.

Silverman (2009) examined how executive directors of nonprofit organizations in USA perceive local government performance in affordable housing built on a larger body of research concerning the affordable housing activities of government and community-based nonprofit housing organizations at the local level. The findings of this study indicate that Neighborhood Housing Services (NHS) organizations are not completely satisfied with local government performance. Local government performance in affordable housing received lower grades than other levels of government, as well as intermediary organizations and private financial institutions. This dissatisfaction is expressed through nonprofit fields in which these organizations are embedded. These fields have witnessed declining governmental support for affordable housing and expanding influence from philanthropic organizations and the private sector. Beraldi and Zhao (2023) challenges the conventional wisdom that lower mortgage rates always favor first-time homebuyers, or higher mortgage rates always harm first-time homebuyers. They do this both theoretically with a stylized general equilibrium model and empirically, focusing on the U.S. market with Freddie Mac's household-level data. They find out that the pricing-out effect is stronger for first-time homebuyers than existing homeowners, thus increasing housing wealth inequality.

In Nigeria, Mukhtar et. al., (2023) sought to establish the critical success factors for affordable housing projects in the country. Study findings identified four factors namely – effective land policies for affordable housing, availability of effective financial institutions, good governance of housing systems, and political will. They further stressed the need for government support through the provision of policy solution and implementation. Iyandemye et. al., (2018) studied the mortgage finance market and housing affordability in urban areas in Rwanda. They identified that the adopted loan amortization schedule, risks caused by the absence of a secondary mortgage market, and the dominance of short financial institutions significantly reduced mortgage affordability. They further concluded that only 15 percent of Kigali City households could afford housing during the study period, with the affordability being limited to purchase and not repayment-wise. Kieti and K'Akumu (2017) investigated factors affecting affordability in the mortgage-housing sector in Kenya with an attempt to develop an empirical model to reveal the underlying factors affecting housing affordability in Kenya. They found that a cluster of factors related to households' socio-economic factors, property attributes, loan characteristics and the macroeconomic environment significantly influenced affordability of mortgage housing in Kenya.

Conceptual Framework

The study developed a conceptual framework based on the independent variable (drivers of mortgage uptake) measured using four constructs and the dependent variable (affordable mortgage uptake) measured using the number of affordable mortgage accounts, as summarised in Figure 1.

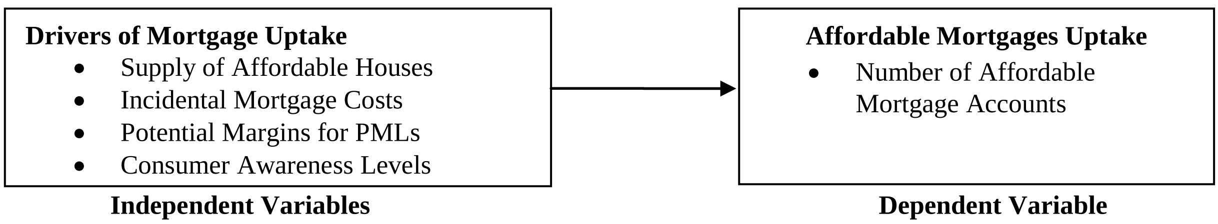

Figure 1 - Conceptual Framework for the Study

ISSN 2349-7807

International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)
Vol. 11, Issue 4, pp: (28-36), Month: October - December 2024, Available at: www.paperpublications.org

3. METHODOLOGY

The target population in this study was the Primary Mortgage Lenders (PMLs) in Kenya licensed to offer affordable mortgages under the Kenya Mortgage Refinance Company (KMRC)-backed scheme. These included 7 commercial banks, 1 mortgage finance company, one microfinance bank and 11 Saccos, resulting to a total of 20 institutions. A census survey was carried out on all the 20 lenders owing to the relatively small and statistically manageable population size. These lenders are considered vital in the achievement of affordable housing to as many cadres of the Kenyan citizenry as possible since they are in constant contact with the potential borrowers or beneficiaries of the affordable housing programme fronted by the Government of Kenya (GOK). The study relied on primary data to test the study variables. This data was collected using questionnaires. The questionnaire was divided into five sections and contained both open and close-ended questions which aided in the collection of both quantitative and qualitative data for the study. Questions requiring Likert-scale responses were drafted for the independent variables while open and close-ended questions were adopted for the dependent variable. They were administered to the branch managers, relationship managers and business bankers in each of the institutions surveyed making in all 60 respondents; this is justified by the fact they literally handle every conceivable aspect of mortgage credit and by extension the affordable mortgage scheme management. Macharia and Wanyoike (2016) similarly administered questionnaires to Branch Managers, Mortgage or Business Bankers and Credit Administration Officers based on their perceived experience with the mortgage underwriting process thereby enhancing the reliability of the responses.

4. RESULTS AND DISCUSSION

Out of the 60 questionnaires administered to respondents, 36 were returned duly filled thereby giving a response rate of 60%. Mugenda and Mugenda (2003) recommend that a response rate of 50% is considered satisfactory whereas a rate above 70% is deemed very good for statistical analysis and reporting: In view of this, the response rate of 60% for this study can pass as sufficient for the purpose of analysis and inference.

Descriptive Statistics

The study conducted descriptive statistical analysis using measures of both dispersion and central tendency; Minimum, Maximum, Mean and Standard deviation were used. Results as summarized in Table 1 indicated that housing supply had a mean response of 4.33, mortgage costs had a mean of 4.25, while potential margins for PMLs had the lowest mean of 3.14; Consumer awareness had a mean of 3.78. The standard deviations for housing supply and mortgage costs were at 0.862 and 0.479 respectively implying a moderately acceptable deviation in responses from the mean response. Potential margins and consumer awareness however, had standard deviations of 1.150 and 1.222 which implied that responses in these categories were spread and further away from the mean responses. Overall, the observed measures were considered acceptable for purposed on further statistical analysis.

Table 1: Descriptive Statistics

Model		Minimum	Maximum	Mean	Standard Deviation
1	Housing Supply	2	5	4.33	0.862
	Mortgage Costs	2	5	4.25	0.479
	Potential Margins	1	5	3.14	1.150
	Consumer Awareness	1	5	3.78	1.222
	Mortgage Uptake	1	5	3.67	0.894
	Average			**3.83**	**0.921**

N=36

Linear Regression Analysis

The study proceeded to conduct a standard linear regression from the data collected in order to determine the impact of the individual drivers on affordable mortgage uptake. The results showed that the drivers jointly explained 0.292 or 29.2% of variation in affordable mortgage uptake while the remaining 70.8% was explained by other drivers or factors not included in the model. Table 2 summarizes these results.

ISSN 2349-7807

International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)
Vol. 11, Issue 4, pp: (28-36), Month: October - December 2024, Available at: www.paperpublications.org

Table 2: Model Summary

Model	R	R-Squared	Adjusted R-Squared	Std Error of the Estimate
1	0.540[a]	0.292	0.201	0.944

a. Predictors: (Constant), Housing Supply, Mortgage Costs, Potential Margins, Consumer awareness

b. Dependent Variable: Mortgage Uptake

An ANOVA was also conducted to determine the suitability of the model in explaining the relationship between the drivers and affordable mortgage uptake. Results as shown in Table 3 indicate an F-value of 3.163 and a significant p-value of 0.027 which is less than 0.05 thereby confirming that the model was a good fit for the data set and sufficient to explain the relationship between the independent and dependent variables.

Table 3: ANOVA

Model		Sum of Squares	df	Mean Square	F	P-Value
1	Regression	8.115	4	2.029	3.163	0.027[b]
	Residual	19.885	31	0.641		
	Total	28.000	35			

a. Dependent Variable: Mortgage Uptake

b. Predictors: (Constant), Housing Supply, Mortgage Costs, Potential Margins, Consumer awareness

Finally, a t-test was conducted to test the significance of the influence of the drivers on the uptake of affordable mortgages among the lenders, as well as test the null hypothesis that the drivers do not have a statistically significant influence on the affordable mortgage uptake. The results summarized in Table 4 show that β_0 is 1.234 which is significantly different from zero; whereas $\beta_1, \beta_2, \beta_3, \beta_4$ took the values of 0.640, 0.471, 0.289, and 0.411 respectively. All drivers had significant p-values of less than 0.05 except potential margins whose p-value of 0.153 was greater than 0.05 thereby implying that the same did not significantly influence affordable mortgage uptake thereby leading to failure to reject the null hypothesis **H_3**. All the other three drivers significantly influenced affordable mortgage uptake and therefore, the respective null hypotheses were consequently rejected.

Table 4: Regression Coefficients

Model		β	Std. Error	Beta	t	P-Value
1	Constant	1.234	1.238		0.997	0.326
	Housing Supply	0.640	0.212	0.569	3.017	0.005
	Mortgage Costs	0.471	0.156	0.553	3.026	0.009
	Potential Margins	0.289	0.197	0.246	1.466	0.153
	Consumer Awareness	0.411	0.127	0.528	3.246	0.003

a. Dependent Variable: Mortgage Uptake

The study developed the following model that best depicts the relationship between the mortgage drivers and uptake of affordable mortgages among Primary Mortgage Lenders under the affordable mortgage scheme.

$$Y=\beta_0+ \beta_1 X_1+ \beta_2 X_2+ \beta_3 X_3+ \varepsilon$$

Where: Y is affordable mortgage uptake

X_i represents the four independent variables

β_0 represents the Y intercept or constant

β_1 represents the coefficient of housing supply

β_2 represents the coefficient of mortgage costs

β_3 represents the coefficient of potential margins

International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)
Vol. 11, Issue 4, pp: (28-36), Month: October - December 2024, Available at: www.paperpublications.org

β_4 represents the coefficient of consumer awareness

Replacing the values of standardized regression coefficients from the regression table, the model is thus presented as follows being the optimal model for the study.

$$Y=1.234+ 0.640\, X_1+ 0.471\, X_2+ 0.289\, X_3+ 0.411\, X_4 + 1.238$$

5. CONCLUSION

The study objective of this study was to establish the influence of mortgage drivers on the uptake of affordable mortgages among Primary Mortgage Lenders (PMLs) under the affordable mortgages scheme in Kenya. Housing supply, mortgage costs, potential margins and consumer awareness were identified as potential mortgage drivers and as such, the independent variables. Descriptive results indicated most PMLs agreed that housing supply was the greatest driver, followed by mortgage costs, consumer awareness while potential margins for PMLs was considered the least influential driver. Linear regression analysis conducted revealed that housing supply, mortgage costs, and consumer awareness were all important factors in influencing mortgage uptake since the calculated p-values were less than 0.05 and therefore, statistically significant. The null hypothesis was, therefore, rejected for these three drivers. Potential margins for PMLs was however, found to a statistically insignificant influence on affordable mortgage uptake and the study failed to reject the null hypothesis. The regression model summary showed that the combined mortgage drivers explained 29.2% of variability in performance with the other predictor variables held at zero.

6. RECOMMENDATIONS

The findings of this study form an important basis of making some important recommendations. The recommendations are made in terms of theoretical contributions, methodological contribution, policy contribution, and benefits the study avails to the scholars and practitioners in the field of strategic management. Focus should therefore, be put on increasing the supply of affordable houses through interventions from the Kenyan government as well as through Public Private Partnerships (PPPs). There should also be deliberate efforts in reducing or eliminating incidental mortgage costs that still render mortgages (even ones under the KMRC scheme) expensive for potential borrowers. Targeted households should also be exposed to greater awareness performed jointly by all the players within the affordable housing space. Despite the potential margins for PMLs being insignificant in determining affordable mortgage uptake, it is still essential for PMLs to consider increasing their asset base and continually seek inexpensive long-term deposits as a mitigation measure. Finally, the regulator, the Central Bank of Kenya (CBK) should strive to encourage mergers and in essence creation of fewer but larger PMLs that would allow them to absorb some unforeseen and undesirable challenges that may emerge during the implementation of the affordable mortgage scheme in Kenya.

SUGGESTIONS FOR FUTURE RESEARCH

Owing to the fact that the mortgage drivers studied only accounted for 29.2% of variations in affordable mortgage uptake, there is need for players within the affordable housing space and academicians to investigate other factors that account for the remaining 70.8% in affordable mortgage uptake variations. As at July 2024, the government had fully rolled out the affordable housing scheme that is aimed at addressing the shortfall in affordable housing supply; Studies should therefore focus on assessing the impact of such measure on overall mortgage uptake in solving the housing challenges faced in Kenya. Finally, it is also useful for researchers to consider the potential moderating effect of the size of PMLs and competitive rivalry in overall mortgage performance with specific reference to the affordable mortgage space in Kenya and beyond.

ACKNOWLEDGEMENTS

None.

CONFLICT OF INTEREST

None.

FUNDING

The Author did not receive funding for this research.

ISSN 2349-7807

International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)
Vol. 11, Issue 4, pp: (28-36), Month: October - December 2024, Available at: www.paperpublications.org

REFERENCES

[1] Beraldi, F., & Zhao, Y (2023). "The Pricing-Out Phenomenon in the U.S. Housing Market," IMF Working Paper No. 23/1, International Monetary Fund, Washington, D.C.

[2] Boon, J.; Hui Y., & Xin H.N. (2017). Housing affordability in Malaysia: perception, price range, influencing factors and policies. *International Journal of Housing Market and Analysis.* 11(3), 476-497

[3] Central Bank of Kenya (2023). Bank Annual Supervision Report. Nairobi. Government Press

[4] Crook, A. and Monk, S. (2011). Planning Gains, Providing Homes, *Housing Studies*, 26(7-8), 997-1018

[5] David, Fred R., & David, Forest R. (2015). *Strategic Management: Concepts and Cases, 15th Edition.* London. Pearson Education Limited

[6] Gardner, D., Lockwood, K., Pienaar, J., & Maina, M. (2019). Assessing Kenya's Affordable Housing Market. *Centre for Affordable Housing Finance in Africa*

[7] Ganiyu, B.O., Fapohunda, J.A., & Haldenwang, R. (2016). Sustainable housing financing model to reduce South Africa housing deficit. *International Journal of Housing Market and Analysis.* 10(3), 410-430

[8] Geis, Andre (2023). Housing Supply in the Netherlands: The Road to More Affordable Living. *IMF Selected Issues Paper* (SIP/2023/023). Washington, D.C.

[9] Gunin, A. (2024). The Future of Mortgage Financing in the Era of Fintech: A Systematic Review. *Futurity Economics & Law*, *4*(2). 31-47.

[10] International Monetary Fund (2022). Housing Market Stability and Affordability in Asia-Pacific. Washington, D.C.

[11] Iyandemye, S., Barayandema, J., & Gasheja, F. (2018). Mortgage Finance Market and Housing Affordability in Urban Areas in Rwanda: A Case of Kigali City. *Journal for the Advancement of Developing Economies*. 7(1), 41-58

[12] Kenya Mortgage Refinance Company (2023). *Annual Integrated Report and Financial Statements*. Nairobi

[13] Kieti, R. M., & K'Akumu, O. A. (2018). Critical factors affecting affordability of mortgage housing in Kenya. *Journal of Housing and the Built Environment*, *33*(1), 111–131

[14] Li, G. (2022). MMT – Modern Mortgage Theory. *TCW Group. 1-4*

[15] Macharia, P.C. & Wanyoike, D.M. (2016). Determinants of Mortgage Uptake from Financial Institutions in Nakuru Town, Kenya. *International Journal of Economics, Commerce and Management.* IV(10), 569-598

[16] Mose, V. (2021). Financing Models for Affordable and Adequate Housing in Kenya. *KIPPRA Discussion Paper No. 259*

[17] Mugenda, A. & Mugenda, O. (2003). *Research Methods: Qualitative and Quantitative Approaches.* (2nd Ed.). Nairobi: ACTS.

[18] Mukhtar, M.M., Zadawa, A.N., Abubakar, M.J., Dandajeh, M.A., & Shehu, A.S. (2023). Critical Success Factors for Affordable Housing Projects in Nigeria. *International Journal of Real Estate Studies*. 17(2), 80-89

[19] Nwuba, C.C., & Nwuba, E.O. (2017). Barriers to Accessing Mortgages in Nigeria's Housing Markets. *International Journal of Housing Markets and Analysis.* 11(4), 716-733

[20] Silverman, Robert M. (2009). Non-profit perceptions of local government performance in affordable housing. *International Journal of Housing Markets and Analysis.* 2(3), 253-262

[21] Torluccio, G., & Dorakh, A. (2011). Housing Affordability and Methodological Principles: An Application. *International Research Journal of Finance and Economics*, 79 (2011), 64-77