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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 4, Iss. 3 (34), pp 516 - 528, Sept 18, 2017, www.strategicjournals.com, ©strategic Journals

DRIVERS OF CHOICE OF BANK LOANS FOR FINANCING HOME OWNERSHIP IN KENYA: A CASE OF SURAYA LTD

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Accepted September 13, 2017

ABSTRACT

The main purpose of the study was to assess the determinants of choice of bank loans as a mode of financing home ownership: Consequently, the study was guided by the following objectives: - To establish whether interest rates influenced the choice of bank loans as modes of financing home ownership in Kenya and to establish whether loan repayment period influence the choice of bank loans as modes of financing home ownership in Kenya. The study was guided by loanable funds theory and financial intermediation theory. The study used the mixed research designing which both quantitative and qualitative approaches were used in data collection and analysis. This study employed explanatory research design. The target population of this study was a sample size of 90 house owners. This study used primary data which was collected through use of a questionnaire. The organised data was interpreted on account of concurrence to objectives using assistance of computer packages especially Statistical Package for Social Sciences (SPSS) to communicate the research findings. Descriptive analysis was employed; which included; weighted mean frequencies and percentages. Inferential statistics such as correlation analysis was also used. A logistics/odds ratio regression model was used to test the significance of the influence of the independent variables on the dependent variable.

Key Words: *Interest Rates, Loan Repayment Period, Mode of Financing*

INTRODUCTION

A shelter is a basic need and home ownership is a desire for many individuals in the middle class and low income group bracket. Many prospective own home developers are unable to finance building a home from savings thus they turn to loans and mortgage financing (Cocco, 2004).One of the attractions of homeownership is that it has been seen as a good financial investment. Another attraction of homeownership is that it has been seen as providing more stability and control over one's living environment. Homeowners were thought to be more secure than renters since they were not subject to landlords raising the rent or not renewing the lease (Shiller, 2013).

The development of the housing sector is widely recognized as an integral part of economic development. In addition to the large share that the housing sector occupies in the economy, its importance also arises from the positive externalities and spillover effects, and its impact on the social and political climate, issues of particular importance in developing countries. In most countries, and increasingly so in emerging economies, housing represents a large proportion of a household's expenditure and takes up a substantial part of lifetime income. Usually, it is the largest asset owned by households. The backward and forward linkages to land markets, durable goods manufacturing and development of labor markets with depth and mobility further underscore the significance of this sector, particularly in the process of economic transition (Bardhan & Edelstein, 2007).

From a demand perspective, access to mortgage finance or bank loan is a key constraint to house ownership especially by the middle and low-income earners. In Kenya, the country's mortgage market is the largest in the region yet outstanding mortgages to GDP only stood at 2.5%, well below the top performing mortgage markets of South Africa and Namibia where outstanding mortgages to GDP stood at 26.4% and 19.6% respectively (World Bank, 2011 & CAHF, 2012).According to Zhu (2006) it is widely understood that the provision of housing services depends upon a well-functioning housing finance system. Indeed, without a properly functioning housing finance system the "real" housing market would be sub-optimal. Moreover, similarly to the housing markets, the housing finance system has beneficial spillover effects on the entire financial system with far-reaching consequences for economic development. Increasing emphasis is therefore being placed in developing and transitioning countries on the reform of real estate finance and mortgage markets.

The reason for the low market house ownership penetration in Kenya is nested in the lack of affordability due to a combination of low incomes, high interest rates, high inflation and the inability of various financial markets to cater for long-term funding. As of 2012, according to the Kenyan Central Bank, the average mortgage across the country was Kshs 6.6 million, requiring a repayment of Kshs 90,000 per month over 20 years (CAHF, 2012), well above the means of the majority of the population.In addition, one is to add the effect of inflation and interest rates, whereby mortgage payments rose accordingly for those with variable rates. In 2010, rates stood at about 15%, before dropping below the 13% line in 2011 before breaking the 20% line in 2012 (Hass consult, 2012). As a result of these swings, borrowers which drew money out while being on the edge of the population which could afford a mortgage in the first place, quickly found themselves in dire straits.

Challenges like high interest rates for mortgage, income requirements, and strict conditions, have made most low income households en-gage in "incremental housing", whereby they keep on saving and slowly build their own house over time either room by room, or element by element. As a consequence, consumer loans for home construction are more prevalent that loans for home acquisition, in particular for lower income earners (CAHF, 2012): outstanding loans for home purchase stand at 1.1% for the top 60% of income earners and 0.6% for the remaining 40%, while loans for home construction stand at 3.4% for the top 60% of income earners and 3.8% for the rest. Such loans are oftentimes smaller in size (thus easier to repay) as they often used to contribute to incremental housing schemes. In view of the limited reach of formal housing finance, micro-finance loans for home improvements are increasingly seen as the way forward to increase home ownership. Yet, incremental housing has important downsides: when finance ceases, people are left with no or inadequate accommodation while they have spent an enormous amount of money and need to wait until savings are high enough to continue built, or borrow against it to further improvements. (Yannis, 2013)

There are a number of ways to finance a business and a range of lenders and investors to choose from when a business owner is making financing decisions. Financing could come in the form of debt or investment, and the terms of the financing can vary significantly between the two. Important factors to consider when choosing methods of financing a business included the repayment terms, the total cost of capital and the requirements of the lender or investor(Ingram, 2009).

In developed countries, the cost of a dwelling can often be 2.5 to 6 times the average annual salary. In the developed world, mortgage lending is at an all-time high. The aim has been to encourage increased homeownership. This has meant that in countries like Australia and the United States, the percentage of owner-occupiers with mortgages is 45 per cent and 63 per cent respectively. In the US, homeownership has become a significant measurement of economic health. Moreover, in 2002, despite the worrying increase in property values, 52 percent of the mortgages given out by an institution like Fannie Mae went to low and moderate income families. (UNHABITAT, 2005)

Affordability is one of the problems faced by housing finance institution in Africa. The reality of the housing situation in many developing countries means that new ways of micro financing and community funds have to be encouraged if the poor are to be provided with adequate shelter and basic services. On the one hand, the housing finance market has become more competitive as new providers have been encouraged to enter the market. Such providers have been seeking new customers to extend their activities. Thus, the extension of mortgage services is a commercial response to market conditions. On the other hand, the state has been looking to the market to address housing need. Faced with considerable housing problems and seeking to reduce public expenditure, governments have sought to encourage the market to address needs where possible. (UNHABITAT, 2005)

The population growth rate of Kenya as of 2012 was estimated to be 4.2% per annum and based on this growth and also the rapid increase in urban migration, the yearly annual increase in demand for housing in Kenya was of 206,000 units annually. Out of this demand 82,000 units were in demand in the urban areas. The ministry of Housing in 2011 estimated that the formal housing supply of houses to the market reached 50,000 creating a deficit of approximately 156,000 housing units. In 2012, it was also estimated that further 85,000 units were also added to this deficit. (CAHF, 2012)

Suraya property Ltd is an incorporated private property company in Kenya. It is a locally registered development company that has over a period of four years grown to become one of the largest private development companies in Kenya. It started its operations in 2006. Suraya property Ltd is a joint venture between Peter and Sue

Muraya. The company deals with the construction of new residential as well as commercial houses within different parts of the country; including Nairobi and Mombasa. Suraya Property Limited besides construction, all carries out the sale of property that they have established.Suraya property limited has four completed projects Rosslyn Heights which have units, Rosslyn Gardens with 26 houses, Fourways Junction with 1256 houses and Loneview Estate with 78 houses (Suraya property, 2014).

Statement of the problem

Mortgages in Kenya are rare. The Central Bank of Kenya (CBK) estimates that there are just 22,000 on the books in the country, despite a population of 44.3m. Most Kenyans cannot afford mortgages, which is a major constraint on the country's real estate market (Hass consult Data 2016) Commercial loans to the private real estate sector reached a total stock of KSh262.7bn ($2.9bn) at the end of 2014, up 32% on a year earlier, according to the CBK. Most Kenyans are locked out of the mortgage market. Hass Consult found in 2014 that of those living in urban areas, only half could service a mortgage of just KSh700,000 ($7700), while 4% could handle one worth KSh3.9m ($42,900) and 1% can afford a home loan of KSh5.7m ($62,700). This puts home ownership out of reach for most people in Nairobi, where land prices have skyrocketed, quintupling in the seven years to 2014, with the average per-acre price now at KSh170m ($1.87m), according to Hass Consult. Part of the reason for this price-out is high interest rates, which have averaged around 15% in recent years, as well as eligibility requirements focused on employment.

In mid-2015 the CBK raised its base lending rate by three percentage points to 11.5%, keeping upward pressure on mortgage interest rates. (Oxford Business Group 2016) Another constraint is the lack of a robust credit rating system in Kenya, meaning that extra weight is given to employment status when it comes to mortgages. Credit reference bureaus, regulated by the CBK, came onto the Kenyan market in 2009. However, a large informal sector, combined with low levels of collateral and household incomes, has put limitations on the relevance of the credit reference framework for the majority of would-be buyers. (Oxford Business Group 2016).The World Bank estimates that the Kenyan mortgage market has the potential to grow to Sh800 billion, which is about nine times the current size. The 16,000 mortgages valued at Sh91.2 billion in 2011 account for 2.5 per cent of the GDP, which pales in comparison with other countries such as South Africa which has a 26.4 per cent ratio. Kenya's ratio also lags behind Namibia 19.6 per cent, Morocco 16.9 per cent, Mauritius 12.2 per cent, Tunisia 12 per cent (2010), and Seychelles 3.94 per cent (Gachiri, 2012).The reason for the low house ownership penetration in Kenya is nested in the lack of affordability due to a combination of low incomes, high interest rates, high inflation and the inability of various financial markets to cater for long-term funding (Hass consult, 2012). According to the Kenya Integrated House Budget Survey (KIHBS) 2006 the demand for residential and commercial houses has been on the rise with the private sector and government being able to only provide approximately 50,000 housing units annually resulting in a deficit of approximately 156,000 units (CAHF, 2012). Despite the shortage of housing units there are also constraints to the access of mortgage finance for the purchase of housing units in Kenya and thus making house ownership difficult to middle and low-income earners.

Njihia (2013) conducted a study on the effect of mortgage interest rate on the growth of mortgage financing in Kenya and found that total mortgage outstanding have been increasing while average interest rate generally increased in the period of study. Charlene (2010) conducted a research study on factors influencing repayment of bank loans: a case of NIC bank limited, Nairobi Province

Kenya and found out that the type and duration of loan positively influenced repayment with long term loans having recorded lower default rate as compared to short and medium term loan. Barchok (2013) conducted a study to examine the relationship between access to housing finance and demand for purchase of housing units in Nairobi County and found out that most prospective house owners are negatively affected by the requirement for deposit or collateral as some banks offering mortgages require high threshold of deposit or collateral which some potential owners do not have. However, the studies were inconclusive as they failed to address the drivers of choice of bank loans for financing home ownership and this gap that the study wishes to address.

Objectives of the Study

The general objective of this study was therefore to establish the drivers of the choice of bank loan for financing housing ownership in Kenya. The specific objectives were:

- To establish how interest rates influence the choice of bank loans for financing home ownership in Kenya
- To determine how loan repayment period influence choice of bank loans for financing home ownership in Kenya

LITERATURE REVIEW

Theoretical Review

Pecking Order Theory

Pecking Order Theory, states that capital structure is driven by firm's desire to finance new investments, first internally, then with low-risk debt, and finally if all fails, with equity. Therefore, the firms prefer internal financing to external financing (Myers &Majluf, 1984). This theory is applicable for large firms as well as small firms. Since small firms are opaque and have important adverse selection problems that are explained by credit rationing; they bear high information costs (Psillaki, 2008).

Since the quality of small firms financial statements vary, small firms usually have higher levels of asymmetric information. Even though investors may prefer audited financial statements, small firms may want to avoid these costs.Private firms seem to use retained earnings and bank debt heavily. Small public firms make active use of equity financing. Large public firms primarily use retained earnings and corporate bonds. The available evidence can be interpreted in several possible ways. Therefore, when issuing new capital, those costs are very high, but for internal funds, costs can be considered as none. For debt, the costs are in an intermediate position between equity and internal funds. (Frank&Goyal, 2005). As a result, firms prefer first internal financing (retained earnings), then debt and they choose equity as a last resort. The relevance of this theory to the study is that the home owners have the fear of borrowing bank loans and prefer coming up with their personal savings before consulting a bank

Loanable Funds Theory

In economics, the loan able funds market is a hypothetical market that brings savers and borrowers together, also bringing together the money available in commercial banks and lending institutions available for firms and households to finance expenditures, either investments or consumption. Savers supply the loan able funds; for instance, buying bonds will transfer their money to the institution issuing the bond, which can be a firm or government. In return, borrowers' demand loan able funds; when an institution sells a bond, it is demanding loanable funds. Another term for financial assets is "loanable funds", funds that are available for 12borrowing, which consist of household savings and sometimes bank loans. Loanable funds are often used to invest in new capital goods, therefore, the demand and supply of capital is usually discussed in terms of the demand and supply of loanable funds (McConnell, 2005).The interest rate is the cost of borrowing or demanding loanable funds and is the amount of money paid for the use of a dollar or a year. The interest rate can also describe the rate of return from supplying or lending loanable fun.

Conceptual Framework

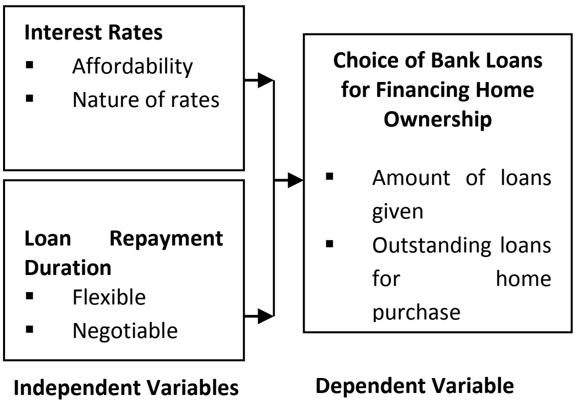

Figure 1: Conceptual Framework

Empirical Review

Interest Rates

Njihia (2013) conducted a study on the effect of mortgage interest rate on the growth of mortgage financing in Kenya. The objective of this research project was to study the effect of mortgage interest rates on the growth of mortgage financing in Kenya. The study used a descriptive research design, their fore it sought to find out and collect facts in the market and describe the causal linkage between mortgage interest rates and growth of mortgage financing in Kenya. The study used a population of 44 licensed commercial banks and housing finance company for a period between 2009 and 2012. Data was collected from secondary sources. Non-performing loans were identified as a control variable and was introduced in the analysis equation. The research findings shows that total mortgage outstanding have been increasing while average interest rate generally increased in the period of study.

Kirui (2011) carried out a study on an analysis of the determinants of small-scale farmers' preference for alternative credit service providers in Bomet district, Kenya. One hundred and fifty farmers in Bomet District, Kenya, were surveyed using a structured questionnaire. The objective was to identify the factors that influence small-scale farmers' participation in credit market and preference for alternative credit service providers following the emergence of micro finance organizations in Kenya. Descriptive analysis was used to characterize the farmers' preference while a Logit model was used to examine the factors influencing farmers' participation in the credit market. A proportional hazard model was fitted to the data to identify factors affecting choice of credit providers because of its ability to accommodate simultaneously the attributes of both the chooser and the choice. Findings from the study showed that majority of the smallholder farmers consisting of 46.7 percent preferred Faulu Kenya, and KWFT had the second most preference with 16 percent. The level of interest rates charged on loans did not seem to be an important factor for households in deciding in which microfinance organization to participate but non-price attributes of credit organization and their services play a larger role.

Fredrick (2008) carried out a survey on the sources of finance for building construction firms in Kenya. In his study he sought to find out the sources of finance for building construction firms in Kenya. The objective of the study was to establish the various ways in which building construction firms finance their operations. The study used both quantitative and qualitative analysis for its research methodology. The total population of interest comprised of 1799 firms according to the Ministry of Roads and Public Works, 2006. A sample size of 34 firms was included in the study. Primary data was collected by questionnaire method. The result of the study showed that that for the construction firms involved in the survey, most of them reported that they faced hurdles in raising finance and these hurdles emanated from the high interest and the smallness in size of the firm. This is the reason why most of them did not have adequate equipment. The firms therefore did have intention of increasing their capital and this was mainly through bank loans.

Loan Repayment Period

Charlene (2010) conducted a research study on factors influencing repayment of bank loans: a case of NIC bank limited, Nairobi Province Kenya .The purpose of this study was to establish the factors that influence loan repayment at NIC Bank Ltd. The research was guided by four objectives namely to establish the extent to which demographic factors influenced loan repayment; to investigate the level at which the type of loan influenced repayment; to determine the relationship between duration of loan and loan repayment and lastly to explore strategies used to improve loan repayment. Both quantitative and qualitative approaches were used in the research study and descriptive statistics was employed to present the findings. The population of interest constituted thirteen loan officers at NIC Bank and ninety two NIC loan customers. Both Open and close ended Questionnaires were used to collect data from the loan officers while Interview guides were used on NIC loan officers. The study found that demographic factors influenced loan repayment both positively and negatively. There was a higher' loan repayment success rate among high income earners, older borrowers in terms of age and female loanees. The type and duration of loan also positively influenced repayment with long term loans having recorded lower default rate as compared to short and medium term loans.

Haile (2012) conducted a study on factors affecting loan repayment performance of smallholder farmers in Eastern Hararghe, Ethiopia. The objective of this study was to identify the factors affecting the loan repayment performance of farmers in Eastern Hararghe zone. Primary data was collected through structured questionnaires, from 140 randomly selected farm household users of credit in two agro ecological zones of Eastern Hararghe. Secondary data was obtained from publications, seasonal and annual reports of the district, zonal and regional offices of the Ministry of Agriculture and Rural Development, Development Bank of Ethiopia, Micro Finance Office and other related organizations. Descriptive statistics were used to describe the socio-economic characteristics of the respondents, and the two-limit Tobit model was used to analyze the factors influencing loan repayment of smallholder farmers in the study area. The results of the descriptive analysis revealed a significant mean difference between the defaulter and non-defaulter households in terms of education, loan repayment duration, experience of credit use, and distance from credit source, technical assistance, livestock units, total annual income and total land.

Olokoyo (2011) examined predictors of the lending behavior of Nigerian Banks. The study consider red volume of deposits, foreign exchange, investment portfolio, minimum cash reserve ratio, lending rate, liquidity ratio and GDP. Utilizing time series data for the period 1980-2005, the vector error correction estimates indicate that while the coefficients of foreign exchange, investment portfolio, deposits, bank repayment duration and liquidity ration have significant impacts upon the lending volumes, the coefficients of lending rate and minimum cash reserve ratio were insignificant implying that monetary policy instruments do not affect bank lending volumes in Nigeria. The study did not, however, consider collateral as one of the explanatory variables; thus it is not possible to tell the impact of collateral requirements on the bank lending behavior in Nigeria.

METHODOLOGY

This study employed explanatory research design. The target population of this study was all the 1400 customers of Suraya Development Ltd. Housing units. The study used primary data which was collected through use of a questionnaire. The study incorporated primary data. Primary data was collected using semi structured questionnaires. The researcher used qualitative and quantitative techniques in analyzing the data.

RESEARCH FINDINGS AND DISCUSSION

The study targeted a sample size of 100 respondents using census design from which 70 filled in and returned the questionnaires making a response rate of 70%. This response rate was satisfactory to make conclusions for the study. The study sought to determine the gender composition of the population. From the findings, it was established that majority of the respondents 60% were males whereas 40% of the respondent were females, this was an indication that both genders were well represented in this study and thus the finding of the study did not suffer from gender bias all through the study. The study went further to establish the distribution of the respondents' ages. From the findings, majority (40%) indicated that they ranged between 41-50 years, followed by those who indicated that they are 51 and above years at 33.33% with few (20.00%) and (6.67%) and indicating that they were 31-40 years and 20-30 years respectively. This implied that respondents were well distributed in terms of their age during the study. The respondents were requested to indicate their highest level of academic qualifications. The study established that majority (60.00%%) indicated that they had diploma certificate, followed by those who indicated that they had university degree (26.67%), certificate holders comprised 5.33% of the respondents, with a few (8%) indicating that they had a master's degree. This implied that respondents were well educated and that they were in a position to respond to research questions with ease. The findings therefore indicated that the respondents had the capacity, skills and expertise to apply in day to day on financing clients to access bank loans for financing home ownership in the organization.

Choice of Bank Loans for Financing Home Ownership

On the extent to which growth of MSEs in the study area in terms of increase of number of applications and amount of loans given and market share than their (direct/indirect) competitors. The data was collected from the different indicators of the variable growth of MSEs which was ordinal categorical. The data was therefore presented in frequency tables with the median being used as the appropriate measure of central tendency. The results were presented in Table 1. The first indicator for the dependent variable required to know what the growth of MSEs in terms increase of number of applications made for financing home ownership was, 5% of the respondents had 0% , 35% had less than 10%, 20% stated 20-30% , 15% indicated 30-40% , 15% posited 31-40%, 10% indicated over 40% The mode was found to be 2 which imply that on average the choice of bank loans for financing home ownership in terms increase of number of applications made for financing was less than 10%. The next indicator required the respondents to state the choice of bank loans for financing home ownership in terms of amount loan given, 45% of the respondents had 5M to 10M , 25% had stated less than 5M, 10% stated 11M- 15M , 20% indicated less than 5M. The mode was found to be 1 which imply that on average the level of the choice of bank loans for financing home ownership in terms of amount of loans given for financing was between 5M to 10M%.

Table 1: Growth of MSEs

Description	0%	Less than 10%	10-20%	21-30%	31-40%	Above 40%	Mode
Last year we achieved an increase of a higher number of applications for financing home ownership	5%	35%	0%	15%	15%	10%	2
Description	**<5M**	**5M-10M**	**11M-15M**	**15M-20M%**	**20M-25M**	**Above 25M**	**Mode**
Last year the following amount of loans was given per client to finance home ownership	25%	45%	10%	0%	5%	15%	2

Interest Rates

The study sought to assess the influence of interest rates on the choice of bank loans for financing home ownership in Kenya. A scale of 1-5, the scores were as follows: The scores "Strongly disagree=SD" and "Disagree=D" were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale (1 ≤ Disagree ≤ 2.5). The scores of 'Neutral' were represented by a score equivalent to 2.6 to 3.5 on the Likert scale (2.6 ≤ Neutral=N ≤ 3.5). The score of "Agree=A" and "Strongly agree=SA" were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale (3.6 ≤ Agree ≤ 5.0). The results were presented in mean and standard deviation as illustrated in Table 2. The study results show that a majority of respondents were found to be neutral and strongly agreed that Interest rates for developing an own occupied houses is affordable (mean 3.220); Impact of interest rate on operational cost is very strong (mean of 3.112); The interest rate for financing own occupied development remains constant throughout the duration of the loan (mean of 3.008); Interest rate charged by my financier is affordable compared to other financial institutions (mean of 3.108); Interest rate is the prime determining factor in choosing a financier (mean of 3.228). This implied that interest rates influenced choice of bank loans for financing home ownership in Kenya.

Table 2: Interest Rates and Choice of Bank loans for Financing Home Ownership

Description	Mean	Std. Dev
Interest rates for developing an own occupied houses is affordable	3.220	.908
Impact of interest rate on operational cost is very strong	3.112	.321
The interest rate for financing own occupied development remains constant throughout the duration of the loan	3.008	.543
Interest rate charged by my financier is affordable compared to other financial institutions	3.108	.227
Interest rate is the prime determining factor in choosing a financier	3.223	.654

Loan Repayment Period

The study sought to assess the influence of loan repayment period on the choice of bank loans for financing home ownership in Kenya. A scale of 1-5, the scores were as follows: The scores "Strongly disagree=SD" and "Disagree=D" were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale (1 ≤ Disagree ≤ 2.5). The scores of 'Neutral' were represented by a score equivalent to 2.6 to 3.5 on the Likert scale (2.6 ≤ Neutral=N ≤ 3.5). The score of "Agree=A" and "Strongly agree=SA" were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale (3.6 ≤ Agree ≤ 5.0). The results were presented in mean and standard deviation as illustrated in Table 3. The study results show that a majority of respondents were found to be neutral and strongly agreed that the repayment period for funds used for developing owner occupied houses is flexible (mean 2.909); The repayment period for funds used for developing owner occupied houses is conveniently long enough (mean of 3.002); The repayment period provided by my financier was the most favorable compared to other financiers approached (mean of 2.862); The financer is willing to negotiate the duration to repay (mean of 3.110); The financier allows one reduce the repaying period by paying more than allotted repayments' amounts (mean of 3.093); Repayment period is the prime determining factor in choosing a financier (mean of 3.201). This implies that loan repayment period influence choice of bank loans for financing home ownership in Kenya.

Table 3: Loan Repayment Period and Choice of Bank loans for Financing Home Ownership

Description	Mean	Std. Dev
The repayment period for funds used for developing owner occupied houses is flexible	2.909	.220
The repayment period for funds used for developing owner occupied houses is conveniently long enough	3.002	.309
The repayment period provided by my financier was the most favorable compared to other financiers approached	2.862	.119
The financer is willing to negotiate the duration to repay	3.110	.228
The financier allows one reduce the repaying period by paying more than allotted repayments' amounts.	3.093	.110
Repayment period is the prime determining factor in choosing a financier	3.201	.330

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The study results showed that the interest rates for developing an own occupied houses was not affordable. The impact of interest rate on operational cost was very strong. The interest rate for financing own occupied development remained constant throughout the duration of the loan. The interest rate charged by my financier is affordable compared to other financial institutions and is the prime determining factor in choosing a financier. This implied that interest rates influence choice of bank loans for financing home ownership in Kenya.

The study results showed that the repayment period for funds used for developing owner occupied houses was not flexible. The repayment period for funds used for developing owner occupied houses was not conveniently long enough. The repayment period provided by clients' financier was the most favorable compared to other financiers approached. The respondents stated that the financer is willing to negotiate the duration to repay to a small extent. The financier allows one reduce the repaying period by paying more than allotted repayments' amounts. Repayment period is the prime determining factor in choosing a financier. This implied that loan repayment period influenced choice of bank loans for financing home ownership in Kenya.

The study sought to determine choice of bank loans for financing home ownership attributed to the influence interest rates and loan repayment period. The number of number of applications made and amount of loans given to the clients recorded low positive achievements in the organization. From inferential statistics, a positive correlation was seen between each determinant variables and choice of bank loans for financing home ownership. Both independent variables were found to have a statistically significant association with the dependent variable at ninety-five level of confidence.

Conclusions of the study

According to the study findings, the study concluded that choice of bank loans for financing home ownership in Kenya was affected by interest rates and loan repayment period as the major factors that mostly affected choice of bank loans for financing home ownership in Kenya. The study concluded that interest rates was the first most important factor that affects choice of bank loans for financing home ownership in Kenya. The regression coefficients of the study show that interest rates had a significant influence on choice of bank loans for financing home ownership in Kenya. This showed that interest rate had a positive influence on choice of bank loans for financing home ownership in Kenya.

The study concluded that loan repayment period was the second most important factor that affected choice of bank loans for financing home ownership in Kenya. The regression coefficients of the study showed that loan repayment period had a significant influence on choice of bank loans for financing home ownership in Kenya. This showed that loan repayment period had a positive influence on choice of bank loans for financing home ownership in Kenya.

Recommendations of the study

This study made a number of recommendations. First, the study recommended that mortgage financing institutions and commercial banks needed to make the process of mortgage purchase easier and more convenient for customers. This would increase choice of bank loans for financing home ownership in Kenya. The study also recommended that the Central Bank of Kenya should come up with ways of managing the process of setting up interest rates by commercial banks and mortgage institutions in order to maintain them at a favorable level to stimulate the choice of bank loans for financing home ownership in Kenya.

The study also recommended that the government should come up with loan repayment duration policies to help make the real estate environment conducive for investments in order to ensure the rise of property prices was managed effectively. The study also recommended that the government should provide a positive environment for investments in order to promote economic development and thus lower the employment rate. This would ensure most households had a sustainable level of income which can be used to purchase mortgage products.

Areas for Further Research

Due to constraints highlighted, this study could not exhaust all the drivers of choice of bank loans for financing home ownership in Kenya. Therefore factors affecting choice of bank loans for financing home ownership in Kenya need to be established. Challenges like the existing legal and policy framework, market challenges, products available, cost of funds and their affordability and accessibility and affordability of financial credits in the market and accessibility to market information among others need further investigation. The study confined itself to the Suraya Properties Ltd clients. A comparative study should be carried out to compare whether the findings also apply for clients of different organizations in other areas in order to validate whether the findings can be generalized to influence choice of bank loans for financing home ownership in Kenya.

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