

Assessment of effects of mortgage on financial performance of commercial banks in Kenya

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Abstract:

The rapid development of a variety of mortgage-backed securities has led to a radical transformation in mortgage sector in Kenya in recent years. The changing home mortgage market and unique financing requirements brought about by widespread homeownership have caused a continuing evolution in mortgage lending practice. Commercial banks are financial intermediaries that serve as financial resource mobilization points in the global economy. Banks play a great role in financing houses. The main objective of the study was to investigate the effects of mortgage in commercial banks in Kenya. The study sought to answer the following specific objectives to determine effects of mortgage saving on financial performance in commercial banks, to establish effects of mortgage diversification on financial performance of commercial banks. To determine effects of mortgage income on financial performance of commercial banks and to assess the effects of mortgage economic growth on financial performance of commercial banks. This study adopted descriptive research design for it portrays an accurate profile of situations. The design helped the study in obtaining information concerning the current status of the factors affecting commercial banks mortgage lending.

The population of this study comprised of financial managers and credit officers from the selected mortgage financing institutions in Kenya. The target population of this study was 44 commercial banks in Kenya. The study adopted census survey of all the banks. The study used primary data and secondary data. Primary data was obtained through self-administered questionnaires with closed and open-ended questions. Secondary data was collected from bank reports and central bank. Descriptive statistics such as means, standard deviation and frequency distribution were used to analyze the data. Data presentation was done by the use of pie charts, bar charts and graphs, percentages and frequency tables. The inferential analysis which included regression and correlations was done to establish effects of mortgage financing on financial performance in commercial banks in Kenya. The study concluded that commercial banks in Kenya emphasize on mortgage financing to improve bank performance. The study concluded that mortgage financing is influenced by market and financial factors which include increased investment and improve profitability of the firm, improvement of risk management, attraction of more customers, promotion of innovations, Market Penetration, diversification of investment and encountering competitions in the market lowering of interest on Treasury bond, Kenya financial laws require bank to have less cash in reserve and High interest from Mortgage, creating of wealth and Improving savings. The study therefore established that there is positive relationship between commercial bank performance with effects of mortgage financing which are core saving, diversification of portfolio, increase income and economic growth.