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Original Research Article

Focus Strategy and Mortgage Performance of Banking Institutions within the Mortgage Industry in Kenya

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Abstract: About 83% of lending to the Kenyan mortgage market was carried out by only 8 out of the 39 registered banks as at December 2022. This study sought to establish the influence on focus strategy on Mortgage Performance of banking institutions in Kenya. The study was based on the theories of Porter's Generic Strategies and Resource-Based View (RBV) of competitive advantage. To achieve the research objective, a sample of 30 commercial banks was studied out of the entire accessible population of 39 banks in the cities of Nairobi, Mombasa, Nakuru, and Kisumu. Questionnaires, with 5-point Likert-scale responses, were administered to the respondents. There were five respondents drawn from the mortgage experts in each bank making a total of 150 respondents with a response rate of 78.7%, that is, 118 achieved. The data gathered was presented using descriptive statistics with mean, for measuring central tendency while standard deviation measured dispersion of the responses, as well as frequencies. Regression results showed that focus strategy explained 28.2% of variation in mortgage performance and had statistically significant and strong positive influence on mortgage performance. Bank size, however, did not have a statistically significant moderating effect on the relationship between focus strategy and mortgage performance, as justified by the interaction term's p-value of 0.367 that was greater than 0.05. Consequently, the study failed to reject the second null hypotheses. Banks, in the small and medium peer groups, should adopt more focus strategies as opposed to mass-market strategies that are more suited for larger banks.

Keywords: Focus Strategy, Mortgage, Performance, Competitive Advantage.

INTRODUCTION

The international mortgage market is rather battered with Euroland difficulties well documented and a potential doom day scenario narrowly averted in the United States of America (USA). However, buying a home overseas remains an aspiration for many. It is still a buyer's market with a good range of properties for sale and plenty of opportunity to pick up a bargain. How easy it is to obtain mortgage finance depends on location and in the USA, there are also differences between what is available in New York compared to Florida, for example (Fuster, 2014). Mortgages with fixed rates are rather widespread in the USA, as opposed to the Western European countries where mortgages with variable rates are greatly available. The USA mortgage market has rates somewhat similar to Europe, although the overall non-performing mortgages are higher in the USA than in Europe. Financing of mortgages is more dependent on the secondary mortgage markets than the infamous ceremonial government guarantees backed by covered bonds and deposits. Large mortgage players such as Fannie Mae and Freddie Mac have underwriting conditions that tend to discourage certain elements as redemption penalties. In the USA, mortgages are considered non-recourse facilities contrary to the rest of the world (Simkovic, 2019). As with most African cities the property market is segmented into several categories ranging from the slum market where the majority of units are rental units, to middle income properties which are not always in the formal sector to the upper end formal part of the market. By definition, little data exists on the lower- and middle-income parts of the market. The upper part of the market however is relatively developed. In the recent past, a secondary housing market has developed, in part modelled on the South African example. Having an organized secondary market is a rarity in Sub-Saharan

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Africa and helps in the development of a mortgage market. It allows banks to value property more precisely and also assures them that in the event they seek to liquidate their loan security a considerably fluid market exists for them to be able to realize their collateral (World Bank, 2021).

A long-term mortgage loan also requires that the asset financed at least maintains its value over time, and preferably increases in value, in order to provide appropriate security to the banks. The often-poor quality of building work in Africa means that houses do not last for more than a century. However, many European development companies are becoming more active in Africa. Whilst they meet the same challenges as their African counterparts (since they have to call upon the same local contractors), nevertheless they have the resources and know-how to improve the construction process over time. The banks providing mortgage products must themselves have access to long term funding in order to back their mortgage portfolio. Such long-term funding is often not available at all or is very limited. However, despite all these difficulties, construction companies remain keen to become more active in Africa, and to co-operate with local government and local banks to help to develop this promising market. Not only will such activity benefit the housing companies and the banks, it will also help people in Africa to meet an essential human need: owning their own home (World Bank, 2021).

The Kenyan housing finance system has grown rapidly over recent years in both value and number of loans. The market has now gone through the primary 'germination' stage and is preparing to go into its next development phase. Consideration now needs to be given to the requirements for ensuring sustained augmentation. The mortgage market is the third most developed in Sub-Saharan Africa with mortgage assets equivalent to 2.5 percent of the country's GDP. Only Namibia and South Africa rank higher, with Botswana just a little smaller (World Bank, 2021). The Kenyan commercial banks are classified into three peer groups using a weighted composite index. The index comprises of net assets, customer deposits, capital and reserves, number of deposit accounts and number of loan accounts. A bank with a weighted composite index of 5 percent and above is classified as a large bank. A medium bank has a weighted composite index of between 1 percent and 5 percent while a small bank has a weighted composite index of less than 1 percent (CBK, 2022). Mortgage lending is largely carried out by banks in Kenya. Out of the 39 banking institutions, that is, 38 banks and one Mortgage Finance Company in the Kenyan mortgage banking structure, 32 of them have mortgage portfolios of varying sizes. Some of the lenders have just one or two loans on their books which may be to staff members or special customers and other banks are much larger players who see mortgages as a major business centre. There are two types of lenders which can be authorized by the Central Bank of Kenya. These are ordinary banks, which have the right to engage in mortgage business, and mortgage companies. HFC Limited, which still has a significantly small government interest, is the sole remaining Mortgage Finance Company at present. There are no major differences in the set of laws applying to both sets of institutions and they each compete under relatively fair terms. Overall, the three largest lenders control over half the market (CBK, 2022). The mortgage industry, however, grew 6.8% to Kenya Shillings 261.8 billion in 2022. About 83% of lending to mortgage market was carried out by eight institutions i.e., one medium sized bank and seven banks from the large banks peer group. The institutions are KCB Bank (30.4%), Stanbic Bank (12.6%), Standard Chartered Bank (8.6%), HFC Limited (8.3%), Absa Bank Kenya (6.9%), NCBA Bank Kenya (6.3%), Co-operative Bank of Kenya (5.2%), and Equity Bank Kenya (4.9%). There has been considerable progress to expand the mortgage reach by the industry. New entrants and insistent marketing have resulted in some newer product offerings. The Kenya Mortgage Refinance Company (KMRC) was licensed in September 2020 to provide long-term funds to Primary Mortgage Lenders (PMLs) for the purpose of increasing the availability of affordable home loans to Kenyans. KMRC is funded through a combination of equity from shareholders and debt from the World Bank and the African Development Bank (AfDB). The number of institutions offering mortgages to customers in Kenya was 32 as at end of 2022 (CBK, 2022).

Statement of the Problem

The mortgage industry in Kenya has witnessed recent entry of banks offering mortgages, almost certainly being attracted by the unexploited potential the industry presents to such institutions. The industry, however, is still largely dominated by just a few out of all commercial banks licensed to offer mortgages to their customers. In 2022, for instance, about 83% of lending to mortgage market was carried out by eight institutions i.e., one medium sized bank (8%) and seven banks from the large banks peer group (75%). This has rendered the other players 'mere spectators' who are unable to significantly determine the happenings within the industry. All banks operating within this industry have at their disposal at least four competitive strategies of cost leadership, differentiation, focus, and hybrid strategies which can be implemented to achieve competitive advantage over other market players. However, the market has consistently been dominated by just about ten to twenty percent of the players who control over three-quarters of the market (CBK, 2022). Internal bank characteristics such as bank size based on the total mortgage asset base within the industry are premised to determine the extent of success of focus strategies implemented by the banks. Available literature indicates that no academic research has been conducted to identify the specific influence of focus strategies on mortgage performance of commercial banks in Kenya. Instead, such studies have focused on other industries such as insurance, manufacturing, and real estate; with the focal point being identification of strategies employed and their effect on organizational performance. It's for this reason that this study sought to deviate from this trend and instead attempt to determine the influence of focus strategy on mortgage performance of banking institutions within the mortgage industry in Kenya whilst also assessing the moderating effect of bank size.

Objectives of the Study

i. To examine the influence of focus strategy on mortgage performance of banking institutions within the Mortgage industry in Kenya.
ii. To establish the moderating effect of bank size on the relationship between focus strategy and mortgage performance of banking institutions within the Mortgage industry in Kenya.

Research Hypotheses

i. Focus strategy has no statistically significant influence on mortgage performance of banking institutions within the Mortgage industry in Kenya.
ii. Bank size has no statistically significant moderating effect on the relationship between focus strategy and mortgage performance of banking institutions within the Mortgage industry in Kenya.

LITERATURE REVIEW

Theoretical Framework

There are two major theoretical models that formed the basis of this study, that is, Porter's Generic Strategies, and Resource-based view (RBV) of competitive advantage.

Porter's Generic Strategies Model

Porter explains that an effective organizational strategy should ideally be based on a nucleus thought regarding how an organization can best compete within the industry where it operates. He further proposes the three generic strategies that an organization can implement to outperform other firms in a particular industry. These strategies are called generic because they can be pursued by any type or size of business, even by not-for-profit organizations. These strategies are also referred to business strategies since they focus on improving the competitive position of a company's or business unit's products or services within specific industry or market segment that the company or business unit serves. That these strategies provide basic direction for strategic actions and a basis for coordinated and sustained efforts towards achieving business objectives (Johnson *et al.,* 2017).

Porter further contends that any long-term strategies should draw from an organization's endeavor to seek competitive advantage based on one or the three generic strategies: striving for overall low cost leadership in the industry, striving to produce and promote distinct commodities for diverse consumer groups through differentiation, striving to have special appeal to one or more groups of consumer or industrial buyers, that is, focusing on their cost or differentiation concerns by segmenting the market and focusing on those market segments (Johnson *et al.,* 2017).

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. The focus strategy has two variants. (a) In cost focus a firm seeks a cost advantage in its target segment, while in (b) differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments (Porter, 2004).

Resource-Based View (RBV) Model of Competitive Advantage

Strategic capabilities are of value when they provide potential competitive advantage in a market at a cost that allows an organisation to realize acceptable levels of return. Rare capabilities, on the other hand, are those possessed uniquely by one organisation or by a few others. Here competitive advantage might be longer-lasting. For example, a company may have patented products or services that give it advantage. Sustainable competitive advantage also involves identifying inimitable capabilities- those that competitors find difficult to copy or acquire. However, an organisation may still be at risk from substitution in the form of product or service or in the form of competence (Barney and Clark, 2007).

In summary and from a resource-based view of organisations, managers need to consider whether their organisation has strategic capabilities to achieve and sustain competitive advantage. To do so they need to consider how and to what extent it has capabilities which reflect the VRIN criteria. Strategic capabilities provide sustainable bases of competitive advantage the more they meet all the four criteria. If such capabilities for competitive advantage do not exist, then managers need to consider if they can be developed (Johnson *et al.,* 2017). The RBV model enriches this study by providing a platform for the researcher to assess the internal competencies and resources that may be useful in the execution of the competitive strategies that form the independent variables as well as the intrinsic effect of the moderating variable in this study.

Empirical Review

Wintzer (2017) pointed that Organizations have their share of the downside of the global competitions and the turbulent business environments. The core of this strategy is a want to every day getting better at what people do. Customer Service is ever so important to the day-to-day operations of a Council and this strategy outlines people's commitment to the organization. Customers' highest priority is to improve the way managers interact with them which should be the concern of all organization. Today we offer a range of contact options and our customers have the right to expect a consistent experience regardless of the method they choose. Ellstrom *et al.,* (2022) pointed out that recent rapid growth and adoption of new technologies in the digital space is both exciting and daunting for organizations. It means that enterprises must be constantly looking to keep up with community and their needs to be responsive and consistent. Guerard *et al.*, (2017) states that the strategy commits to four key themes of people, process, technology and measures and is supported by an action plan which outlines the key priorities of actions together with identifying outcomes that will be delivered over the course of the strategy. This strategy must be prepared after extensive consultation with the community - customers, staff, executive management team, Mayor and Councillors.

Ongoing feedback is also frequently provided by key stakeholders. The Annual Community Survey was a key reference point in preparing the Customer Focus Strategy; but the process also included additional customer surveys, focus groups and workshops with councilors (ZDesarbo *et al.*, 2015). Focus strategy is designed to provide clear direction for Council to achieve its mission with a commitment to continue to uphold Council's values (Porter, 2004). Parnell *et al.,* (2015) emphasized that Customer focus strategy is now an accepted way to do business and customers expect to easily interact with Council and have access to accurate information at the times they choose. Customers do not necessarily want to be constrained by the hours of operation of the service. Such interactions include making multiple payments, updating their contact details or checking the status or outcome of a recent request or complaint. Salavou (2015) Opined that more effective use of technology to advance in this area is vital and has been identified as a priority. Organizations aim to leverage off technology to ensure they meet customer expectations, reduce customer effort and increase internal efficiencies (Luoma, 2015). Creating a central register for a customer name and address record of a single view that can be integrated and appropriately accessed across all services of Council will assist customers to self-serve and improved response times and a better overall customer experience. In China, Saif (2015) conducted a study on how marketing strategy affects organizational success. The study focused on marketing strategy elements that included promotion, pricing, and distribution for those organizations that standardize products and their perceived influence on the organization's performance which was measured using sales changes, customer satisfaction, and other financial ratios. Undoubtedly, the findings revealed that marketing strategy aimed at customers has a statistically significant influence on firm performance. Apart from examining focus strategy, the study negated the other generic strategies namely cost leadership as well as differentiation.

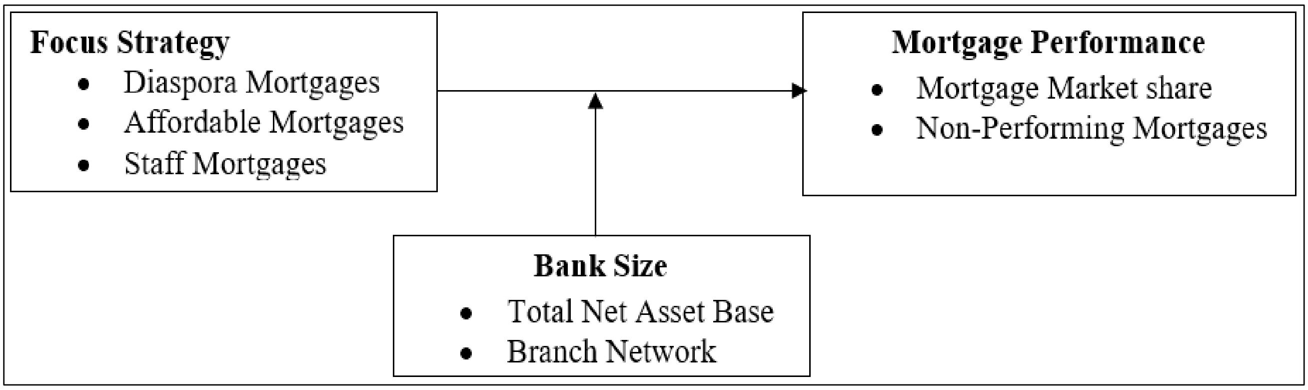
Porter's strategy in the implementation of the strategy of focusing on a particular kind of product means organization tries to emphasize certain parts of the market or certain groups of purchasers. The company will reduce costs and differentiate the product and limit the market to achieve this goal. The characteristics of this strategy can be flexibility in rewarding and intimate relationships with employees providing services to customers in order to increase consumer loyalty, high authority and meeting the needs of customers (Pertusa-Ortega *et al.,* 2016). Low-cost focus strategies are mostly adopted by relatively small firms that set out to attain some desired level of competitive advantage within identified segments of the market; which can be on the basis of geographical, behavioural, demographic or psychographic factors. Cost focus organizations are, therefore, considered the least-cost producers in the market segment in which they operate. An industry counting on economies of scale essentially negate the very essence of low-cost focus and as such firms should be very keen prior to the adoption and implementation of such strategy (Atikiya *et al.,* 2015).

Porter (2004) describes focus strategy as strategies that pursue specific broken-down segments of the market through overall cost leadership and differentiation rather than engaging in the entire market. Focus strategy at first entails segmenting the market before adopting specialization on a certain segment that would help the firm gain competitive advantage. Operating in a niche market, this strategy prescribes for a growing market share where markets seem unattractive or are disregarded by larger competitors. For a focus strategy to succeed, the segmented market niche ought to be large enough to have a chance of growth whilst keeping at bay other key industry rivals. Focus strategy is seen as preferred and most efficient when customers have distinct preferences and when the position has not been sought after by rival firms. However, focus strategy threatens organizational growth when the chosen segment is too small to be viable. This strategy is unique than the other two since, while differentiation and cost leadership strategies aim at broader customer segments, focus strategy conversely opts to appeal to a specific segment of the entire market (Atikiya *et al.,* 2015).

Organizations may also adopt differentiated focus as a model for focus strategy. Variations that exist in the different market segments are successfully served when the firm directs all its energies and capabilities to a particular market segment. This enables the firm to enjoy some level of competitive advantage within the selected market niche. Previous studies best illustrate how the differentiated focus strategy and firm performance has been evaluated (Atikiya *et al.,* 2015).

Conceptual Framework

The conceptual framework for this study was developed on the basis on the independent variable and the dependent variable as shown in Figure 1. In this study, mortgage performance was conceptualized as being dependent on focus strategy with a moderating effect from bank size.



Independent Variable **Moderating Variable** **Dependent Variable**

Figure 1: Conceptual Framework

MATERIALS AND METHODS

This study opted for a descriptive survey research design, which ensures ease in understanding information concerning the research problem. For this study the target population was, therefore, limited to all the 39 banking institutions that operate in Kenya and are licensed to provide mortgage and related products and services. The institutions are classified into three peer groups using a weighted composite index. The index comprises net assets, customer deposits, capital and reserves, number of deposit accounts and number of loan accounts. A bank with a weighted composite index of 5 percent and above is classified as a large bank. A medium bank has a weighted composite index of between 1 percent and 5 percent while a small bank has a weighted composite index of less than 1 percent. The sampling frame for this study was extracted from the listing of all the 39 banking institutions licensed to operate in Kenya as at 2022. The study broadly used random sampling to develop a study sample from the entire population. Specifically, stratified sampling method was employed to draw a study sample from the target population. The strata were represented by three peer groups, that is, large, medium and small peer groups as classified by the Central Bank of Kenya (CBK). Proportionate sampling strategy was used to further develop the sample. A sample of 30 banking institutions was developed with a proportion of 7,7, and 16 for the respective peer groups. The study proceeded to pick a total of 150 respondents using purposive sampling, that is, 5 respondents per sampled institution. Data was collected using both questionnaires and secondary data collection sheet. The data was analyzed using both descriptive and inferential statistics which sought the effect of focus strategy on mortgage performance.

RESULTS AND DISCUSSION

Descriptive Statistics

The study further proceeded to evaluate the influence of focus strategies on performance of banks in the Kenyan mortgage industry. The questionnaire elements included were provision of diaspora mortgages, affordable mortgages, and staff mortgages. The study further set out to establish whether the respondents' institutions had adopted the focus strategy essentials. Table 1 offers a summary of the descriptive results for focus strategies with varied percentages of responses to the six questions contained in the study questionnaire regarding focus strategies. The results imply that the respondent banks generally adopted the focus strategies which with varying magnitudes. An average total of 62.8% of respondents either agreed or strongly agreed, 3.5% were indifferent, while 33.7% disagreed or strongly disagreed. These results are sufficient enough to conclude that majority of banks actually adopt a significant number of focus strategies by narrowing down their product offering and value creation to smaller groups that they can serve more efficiently and effectively. These results actually concur with those of Mwangangi *et al.*, (2020) who concluded that market focus strategy enabled organizations to produce higher quality products.

Table 1: Descriptive Statistics for Focus Strategy and Mortgage Performance

	SD	D	N	A	SA	$\bar{X}$	Sdev
The bank offers mortgage products to Kenyans living and working in foreign countries in both local and foreign currencies	11.9% (14)	23.7% (28)	5.1% (6)	38.1% (45)	21.2% (25)	3.33	1.359
The bank has a significant focus on financing affordable housing projects for borrowers at low and middle income levels	10.2% (12)	16.9% (20)	5.1% (6)	34.7% (41)	33.1% (39)	3.69	0.984
The bank offers staff mortgages to its employees for acquisition of residential properties at concessionary interest rates	17.8% (21)	36.4% (43)	23.7% (28)	28.8% (34)	14.4% (17)	2.86	1.392
The bank has a mortgage product tailored for real estate developers in Kenya with additive cost benefits such as end financing	12.7% (15)	26.3% (31)	4.2% (5)	38.1% (45)	18.6% (22)	3.38	1.363
The bank offers tailor-made mortgage products for non-citizens living and working in Kenya	16.1% (19)	16.9% (20)	1.7% (2)	43.2% (51)	22.0% (26)	3.52	1.044
The bank offers mortgage products to organized groups and partnerships with low cost benefits	4.2% (5)	8.5% (10)	2.5% (3)	54.2% (64)	30.5% (36)	4.59	0.630
Average	**12.2%**	**21.5%**	**3.5%**	**39.5%**	**23.3%**	**3.56**	**1.129**

Bank Size

The study also sought to examine the moderating effect of bank size on the influence of focus strategies on mortgage performance of banking institutions within the mortgage industry in Kenya. Total net asset base was included as a measure in the secondary data collection tool with a view to finding out the respective size parameters. The results concerning the banks' total net asset base obtained from the secondary data collection sheet with the banks being grouped according to their respective peer groups. A further trend analysis was conducted for the total net asset base of all the industry players for the period from 2016 to 2022 with the results being presented in Table 2. From the results, banks from the large peer group have consistently had the largest net asset base, followed by the medium peer group, and finally the small peer group with the smallest values. In all the three cases, however, the values have been steadily rising over the study period. The large peer group have accounted for between 65 to 76 percent (drawn from values of Kes. 2.404 to 4.971 trillion) from 2016 to 2022 while the small peer group has been responsible for a paltry 8 to 10 percent (drawn from values of Kes. 311 to 665 billion) of the total net assets for the industry over the same period.

Table 2: Total Net Asset Base by Bank Peer Group

Year	Large Peer Group (Kes. B)	Medium Peer Group (Kes. B)	Small Peer Group (Kes. B)	Totals (Kes. B)
2016	2,404 (65%)	981 (27%)	311 (8%)	**3,696**
2017	2,641 (66%)	1,053 (26%)	309 (8%)	**4,003**
2018	3,103 (70%)	929 (21%)	377 (9%)	**4,409**
2019	3,607 (75%)	805 (17%)	398 (8%)	**4,810**
2020	4,033 (75%)	910 (17%)	463 (8%)	**5,406**
2021	4,508 (75%)	968 (16%)	546 (9%)	**6,022**
2022	4,971 (76%)	954 (14%)	665 (10%)	**6,590**

Further results also indicated that there were a total of 1,475 bank branches throughout the country by the end of 2022. These branches were spread throughout all the 47 counties. Banks in the large peer group had 897 branches countrywide representing 60.81%, Medium peer group banks had 322 branches representing 21.83%, while the small peer group banks had 256 branches which accounted for 17.36%. Table 3 summarizes the aforementioned data.

Table 3: Branch Network in Kenya by Bank Peer Group

Peer Group	Branch Network	Percentage of Total
Large	897	60.81
Medium	32	21.83
Small	256	17.36
Total	1,475	100.00

Mortgage Performance

The study further sought to ascertain mortgage performance of respondent banks in relation to the competitive strategies that they employed. The performance was measured through mortgage market share that each competing bank commanded out of the total value of outstanding mortgages within the mortgage industry in Kenya. The performance of the banks was analyzed by grouping them based on the three peer groups namely; large peer group, medium peer group, and small peer group with respective mortgage book values and percentage of the totals being indicated as the specific parameters measuring mortgage performance. A trend analysis as per Table 4 shows that banks from the large peer group have consistently dominated the market, followed by the medium peer banks while the small peer group banks have commanded the least share of the mortgage market for the period from 2016 to 2022.

Table 4: Outstanding Mortgage Values by Bank Peer Group

Year	Large Peer Group (Kes. B)	Medium Peer Group (Kes. B)	Small Peer Group (Kes. B)	Totals (Kes. B)
2016	129,822 (59%)	74,879 (34%)	15,184 (7%)	**219,885**
2017	148,203 (66%)	66,942 (30%)	8,091 (4%)	**223,236**
2018	154,360 (68%)	60,114 (27%)	10,407 (5%)	**224,881**
2019	165,268 (69%)	56,415 (24%)	16,032 (7%)	**237,715**
2020	170,957 (74%)	42,232 (18%)	19,511 (8%)	**232,700**
2021	181,048 (74%)	49,917 (20%)	14,175 (6%)	**245,140**
2022	201,281 (77%)	42,192 (16%)	18,347 (7%)	**261,820**

The study also sought to assess the trend of Non-performing mortgages loans (NPLs) over the study period. Figure 2 indicates an initial sharp rise in NPLs between 2016 to mid-2018, which was as a result of banks tightening lending conditions as a response to the introduction of interest rate capping in September 2016. There was a plunge in NPLs from 2018 to 2020 owing to improved economic activities and repealing of the interest rate capping. The trend, however, shows a sharp increase in NPLs from 2020 to 2022; this is attributed the adverse effects of COVID-19 on borrowers' repayment ability, especially those in the Micro, Small and Medium Enterprises (MSME) sector (CBK, 2022).

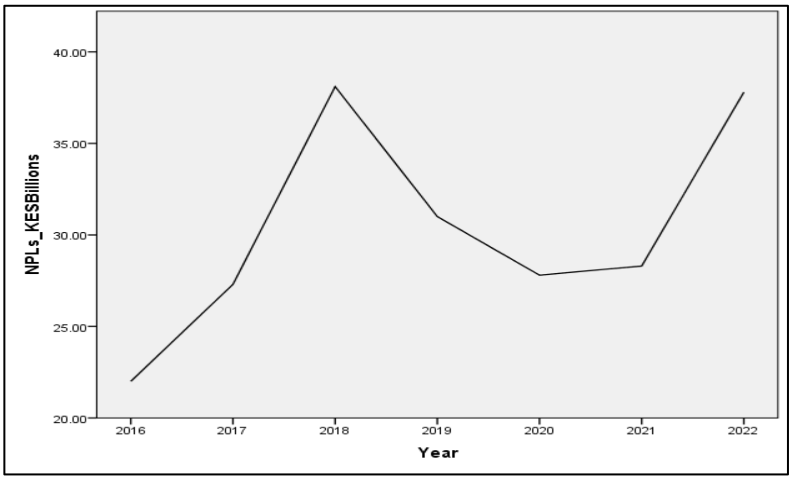


Figure 2 : Non-Performing Mortgage Loans Trends in Kenya (2016 to 2022)

Inferential Statistics

Correlation Analysis for Focus Strategies and Mortgage Performance

The study used correlation analysis to measure the association connecting focus strategy and mortgage performance. Results as tabulated in Table 5 indicated a positively significant correlation with R=0.427 and p=0.000. This correlation is considered fairly strong implying that a positive increase in adoption of focus strategy leads to a corresponding significant positive change in mortgage performance.

Table 5: Correlation Analysis for Focus Strategy and Mortgage Performance

		Focus Strategy	Mortgage Performance
Focus Strategy	Pearson Correlation	1	.531**
	Sig. (2-tailed)		0.000
	N	118	118
Mortgage Performance	Pearson Correlation	.531**	1
	Sig. (2-tailed)	0.000	
	N	118	118

**. Correlation is significant at the 0.01 level (2-tailed).

These results are in concurrence with those of Sagwa and Kembu (2016) whose results indicated that focus strategy has the greatest statistically significant positive and predictive effect on performance of deposit-taking SACCOs in Nairobi. Gwangwava and Muranda (2022) also conducted studies that showed that focus strategy is positively related to firm performance of textile and clothing manufacturing firms in Zimbabwe. Kago *et al.,* (2018), while examining the relationship between competitive strategies and organizational performance of petroleum companies in Kenya, concluded that focus strategy negatively influenced performance of petroleum companies.

Linear Regression for Focus Strategy and Mortgage Performance

This study further sought to test the effect of focus strategy on mortgage performance of banking institutions within the mortgage industry in Kenya using standard linear regression analysis. The results as summarized in Table 6 indicates the linear correlation coefficient, R=0.531 which implies a strong positive relationship between focus strategy and mortgage performance. The coefficient of determination, R-squared of 0.282 implies that 28.2% of variability in mortgage performance is explained by focus strategy (while holding the other predictor variables in this study at zero) while the remaining 71.8% is explained by other variables not included in the model.

Table 6: Model Summary for Focus Strategy and Mortgage Performance

Model	R	R-Squared	Adjusted R-Squared	Std Error of the Estimate
1	0.531[a]	0.282	0.275	0.553

a. Predictors: (Constant), Focus Strategy

To test the suitability of the model in explaining variations in mortgage performance, an F-test was conducted with the resultant ANOVA Table 7 indicating an F-value of 45.451, p-value 0.000 which is <0.05 confirming that the model was fit for the data set and significantly explained the relationship between focus strategy and mortgage performance.

Table 7: ANOVA for Focus Strategy and Mortgage Performance

Model		Sum of Squares	df	Mean Square	F	P-Value
1	Regression	13.923	1	13.923	45.451	0.000[b]
	Residual	35.535	116	0.306		
	Total	49.458	117			

a. Dependent Variable: Mortgage Performance
b. Predictors: (Constant), Focus Strategy

The study also conducted a t-test to test the significance of the influence of focus strategy on mortgage performance. The linear regression coefficient results were summarized in Table 8. The result show that β_0=0.572 which is significantly different from zero, β_1=0.605, and p-value = 0.000 which is <0.05, which meant that focus strategy had a statistically significant positive influence on mortgage performance. The interpretation of the β_1 value is that for every unit increase in adoption of focus strategy, there would be a corresponding positive change in mortgage performance by 0.605 units. From the model $Y= \beta_0+ \beta_1X_1+\varepsilon$, the study developed the following model:

Mortgage Performance = 0.572 + 0.605 (Focus Strategy) + 0.277

Table 8: Regression Coefficients for Focus Strategy and Mortgage Performance

Model		β	Std. Error	Beta	t	P-Value
1	Constant	0.572	0.277		2.064	0.041
	Focus Strategy	0.605	0.090	0.531	6.742	0.000

a. Dependent Variable: Mortgage Performance

These results are in concurrence with those of Sagwa and Kembu (2016) whose results indicated that focus strategy has the greatest statistically significant positive and predictive effect on performance of deposit-taking SACCOs in Nairobi. Gwangwava and Muranda (2022) also conducted studies that showed that focus strategy is positively influences firm performance of textile and clothing manufacturing firms in Zimbabwe. Kago *et al.*, (2018), while examining the association between competitive strategies and organizational performance of petroleum companies in Kenya, concluded that the adoption of focus strategy had a negative influence on organizational performance of petroleum companies.

Moderated Linear Regression Analysis

This study adopted hierarchical linear regression to test the moderating effect of bank size on the relationship between focus strategy and mortgage performance of banking institutions within the Kenyan mortgage industry. When the interaction term between the moderating and independent variables was added to the model, there was a substantial increase of 0.206 or 20.6 percent as per model 3, that is, adding bank size implies that 48.8% of variability in mortgage performance can be explained by focus strategy whereas the remaining 51.2% can be explained by other variables not included in the model. Table 9 provides a model summary of the hierarchical model developed.

Table 9: Moderated Linear Regression Model Summary

Model	R	R-Squared	Adjusted R-Squared	Std Error of the Estimate
1	0.531[a]	0.282	0.275	0.553
2	0.696[b]	0.485	0.476	0.471
3	0.699[c]	0.488	0.475	0.471

a. Predictors: (Constant), Focus Strategy,
b. Predictors: (Constant), Focus Strategy, Bank Size
c. Predictors: (Constant), Focus Strategy, Bank Size, Interaction Term

Further, ANOVA was used to test the statistical significance of the moderated regression model. The results indicated that the model was statistically significant at F (3,114) = 36.285, p<0.05. It was, therefore, concluded that the model was a good fit for the data and as such adequate enough to explain the variance in mortgage performance. The predictor variable moderated by bank size were all statistically significant to predict mortgage performance. The results from the model are presented in Table 10.

Table 10: ANOVA - Moderating Effect of Bank Size

Model		Sum of Squares	df	Mean Square	F	P-Value
1	Regression	13.923	1	13.923	45.451	0.000[b]
	Residual	35.535	116	0.306		
	Total	49.458	117			
2	Regression	23.976	2	11.988	54.101	0.000[c]
	Residual	25.482	115	0.222		
	Total	49.458	117			
3	Regression	24.158	3	8.053	36.285	0.000[d]
	Residual	25.300	114	0.222		
	Total	49.458	117			

a. Dependent Variable: Mortgage Performance
b. Predictors: Predictors: (Constant), Focus Strategy
c. Predictors: Predictors: (Constant), Focus Strategy, Bank Size
d. Predictors: Predictors: (Constant), Focus Strategy, Bank Size, Interaction Term

Table 11 presents a summary of the hierarchical moderated linear regression model that tested the moderating effect of bank size on focus strategy and mortgage performance. The significant p-value of the interaction term between focus strategy and bank size is 0.367 which is >0.05 thereby concluding that bank size has no statistically significant moderating effect on the influence of focus strategy on mortgage performance. This led to failure to reject the null hypothesis. Bank size further had a negative influence on mortgage performance as indicated by the beta coefficient of -1.178 under model 3; this implied that increase in bank size led to a decrease in mortgage performance when focus strategy was adopted. These findings concur with those of Ali *et al.*, (2016) who concluded that firm size does not moderate the influence of strategic planning dimensions on performance of manufacturing firms in Kenya. In contrast, however, Mutunga and Owino (2017) found that firm size moderates the relationship between micro factors and financial performance of manufacturing firms in Kenya.

Table 11: Moderated Linear Regression Coefficients

Model		β	Std. Error	Beta	t	P-Value
1	(Constant)	0.572	0.277		2.064	0.041
	Focus Strategy	0.605	0.090	0.531	6.742	0.000
	(Constant)	1.579	0.279		5.655	0.000
	Focus Strategy	0.711	0.078	0.623	9.119	0.000
	Bank Size	-0.863	0.128	-0.460	-6.735	0.000
	(Constant)	2.045	0.585		3.494	0.591
	Focus Strategy	0.577	0.167	0.506	3.452	0.001
	Bank Size	-1.178	0.371	-0.628	-3.178	0.002
	Interaction Term	0.008	0.009	0.232	0.906	0.367

a. Dependent Variable: Mortgage Performance

CONCLUSION

The objective of the study was to evaluate the influence of focus strategies on mortgage performance of banks within the mortgage industry in Kenya. This strategy was the most adopted by banks from the medium and small peer groups. The results from correlation and univariate regression indicated that focus strategy was strongly correlated with mortgage performance. The study rejected the null hypothesis and concluded that adoption of focus strategy has a statistically significant influence on mortgage performance of banking institutions within the mortgage industry in Kenya. The strategy explained 28.2% of variability in mortgage performance as per the R-squared in the regression model summary. The test of fitness conducted also indicated that focus strategies fitted well with the regression model with significant p-values. A unit increase in adoption of focus strategy resulted in a corresponding increase in mortgage performance of 0.605 units, thereby making focus strategy a vital contributor to mortgage performance.

Focus strategies that were considered for the study included both cost leadership and differentiation geared towards specific segments of the market. Their overall influence on mortgage performance of banking institutions within the mortgage industry in Kenya was also assessed. Results from correlation and regression analysis indicated that focus strategies had strong positive and statistically significant influence on mortgage performance. This is justified by the fact that banks, especially those in the small and medium peer group, reduce wastage of resources by focusing on market segments as opposed to the mass mortgage market; they are able to pass cost and value benefits to borrowers within such segments. Such banks should, therefore, give emphasis on market segmentation with a view to identify most viable segments with the highest potential returns on their investments and overall stakeholder value.

The industry regulator, Central Bank of Kenya (CBK), has incessantly been raising the minimum acceptable asset base for mortgage industry players. This has led banks into pursuing strategies aimed at increasing their asset base and in essence, their bank size. This pursuit of larger bank size is however insignificant in influencing mortgage performance when focus strategies are implemented. The individual contribution of the focus strategies was found to be marginal and insignificantly enhanced by increase in bank size. These findings are justified by the fact that larger banking institutions tend prefer the mass market as opposed to smaller ones that opt for seemingly lucrative market segments such as diaspora and affordable housing markets.

RECOMMENDATIONS

This study, on the basis of its findings, recommends that banking institutions with low net asset bases in the Kenyan mortgage industry should align their focus more to the adoption of focus strategy since it has consistent positive and significant influence on mortgage performance. Banks can achieve this by segmenting their mortgage market using appropriate criteria then developing mortgage products that offer cost benefits and value to the selected markets or segments.

Since cost of mortgages is such a key concern for most borrowers, it is imperative that banks within the Kenyan mortgage industry vehemently seek for more inexpensive long-term deposits that support their mortgages which are long-term in nature. In particular, there is need for more banks to apply to be enjoined in the affordable mortgage programme fronted by the government through the Kenya Mortgage Refinance Company (KMRC). Such moves shall ensure that more banks are able to implement focus strategies that largely depend on viable market segments.

The Central Bank of Kenya (CBK), on the other hand, should regularly conduct review of not only the prevailing Central Bank Rate (CBR) but also the required asset base for industry players. Strategies such as mergers, joint ventures, takeovers and acquisitions should be supported by CBK in an attempt to give rise to stronger and more influential players in the industry. Such practices, as seen from the study findings, are likely to enhance mortgage performance of industry players leading to enhanced profitability. The Kenyan government could also consider offering incentives such as tax holidays and cheaper long-term deposits to enable banks pass the concessionary benefits to targeted market segments whilst also improving their overall mortgage performance.

CONTRIBUTION TO THEORY AND EXISTING KNOWLEDGE

The findings of this brought to the fore the importance of competitive strategies in determining performance. Focus strategies are the largest contributors to mortgage performance of banking institutions within the Kenyan mortgage industry. The evident significant and positive influence of focus strategy on mortgage performance clearly justifies the relevance of Porter's Generic Strategies Model which backs firms with targeted focus strategy implementation to gain competitive advantage over competitors in those segments. On the other hand, the study findings somewhat negate the Resource-Based View (RBV) of competitive advantage and concludes that banking institutions with smaller asset bases are more likely to prosper in the implementation of focus strategies in their targeted segments at the expense of larger institutions.

PROPOSED AREAS FOR FURTHER STUDY

This study selected focus strategy as potentially influencing mortgage performance. This strategy was, however, not exhaustive as there are many other competitive determinants of performance. Constructs used to measure both the predictor and dependent variables were also not exhaustive; for instance, there are several other measures of performance apart from market share. Future researchers could conduct studies that embrace the measures excluded from this study as well as other competitive determinants of performance. Studies in the mortgage industries of other African countries and developing economies would also be beneficial in understanding the dynamics of the understudied mortgage industry globally. Finally, the moderating effect of bank size which was surprisingly insignificant though marginally positive presents an exciting platform for future researchers to conduct studies to test the moderation of size in other industries as well as on other relationships for comparison purposes. Similar studies could also test the moderating effect of size on other specific predictor variables' relationship with performance.

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