

Abstract

This study examined the influence of capital markets deepening on mortgage growth in Kenya. The indicators used for capital market deepening were Ratio of Equity Market Capitalization to GDP; the Bond Market Turnover Ratio; Pension Assets; Insurance Assets and the Ratio of Private Credit to GDP while the growth of the mortgage market is measured by the total lending by the banking sector for mortgages. Data was collected for the variables for the 30 year period starting 1984 to 2013. Stepwise regression was used in the analysis because of multicollinearity among some of the variables. As a result, bond market turnover ratio and ratio of private credit to GDP were excluded from the analysis. Insurance assets and pension assets were found to have the greatest influence on mortgage growth while equity market capitalization to GDP has a negative influence.