THE DETERMINANTS OF DEMAND FOR NEW SALOON CARS IN KENYA

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Abstract

This study investigates the determinants of demand for new saloon cars in Kenya. The aims of this study are to determine the demand function for new saloon cars in Kenya, to analyze the relative importance of its determinants, and to give policy recommendations based on the finding.

The study covers the period from 1991 to 2009. The methodology employed is an econometric regression analysis. Ordinary least squares is used to estimate the coefficients of the estimated model. The variables built into the model include per capita income, price index of passenger cars, petroleum prices, interest rates, population, and road network. The results indicate that the demand for new saloon cars is a function of per capita income, prices of passenger cars, and interest rates. Petroleum prices, population, and road network were found to be statistically insignificant.