

Financial Distress and Financial Performance of Commercial Banks in Kenya

Ibrahim Chege Mwangi

D190/13379/2016

Abstract

In my study the main objective is to determine the financial distress on the commercial banks and how this affects the financial performance. This is going to apply data for a period of 3 years from 2016 to 2018 whereby the data will be obtained from the CBK annual reports. The independent variable is financial performance which is measured using ROA while the dependent variables are non-performing loans, financial leverage and liquidity. In the study I mainly focused on secondary data from the CBK annual reports. The findings of my study clearly indicate that financial performance is highly affected by the state of financial distress in our commercial banks in Kenya. In Kenya banking system its has been faced with many challenges whereby financial distress is one of them. Therefore, it has to be resolved early enough to avoid the failure of many banks. Due to the high contribution of the commercial banks in our economy it has become important to look into this issue to avoid the high possibility of failures. It is also evident that many banks have collapsed in Kenya as a result of financial distress this has led to the need to study how the industry is affected by financial distress. Therefore, this study would be very useful to our banks to rectify the financial distress situation.