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INFLUENCE OF LOAN LENDING POLICIES ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

A CASE OF SELECTED BANKS IN KISII TOWN, KENYA

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Abstract

Bank lending which are guidelines and procedures put in place for employees to observe in granting loan assets has become a vital function of the commercial banks because of its direct effect and impact on economic growth, business development and commercial banks' financial performance. This paper analyzes the influence of loan lending policies on financial performance of commercial banks in Kenya. For this, a descriptive research design is adopted. Data of 18 selected commercial banks in Kisii town is used. Pearson's correlation analysis and multiple regression models were used to establish the relationship between loan lending policies and financial performance. The study finds a positive relationship between commercial banks' financial performance and loan lending policies. Moreover, banking sector regulation policies, competition and technology also have significant effects on the banks' financial performance. Based on the key findings from the study it is concluded that in line with the lending policies commercial banks did have competent personnel for appraising prospective borrowers. A good number of commercial banks embraced banking technology to enhance sufficient monitoring and follow-up of loans. Good evaluation is considered to reduce loan defaults consequently high

profits. Income recognition is based on the record of loan recovery for healthier balance sheets. Loan repayment reduces losses by matching repayments with income cycles of customers. Hence financial performance of commercial banks is expected to increase.

Keywords: Loan Appraisal, Loan Monitoring and Follow-up, Loan Evaluation and Approval, Loan Recovery, Loan Repayment, Return on Investments

INTRODUCTION

Lending has become a vital function of the commercial banks because of its direct effect and impact on economic growth, business development and financial performance of commercial banks. Bank lending is guided by loan lending policies which are guidelines and procedures put in place to ensure smooth lending operations. Bank lending if not properly assessed, involves the risks that the bank shareholders will not realize any income benefits such as return on assets, return on equity, net interest margin and dividend payout ratio due to laxity for proper execution by the management and the staff concerned Central Bank of Kenya Report (2013). Banks are germane to economic development through the financial services they provide. The intermediation role can be said to be a catalyst for economic growth. The efficient and effective performance of the banking industry overtime is an index of financial stability in any nation. The extent to which a bank extends credit to the public for productive activities accelerates the pace of a nation's economic growth and its long term sustainability.

Lending is very risky in that repayment of the loans is not always guaranteed and most of the times depend on other factors not in the control of the borrower hence affecting return on equity of the shareholders. It is a risky venture which banks engage only after a rigorous and satisfactory analysis of the project for which lending is being made. The main pre-occupation of banks is extending loans to their customers. Thus, the formulation and implementation of such lending policies are some of the important responsibilities of the commercial banks management. The lending policy of a bank must be specific on how much loan will be made available to whom, what period, and purpose of the loan. For this reason, lending policies should be well documented so that lending officers will be able to know areas of prohibition and areas of operation. In addition, the lending policies should be subjected to periodic review to make the commercial banks keep abreast with the dynamic and innovative nature of the economy as well as the competitive environment with other changing economic sector (Lizal, 2012). Therefore managing loans in a proper way not only has positive effect on the bank's financial performance but also on the borrower and the country's economy as a whole. Failure

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to manage loans which makes up the largest share of banks' assets would likely lead to high levels of non-performing loans. And this in turn affects the financial performance of banks and the economy at large.

The single biggest contributor to bank failures and or distress in Kenya is poor management of lending. This is where the bank's staff fails to take note and analyze their customers/ borrowers information before they approve and release loans to them and also fail to monitor and follow up on how the borrowers are fairing on with repayments causing poor return on assets. In at least half of the bank failures, poor management of the loans and quick approval of loans to unqualified borrowers accounted for a substantial proportion of reduced return on assets as a result of high default rates on payment of bank loans. According to Karanja (2009), most of the larger local banks failures in Kenya involved extensive poor analyzed lending where it could not establish the net interest income to be realized from assets lent out therefore, affecting the return on assets and consequently its influence on financial performance. Credit appraisal, evaluation and approval, loan monitoring and follow-up, as well as well loan recovery and repayment play a big role in determining the net interest income to be earned on various investments as an indicator of financial performance.

A lending policy is lending institution's statement of its philosophy, standards, guidelines and criteria developed by a bank and used by its employees to be observed in granting or refusing a loan request. These policies determine which sector of the industry or business will be approved loans and which one to avoid based on the country's relevant laws and regulations. Lending which may be in short, medium or long term loans is one of the services that commercial banks do render to their customers (Olokoyo, 2011). That is, commercial banks issue loans and advances to governments, business organizations, and individuals to enable these groups invest and develop projects in order to boost their growth and to contribute toward economic development and growth of a country. Loan granting procedure and control systems are necessary for the assessment of loan application, which then guarantees a commercial bank's total loan portfolio as per the bank's overall integrity. It is necessary to establish a proper loan risk environment, sound loan issue process, suitable loan administration, evaluation, monitoring and follow-up over credit risk, policy and strategies clearly summarizing the scope and allocation of bank loan facilities and the approach of managing credit portfolio.

The New Times, Rwanda (2010) says to limit loan losses, commercial banks should assess the customer's credit worthiness with the help of 5Cs namely: Character, Capacity, Capital, Collateral and Conditions. This indicates that each type of loan application must go through loan appraisal process, preferred maturity period, indication on maximum allowable amount, and provide an insurance cover. The loan should generally be protected by collateral

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and the channel of approval should be documented and approved by the Board of Directors. This is because poor loan lending policies and short-sighted credit analysis can have a big negative impact on the commercial banks' profitability and hence performance. Loan lending policies indeed affect the performance of commercial banks. Most of the commercial banks have effective and efficient loan lending policies. Nevertheless, their loan lending policies are not well executed due to laxity.

Commercial banks earn financial revenue from loans and other financial services in form of penalties, commissions, interest and fees on loans borrowed, income from other financial assets for example income from investment. This revenue can be enhanced through proper execution of lending policies that if well implemented influences financial profitability and performance (Banking Association of Kenya, 2014). Commercial banks also generate various expenses running from general operating expenses as well as cost of borrowing due to loan loss provisioning, potential losses on loans as a result of loan defaults and bad debts.

What contributes to financial performance for commercial banks is that lenders employ various lending policies to increase efficiency and coordination of asset investment operations. The lending policies ensure timely allocation of asset investments to the market and to needy customers after thorough screening and this gives enough time to customers to carry on with their projects so as to make timely returns to help the banks plan for more investments that could increase financial performance for the commercial banks involved in provision of credit asset investments (Mraba, 2009).

The paper is structured as follows: the second section deals with brief review of important theoretical and empirical literature on the relationship between credit appraisal and financial performance of commercial banks, the third deals with the conceptual framework, fourth deals with the objective of the study and research hypothesis, while the fifth and sixty sections present methodology employed, data analysis and findings of the study. Finally the study conclusions are discussed in the seventh section respectively.

REVIEW OF LITERATURE

Various studies have analyzed the relationship of loan lending policies and financial performance of commercial banks in various regions internationally, regionally and locally. Majority of the studies conclude a positive relationship between credit appraisal and financial performance. The studies reviewed have used various variables to analyze the relationship, with different methodologies such as logistical linear regression and Pearson's correlation employed. This section presents the major studies related to this study in order to assess and identify the research gap.

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On review of the information asymmetry theory by Picard (2011) he recommended that borrowers should be screened satisfactorily by the banking institutions in form of loan appraisal. Collection of reliable information from prospective customers becomes critical in accomplishing effective screening as indicated by symmetric information theory. Customer's attributes assessed through qualitative models can be assigned numbers with the sum of the values compared to a threshold. This model minimizes biasness, processing costs and reduces subjective judgments. The rating systems will be important if it indicates changes in expected level of credit loan loss. Husni (2011) concluded that quantitative models make it possible to numerically establish factors that are important in explaining loan asset investments, evaluating the relative degree of importance of the factors, screening out low value loan assets and calculating any reserve needed to meet expected future returns. The adverse selection credit theory of credit rests on two main assumptions that lenders cannot distinguish between borrowers of different degrees of risk, and that loan contracts are subject to limited liability (i.e. if project returns are less than debt obligations, the borrowers bears no responsibility to pay out of pocket). The theory was a useful tool in this study as it identified the challenges of unavailability of business information before signing a contract on loan assets providing evidence that asymmetric problems exist in the commercial banks and loan ownership provides incentives for lenders to allocate resources to overcome these problems.

The empirical findings by Al-Tamimi and Al-Mazrooei (2007) highlighted that the United Arab Emirates (UAE) banks are somewhat efficient in analyzing and assessing loan applications for assessing loan risk which is a very important step in loan appraisal to scrutinize loan borrowers. They also added by saying that there is a difference between UAE national and foreign banks in practice of lending policies e.g. loan appraisal where it greatly influences on financial performance of their banks when well executed considering return on assets and return on equity. This indicates that these commercial banks do not practice continuous thorough appraisal geared towards their financial performance. Consistent credit appraisal by commercial banks is vital as it indicates the strategic position of these banks recommending for sustainable strategies needed by these banks.

A study by Murray (2011), found out that through loan appraisal; management can gauge its ability to generate earnings from the bank's total pool of assets, that if not well done could lead to decline on asset returns thus financial performance of commercial banks in U.S.A. The thorough loan appraisal of the loan applicant before loan advancing with an aim of assessing the study recommended that there was need for commercial banks to enhance their client loan appraisal policy so as to influence positively on financial performance. This study

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shows that adherence to provisions of the credit appraisal in many commercial banks remains a challenge which affects the overall financial performance of the concerned commercial banks.

A study done in Russia by Chernykh & Theodossiou (2011) indicated that the lender should ensure that good decisions are made relative to granting of loans with the objective of maximizing return on assets, and this can be through interest income to be realized with the lending and try to reduce factors that could otherwise compromise the returns. Gobi (2003) from Italy further asserts that , the lender should gather information regarding the prospective borrower that will assist in reaching a sound and safe loan lending decision that will positively work towards influencing financial performance of the commercial banks involved. The study showed that there was a huge gap in implementation of loan appraisal whereby unavailability of business information before signing a contract on loan assets is a critical challenge in credit appraisal if it is not duly considered.

Dallami & Guigale (2009) points out that financial performance depend on the robustness with which credit appraisal systems can intelligently and efficiently manage customer credit lines. Loan appraisal minimizes the risk to borrowers' exposure to bad debts, over-reserving and bankruptcies. The credit assessment gives the banks an insight into the rate of interests to charge the customers that might not push them hard to the corner by considering the customer's financial strength, credit score history and payment patterns. The effectiveness of the credit appraisal system depends on the procedures and methods applied in the credit evaluation. Credit appraisal methods used in banks range from simple subjective or informal techniques to fairly complex approaches such as the use of simulation and computer generated models. The aim of these procedures is to ensure that customers are thoroughly scrutinized before advancing credit thus, to determine the probability of the loan to be advanced earning positive return that would help influence on financial performance on the banks involved. The study established that the challenge with some of the commercial banks is how to implement the lending policies depending on bank management of different banks that creates a difference on financial performance recorded by the commercial banks.

In view of a study by Samuel (2011) loans constitutes the largest single income earning asset in the portfolio of most of the commercial banks. This explains why commercial banks spend enormous resources to appraise loan applications before giving approval of loan disbursement to successful loan applicants. This is a practice that impact greatly on the lending behavior of commercial banks as large resources are involved. While investigating the lending behavior of commercial banks in Ghana, he said, banks must be careful with their lending policies as regards to loan advancement as lending is undoubtedly the heart of commercial banks. This is because, when loans are appraised correctly, it will influence positively on the

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bank's financial performance and the opposite is true. The study identified a gap where credit appraisal didn't measure the extent to which it influenced financial performance of the Ghana commercial banks.

Filipaki & Chrostos (2006) in his study analyzed the factors that impede return on assets as well as equity on commercial banks in Pakistan came up with the findings that appraisal of loan assets offered to the customers was improper and has failed to meet the conditions stipulated in loan asset contract forms. The study indicated that decline on return on assets and/or return on equity as well as income interest were due to poor implementation and enforcement of loan appraisal, and this could encourage borrowers to cheat on the purpose of the loan, where payment and recovery could be an uphill task influencing poor financial performance of the commercial banks. The study recommended bridging the financial gap by practicing establishment of prudent credit appraisal and strict adherence to it in order to curb the risk of loan borrowers who could be credit worthiness to enhance good loan books and consequently financial performance.

Olokoyo (2011) in his study on determinants of commercial banks' lending behavior in Nigeria considered the effectiveness of loan appraisal in assessing the borrower's character and behavior before advancing the loan facility and how it influences financial performance of the commercial banks in Nigeria. The study suggests that commercial banks should focus on mobilizing more deposits as this will enhance their lending performance through the liabilities they receive where proper appraisal could help identify liabilities to be used in making quick return on investments in order to positively influence on financial performance of these banks. The study showed that there was a gap of lack of credit appraisal methods before loans were advanced.

Olomola (2002) in Nigeria observed that the increased number of financial institutions over- stretched their available human resources capacity which resulted into many problems such as poor loan appraisal system, financial crimes, and accumulation of poor asset quality which led to increase in the number of distressed commercial banks. The study showed that proper decision making and adherence of credit appraisal was not prudently followed as stipulated.

Sheilah (2011) commented that, the ability of commercial banks to promote growth and financial performance depends on the extent to which financial transactions are carried out with trust, confidence and least risk. This requires sound and safe loan appraisal to assess and unearth the financial character of the loan applicant before any step is undertaken. This will dictate on the conditions to be applied on the loan covenant to help curb bank–customer relationship that may have positive influence on financial performance of the commercial banks

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in Uganda. Sheilah is of the view that proper and adequate loan appraisal is the key to controlling or managing the level of income interests hence return on assets as well as return on equity therefore positively influencing on financial performance. The study established that loan appraisal didn't adequately assess the value of assets to be invested on customers apart from return on equity to guide the execution of appropriate credit decision.

According to Nyorekwa (2014) on the study of effectiveness of lending policies on financial performance of the banking sector in Tanzania observed that before lending out money, a bank has to assess all important factors that have a bearing on the financial soundness of the customer as well as the returns expected to be generated from the loan assets prime focus being the purpose and need of the credit and ability of the borrower to repay the credit advanced as per the terms of the loans. The borrower's character, experience and competence to manage the business and to utilize the funds for the purpose for which they are lent are normally taken into account. The project or activity proposed for financing should be capable of generating sufficient income so that the loan is serviced and repaid to have targeted return on assets invested by the banks. There was a gap with how the loan appraisal could be conducted to establish if the bank's lending could be too little or too much in relation to the need so as to cause problems.

In a study by Nagarajan (2011) it was observed that the time taken to appraise the bank's clients is very important in order to identify the return on deposits. This influences the bank's financial performance. This reflects the bank management's ability to utilize the customer's deposits in order to generate profits. Moreover, Dhankal (2011) added by saying that the challenge with this policy is attractiveness of the banks to customers so as to frequently make deposits and to offer incentives on delayed deposits so as to make use of these deposits to generate more revenues towards improved financial performance of these banks. However, the study identified a gap in that this does not just involve only collection procedure details provided by the bank but also the procedure on how the lawful collection should take place

Owino (2012) in his study on effects of lending policies on loan defaults on commercial banks says that the purpose of loan appraisal is to assess the likelihood that the loan asset to be offered to customers has higher interest margin that drives increased return on assets hence financial performance of the commercial banks. It includes assessing the borrower's needs and financial conditions that identifies the borrower's character, capacity, collateral, capital etc. Interested lenders will expect the loan applicant to have contributed from their own assets and to have undertaken personal financial risk to establish the business before advancing any credit. The study identified that the hindrance of loan appraisal is information asymmetry that spells doom on the success of fully assessing the loan applicant due to hidden information and history

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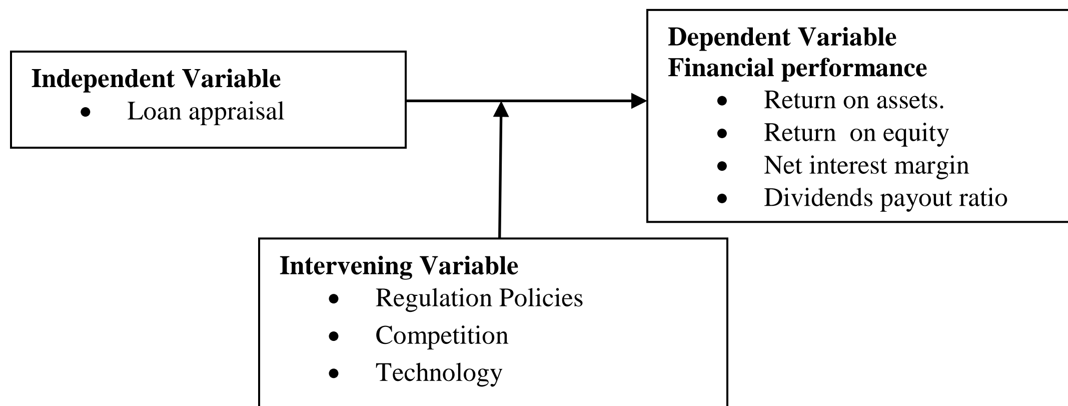
of the borrower that could have helped in proper appraisal of the client before loan advancement to avoid loss of returns on loan assets offered to the market.

Ochieng (2012) in his study to assess determinants of financial performance among the commercial banks found out that loan appraisal is very important in influencing financial performance of commercial banks. He said that banks are regarded as firms that emerge as a result of some sort of market imperfections; hence they bring about a certain degree of inefficiency with respect to perfect competitive outcome that can influence on financial performance of these banks. He suggested that through loan appraisal, banks are able to cushion the effects of changing interest rates on profits by altering the business practices, perhaps through higher fee income or by adjusting their loan loss provisions. He therefore concluded that, proper appraisal by the bank management and its entire staff on effective interest rates on loan assets let to customers and effective asset allocation will probably influence financial performance through increased income interest margin, return on equity, and dividend pay-out ratio to the shareholders and consequently financial performance. However, the study showed that commercial banks have failed many a times to identify the correct clients for loan advancing.

Figure 1: Schematic Conceptual Framework



General Objectives

The main objective of the paper is to examine the influence of loan lending policies on financial performance of commercial banks in Kenya.

Specifically, study intended to find out the influence of credit appraisal on financial performance of commercial banks in Kenya.

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Research Hypothesis

In an attempt to achieve the above objective, this study developed the following null hypothesis;

$H0_1$: Credit appraisal has no statistical significant effect on the financial performance of commercial banks in Kenya.

RESEARCH METHODOLOGY

Model Specification

A logistic regression model was applied to determine the relationship between credit appraisal and financial performance of commercial banks in Kenya.

The logistic regression used in this model was;

$Y = \beta 0 + \beta 1X1 + \alpha$

Where;

Y= Financial performance,

$\beta_{0=}$ constant term (regression coefficient),

$\beta 1$ = slopes of the regression equation,

$X_{1=}$ credit appraisal,

ε= Error term

Data and Variables

Data from the study was collected from 18 active and registered commercial banks operating in Kisii town by December 2015 (Kenya Bankers Association, 2015). Data was also obtained from documented records which included financial institutions reports, annual audited accounts, management circulars and periodic financial statements relating to financial performance. The sample data begins 2011 to 2015 to ensure accuracy and up-to-date collected data and a number of filters were applied.

In order to analyze the effects of credit appraisal on the financial performance of commercial banks in Kenya, financial performance is measured by return on equity, return on assets, dividend payout ratio and net interest margin. Return on equity determines the amount of net income returned as a percentage of shareholders equity, return on assets determines the management efficiency to use assets generate earnings hence relates the profitability of the bank to the asset base, dividend payout ratio is the fraction of net income a bank pays to its stakeholders in dividends hence measuring reliability of a dividend stock, and net interest margin measures the difference between the interest income generated by the bank and the amount of interest paid out to lenders (for example deposits) relative to the amount of their (interest-earning) assets.

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Credit appraisal is used as the independent variable and is considered for measuring financial performance as a dependent variable. Moreover, banking sector regulations, business competition and technology are introduced as intervening variables.

Analytical Approach

Quantitative data was analyzed using SPSS. Inferential statistics viz. Pearson's correlation analysis, regression analysis and analysis of variance were applied.

ANALYSIS AND FINDINGS

Pearson Correlations analysis

Table 1 shows the Pearson correlations for the credit appraisal variable.

Table 1: Correlations

		Financial performance	Credit appraisal
Financial performance	Pearson Correlation	1	.615
	Sig. (2-tailed)		.000
	N	114	114
Credit appraisal	Pearson Correlation	.615	1
	Sig. (2-tailed)	.000	
	N	114	114

The Pearson Product-Moment correlation coefficient (r= .615) computed indicated that there was a high positive correlation between credit appraisal and financial performance of commercial banks in Kenya. The analysis revealed highly significant ($p < 0.05$) positive relationship between credit appraisal and financial performance of commercial banks in Kenya. The data analysis shows that credit appraisal had an effect on financial performance of commercial banks in Kenya and there was need for commercial banks to improve on credit appraisal of loan assets.

Regression

In order to test the hypothesis, logistic regression analysis has been conducted to determine there is significant relationship credit appraisal and financial performance as shown in table 2.

Table 2: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.874	.746	.736	.223

Predictor variables: (Constant), credit appraisal. Dependent Variable: Financial performance.

R is the square root of R-squared and is the correlation between the observed and predicted values of dependent variable implying that the association of 0.874 between financial performance and credit appraisal was strong. Adjusted R squared is the coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings as shown by table 2, the value of R squared was 0.746 an indication that there was variation of 74.6 percent on financial performance in commercial banks due to changes in credit appraisal at 95 percent confidence interval. This shows that 74.6 percent changes in financial performance in commercial banks in Kenya could be accounted to credit appraisal. It is also notable that there exists strong positive relationship between the study variable as shown by 0.874. Due to the fact that difference between R square and Adjusted R square is small (0.001) shows that the independent variable was precise. This concurs with Awan & Ameen (2013) who said that in order for commercial banks in to realize increased return on investments and thus financial performance, the banks must positively embrace written guidelines on loan asset lending and quality provided by the commercial banks to customers in order to afford attractive interest income that increases return on assets. Prudent lending policies may therefore provide a turn-around for commercial banks if well executed as stipulated to influence on positive financial performance.

Analysis of Variance

Table 3: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	2. 196	4	. 626	4. 947	.001[b]
1	Residual	5.187	110	. 107		
	Total	7.383	114			

Critical value =2.60

Predictor variables: (Constant), credit appraisal

Dependent Variable: Financial performance.

From the ANOVA statistics, the study established regression analysis had a significance level of 0.1% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated F value was greater than the critical value (4.947>2.50) an indication that loan appraisal influence financial performance of commercial banks in Kenya. The significance value was less than 0.05 indicating that the model was significant. This implies that the null hypothesis was useless,

therefore the null hypothesis was rejected and the alternate hypothesis of the variable accepted. This concurs with Owino (2012) who asserted that, it is logical for commercial banks to have some basic lending policies to act as a check on their investment activities if the banks could want to work towards achieving their objective of, "*financial growth and performance*". The effective and efficient execution of these policies will determine the results to be achieved on financial performance of the concerned banks. Therefore, the ability of commercial banks to promote financial growth and development depends greatly on the extent to which financial transactions are carried out with trust and confidence and with reduced risk. They require safe and sound banking practices supported by prudent lending policies, and where banks practice unsafe and unsound banking practices, the confidence and trust of which the bank clients posses may be threatened which could end up affecting on financial performance through increased loan defaults, laxity on bank employees etc.

Table 4: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.342	1.023		1.312	.001
	Credit appraisal	.323	.118	.213	2.636	.002

Predictor variables: (Constant), credit appraisal

From the data in table 4, the established regression equation was

$$\mathbf{Y = 1.342 + 0.323X_1}$$

From the findings in the logistic regression equation it was revealed that holding credit appraisal to a constant zero, the financial performance of commercial banks in Kenya would be at 1.342, a unit increase in credit appraisal would lead to an increase in financial performance of commercial banks in Kenya by factors of 0. 323. On the other hand, Beta expresses the relative importance of the standardized terms. Firstly, the results show that credit appraisal is significant predictor. This variable statistically, significantly predicted financial performance of commercial banks in Kenya. The variable was significant as its significant value was less than ($p<0.05$). This is in agreement with Banking Association of Kenya (2014) which affirms that commercial banks earn financial revenue from loans and other financial services in the form of penalties, commissions, interest and fees on loans borrowed, income from other financial assets such as income from investment. This revenue can be enhanced through proper execution of lending

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policies that if well implemented it will greatly influence on financial performance. Commercial banks also generate various expenses running from general operating expenses as well as cost of borrowing due to loan loss provisioning due to potential losses on loans as a result of loan defaults and bad debts.

CONCLUSIONS

A good number of commercial banks in Kenya have invested heavily in loan asset lending. This therefore signals that the way credit appraisal is conducted will have an effect on financial performance of these banks. The study found out that there was highly positive correlation between credit appraisal and financial performance. The study confirmed that client appraisal was an important process that needed to be done every time a member requested for a loan to avoid extending credit facilities to clients who were financially incapable to repay credit borrowed as per the terms and conditions stipulated considering qualities such as credit history of the member, disposable income of the client, collateral substitutes, and other loan delinquencies that were key in credit appraisal process. The results concluded that if a case is appraised properly, default rate is low thus reduced provision on bad debts translating to better performance.

LIMITATIONS OF THE STUDY

However, the study was constrained with unwillingness by the respondents to reveal information which was thought to be confidential .The researcher had to assure the respondents that the information they were to offer would be held confidential and would be used for academic purposes only in seeking to assess the influence of loan lending policies on financial performance of commercial banks in Kenya and this was backed by an authority letter from The Jaramogi Oginga Odinga University of Science and Technology. The respondents were reluctant to provide information for the study through interviews that were conducted because of ethical reasons such as confidentiality and anonymity. The researcher convinced them that their confidentiality and anonymity was to be upheld by providing an interview schedule to justify its significance both to the researcher and the commercial banks that were involved. The researcher also sourced for more information from The Jaramogi Oginga Odinga University of Science and Technology library and various financial journals to help gather the required information. The researcher experienced a challenge in securing the staffs' valuable time bearing in mind their busy working schedules. The researcher made proper arrangements with the employees to avail themselves for the study during off-time hours as well as motivating the employees on the value of the study

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