Influence of Expected Loan Loss on Operational Performance of Commercial Banks in Kenya

Abstract

Purpose: The main objective of this study was to examine influence of credit risk stress testing on operational performance of commercial Kenya. The theoretical framework was based on credit risk theory.

Methodology/Approach: The study used all commercial banks which are 42 it total. The adopted mixed research comprising of causal and longitudinal research designs.

The study used secondary data from operational statements of banks. Descriptive applied involved skewness, kurtosis, mean and standard deviation. Multiple regression analysis was also applied. Data was presented using tables.

Findings: The results revealed that expected loan loss lead to performance of commercial Banks as shown by a positive and significant coefficient of in the regression model in a fixed effect model.

Implications: The study suggested that operational institutions implement a stringent policy that escalates the loss in the event of default, thereby restricting loan approvals to clients who can guarantee they will repay the loan in full.

Authors:

Nyanumba Nyaundi Joel, Charles Yugi Tibbs, Wycliffe Maingi Muli

DOI: **https://doi.org/10.26710/jafee.v10i3.3066**