

ABSTRACT

Purpose: The main aim of the study was to determine effects of selected financial management practices on financial performance of commercial banks in Kenya. The research was guided by the following specific objectives; to determine the influence of liquidity management, capital structure management, credit risk management and working capital management on the financial performance of commercial banks in Kenya.

Methodology: The research employed a descriptive research design. Census method of sampling was employed, all the 43 commercial banks formed the study units. Both primary and secondary data were used. Secondary data was obtained from the audited annual financial reports of the commercial banks in Kenya while primary data was collected using questionnaire which was designed in form of Likert scale. Descriptive and inferential statistics were used, whereby correlation and regression were used to establish the strength of the relationship between the financial management practices and financial performance of the commercial banks. Data was presented in form of tables, mean and standard deviation. Correlation analysis was performed to examine the relationship between the financial management practices and financial performance of the commercial banks.

Results: The study concludes that liquidity management had positive significant effect on the financial performance of commercial banks in Kenya. Measuring liquidity risk is important to making sure that liquidity problems are identified in time. The study concludes that capital structure management practice has positive significant effect on the financial performance of commercial banks in Kenya. On credit risk management practice, the research found strong positive significant on the financial performance of commercial banks in Kenya. Most of financial institutions have risk eliminating strategy in place, proper risk management. Finally, the study concludes that working capital management practice has positive significant on the financial performance of commercial banks in Kenya.

Unique contribution to theory, policy and practice: The research recommends that banks management should make sure that they maintain substantial levels of liquidity, so as to maintain competitive performance. Commercial institution must have a feasible capital structure in place that addresses issues such, as flexibility where changes in the capital market should be well adapted to the capital structure