

Operational efficiency as a financial distress factor arises from maturity mismatches where liabilities have a shorter tenor than assets. This paper aims to analyse operational efficiency as a financial distress factor as well as draw inferences on its relationship with financial performance measured by return on assets (ROA) and return of equity (ROE). The study employed secondary data derived from financial statements of 38 commercial banks for the period 2005-2015 (both years included). Generalized Least Square Method was employed. The results indicated that there exists a positive significant relationship between operational efficiency and financial performance. The findings of the study contributed towards enriching the literature on the financial distress of the commercial banks in Kenya and a result provided deeper understanding of operational efficiency as a financial distress factor and its management by the commercial banks in Kenya. The results indicated that operational efficiency has a positive significance as a financial distress factor on financial performance of commercial banks in Kenya, they therefore imply that the management should focus and monitor the operational efficiency of commercial banks in Kenya and ensure higher operational efficiency.