

Abstract

This study attempted to determine the effect of financial leverage as a financial distress factor on financial performance of commercial banks in Kenya. Secondary data was used in a census commercial banks from 2005 to 2015 was extracted from financial statements of 38 commercial banks out of the possible 44 commercial banks in operation as at 31stDecember, 2015 in accordance to CBK as a regulatory body. Data was collected from 2005 to 2015. descriptive and analytical design was adopted. The results show perfect positive correlation between debt equity ratio with return on equity and return on assets as well return on equity. The study was limited to the commercial banks in Kenya, the findings were only interpreted to commercial banks in Kenya and they will not be generalized for all financial institutions.