COVID 19 PANDEMIC AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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ABSTRACT

The emergence of COVID-19 virus in December 2019 has led to unprecedented economic shocks that have been experienced across the globe. The virus has spread to virtually all the countries across the globe. Many governments responded by imposing lockdowns, curfews, social distancing among other measures to curb the spread of the virus. The impact of the pandemic was so severe that it led to business closure, disruption of supply chain dynamics, mass layoffs, suppressed demand for goods and services, slump in production and loss of income. The main objective of this study was to establish the effect of COVID-19 pandemic on performance of commercial banks in Kenya. The specific objectives were: to establish the effect of global trade supply chain disruptions, assess the effect of financial fragility/instability on the performance of commercial banks in Kenya, determine the effect of shrinking/reduction in demand on the performance of commercial banks in Kenya, and examine the effect of operational interruptions on the performance of commercial banks in Kenya. The study was grounded on three landmark theories, namely: contingency theory, dynamic capabilities theory and resource-based view theory. The study adopted descriptive cross-sectional research design. The population was a census of 39 registered commercial banks as at 31/12/2020. The unit of analysis was the management of the 3 departments consisting of senior management team, middle-level managers as well as managers at functional level. Data was categorized into two groups: secondary data and primary data. Primary data was obtained using self-administered questionnaires. Secondary data was obtained from the published financial statements by various banks as posted in their respective websites as well as the specific departments that deal with specific issues of interest. Data was analyzed by use of descriptive and inferential statistics. Various statistical procedures such as frequencies, measures of central tendencies (mean, medium and mode) and measures of dispersion (standard deviation, range and variance) were computed with the aid of the Statistical Package for Social Science (SPSS). The study used multiple regression. The results were presented using graphs, tables and charts for ease of understanding which allowed for interpretation of findings generated and recommendations from the findings to be made. The study found that bank employees were affected by the high transportation cost, there has been high turn-around time, in the bank, there have been disruptions in logistics, and the bank was affected by the increased cost of supplies. The research also found that the bank increased the accessibility to funds and did not generated a lot of profits. The study found that it was uncertain whether the customer flow in our bank reduced and the bank had a good number of investments. The research found that the banks did not deal with the operating time by putting employees to work in shifts. The study concluded that operational interruptions had the greatest effect on the performance of commercial banks in Kenya, followed by shrinking/reduction demand for investment, then global trade supply chain disruptions while financial fragility/instability had the

least effect to the performance of commercial banks in Kenya. The research recommends that commercial banks should adopt financial innovations in enhancing their financial stability. Some of the financial innovations recommended that commercial banks should adopt included modern methods of financial reconciliations, modern risk assessment method. The commercial banks should also diversify their earning to enhance their financial stability.

Key words: COVID-19, Banks Performance, Global Trade Supply Chain Disruptions, Financial Fragility/Instability, Operational Interruptions, Shrinking/Reduction in Demand

INTRODUCTION

The emergence of Covid-19 pandemic in December 2019 has massively devastated the world and remains to be the major economic shock in human history that threatens the global progress in shared prosperity and poverty eradication. The economic ramification of the COVID-19 pandemic has been severe and tenacious and the global economy is predicted to experience the worst recession since the great depression of the 1930s. This has become a major concern to many policy makers since many countries are experiencing unprecedented contractions in per capita gross domestic product (GDP) by approximately 5.2% (Cowan, 2020). Notably, it is also expected that the pandemic is likely to cause shrinkage in global foreign direct investment by 5.2%– 15.5% (UNCTAD, 2020). Furthermore, countries all over the world need a support package of up to $2.6 trillion to cope with adverse effects of the pandemic (Deliotte, 2020). Based on these statistics, the current global crisis is likely be worse than the 2008–2009 global financial crisis.

The impact of COVID-19 continues to have shocking effect on both developed and developing countries. Whereas the economic burden of the pandemic and the resulting health implications have been severely felt by developed and a few transitioning economies, all countries have suffered acute economic consequences (Fu & Shen, 2020). At the peak of the crisis, almost all the countries globally instituted some form of lockdown as a response measure to curb the spread of the disease, which severely strained trade and economic activities worldwide. WHO report (2020) showed that developed economies took advantage of their substantial financial capacity to quickly respond to the Corona virus with expansionary monetary policies and social palliatives.

By the end of April 2020, the US government single-handedly had spent over $6.2 trillion in COVID-19 response measures, whereas EU set aside $502 billion stimulus package to mitigate the negative effects of the pandemic (UNCTAD, 2020). In China, the strict lockdown measures resulted into extensive business closures across the country, leading to 6.81% reduction in China's GDP during the 1st quarter of 2020 in comparison to the previous year (Zhang & Kim,

2020). The detrimental effect of this outbreak was mainly reflected in the decline in revenues, profits and stock prices in all economic sectors. According to Sharma and Nicolau (2020), fiscal stimulus in transitioning economies especially in Africa dedicated to supporting businesses ranges between 1% to 4% of GDP which is low owing to their limited fiscal capacity. As a result, the survival and performance of the businesses has been negatively affected.

Globally, the adverse effects of COVID-19 on economies and society at large can be witnessed from labor mobility restrictions, the lockdown of towns across the globe, airline suspensions, travel bans, and more importantly economic recession (Ichev & Marin, 2020). The outbreak of the virus has led many firms to close or scale down their operations, massive drop in sales volumes, liquidity challenges and significant labour adjustments (mass-layoffs), but with large heterogeneity in effects across firms. Incidentally, the pandemic has caused destruction of firms' existing productive capacities (Medina, 2020). This has led to increased transaction costs and possible cross-country currency and trade disputes which limit the resource allocation within countries and across sectors, weakening misallocation in the economy and reducing aggregate productivity growth (Kim, 2020). Nevertheless, many governments across the world quickly introduced measures to curb the negative effects of the COVID-19, such as stimulus packages to cushion the private sector, financial aid for households and strengthening the health sector.

Regionally, Africa reported its first case of the virus on 14 February, 2020 and since then, the virus has since spread throughout the continent (WHO report, 2020). Even before COVID-19 was confirmed in Africa, the devastating economic impacts stemming from the virus was already being felt on its boarders. These adverse effects are: reduced demand for commodity exports, reduction in importation, withdrawal of foreign investors, budget shifts from other sectors to health sector, reduced tax revenue, the collapse of the transport and air transports systems and acute depreciation of the local currencies emanating from dismal current account balances (Gunay, 2020). The economists had projected Africa's growth rate at 3.91% but the actual growth rate shrank to 0.4% in the year 2021 as a result of the pandemic (Ichev & Marin, 2020). This is attributable to the substantial part of budget being diverted to combat the pandemic for instance the total COVID-19 budget of African countries stood at $62.9 billion in December 2020, with Egypt and South Africa accounting for 86% of that amount (He & Harris, 2020). The implication is that most African countries lack the financial capacity to meaningfully respond to COVID-19. Moreover, the possibility of securing external financial aid is limited, given that every country across the globe is experiencing analogous crisis (Goodell & Goutte, 2020).

Kenya was also affected as it continued to report relatively high numbers of new COVID-19 cases (WHO, 2020). The health crisis forced the government to impose measures such partial lockdowns, quarantine, curfews, social distancing and other COVID-19 protocols which caused unprecedented business and economic disruptions in the country (UNICTAD, 2020). The pandemic led to mass unemployment; slump in production; loss of incomes; vast increase in the

number of dependents; shortage of goods and disruption of supply chains which negatively impacted the performance of 61% of businesses in all sectors of the economy (UNCTAD, 2020). The government response to this pandemic was by implementing various monetary and fiscal policies which ended up posing a huge strain in the exchequer. The government announced tax relief measures to encourage undisrupted production of goods/services government to cushion citizens from of massive income losses (Barua & Barua, 2020). Vast of government relief measures targeted employees and citizens at the bottom of the pyramid especially in urban centers.

As COVID-19 pandemic causes production, aggregate demand, trade and other socio-economic activities to slow down and unemployment to exponentially rise, commercial banks are at an increasing risk of collapsing in absence of government support (Baldwin & Mauro, 2020). Banks often deal with a broad spectrum of inherent risks and COVID-19 pandemic has exacerbated their severity via increases in nonperforming assets, liquidity crunch, credit squeeze, default rates, reduction in market interest rates, declining returns from loans and investments and triggering contagious bank-run (Ashraf, 2020). Consequently, commercial banks have witnessed increased number of risks, liquidity risk, interest rate risk and market risk. This is further aggravated by the fact that commercial banks in Kenya serve millions of firms and households with relatively less economic and financial capacity under aggressive market competition and weaker policy framework. Regrettably, COVID-19 has contributed to an extended complex web of outcomes in the financial sector such as; mass-loan default rates, loan recoveries becoming harder and complex, exhaustion of savings exhausted by customers to support daily living, reduced loanable funds, and suppressed new investment demands (Baker, Bloom, Davis, Kost, Sammon, & Viratyosin, 2020).

Statement of the Problem

Since the beginning of 2020, the COVID-19 pandemic tossed out all economic growth models out of the window. The global supply chains and trade experienced severe disruptions as countries grappled with how to contain the spread of COVID-19 (Couch & Fairlie, 2020). The risk of global recession increased greatly as a result of lockdowns, global trade supply chain disruptions, financial fragility/instability significant weakening of economic activities, shrinking demand for consumption and investment, operational interruptions, massive unemployment and damaged market confidence (Cox *et al.*, 2020). Kenya was not immune to this and by mid-March the country went on curfews and lockdowns as mitigation against the spread of the viral disease. It is instructive to note that the virus has badly exposed the commercial banks since the country was not vibrant and growing; therefore, the monetary and financial system was damaged.

In Kenya, the pandemic arrived at a time when the economy was already showing signs of stress. In the banking sector, this was signaled by tight liquidity and growth in non-performing loans in

2019. Kenyan commercial banks have recorded weak asset quality, due to high NPL ratio of 12.2% in the year 2019, and in the year 2020 the ratio rose to 13.1 % (KEPSA, 2020). CBK report (2020) indicated that GDP growth has contracted significantly; the Central Bank of Kenya revised estimates for the year 2020 indicating a decline from 6.2% to 3.4% which arose from reduced demand by Kenya's main trading partners, disruptions of supply chains and domestic production. Further, CBK report (2020) suggest that, reduced economic activity, policy rate cuts, debt relief measures, rising loan impairment charges and subdued loan growth will reduce bank profits this year. Falling revenue streams can be attributed to increased withdrawals of customer savings, reduced trade, reduced customer deposits, reduced bank lending capacity and reduced demands for loans. Therefore, this study sought to determine the effect of COVID-19 on the performance of commercial banks in Kenya in the wake of changing business environment and a raft of monetary policy interventions.

Various studies have been done on COVID-19. Mutungi (2021) sought to determine the effect of Covid-19 Pandemic on stock returns for commercial banks listed at the NSE. The result findings revealed that the stock returns for commercial banks are quite inelastic to external shocks as many people may have faith in the stock returns for commercial banks despite the projections of the market models that the stock returns would be affected. Suleiman (2020) aimed to understand the economic security impacts of the COVID-19 Pandemic in Kenya. The results showed that the pandemic made an already bad economic security situation worse. Covid-19 exposed underlying Kenya's economic insecurity as a number of sectors and individuals were hard hit by the impacts of the pandemic. The pandemic had economic, social, and health impacts. Orenge (2020) sought to determine the effect of Covid-19 pandemic on stock performances. The study findings are adequate to advice on key matters relating to stock performance. These studies however did not look at the performance of commercial banks in Kenya and did not study similar variables as in the current study. This study therefore sought to determine the effect of COVID-19 on the performance of commercial banks in Kenya.

Research Objectives

The main objective of this study was to determine the effect of COVID-19 on the performance of commercial banks in Kenya. The specific objectives were to;

(i) Establish the effect of global trade supply chain disruptions on the performance of commercial banks in Kenya.
(ii) Assess the effect of financial fragility/instability on the performance of commercial banks in Kenya.
(iii) Determine the effect of shrinking/reduction demand for investment on the performance of commercial banks in Kenya.
(iv) Examine the effect of operational interruptions on the performance of commercial banks in Kenya.

(v) Establish the intervening effect of monetary policy on the relationship between COVID-19 on the performance of commercial banks in Kenya.

Theoretical Framework

A theory can be conceptualized as a set of interrelated concepts, definitions and propositions that represent phenomena by specifying the relationship among variables in order to explain or predict a phenomenon (Asante & Mills, 2020). Different scholars have designed several theories to explain the effect of COVID-19 on the performance of commercial banks. This study was anchored on contingency theory, dynamic capabilities theory, and resource-based view theory.

Contingency Theory

The contingency theory was propounded by an Austrian psychologist Fred Edward Fiedler in a landmark article "A Contingency Model of Leadership Effectiveness" published in 1964 article (Robbins & Coulter, 2002). It proposes that the most effective and appropriate governance structural design is the one where the organizational structure matches its contingencies. The theory therefore asserts that when managers make decisions regarding operations within their organizations, they must consider all aspect of current situation and act on those aspects that are significant to the situation at hand (Olum, 2004). Prescriptions of solutions to management problems and issues depend on particular environments prevailing in the organization. The contingency approach is used to assess, evaluate, and control environmental conditions to improve the performance and quality of financial reports (Donaldson, 2001). A company's success is primarily determined by the accuracy of the contingent variables chosen by the company due to their urgency and cannot be influenced by the organization but are determined by certain situations or conditions.

Critics have faulted the" the rule of the thumb and one best way approach that prescribes specific solutions for issues in organizations universally and instead proposes that strategic management practices should lead the firm in attaining an appropriate alignment with its environment (McLaughin et al., 2002).

The more precise the selection of strategies, innovations, solutions or contingency factors, the higher the firm's performance achievement. The COVID-19 pandemic affects the entire business environment, so banks must adapt to these conditions in maintaining their business continuity. The increase in the number of debtors who have loans under special attention affects the quality of bank loans. The contingency factor needed is a strategy to avoid significant losses in a pandemic situation. Based on the contingency theory approach, banks used a loans restructuring strategy to overcome the urgency of the pandemic. This study will explain that the restructuring

strategy is the right solution to maintain banking performance in a pandemic situation based on contingency theory and previous literature reviews (Mazzarol, 2004).

A sound management control system will improve the quality of company performance. The pandemic condition is an external environmental factor full of uncertainty about the firm's profits, losses and risks. Strategy is an internal factor used to achieve business success (Liu, Wang & Lee, 2020). Contingency theory is concerned with making decisions in certain situations. Companies will always be faced with contextual how to adjust the characteristics of possibilities that reflects the company's position (Donaldson, 2001).

This theory is relevant since during the COVID-19 pandemic, most companies experienced financial and non-financial problems. As a result, debtors will find it difficult to repay loans to banks. Contingency theory explains that situational factors will affect performance achievement. Management will take strategic policies to maintain the viability of a company. Managers manage the risks that arise and make strategic or effective innovations to create profits. This theory was therefore important in explaining the effect of operational interruptions on the performance of commercial banks in Kenya.

Dynamic Capabilities Theory

The concept of dynamic capabilities was defined by David Teece, Gary Pisano and Amy Shuen, in their 1997 paper "dynamic capabilities and strategic management," as the ability of a firm to integrate, build, and reconfigure internal and external competences to address the challenges of rapidly changing environments (Teece, Pisano, & Shuen, 1997; Zahra et al, 2006). The dynamic capabilities perspective sought to extend the proposition of resource-based view of the firm propounded by Penrose (1959). On one hand, the resource-based view of the firm has "sustainable competitive advantage" as its central focus; on the other hand, dynamic capabilities have "competitive survival" as a critical concern in response to rapidly changing contemporary firm's environmental conditions (Gregory & Pemberton, 2011).

The main assumption of dynamic capabilities framework is that the basic competencies of an organization should be used to create short-term competitive positions that can be developed into long-term competitive advantage (Helfat, et al., 2009). Recent results indicate that supply chain dynamic capabilities positively influence technological innovation and operational performance of firms. It is worth noting that dynamic capabilities also have an influence on firms' performance only when mediated by marketing ability. At the same time, not all performance measures can detect the influence of dynamic capabilities. This points to the importance of social capital in acquiring and transforming resources as the essence of dynamic capabilities, but also in capturing value (Teece et al., 1997).

Some first-order dynamic capabilities such as marketing skills, including identification of market specifics, brand management and customer service, have a direct impact on increases in an organization's profits. Dynamic capabilities are also the essence of modern competitive strategies. Understood as the ability to sense weak signals from customers and make strategic choices on this basis, they have a significant impact on the competitiveness of organization (Gregory & Pemberton, 2011).

The theory derives its principles from the research on daily organization, core competency, core capacity and rigidity, and ability to absorb. Dynamic capacities act as a buffer between the capital of businesses and the changing business climate by having an organization improves the resource base and thus preserves its competitive advantage, which could otherwise be compromised, in its longevity. Dynamic Capacities Perspective (DCP) relates to a company's ability to gain new ways of competitive advantage by expertise retention, organizational resources and the adjustment to a changing business environment (Teece, 2007). This ability is complex because the organization must constantly create, adjust and because time-to-market and product positioning become important, the rate of technological progress is high, and it is difficult to determine the essence of future competition and markets. This theory was therefore relevant in explaining the effect of global trade supply chains and shrinking demand for consumption /investment on the performance of commercial banks in Kenya.

Resource-Based View Theory

The theory was developed by Penrose in 1959. According to the theory there is strong evidence that supports the RBV which indicates that firms compete in an ever changing business environment. Organizations can attain and achieve a sustained competitive advantage through their employees according to Barney (1991). This can be realized when a firm has a human resource pool that cannot be imitated or substituted by its rivals or competitors. The RBV as a basis of competitive advantage lies primarily in the application of the bundle of valuable resources at the disposal of the firm. The firm has to identify the key potential resources which should fulfill the criteria of being valuable, rare, in-imitable and non-substitutable by the firms' competitors (Galbreath, 2005).

The RBV theory argues that if a resource is valued, it may provide an organization with a competitive advantage (Lado &Wilson, 1994; Lengnick-Hall, 1998). Simultaneously, the firm can evaluate prospective human resources that will benefit the firm and enable success in new markets. Additionally, the resource-based approach pushes the company to consider if its resources are useful at the projected level. Additionally, this theory checks the availability of human capital inside the company (Barney, 1991). The competitive advantages associated with the resources are assessed to determine which resource is truly unique and not available to the firm's rivals.

Competitive advantages are achieved by firms with important resources, which give them favorable and strong strategic positions in the market (Das & Teng, 2000). Resource here could be tangible—finance, machines and equipments, and so on—or intangible resources—brand name, skills and expertise, and so on. Resource-based theory is relevant to this study as it states that innovations achieve sustainable competitive advantage by accumulating and using resources to serve consumer interests in ways that are hard to substitute for or imitate. This theory therefore was linked to the effect of financial fragility on the performance of commercial banks in Kenya.

RESEARCH METHODOLOGY

This study adopted descriptive cross-sectional survey design. Cross sectional investigations are more suitable due to their capability to capture the population attributes in their natural settings. Additionally, this empirical approach augments credibility of study outcomes by providing conclusions on data at once. Among the studies that have relied on this design include (Bratik *et al*., 2020; Dewan *et al*., 2020; Apedo-Amah *et al*., 2020).

According to Central Bank of Kenya report (2019), there are 42 commercial banks out of which, one bank was under statutory management (Charter House Bank) and two banks were under receivership (Chase Bank Limited and Imperial Bank Limited). However, Central Bank of Kenya has since placed all the three banks Charter House Bank, Chase Bank Ltd and Imperial Bank under liquidation. Effectively leaving 39 commercial banks in Kenya. The target population of the study was a census of all the 39 licensed and operating commercial banks in Kenya as at December 2020 covering the period 2017-2021.The study however excluded the banks under liquidation.

The study respondents were comprised of three departments namely finance, risk and human resources departments drawn from the commercial banks because they understand in depth the effects of COVID 19 and performance of the bank. The unit of analysis was the management of the 3 departments consisting of senior management team, middle-level managers as well as managers at functional level as shown in Table 1.

Stratified random sampling was used. The purpose of stratified random sampling is to acquire the appropriate population representation from distinct subgroups. Subjects are chosen in stratified random sampling in such a way that the population's existing sub-groups are more or less represented in the sample (Etikan, Musa & Alkassim, 2016). The respondents in each stratum was chosen using simple random sampling.

Table 1: Sample Size

Categories	Population	Ratio	Sample
Senior Managers	72	0.550	40
Middle Level Management	96	0.550	53
Functional managers	159	0.550	87
Total	**327**		**180**

Data was categorized into two groups: secondary data and primary data. Secondary data was obtained from the published financial statements by various banks as posted in their respective websites as well as the specific departments that deal with specific issues of interest. Primary data was obtained using self-administered questionnaires. A data collection sheet was also used to collect data from the banks. Data collection sheet contained data on the explanatory variable (COVID-19) which was proxied by global trade supply chain disruption, financial fragility/instability, shrinking/reduction in demand and operational interruptions. Furthermore, data on the dependent variable (financial performance) which was operationalized by two indicators: namely, ROA and non-performing loans ratio was also collected using the data collection sheet. Net profit and total assets were used to compute ROA while total defaulted loans, total loans and advances were used in computing non-performing loans ratio.

Data analysis process will involve preparation of the collected data, coding, editing (for precision, accuracy and completeness) and cleaning of data so as to facilitate the data processing. Data was analyzed by use of descriptive and inferential statistics. Various statistical procedures such as frequencies, measures of central tendencies (mean, medium and mode) and measures of dispersion (standard deviation, range and variance) were computed with the aid of the Statistical Package for Social Science (SPSS). The results were presented using graphs, tables and charts for ease of understanding which allowed for interpretation of findings generated and recommendations from the findings to be made. The researcher tested for normality, heteroscedasticity and multicollinearity to evaluate whether the model used in the study was appropriate to address the research objectives.

The study used multiple regression since it facilitates simultaneous investigation of the relationship between the study variables (Asante & Mills, 2020). The model established the relationship between COVID-19 and performance within the banking sector. The significance of each independent variable was tested at a confidence level of 95%. The estimation model to be applied is as specified below;

Financial Performance = f (COVID-19 Pandemic)

$$\mathbf{FP = \beta_0 + \beta_1 SCD + \beta_2 RSD + \beta_3 SDI + \beta_4 JL + \zeta}$$

Where: **FP**= Financial Performance (dependent variable)

β_0= Constant

SCD= Supply Chain Disruption
RSP= Financial fragility/instability
SDI= Shrinking/reduction in demand
JL= Operational interruptions
$\beta_{1, 2, 3,4}$ = Coefficients
ξ = Error Term

RESEARCH FINDINGS

Multiple regression analysis was carried out to determine the effect of global trade supply chain disruptions, financial fragility/instability, shrinking/reduction demand for investment and operational interruptions on performance of commercial banks in Kenya. The findings were presented in Table 2, 3 and 4.

Table 2: Model Summary

Model	R	R Square	Adj. R Square	Std. Error of the Estimate
1	0.867	0.751	0.743	1.514

a. Predictors: (Constant), Operational interruptions, Shrinking/reduction demand for investment, Global trade supply chain disruptions, Financial fragility/instability

The outcome of Table 2 found that the adjusted R-Square value is 0.743, which indicates that the independent variables (global trade supply chain disruptions, financial fragility/instability, shrinking/reduction demand for investment and operational interruptions) explain 74.3% of the variation in the dependent variable (performance of commercial banks in Kenya).

Table 3: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	884.022	4	221.006	94.218	8.92E-37
Residual	293.209	125	2.346		
Total	**1177.231**	**129**			

a. Dependent Variable: Performance of commercial banks
b. Predictors: (Constant), Operational interruptions, Shrinking/reduction demand for investment, Global trade supply chain disruptions, Financial fragility/instability

The results are shown in Table 3 which found that the model had predictive value and thus it was significant. This was because its p-value was less than 5%, p=8.92E-37 and F calculated (94.218) was significantly larger than the critical F value (2.444).

Model coefficients provide unstandardized and standardized coefficients to explain the direction of the regression model and to establish the level of significance of the study variables. The results are captured in Table 4.

Table 4: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	21.502	6.88		3.125	0.002
Global trade supply chain disruptions	-0.689	0.314	-0.674	-2.194	0.030
Financial fragility/instability	-0.711	0.213	-0.682	-3.338	0.001
Shrinking/reduction demand for investment	-0.633	0.095	-0.533	-6.663	0.000
Operational interruptions	-0.618	0.23	-0.512	-2.687	0.008

a. Dependent Variable: Performance of commercial banks

As per the SPSS generated Table above, the equation ($\mathbf{Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\varepsilon}$) becomes:

$$\mathbf{Y= 21.502- 0.689X_1- 0.711X_2-0.633\ X_3\ -0.618X_4}$$

The findings showed that if all factors (global trade supply chain disruptions, financial fragility/instability, shrinking/reduction demand for investment and operational interruptions) were held constant at zero, performance of commercial banks in Kenya will be 21.502. The findings also show that a unit increase in the scores of global trade supply chain disruptions would lead to a 0.689 decrease in the scores of performance of commercial banks in Kenya. This variable was significant since 0.030<0.05. These findings conform to Barasa, Kazungu, Orangi, Kabia, Ogero and Kasera (2021) who stated that while financing of essential health services and domestic supply chains were not affected, international supply chains, health workforce, health infrastructure, service provision, and patient access were disrupted.

Further, the findings show that a unit increases in the scores of financial fragility/instability would lead to a 0.711 decrease in the scores of performance of commercial banks in Kenya. This variable was significant since 0.001<0.05. These findings are in line with Bajaj, Venkteshwar, Asha and Likitha (2021) who found that during the lockdown, how the recuperation would occur was very much unclear. There was a decrease in the GDP drastically in the year 2020. In a normal circumstance without the pandemic, the GDP would be somewhere around 3-6% depending upon the country. However due to the Outbreak of COVID over 30 major nations saw a decrease in GDP in 2020 of - 2.8% in different situations.

The study found that a unit increase in the scores of shrinking/reduction demand for investment would lead to a 0.633 decrease in the scores of performance of commercial banks in Kenya. This variable was significant since 0.000<0.05. This is similar to Ichak (2019) who stated that SMEs continued to face challenges because they lack funds and liquidity, employees, customers and technology. During the early months of the pandemic, most SMEs were not able to service their

customers, to pay wages to workers and were unable to comply to their commitment with the supplies. This survey observed that both supply and demand sides would totally lead to serious downsizing and reduction of public taxes.

The findings also reveal that a unit increase in the scores of operational interruptions would lead to a 0.618 decrease in the scores of performance of commercial banks in Kenya. This variable was significant since 0.008<0.05. These findings concur with Zou, Huo and Li (2020) who stated that 48.8% of companies' maintained stability while 35.2% halted their operations or were faced closure. Similarly, approximately 70–91% of firms exploited online business or are willing to go online, and also staff working from home as well as digital operations. Finally, 47% of the firms believed that they would suffer losses whereas 83.6% expected the city's GDP to shrink.

As per the findings, at 95% confidence level, all the variables were significant as the p-value was less than 0.05. The study infer that operational interruptions had the greatest effect on the performance of commercial banks in Kenya, followed by shrinking/reduction demand for investment, then global trade supply chain disruptions while financial fragility/instability had the least effect to the performance of commercial banks in Kenya.

Conclusion

The study concluded that global trade supply chain disruptions had a negative but significant effect on the performance of commercial banks in Kenya. The study also concluded that enhanced supply-chain management and adoption of digitalization has never been more important. Companies with well-considered supply-chain risk management processes will be better-placed to identify the impact of disruptive events on their supply-chain and product-offering, providing them with an opportunity to assess how to best respond in tough circumstances.

The study concluded that financial fragility/instability had a negative but significant effect on the performance of commercial banks in Kenya. The study deduced that through the use of fragility index as a proxy to financial stability immensely contributes to the banking sector, in the sense that the fragility index was able to separate the fragile commercial banks from the stable counterparts. The study also deduced that banks through their financial stability reports must attempt to assess the risks to financial stability by focusing on a small number of key indicators.
The study concluded that shrinking/reduction demand for investment had a negative but significant effect on the performance of commercial banks in Kenya. The study findings concluded that assessing investment performance within changing banking environment ensures the banks achieve investment objectives and determine the general direction of the behavior of investment activity.

The study concluded that operational interruptions had a negative but significant effect on the performance of commercial banks in Kenya. The study concluded that it was important for a bank to set a clear guiding principle for the operational risk management process which should ensure that it provided an appropriate measure of operational risk across all lines of business throughout the bank. The process of implementing a sound operational risk management should contain certain stage of development.

Recommendations

As supply chains are reviewed, developments in technology and sustainability should also be considered. The COVID-19 pandemic has shown the many different ways commercial banks can continue to effectively communicate and manage within a remote working environment, which many commercial banks are likely to leverage going forward. Indeed, those operations with stronger digital infrastructure have fared better in the COVID-19 pandemic than those without.
The study also recommends that to strengthen and stabilize the commercial banks' supply chain for the future, it's important to first identify the challenges that resulted in the major supply chain interruptions seen during the pandemic. Further, commercial banks need to assess which strategies can help them mitigate supply chain disruptions during major emergencies without incurring exorbitant costs.

In addition to reliance on information from CRBs, credit personnel should develop a robust credit management systems and wide information sharing with other banks. Banks should also be innovative and embrace technology to be able to facilitate data mining and management information system to facilitate access to customer information regarding past history to inform the decision on the risk of the customer and thus the loan to be granted. Commercial banks in Kenya should be allowed to give and price loans based on the projected risk of the client. Higher pricing for higher risk customers and lower interest rate for lower risk clients as well as better pricing for clients who pay their loans in time to encourage borrowers to adhere to their credit terms.

Digitalization of supply chain is a way that companies can begin to strategize and achieve business resilience against supply chain disruption. In this context, big data analytics can assist firms in streamlining their supplier selection process, cloud-computing is increasingly being used to facilitate and manage supplier relationships and logistics and shipping processes can be greatly enhanced through automation and the internet of things.

Going forward, fragile commercial banks should find a way towards merging to ensure they are financially stable. The study further recommended that commercial banks should adopt financial innovations in enhancing their financial stability. Some of the financial innovations recommended that commercial banks should adopt included modern methods of financial

reconciliations, modern risk assessment method. The commercial banks should also diversify their earning to enhance their financial stability. The research finally recommends that the licensed commercial banks should manage their operations effectively to avoid eventualities like insolvency and credit risk which can adversely affect banks performance measured in terms of its assets and shareholders' equity.

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