INSTITUTIONAL FACTORS INFLUENCING THE IMPLEMENTATION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 9 BY COMMERCIAL BANKS IN KENYA

CHRISTOPHER LOCHURIA CHEPTOO

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF THE UNIVERSITY OF NAIROBI
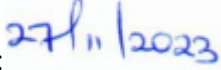
NOVEMBER 2023

DECLARATION

I, the undersigned, declare that this research project is my original work and has not been presented in any other university or institution for academic credit.
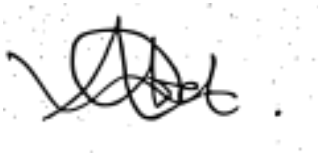
Signed: _(signature)_   Date: 27/11/2023

Christopher Lochuria Cheptoo   **Reg. No. D61/20937/2019**

This research project has been submitted for examination with my approval as the University supervisor.

Sign……………………………..…   Date 28th November 2023

Abdulatif Essajee

Lecturer

Department of Finance and Accounting

Faculty of Business & Management Sciences

The University of Nairobi

ACKNOWLEDGEMENT

I thank God for granting me good health, a sound mind, and providence. He has been gracious and merciful to me while undertaking this MBA program.

I am indebted to my supervisor, Mr. Abdulatif Essajee for his effective supervision, dedication, and professional advice. I also wish to thank Prof. Cyrus Iraya most sincerely for his support and guidance. And to all my MBA lecturers, I say Thank you.

To my colleagues, thank you for your understanding and moral support.

To everyone who assisted me in one way or the other during this academic journey, I say thank you and God bless you richly.

DEDICATION

This research project is dedicated to my family, wife, and sons Roy and Ted. Thank you for your unwavering support and steadfast love.

To my parents for always challenging me to further my education.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

AC   : Amortized Cost

ANOVA : Analysis of Variance

BAC   : Board Audit Committee

CBK   : Central Bank of Kenya

CSR   : Corporate Social Responsibility

EAD   : Exposure at Default

ECL   : Expected Credit Loss

EU   : European Union

IAS   : International Accounting Standard

IASB   : International Accounting Standards Board

ILM   : Incurred Loss Model

ICT   : Information Communication & Technology

IT   : Information Technology

IFRS   : International Financial Reporting Standards

GAAP : Government Accepted Accounting Principles

KBA   : Kenya Bankers' Association

KMO   : Keyser Meyer Olkin

KWSB : Kenyan Water Service Boards

LGD   : Loss Given Default

NPV   : Net Present Value

NSE   : Nairobi Securities Exchange

PAT   : Positive Accounting Theory

PD: : Probability of Default

PMMM : Patent Management Maturity Model

PWC   : Price Waterhouse and Coopers

SEM   : Structural Equation Model

SPSS   : Statistical Package for Social Sciences

VIF   : Variance Inflation Factor

ABSTRACT

The introduction of IFRS 9 requirements has presented challenges in terms of readiness, necessitating management to ensure that implementation initiatives are appropriately organized and conform to the prescribed schedule. To comply with IFRS 9 requirements, it is necessary to configure information systems to include the calculation of credit losses using payment projections, obtainable risk information, and probabilities of default. Therefore, this study examined the institutional factors influencing the implementation of the IFRS 9 by Commercial Banks in Kenya. The specific objectives were to determine the effect of staff competence, technology support systems, management support, and resource allocation on the implementation of the IFRS 9. The theories informing the study were institutional theory, economic network theory, and positive accounting theory. A descriptive research design was adopted. The research focused on a target population consisting of 39 commercial banks that are under the regulatory oversight of CBK as of the year 2022. The respondents for the study consisted of Risk Managers, Finance Managers, Credit Managers, and Internal Auditors. A total of 39 commercial banks were engaged to participate and a response rate of 82% was attained. Questionnaires were used for data collection. Descriptive and inferential statistics were used to analyze the data. The results of the regression analysis revealed that all the independent variables; staff competence, technological support systems, management support, and resource allocation had a positive and statistically significant relationship to the successful implementation of IFRS 9 by commercial banks. The study also found that there is a positive and strong correlation between the independent variables and the success in the implementation of the IFRS 9 among commercial banks. The study concludes that the successful implementation of IFRS 9 among commercial banks in Kenya relies on factors such as staff competence, technology support systems, management support, and strategic resource allocation. The study recommends that commercial banks in Kenya prioritize staff competence through training and consider hiring experienced professionals for IFRS 9 implementation. Emphasis should be placed on enhancing technological support systems and active engagement from senior management. Additionally, banks should develop strategic resource allocation plans to optimize IFRS 9 compliance efforts.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The International Financial Reporting Standards (IFRS) undergo periodic updates and revisions to ensure they remain relevant and effective in the rapidly evolving global business environment. One significant development in the financial reporting field was the introduction of IFRS 9, which replaced IAS 39. The need for the revision stemmed from the financial crisis of 2008, which exposed certain limitations and weaknesses in the existing accounting standards, particularly IAS 39. The standard had been in place since 1998 and was criticized for its complexities and inconsistencies concerning the way firms were managing their businesses and risks. Another reason that led to the repealing of the standard was the deferral of credit loss recognition on loans, advances, and receivables to the latter stages of the credit cycle (PWC, 2017). The accounting valuation of financial instruments as prescribed by IAS 39, was seen to be "too little, too late". (De Haan and Van Oordt, 2018). To address these concerns, IASB initiated a project to formulate a new standard that would enhance the way financial instruments are recognized, measured, and classified. The objective of this initiative was to enhance the quality and understandability of financial information provided to users of financial statements, specifically pertaining to an organization's financial instruments and their associated risks. In 2014, IFRS 9; Financial Instruments was issued to deal with the inadequacies of IAS 39 which recognized loss allowance when it had or was almost crystallizing (IFRS, 2019).

IFRS 9 components consist of classification and measurement, financial assets impairment, and hedge accounting. The adoption of IFRS 9 led to a shift towards a principles-based methodology in the classification of financial assets. The approach emphasizes the business strategy used by the firm in the management of financial instruments, as well as the contractual cash flow characteristics shown by its assets. It also eliminated some complexities and inconsistencies inherent in IAS 39. IFRS 9 introduced a forward-looking ECL model to recognize and measure financial asset impairment. This model requires firms to assess and recognize ECL based on reasonable as well as supportable information way before the loss event has occurred. The net present value (NPV) is considered as the basis for the computation of Expected Credit Loss (ECL) and is determined by the product of the following three fundamental components; the Loss Given Default (LGD), the Probability of Default (PD), and the Exposure at Default (EAD). Vanek and

Hampel (2017) assert that among the three components, the Probability of Default (PD) is viewed as the most significant risk parameter used by financial institutions for analyzing and managing risk. Under IFRS 9, the credit quality deteriorates over time resulting in the reclassification of debt instruments from one stage to the other. If a financial asset is in stage 1, ECL was measured as 12 months whereas for a financial asset at stage 2 or stage 3, ECL was measured as a lifetime (Deloitte,2016). IFRS 9 has resulted in enhancements in hedge accounting by ensuring a more robust alignment between the accounting methodology and the risk management practices used. It also introduced new criteria for evaluating the efficacy of hedging and expanded the range of acceptable hedging instruments and items (IFRS, 2019).

The foundation of this research was based on the theoretical frameworks of institutional theory, economic network theory, and positive accounting theory. Institutional theory focuses on how organizations are influenced by external social, political, and cultural forces. The significance of organizational adaptation to the existing customs, principles, and rules within their institutional framework is emphasized as a strategy to attain legitimacy and foster support. Economic network theory views organizations as embedded in a network of economic relationships and exchanges. It examines the interdependencies and linkages that exist across organizations and analyzes how these links impact organizational behavior and ultimately shape results. Positive accounting theory tries to provide a systematic understanding and prediction of accounting procedures while considering both economic and social dimensions. It presumes that corporations are driven by self-interest and endeavor to maximize their wealth. By considering the three highlighted theories, this study on the implementation of IFRS 9 by commercial banks in Kenya can gain insights into the broader institutional, network-based, and economic factors that influence banks' decisions and actions related to the accounting standard.

Globally, institutions within the European Union (EU) have achieved notable advancements in implementing and adjusting their systems to adhere to the requirements of IFRS, starting from the first applicability date (The European Banking Authority, 2021). The extent of evaluative discretion inherent in the established criteria allows for the potential use of a diverse range of methodologies. Although none of the techniques had a significant influence on the final levels of provisioning, a few observed findings merit additional scrutiny by scholars. According to the European Banking Authority (2021), there has been notable progress in the adoption of IFRS 9 by

financial institutions, surpassing previous efforts. Nevertheless, smaller banks continue to lag behind as compared to their larger counterparts in terms of their level of preparedness.

Regionally, the implementation of IFRS 9 by commercial banks in Africa has been a significant undertaking with various challenges and opportunities (Ofoegbu & Odoemelam, 2018). As African countries strive for financial stability and align themselves with global reporting standards, the implementation of IFRS 9 has become crucial for the banking sector. One of the key challenges faced by commercial banks in Africa is the need to build capacity and expertise in understanding and applying the new standard. IFRS 9 introduces a more complex and forward-looking expected credit loss model, requiring banks to develop robust credit risk assessment frameworks and models. This necessitates investment in staff training, technological infrastructure, and data management systems to ensure accurate measurement and reporting of expected credit losses (Akonoafua & Aderin, 2021). Deloitte research study (2020) on the execution of IFRS 9 by financial institutions in Nigeria using five (5) of the biggest commercial banks noted that the banks recognized an increase in provisioning for non-performing loans from 72% to 160% as of 1 January 2018 mostly steered by fully provided for stage 3 exposures. This caused a decline in profit reserves. By the close of the 2018 reporting period, many of these banking institutions had essentially reflected a rise in IFRS 9 impairment provisions for credit facilities granted to borrowers within the range of 16% and 40%.

Locally, the Central Bank of Kenya issued a guidance note on the implementation of IFRS 9 – Financial instruments in 2018 instructing commercial banks to adopt the standard. It noted that the standard sought to improve credit risk provisioning by enhancing resilience and capacity to withstand losses occasioned by loan defaults (Ombati & Shukla, 2018). CBK gave commercial banks a five-year transition period to fully comply with IFRS 9 in the computation of regulatory capital. ICPAK (2020) found that fundamental changes in standard implementation concerning the classification of assets into Amortized Cost (AC) and Fair Value Through Other Comprehensive Income (FVTOCI) presented a considerable impact on firms' financial performance.

According to Kund and Rugilo (2019); Pignatel and Tchuigoua (2020) and Erin and Oduwole (2018), various institutional factors affect the implementation of IFRS 9 which include staff competence, technology support systems, management support, and resource allocation. These institutional factors serve a key function during application of solutions particularly in the financial

market. Financial institutions have gradually been subjected to a lot of pressure by their stakeholders and Central Bank to improve performance thus necessitating the need for institutional factors to facilitate the implementation of IFRS 9 requirements. The current research seeks to identify the institutional factors influencing the implementation of IFRS 9 by commercial banks in Kenya.

1.1.1 Institutional Factors

The concept of institutional factors of an organization is broad. It entails both internal factors which include staff, systems, and processes, and external factors comprising regulatory guidelines. This study focused on the following institutional factors, staff competencies, technology support, management support, and resource allocation.

Staff competencies are capabilities and actions that specify and are used to lay out an organization's structure (Mendoza, 2018). Expertise enables the staff of an organization to have a clear understanding of the actions to be demonstrated as well as the levels of efficiency expected to attain business results (Belolipetskaya & Polyanin, 2021). Skills play a pivotal role not only in offering financial services to customers but also in the successful implementation of regulatory standards such as IFRS 9.

Technology support systems entail a range of services companies provide to their customers (Angioha, Enukoha, Agba & Ikhizamah, 2020). The banking atmosphere is extremely competitive today. To expand in the business environment, banks are embracing the most up-to-date technologies, which are being regarded as a 'permitting resource' that can easily help in creating a leaner and more versatile construct that can answer to the needs of a rapidly changing market (Bestman & Chinyere, 2021). Innovation support systems enable innovative product progression, better market penetration, and implementation of dependable strategies for control of risks that assist banks in reaching varied as well as geographically remote markets. Modern technology has significantly determined the distribution networks of financial institutions (Serov & Koltsov, 2019).

Management support entails devoting time to the organization and facilitating the administration issues involved with incorporating ICT along with the management procedure of the company (Obeidat, Yousef, Hashem & Masa' deh, 2018). Management is responsible for setting up plans,

guidelines, and goals, as well as offering a pathway for high-quality administration within the organization. It must also assign those accountable and keep all of them responsible for adherence to control procedures (Ferreira, Matos & Pires, 2018).

Resource allocation is the process that involves the assignment and management of assets in a manner that aligns with the strategic objectives of an institution (Wang, Xiuping & Zhang, 2021). The process of resource allocation involves managing various resources, such as hardware, to optimize the usage of intangible assets, like human resources. It is also a strategy for allocating and optimizing existing resources most efficiently and cost-effectively. The allocative efficiency of banking firms is therefore a crucial determinant of total success (Donnellan & Rutledge, 2019).

1.1.2 Implementation of IFRS 9

The primary aim of the standard was to provide a detailed framework describing the principles that govern financial statement reporting of assets and liabilities. These guidelines were developed to ensure the applicability and dependability of the information contained in the financial statements. By giving customers access to this data, they evaluate the sizes, temporal trends, and degrees of uncertainty associated with future financial inflows and outflows for a company. Considering the anticipated drops in credit ratings, the principle underscores the need to recognize loss allowances for financial resources. This understanding is essential for quickly recognizing and taking care of the need for loan loss recognition (Malo-Alain, Aldoseri, & Melegy, 2021).

IFRS 9: Financial Instruments was promulgated by IASB in July 2014 and subsequently implemented on January 1, 2018, with the option for early adoption. The introduction of the standard was to address the deficiencies observed in IAS 39, which recognized loss allowance when it had either crystallized or was almost crystallizing. This difficulty in the application of IAS 39 was brought into sharp focus in the financial crisis of 2008 and therefore a forward-looking approach in loan loss provisioning was considered, hence giving rise to the new standard. IFRS 9 prescribes that an organization should recognize loss allowances for its financial assets by considering anticipated credit losses thereby addressing the need for prompt loan loss recognition.

IFRS 9 implementation by commercial banks in Kenya was a significant step towards improving the quality of financial reporting in the banking industry. Kenya, like many other countries, adopted IFRS 9 to align its accounting practices with international standards and improve the

measurement and disclosure of financial instruments. The implementation process involved several stages and required banks to undertake comprehensive assessments, make necessary adjustments to their systems and processes, and train their staff on the new requirements. The regulator: the Central Bank of Kenya (CBK), played a crucial role in guiding and overseeing the implementation process to ensure consistency and adherence to the standard.

The adoption of IFRS 9 brought notable changes to the way commercial banks in Kenya classify, measure, and account for financial instruments, particularly loans and credit exposures (Ombati & Shukla, 2018). Under IFRS 9, banks shifted from the IL model to the ECL model to recognize impairment loss. This change required banks to assess and provision for expected credit losses on account of historical data, forward-looking information, and reasonable and supportable economic forecasts. IFRS 9 was implemented to enhance the accuracy and timeliness of recognizing credit losses, providing a more realistic depiction of the credit quality and risk exposure of banks' loan portfolios. It also emphasized the need for more robust risk management practices, including regular monitoring of credit risk and early identification of potential credit impairments. Commercial banks in Kenya faced various challenges during the implementation process, such as data availability, data quality, and the establishment of appropriate models and methodologies for credit risk assessments. However, the implementation process provided an opportunity for banks to improve their risk management frameworks and enhance their understanding of credit risk dynamics.

1.1.3 Institutional Factors and Implementation of IFRS 9

The adoption and execution of IFRS 9 are subject to the effect of diverse institutional variables among nations. These factors can include regulatory frameworks, legal systems, accounting traditions, and the overall institutional environment. Understanding the theoretical relationship between these institutional factors and the implementation of IFRS 9 provides insights into the challenges and opportunities faced by countries during the adoption process (Omukhuli, 2020).

The institutional theory advocates that the regulatory framework is important in shaping the implementation of accounting standards. The existence of effective and robust regulatory bodies, such as central banks or financial supervisory authorities, can facilitate the adoption and enforcement of IFRS 9. These regulatory bodies provide guidelines, set deadlines, and monitor

compliance, creating a supportive institutional environment for implementation (Khomich, 2017). In the case of IFRS 9 implementation, the regulatory role of central banks or financial supervisory authorities is evident in countries like Kenya, where the Central Bank of Kenya (CBK) played a significant role in guiding and overseeing the process (CBK, 2019).

Furthermore, the legal system and legal enforcement mechanisms within a country shape the implementation of IFRS 9. Strong legal systems with effective enforcement mechanisms tend to promote compliance with accounting standards. Countries with weak legal systems may face challenges in enforcing the requirements of IFRS 9, leading to variations in the level of implementation across different entities (Malamud et al., 2019). Accounting traditions as well as practices also influence the implementation of IFRS 9. Countries with well-established accounting traditions and a history of transparent financial reporting are likely to have a smoother transition to IFRS 9 (Leuz et al., 2019). These countries may already possess the necessary infrastructure, expertise, and resources to adopt and implement the new standard effectively. However, countries with diverse accounting traditions may encounter challenges in reconciling their existing practices with the requirements of IFRS 9, requiring additional efforts in training and capacity building (Malamud et al., 2019).

The institutional environment, including factors such as political stability, governance structures, and cultural norms, is vital in IFRS 9 implementation. A stable political environment and strong governance structures promote trust and confidence in financial reporting, facilitating the implementation process (Khomich, 2017). Cultural norms related to transparency, accountability, and the importance of accurate financial reporting can influence the adoption and acceptance of IFRS 9 within a country (Malamud et al., 2019). The impact of institutional factors on the implementation of IFRS 9 underscores the importance of regulatory frameworks, legal systems, accounting traditions, and the institutional environment in shaping the adoption and execution of the standard. While the specific impact of these factors may vary across countries, understanding their influence helps policymakers and stakeholders navigate the challenges and opportunities associated with implementing IFRS 9 (Obwocha, 2019).

1.1.4 Commercial Banks in Kenya

According to CBK (2022), there are forty-two (42) banks; thirty-nine (39) privately owned commercial banks, and the other three (3) commercial banks where the Kenyan government owns controlling stakes. Out of the thirty-nine (39) privately owned commercial banks, twenty-four (24) are locally owned whereas fifteen (15) are foreign-owned. Out of the total of forty-two (42) commercial banks, three (3) are now subject to regulatory intervention, and receivership. Specifically, one bank is under statutory management, while two banks are under receivership. There are eleven (11) commercial banks listed and trading on the Nairobi Securities Exchange (NSE). These are NCBA, Standard Chartered, ABSA, Stanbic, DTB bank, Equity Bank, Housing Finance (HF), Investments & Mortgage Bank, KCB, National Bank of Kenya (a subsidiary of KCB Group) and Co-operative Bank of Kenya Ltd (NSE, 2021). The Kenyan commercial banks are regulated in accordance with the provisions in the CBK Act (Cap 491), Banking Act (Cap 488), and Companies Act (Cap 486).

Prior to the adoption of IFRS 9 in Kenya, commercial banks followed the provisioning requirements outlined in the International Accounting Standard (IAS) 39. IAS 39 employed a backward-looking approach to recognize loan impairments, known as the incurred loss model. Under this model, banks recognized provisions only when there was objective evidence of a loss event, such as a default or significant financial difficulties of the borrower. However, the implementation of IFRS 9 has led banks in Kenya to shift towards a forward-looking approach in determining loan loss provisions. IFRS 9 requires banks to assess and recognize provisions by considering anticipated credit losses throughout the whole loan period, even if no loss event had occurred. The transition to the ECL model under IFRS 9 led to significant changes in the provisioning practices of banks in Kenya. Banks had to incorporate a more comprehensive assessment of credit risk by considering for purposes of ECL estimates. This included analyzing economic indicators, industry trends, borrower creditworthiness, and macroeconomic factors that could impact repayment capacity (Obwocha, 2019).

1.2 Research Problem

IFRS 9 calls for the categorization of financial instruments into Amortized Cost, FVTPL, and FVTOCI, (IFRS, 2019). The introduction of these IFRS 9 requirements has presented challenges in terms of readiness, necessitating management to ensure that implementation initiatives are appropriately organized and conform to the prescribed schedule (Malo-Alain, Aldoseri & Melegy, 2021). Board Audit Committees (BAC) perform a critical role in overseeing the activities of management by constantly monitoring the progress and requesting periodic updates. Further, it is expected by regulatory organizations responsible for conducting audits that the prescribed criteria would be implemented comprehensively and efficiently, along with transparent and effective communication of the ensuing impacts (Amidu & Issahaku, 2019).

To comply with IFRS 9 requirements, it is necessary to configure information systems to include the calculation of credit losses using payment projections, obtainable risk information, and probabilities of default. These information systems should be capable of generating reports in accordance with the guidelines outlined in IFRS 9. The adoption of IFRS 9 often places significant emphasis on concerns related to data quality, availability, and collection (Erin & Oduwole, 2018). IFRS 9 adoption has generated pertinent queries about its impact on banks' reporting practices (Kund & Rugilo, 2019). There exists a potential risk associated with increased provisions in IFRS 9 resulting in capital reduction for banks thereby compelling smaller banks to consider consolidation to raise capital adequacy levels to prescribed thresholds (Ombati & Shukla, 2018).

The existing scholarly literature about the difficulties encountered by Kenyan commercial banks during the implementation of IFRS 9 is limited in scope. Omukhuli (2020) examined the impact of the implementation of IFRS 9 on the performance of commercial banks in Kenya whereas Obwocha (2019) study was on changes in loan loss provisioning and the financial performance of Kenyan commercial banks.

Kund and Rugilo (2019) assessed the consequences associated with the shift from IAS 39 to IFRS 9 in relation to financial systems stability. This research study assessed institutional factors influencing the application of IFRS 9, resulting in a conceptual gap. The primary objective of this study was to examine the institutional factors that impact the adoption and implementation of the IFRS 9 within the commercial banking sector of Kenya. This research aimed to fill the existing vacuum in knowledge about this subject matter.

1.3 Research Objective

The purpose of the study was to identify the institutional factors influencing the implementation of the International Financial Reporting Standard (IFRS 9) by Commercial Banks in Kenya.

The specific objectives are.

i. To assess the impact of staff competence on the implementation of IFRS 9 among Commercial Banks in Kenya

ii. To determine the impact of technology support systems on the implementation of IFRS 9 among Commercial Banks in Kenya

iii. To establish the effects of management support on the implementation of IFRS 9 among Commercial Banks in Kenya

iv. To evaluate the influence of resource allocation on the implementation of IFRS 9 among Commercial Banks in Kenya

1.4 Value of the Study

The findings of this research study were important to financial institutions, especially commercial banks in adopting continued international financial reporting requirements. This is accomplished by the establishment of the required systems to enable the adoption of the new IFRS, appropriate training of the affected personnel, and sufficient budgetary allocations by management. For regulatory authorities specifically CBK, the findings will help monitor the readiness of commercial banks to implement new IFRS to be issued in the future.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The literature review of this research study is presented in this chapter. It starts with theories that inform the study and criticism of the theories, followed by an empirical review that draws on research on staff competence, technology support systems, management support, and resource allocation. Finally, the chapter presented a conceptual framework.

2.2 Theoretical Framework

The framework presents an analysis of the relevant theories that elaborate on institutional factors that influence the implementation of IFRS9 by Kenyan commercial banks. Thus, the theoretical review comprises institutional theory, economic network theory, and positive accounting theory.

2.2.1 Institutional Theory

The theory was first suggested by Meyer and Rowan in the year 1977. According to Irvine (1999), the theory posits that organizations experience pressure from both external and internal causes, which in turn initiate processes that ultimately lead to the development of homogeneity over time. DiMaggio and Powell (1983) categorized these limitations and designated them as representational, coercive, and normative. The impact of external forces, such as regulatory factors, significantly shapes the decision-making process of institutions within the context of coercive equivalence. According to White and Irvine (1999), symbolic representation describes how organizations tend to fill the role of their successful counterparts. Particularly, when uncertainty is prevalent in the environment, organizations are more likely to emulate more powerful peers.

Beckman, Michel, Munter, and Kaiser Venuti (2017) argued that the introduction of a new accounting standard gives rise to a state of ambiguity, especially in the early stages. The presence of this uncertainty is evident in both corporate enterprises and regulatory bodies. Influential organizations were more determined to effect the changes thereby instigating responsive actions from their counterparts who may be enticed to emulate their actions. These influential entities are the primary agents accountable for bringing about transformations in the sector. The presence of uncertainty influences accounting practices toward uniformity. Several jurisdictions globally have

implemented IFRS owing to the rigorous and meticulous processes involved in the development of accounting standards. These methods have been deemed superior to GAAP used in many nations worldwide. This statement clarifies the rationale for Kenya's decision to align its financial reporting practices with IFRS developed by IASB which is viewed as an influential peer (Beckman et al. 2017).

Institutional theory examines the basic and robust features of social organization. It assesses the mechanisms through which different structures, such as schemas, rules, social customs, and routines, are formed as authoritative structures that govern and control social behavior. This research investigates how these mechanisms are generated, disseminated, implemented, and adapted across many geographical spheres and temporal settings (Scott, 2005). Normative isomorphism occurs when people from places with comparable cultural backgrounds and economic associations choose to operate in a familiar environmental arrangement. These circumstances progressively foster a shared perception of socially acceptable conduct. Organizations that hire employees from a shared labor market are confronted with the challenge of being unable to adopt innovative problem-solving strategies (DiMaggio & Powell, 1983).

The study is related to institutional theory because it emphasizes the role of the environment in shaping IFRS practices. According to the institutional theory, some entities existed in highly institutionalized environments, which led them to adopt structures and procedures that suited the said environments. The relevance of this theory to the study is that it explains how different external and internal forces exert pressure on organizations. The theory explains the external forces at work, such as regulation and standard accounting. In this regard, the theory informs the research objectives.

2.2.2 The Economic Network Theory

The adoption of a product with network effects may be driven not just by the synchronization value derived from network advantages, but also by the direct benefits, referred to as autarky value (Katz and Shapiro 1985). When a country chooses to adopt IFRS, the theory postulates that the direct advantages may be measured by considering the net economic and political worth of IFRS in comparison to local standards. Based on the theoretical framework proposed by Barth, Landsman, and Lang (2008), the net economic value of IFRS is designed to include the explicit monetary advantages often considered in economic network models.

The theory further asserts that countries with increased levels of international investment and trade have a higher likelihood of implementing IFRS. If the overall effectiveness of domestic governance institutions, specifically the capacity of the local GAAP, declines, then the potential advantages of adopting IFRS may be diminished. Consequently, prestigious learning institutions provide opportunities for the implementation of the standard. Hence, the adoption of IFRS declines when the efficiency of domestic governance institutions is compromised. According to Liebowitz and Margolis (1994), the political goodwill of the international accounting standard body gives rise to the net political value of IFRS. The possible impact of political pressure on the IFRS standard-setting process might increase the power of powerful countries to impose their authority and change the IFRS. However, it's important to consider that the European Union dominates the process of developing IFRS standards, which might call into question its influence in the adoption of the standard. To accommodate the interests of the European Union (EU), it is suggested by Brackney and Witmer (2005) that countries may have to give up some control over the creation of accounting standards. This is especially the case if they anticipate the EU to have a significant influence over the IASB operations. It is expected that more powerful governments would be less reluctant to give up control of their domestic standards and more likely to accept IFRS.

In conjunction with its standard-setting authority, the impact of cultural sensitivities on the overall political worth of IFRS to a nation should also be considered. According to Ding and Peng (2005), nations with greater cultural distance from Europe are expected to exhibit lower levels of acceptance towards the IASB if it is seen primarily as a European organization. Based on the theoretical framework, in addition to the political determinants as well as the macro-level economic parameters, it is plausible that a nation's choice to implement IFRS is subject to the effect of internal political dynamics. For instance, the activities of interest groups and regulators motivated by ideological considerations may play a significant role in shaping this decision. It is difficult to precisely define the characteristics of national politics in a broad range of nations, and much more challenging to quantitatively assess it with a satisfactory level of precision. This endeavor is only feasible in societies with higher levels of transparency, such as the United States (Brüggemann, 2011).

The relevance of this theory to the research is that it focuses on regional patterns in IFRS adoption and contends that if other nations in an area adopt IFRS, so would a country. There is a higher likelihood that acceptance of IFRS standards may occur among a nation's trading partners. More

influential nations are unlikely to adopt IFRS because they are less eager to give up their control over standard-setting.

2.2.3 The Positive Accounting Theory

The theory emerged in the 1960s due to the increasing prevalence of empirical research conducted in the field of accounting. It is a theoretical framework that seeks to explain and predict the actual accounting procedures used by individuals and organizations. According to Ball and Brown (1968), positive theories are grounded on empirical observation, whereas negative theories are predicated on the researcher's subjective beliefs about anticipated outcomes in certain contexts. The assertion that earnings numbers lack significance due to their computation using various valuation bases was effectively challenged through an examination of the underlying assumptions of the normative method (Watts & Zimmerman, 1986). Positive accounting is a field of study that examines the firm's contractual standpoint.

The theory of Positive Accounting (PAT) suggests that businesses endeavor to reduce their contractual costs, which in turn influences the policies they adopt, including their accounting procedures. The three ideas proposed by the theory (PAT) are the bonus plan, the debt covenant, and the political cost hypotheses. The bonus plan hypothesis suggests that managers within organizations are inclined to use accounting practices that result in the shifting of reported profits from future periods to the present period. According to Colasse (2000), the potential interference of PAT might occur either at the institutional level responsible for establishing standards or at the organizational level, particularly when the standards-setting entity allows for the selection among many alternatives. According to Belkaoui (1992), the primary concept behind the positive approach involves formulating a hypothesis on the elements that impact accounting operations, followed by assessing the empirical validity of such a theory. Watts and Zimmerman (1990) argue that the use of a solitary accounting alternative may diminish the explanatory efficacy of examinations.

Demski (1988) asserts that accounting is seen as a "network of relationships" and serves as a mechanism to enable the establishment and execution of contracts. According to this perspective, accounting methods undergo changes to minimize the expenses associated with contracting by creating prior agreements among many parties. The contractual perspective of positive accounting presents a contrasting viewpoint to value-relevance research in the accounting field. It maintains

14

that the primary purpose of accounting is assessing the value of a corporation, hence suggesting that some practices, such as conservatism, are not ideal. The value relevance of the school places more emphasis on the usefulness of accounting information for equity investors compared to its usefulness in contractual arrangements.

The theory in question has been subject to many critiques. Firstly, it has been argued that the theory lacks prescriptive elements. Instead of offering normative guidelines or recommendations, it primarily focuses on explaining and predicting outcomes. This limitation is seen as inadequate within the framework of positive accounting theory. Furthermore, it is worth noting that this approach is not devoid of values since it primarily focuses on forecasting human behavior while neglecting considerations of normative thoughts. Ultimately, it assumes that the behaviors of all managers and owners are driven by self-interest. With the main objective of optimizing their financial resources while disregarding the adverse consequences.

2.3 Empirical review

2.3.1 Staff Competence

In a study conducted by Munkejord and Tingvold (2019), an investigation was carried out to examine the perceptions of competence among staff members from a minority and majority perspective, from a chosen multicultural nursing home unit in Norway. The investigator performed a theme analysis on a set of in-depth interviews with 22 healthcare practitioners. The research revealed that care workers who demonstrated competence were regarded to possess a strong professional understanding of nursing home resident care, irrespective of their educational qualifications. Other considerations associated with a competent care worker encompass proficient verbal communication skills or a diligent commitment to enhancing proficiency in the predominant language, demonstrating sincere enthusiasm for working in a nursing home despite the demanding work environment and exhibiting effective task prioritization and timely completion of duties. The research also revealed that the views of staff members' abilities were influenced by factors such as education, race, language, and social background. However, these relationships were shown to be complex and contrary to expectations, ultimately contributing to the promotion of ethnic equality within the work environment.

Barykin et al. (2020) focused on examining the competency and training of workers within the digital sector. The researcher explored the "digital competence" concept and its associated terminology, as well as prospective pathways for its enhancement. The research demonstrated that although conceptions may vary, the concepts related to "digital competency" were identified as being of utmost importance. Moreover, the research findings revealed that the optimal strategy for competent personnel equipment for the digital economy was a combination of foundational knowledge acquisition and the cultivation of practical skills. The use of digital platforms enables the application of practical skills to acquire foundational information while addressing real-world issues and difficulties within the global market for high-tech goods and services. The research findings indicate that the establishment and enhancement of employees' competence, comprising a range of new high-quality skills, are imperative for the establishment of a digital economy that relies on the efficient utilization of big data, intelligent digital platforms, artificial intelligence, robotic technology, and 3D printing.

The effect of staff competencies on organizational performance was investigated in a research done by Salman, Ganie, and Saleem (2020). A cross-sectional research design was adopted. The study focused on a sample of 325 persons who held positions in management and non-managerial roles inside public and private sector banks in India. The data used in this study were obtained via the utilization of a structured questionnaire and the adoption of convenience sampling. The research findings indicated that certain staff competencies had a significant and positive impact on the overall organizational performance. However, it is worth noting that self-competence showed an inconsequential and adverse effect. The research findings indicate that there exists significant potential to support policy and decision-makers in the Indian banking sector in their efforts to devise and execute strategies aimed at enhancing staff capabilities. These competencies, in turn, play an important role in improving overall business performance.

To better understand the effects of employee skills, organizational culture adaptation, job happiness, and human resource flexibility on employee performance, Sabuhari et al. (2020) performed a study. The relationship between worker performance and human resource flexibility was also examined in the study. The sample for the research included 105 employees. SEM-PLS, an application of structural equation modeling, was employed in the study to assess the hypotheses. According to the study's results, employee skills, job happiness, and human resource flexibility all have a significant influence on workers' productivity. It was discovered, nonetheless, that

organizational culture flexibility had no appreciable impact on worker performance. Additionally, the study's results imply that changing an organization's culture did not significantly lessen the effect of human resource flexibility on employee performance. However, it is important to remember that job pleasure somewhat modifies the link between employee performance and ability.

2.3.2 Technology Support Systems

Alemayehu (2021) conducted a study to assess how Ethiopian commercial banks use information technology audits and fraud detection. This study employed a descriptive research approach. All IT audit personnel employed by the internal audit division of each bank were surveyed for the research. Information from IT auditors at several commercial banks in Ethiopia was gathered using a questionnaire. According to the survey, Ethiopia's commercial banks all performed IT audits. There were, however, several difficulties to overcome. There was IT-related fraud in the majority of commercial banks. The research also found that typical IT audit techniques were used to identify IT-related fraud. Top-level management proposed emphasizing the IT audit process more in light of the results of the commercial banks in Ethiopia. They continually provide them with attention and assistance so that they can perform their duties successfully and effectively.

Rahi, Ghani, and Ngah (2018) conducted a study on a developed and integrated technology adoption model, which included an enlarged model and the perception of technology security. The study used the approach of structural equation modeling (SEM). According to the research, a variety of characteristics, including performance expectations, effort expectations, social influence, hedonic incentive, and perceived technological security, had a substantial impact on consumers' willingness to use Internet banking. The study concluded that of all the variables looked at, perceived technological security and hedonic incentive had the most effects on customers' intentions to use Internet banking. The study suggested making more changes to the technology adoption model, and experts suggested making security features better to persuade clients to utilize Internet banking.

Denter, Seeger, and Moehrle (2022) looked at the potential benefits of blockchain technology for managing patents. Data in the research were categorized using the 7D Patent Management Maturity Model's (PMMM) dimensions. The conclusions of the study indicated that several stakeholders from a variety of fields and hierarchies, as well as from both within and outside the

company, are involved in patent management duties. The research also showed that blockchain technology opens up new possibilities for rethinking stakeholder organization and collaboration via the use of transaction cost and stakeholder theories. The research concluded that, despite the public and academic interest in blockchain technology, the subject of how it may be used to improve patent administration has gotten little consideration.

The goal of the research was to decide how blockchain could be used as a supplementary instrument for financial and economic growth. Blockchain is a crucial piece of technology that enhances financial growth and performance. The primary mechanism for securely transferring digital data from one medium to another is peer-to-peer node connectivity in blockchain. While the main data are encouraging for future usage as a secondary data source, the study had shortcomings relating to the lack of secondary data.

2.3.3 Management Support

Sultan *et al.* (2022) examined the effect of corporate entrepreneurship on customer satisfaction among middle-level management in Pakistani public sector banks. The study collected data using a structured questionnaire and analyzed it using SMART-PLS. The results of the study indicated that there is a direct correlation between corporate entrepreneurship and customer happiness, and top management support was also shown to be a key factor when it came to public sector banks. Innovation was a key predictor of customer happiness and support from senior management should be moderated to help customers feel satisfied. Businesses have been forced to innovate, enhance the quality of their products and services, and successfully adapt to changing customer needs and preferences to compete in a competitive climate.

Zerihun (2021) conducted a research investigation to examine the impacts of total quality management (TQM) techniques on organizational performance among commercial banks in Ethiopia. Use of a mixed methods approach was employed, primarily the descriptive and explanatory research approaches. The findings of the study indicated that TQM practices are implemented in banks, though the level of practice and effectiveness varies by management principle. In addition to training and customer focus, the study found that TQM principles were significant and positive contributors to organizational performance. The study concluded that the barriers affecting total quality management implementation were a lack of top management leadership and commitment, employee empowerment and engagement, a lack of resources, and

poor planning. According to the study, service sectors should allocate resources for TQM implementation by engaging their employees and increasing top-level management commitment to better service quality, customer satisfaction, and organizational performance.

In a research conducted by Okour (2018), the focus was on examining the use of knowledge management systems, user satisfaction, and the efficacy of decision-making within the banking business in Jordan. The study used a self-administered questionnaire and adopted a cross-sectional approach. The findings indicated that the relative advantage, complexity, and knowledge quality of technological antecedents had a significant impact on the use of knowledge management systems. The research also showed that there was an adequate understanding of the value of using a Knowledge Management System (KMS) in Jordan's banking industry. Additionally, the use of KMS is significantly influenced by top management support, trust, and formalization of organizational antecedents. Furthermore, KMS use and effective decision-making are highly facilitated by user happiness. Experience with KMS merely moderates the association between the use of knowledge management systems and the efficacy of decisions.

In research published in 2018, Hsu, Liu, Tsou, and Chen investigated how openly senior management supported service innovation and technology adoption in the context of social innovation. The research used a partial least squares technique to handle the challenges of analyzing data. The results indicated that service innovation in the context of social innovation is improved by openness to technology adoption. Senior management support also facilitates the association between openness to technology adoption and service innovation. The research also discovered that senior management support for service innovation interacts with openness to technology adoption. The research also found that senior management support is crucial in determining how a business would structure its service innovation strategies and choices. The in-depth results provide useful suggestions for businesses that encourage them to invest in cutting-edge open technologies that enable service innovation, resolve social issues, and meet new societal challenges. Businesses may further grow the goals of fostering service innovation with pre-planned support measures of senior management including supply of enough new service resources and technical support.

2.3.4 Resource Allocation

In a research undertaken by Sadiq (2019), the objective was to investigate the impact of resource allocation techniques on the efficacy of Kenyan Water Service Boards (KWSB). Descriptive and inferential statistics research methods were used. According to the results of the study, Kenya's expanding population has put enormous pressure on water service boards, forcing them to create clear regulations to efficiently handle the country's growing water demands. The study found that the use of strategic planning, together with a fair and competitive process for allocating resources, improved institutional performance. The study's conclusions show that strategic technology deployment, strategic infrastructure development, strategic financial resource deployment, and strategic people development have all improved the water service board's performance. The research advised the board to make sure the business has adequate resources and distributes them wisely for the right goals and prompt implementation. To ensure a thorough evaluation of resource distribution decisions and establish effective oversight for all allocations, the water services board administration needs to implement rigorous accountability mechanisms for its personnel.

Kariuki (2019) conducted research in Laikipia County to determine resource allocation in county governments. The study employed a descriptive survey design. The findings of the study indicated that the majority of the respondents agreed that a feasibility study improved decision-making in the county government, determined the profitability of the project, employees were involved in budget preparation, and a feasibility study was done before investments in project cash flows. On the other hand, an ineffective feasibility study affected resource allocation, and there was a relationship between budget planning and resource allocation. According to the study, most respondents agreed that engaging the risk assessment team improves resource allocation, public incorporation improves resources, effective communication enables proper resource allocation, proper monitoring of resources reduces costs, and resource monitoring provides necessary information for resource allocation, strong organizational culture improved resource allocation, avoiding overestimation, and proper understanding.

A study conducted by Eisenbach, Lucca, and Townsend (2022) investigated the distribution of resources within the domain of banking supervision. To examine the impact of supervisory technology, preferences, and resource limitations on bank results, the researcher used an estimated structural model to analyze the allocation of resources in terms of work hours among supervisors

at the Federal Reserve Bank (FRB). The research revealed that the level of supervision exerts a substantial influence on both bank risk and the attainment of economies of scale via technical advancements, particularly about the size of the bank. Furthermore, the research findings revealed that supervisory preferences exhibited a disproportionate emphasis on bigger banks, especially in the post-2008 period. This was evident as the reallocation of resources towards larger banks at this time resulted in an overall rise in risk across all banks. The analysis of shadow cost estimates indicated a shortage of resources during the financial crisis, while the examination of counterfactual scenarios demonstrated that the presence of binding restrictions significantly influenced the distribution of outcomes for banks.

 Chen and Zeng (2022) examined credit allocation's impact on CSR as well as the underlying processes involved. The paper investigated credit rationing theory using data from Chinese-listed businesses from 2010 to 2019. The findings of the study noted that there exists a curvilinear relationship between bank credit allocation and corporate social responsibility (CSR). Specifically, it was observed that increasing credit allocation initially led to a rise in CSR levels until a certain threshold was reached. Beyond this threshold, however, further credit allocation increases were associated with a gradual decline in CSR. Furthermore, the research findings revealed that the distribution of credit had an impact on CSR via the mechanisms of information asymmetry and management overconfidence. The research further revealed that organizations characterized by managers exhibiting overconfidence and using non-transparent weighing systems that lack social responsibility tend to have a greater probability of seeing an inverted U-shaped association between bank loan allocation and CSR. The research suggests that companies should comprehend the influence of credit allocation on CSR and, to a certain degree, extend the credit rationing theory. This would serve as a valuable resource for maximizing CSR efforts.

2.4 Conceptual Framework

According to Creswell (2014), the underlying framework is a graphic representation that shows how independent and dependent variables are connected. The correlation between independent and dependent variable association is shown in Figure 2.1. Staff competence, technological support system, management support, and resource allocation are the independent factors in this research. The adoption of IFRS is the dependent variable, and it is believed that these variables would affect it.

Independent Variable

Dependent variable

Staff Competence

- Decision-making ability
- Leadership skills
- Teamwork

Technology Support Systems

- Support response time
- System availability
- Quality of services

Implementation of International Financial Reporting Standard 9

- Capital market
- Legal system
- Economic development

Management Support

- Strategic planning
- Performance monitoring
- Rewards compensations

Resource allocation

- Fairness
- Equitable
- Preference

Figure 2.1: Conceptual Framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology to be employed to attain the objectives of the research study. A solid framework is provided for the research design that was used. In addition, a description of the studied population, methods of collecting data, and the techniques of analyzing data adopted have been provided. This chapter further discusses how pretesting of the tool used to collect data was done to confirm its dependability. Lastly, the chapter ends with a presentation of ethical considerations to be considered for the study.

3.2 Research Design

A research design is a systematic framework of methodologies and protocols used to obtain, measure, and analyze data. It includes a comprehensive outline of the steps involved in acquiring the essential information to address a specific research topic (Saunders, Lewis & Thornhill, 2015). The role of the design of a study is to shape several aspects of the research, including the nature of the study, the most appropriate technique of inquiry, the characteristics of the instruments to be used, the sampling methodology to be used, and the kind of data to collect.

The primary research design used in this study was descriptive. The chosen design in this study was preferred due to its ability to assist the researcher in determining the direction and magnitude of associations between variables without manipulating the variable. Additionally, this design enabled the researcher to identify and gather information regarding the characteristics of a specific phenomenon or variable (Cooper & Schindler, 2017). Moreover, the use of a descriptive research design entails the act of watching and providing a detailed account of the behavior shown by a subject, while refraining from exerting any kind of influence over it (Cooper & Schindler, 2008). Consequently, this research design was deemed suitable for the present study. Moreover, the use of descriptive design allows for the acquisition of additional information about variables within a certain domain of inquiry.

3.3 Population

Population refers to a collection of persons or items with similar features, either included or omitted from the target group under investigation. The research focused on a target population consisting of 39 commercial banks that are under the regulatory oversight of CBK as of the year 2022. The respondents in this study consisted of Risk Managers, Finance Managers, Credit Managers, and Internal Auditors. A total of 39 commercial banks were engaged to participate, as shown in Table 3.1.

Table 3.1: Target Population

Category by size	No. of Banks	Target populating
Small banks	20	20
Medium banks	12	12
Large banks	7	7
Total	**39**	**39**

The study adopted a census approach. According to McMillan and Schumacher (2014), census is a research methodology that entails the active involvement of all persons, things, or organizations within a certain community. The use of the Census technique is considered suitable in situations when a research study requires a significant level of accuracy and reliability. Moreover, the use of the census proves to be more beneficial in situations when the population is relatively limited in size. The use of the census methodology has been regarded as suitable for this research due to the restricted magnitude of the population. The rationale for this choice stems from the recognition that drawing a sample from a limited population size may provide a sample that lacks sufficient representativeness of the whole community. Therefore, the research included all the 39 commercial banks as of 2022.

3.4 Data Collection

This process included the use of questionnaires administered to banks. Questionnaires are a justifiable means of data collection due to their effectiveness in gathering information from a sizable sample within a limited timeframe and at a comparatively lower cost than other methodologies (Orodho, 2012). Moreover, the use of questionnaires enables a more streamlined

process of coding and analysis for the gathered data. To enhance respondent involvement, the researcher engaged a designated contact person in each commercial bank to facilitate the mobilization of their colleagues for study participation. A deadline was set for the submission of the completed questionnaires. The respondents were engaged regularly to fill out and submit the questionnaires.

3.5 Validity and Reliability

Validity, as defined by Saunders, Lewis, and Thornhill (2012), relates to the accuracy and importance of the conclusions deduced from the results of research. This study used both construct validity and content validity. For construct validity, the study used Keyser Meyer Olkin (KMO) and Sphericity. To ensure content validity, the questionnaire was subjected to thorough examination by the project supervisor. He evaluated the statements in the questionnaire for relevance.

According to Cronbach (1951), the concept of dependability pertains to the level of consistency shown by a collection of measuring instruments. The validity of the questionnaire's measures was assessed using Cronbach's alpha (Cronbach, 1995). To conduct the research, a pilot study was conducted with a proportion of 20 percent of the total sample population. The study used 20% of the sample size for the pilot test. Therefore, 8 questionnaires were piloted by issuing them to respondents who were not included in the final study sample. The questionnaire responses were entered into a Statistical Package for Social Sciences (SPSS) and Cronbach's alpha coefficient was generated to assess reliability. The closer Cronbach's alpha coefficient will be to 1, the higher the internal consistency reliability (Sekaran, 2006). A coefficient of 0.7 was used as recommended by Cronbach (1951).

3.6 Data Analysis

According to Kothari (2012), the process of analyzing data encompasses a series of interconnected procedures aimed at consolidating the data collected and organizing them in a way that yields valuable insights into the research inquiries. The data underwent a series of preparatory steps, including updating, verification for accuracy, and coding, before its use in SPSS to conduct the actual analysis. Descriptive and inferential statistics were used to examine the data. The

quantitative data obtained through the administration of a questionnaire was analyzed using descriptive and inferential statistical methods. Descriptive statistics were used to present information through the utilization of frequencies, means, percentages, and standard deviations. Correlation analysis and regression analysis are two methods of inferential statistics. SPSS was used to do data analysis.

A linear regression model was adopted to analyze the dependent and independent variables' relationships. The model is provided as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y = Implementation of IFRS 9 among the Kenyan Commercial Banks

X_1 = Staff Competence

X_2 = Technology Support Systems

X_3 = Management Support

X_4 = Resource Allocation

β_0 = the constant term.

$\beta_1, \beta_2, \beta_3, \beta_4$ = coefficients.

ε = error term

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter primarily presents the results and the discussion of findings where the current study findings are related to previous studies. Specifically, the chapter covers the response rate, the descriptive study, the correlation, and the regression study conducted to attain the objective of the study.

4.2 Response Rate

In total, 39 questionnaires were issued to the 39 commercial banks that were the subject of the study. A total of 32 questionnaires were completed, filled out, and returned. As per Cooper and Schindler (2008), a study that has achieved a feedback rate of 82% should be regarded as excellent for data analysis and inference. The study's findings are displayed in the table below.

Table 4.1: Response Rate

Response Rate	Frequency	Percentage
Returned	32	82%
Unreturned	7	18%
Total	39	100%

From Table 4.1 above, it was deduced the study achieved an 82% response rate. This implied that the data that was collected for the study was good for analysis, interpretation, and inference.

4.3 Reliability Test

The questionnaire items were subjected to reliability tests which were done using Cronbach's Alpha. Internal consistency reliability test was done which was given by the Alpha coefficient which lies between 0 and 1. This kind of reliability test evaluates a respondent's capacity to respond consistently to comparable questions within a scientific poll. A higher coefficient implies a higher

internal consistency of the research instrument. This research used a value over 0.7 as adequate to conclude internal consistency. The variables in the research instrument, the number of items per variable, Cronbach's Alpha coefficient value of the questionnaire items, and decision of the researcher, are depicted on Table 4.2.

Table 4.2 Reliability Results

Variables	Items	Cronbach's Alpha coefficient
Staff competence	6	0.813
Technological support systems	6	0.752
Management support	8	0.810
Resource allocation	5	0.819
Implementation	4	0.794

Table 4.2 presented outcomes indicating a relatively high degree of consistency in the variables. The five variables had an alpha above the 0.7 recommended by Burns and Burns (2008). The decision points therefore confirm that the study variables were reliable.

4.4 Demographic Analysis

The study aimed at understanding the general information about Risk Managers, Finance Managers, Credit Managers, and Internal Auditors in the commercial banks that were surveyed. The demographic characteristics considered in this study are age, gender, the level of education, professional membership, and department.

4.4.1 Respondents' Gender

The respondents of the issued questionnaires were requested to indicate their gender. Table 4.3 presents the results.

Table 4.3: Gender of Respondents

Bank size	Male	Female	Total
Large	5	3	8
Medium	3	3	6
Small	16	2	18
Total	24	8	

Among the large banks, there were 8 respondents in total, with 5 being male and 3 being female. In the medium-sized banks category, there were 6 respondents in total, with an equal split of (3) males and 3 females. However, in the small banks category, there were 18 respondents in total, with 16 being male and 2 being female. In summary, the majority of respondents in the study were male, particularly in the small banks category. This gender distribution may have implications for the study's findings, as it could influence the perspectives and experiences shared by respondents.

4.4.2 Age

The respondents of the issued questionnaires were requested to indicate their age. Table 4.4 presents the results.

Table 4.4: Age of Respondents

Bank size	25-30	31 - 35	36 – 40	41 – 45	46 – 50	Over 50	Total
Large	1	0	3	1	3	0	8
Medium	0	2	0	3	0	1	6
Small	0	5	9	3	1	0	18
Total	1	7	12	7	4	1	

For large banks, most of the respondents fall within the age range of 36 to 40 and 46 to 50, with one respondent aged between 25 to 30 and another between 41 to 45. No respondents over the age of 50 were included in this category. In medium-sized banks, the age distribution is more diverse, with two respondents aged between 31 to 35, three between 36 to 40, and one over 50. Small banks have the highest number of respondents, with the majority falling between the age ranges of 36 to 40 and 31 to 35, followed by those aged 41 to 45 and 46 to 50. Notably, there are no respondents under the age of 25 in any category. These demographic statistics suggest that the study has successfully captured a range of ages among respondents, primarily within the middle-aged bracket, which may have implications for understanding how institutional factors affect the implementation of IFRS 9 by commercial banks in Kenya.

4.4.3 Level of Education

The respondents of the issued questionnaires were requested to indicate their level of education. Table 4.5 presents the results.

Table 4.5: Education of Respondents

Bank size	Diploma	Undergraduate	Masters	PhD	Total
Large	0	2	6	0	8
Medium	0	5	1	0	6
Small	0	14	4	0	18
Total	0	21	11	0	

Table 4.5 provides information about the education levels of the respondents in the study. It shows that among the participants, 21 of them have an undergraduate degree, making it the most common level of education. There are also 11 respondents with a master's degree, indicating a substantial presence of individuals with higher qualifications. However, there are no respondents with diplomas or PhDs in the study. This suggests that the sample mainly consists of individuals with undergraduate and master's degrees. In terms of bank size, most of the participants come from small banks, with 18 respondents falling into this category. There are six participants from

medium-sized banks and eight from large banks. This distribution implies that the study encompasses a diverse set of commercial banks in Kenya, with a significant focus on individuals with undergraduate and master's degrees, primarily from small-sized banks.

4.4.4 Membership in a Professional Body

The respondents to the issued questionnaires were requested to indicate if they were members of a professional body. Table 4.6 presents the results.

Table 4.6: Membership in a Professional Body

Bank size	Yes	No	Total
Large	7	1	8
Medium	1	5	6
Small	10	8	18
Total	18	14	

Among large banks, 7 out of the 8 respondents are members of professional bodies, while only 1 is not. In the medium-sized category, one respondent is a member, while the majority, five respondents, are not affiliated with any professional body. Interestingly, among small banks, most of the respondents, which is 10 out of 18, are members of professional bodies, while 8 are not. These statistics suggest that large-sized banks are more inclined to be members of professional bodies compared to medium-sized banks, where the majority are not affiliated. Among small banks, it is somewhat evenly split between those who are members and those who are not. This information has implications for the study on the implementation of the International Financial Reporting Standard (IFRS 9) by commercial banks in Kenya, as it may suggest varying levels of professional engagement and support for the adoption of such standards across different bank sizes, which could influence the implementation process and outcomes.

4.4.5 The Department Worked in the Bank

Respondents were requested to indicate the department they worked in at the bank. Table 4.7 below presents the results.

Table 4.7: Department Worked in the Bank

Bank size	Finance	Credit	Internal Audit	Risk	Total
Large	3	1	4	0	8
Medium	0	3	1	2	6
Small	6	5	2	5	18
Total	9	9	7	7	

The data in Table 4.7 illustrates the departments in which the respondents from commercial banks in Kenya worked. It can be observed that among large banks, 3 respondents were from the Finance department, 1 from Credit, 4 from Internal Audit, and none from the Risk department, totaling 8 respondents. For medium-sized banks, there were no respondents from Finance, 3 from Credit, 1 from Internal Audit, and 2 from the Risk department, resulting in 6 respondents in total. In small banks, 6 respondents were from Finance, 5 from Credit, 2 from Internal Audit, and 5 from the Risk department, making a total of 18 respondents. This distribution implies that the study's findings may be more representative of the perspectives and experiences of employees in Finance and Credit roles.

4.4.6 Number of Years Worked in the Bank

Respondents were requested to indicate the number of years worked in the bank. Table 4.7 presents the results.

Table 4.8: Number of Years Worked in the Bank

Bank size	Less than 2	3 – 5	6 – 10	Over 10	Total
Large	0	1	1	6	8
Medium	0	1	4	1	6
Small	0	4	8	6	18
Total	0	6	13	13	

Among those working in large banks, there were no individuals with less than 2 years of experience, but a significant number of them (6 out of 8) had been employed for over 10 years. In medium-sized banks, similar trends were observed, with no respondents having less than 2 years of experience and a majority (4 out of 6) having worked for 6 to 10 years. Conversely, in small banks, a diverse range of experience levels was evident, with 4 respondents having 3 to 5 years of experience, 8 having 6 to 10 years, and 6 having over 10 years of experience. These statistics suggest that there is a notable variation in the years of experience among the respondents, with a majority having medium to long-term experience in their respective banks. This variation in experience levels could have implications for the study, as it may influence how these individuals perceive and implement the International Financial Reporting Standard (IFRS 9) in their banking institutions.

4.5 Analysis of Study Variables

The study employed the use of descriptive analysis measured by the use of means and standard deviation. The mean was used as a central tendency measure which was utilized to give a description of the most representative value in a set of other values used. The standard deviation used was to measure how much the items in the set of analysis differ (deviate) from the central tendency (mean).

4.5.1 Staff Competence

The study investigated staff competence on the implementation of IFRS 9 among Commercial Banks in Kenya. To collect data, the respondents were to rate statements about their staff competence with the use of a Likert scale. Table 4.7 contains the mean and standard deviation for staff competence.

Table 4.7: Descriptive Statistics for Staff Competence

Statements	N	Mean	S.D
The bank had adequate competent IFRS 9 specialists	32	3.69	0.70
Adequate training was provided for the implementing team before, during, and after IFRS 9 implementation	32	4.13	0.49
There was a lack of elaborate internal capacity-building programs for the implementation team.	32	3.63	0.86
There was heavy reliance on consulting firms and/ or external auditors for training and capacity building	32	3.97	0.53
The bank acquired training materials at an affordable cost to address the skill gaps of the implementing team.	32	3.50	0.54
The implementing team developed IFRS 9 financial models in-house.	32	3.69	0.70
Average		3.77	0.64

The statement that the bank had adequate competent IFRS 9 specialists received a mean rating of 3.69 with a standard deviation of 0.70. This suggested that, on average, respondents perceived their banks as having reasonably competent IFRS 9 specialists, although there was some variation in these perceptions. The statement that adequate training was provided for the implementing team before, during, and after IFRS 9 implementation garnered a higher mean rating of 4.13 with a lower standard deviation of 0.49. This implied a more consistent and positive view among respondents regarding the provision of training to the implementing team. The statement that there was a lack of elaborate internal capacity-building programs for the implementation team received

a mean rating of 3.63 and had a relatively higher standard deviation of 0.86. This suggested a slightly more varied perception among respondents, with some perceiving a lack of internal capacity-building programs within their banks.

The statement that there was heavy reliance on consulting firms and/or external auditors for training and capacity building received a mean rating of 3.97 with a standard deviation of 0.53. This indicated a moderately positive perception among respondents, although there was still some variability in their views. The statement that the bank acquired training materials at an affordable cost to address the skill gaps of the implementing team had a mean rating of 3.50 with a standard deviation of 0.54, indicating a somewhat mixed perception regarding the affordability of training materials.

Lastly, the statement that the implementing team developed IFRS 9 financial models in-house received a mean rating of 3.69, similar to the first statement, with a standard deviation of 0.70, suggesting that respondents had a relatively consistent view on this aspect. Overall, the average mean rating across all statements was 3.77 with a standard deviation of 0.64. This indicated that, on average, respondents had a moderately positive perception of staff competence and training in relation to the implementation of IFRS 9 in their respective banks.

4.5.2 Technological Support Systems

The study investigated the technological support systems for the implementation of IFRS 9 among Commercial Banks in Kenya. To collect data, the respondents were to rate statements about their technological support systems with the use of a Likert scale. Table 4.8 contains the mean and standard deviation for technological support systems.

Table 4.8: Descriptive Statistics for Technological Support Systems

	N	Mean	S.D
The bank used MS Excel spreadsheets for financial modeling and reporting purposes	32	3.94	0.44
Historical loan information was readily available and easily retrievable.	32	3.84	0.34
The existing systems were compatible with IFRS 9 requirements	32	4.06	0.52
The bank had reliable and accurate credit scoring systems	32	3.69	0.51

35

The bank's existing systems generated accurate reports reflecting the true loan provisions	32	3.87	0.14
The banks through KBA made available a knowledge-sharing platform to ease the dissemination of information among banks.	32	3.69	0.60
Average		3.85	0.42

Table 4.8 provides the mean and standard deviation for each of these statements, shedding light on the perspectives of the respondents. The statement that the bank used MS Excel spreadsheets for financial modeling and reporting purposes received a mean rating of 3.94 with a standard deviation of 0.44. This indicated that, on average, respondents acknowledged the use of MS Excel spreadsheets for financial modeling and reporting purposes within their banks, suggesting a common tool for these tasks. The statement that historical loan information was readily available and easily retrievable garnered a mean rating of 3.84 with a relatively low standard deviation of 0.34. This implied that respondents generally perceived their banks as having accessible and easily retrievable historical loan information, which is essential for IFRS 9 compliance. The statement that the existing systems were compatible with IFRS 9 requirements received a mean rating of 4.06 with a standard deviation of 0.52, indicating that respondents, on average, believed that their existing systems were in line with the requirements of IFRS 9, suggesting a positive alignment with the standard.

On the other hand, the statement that the bank had reliable and accurate credit scoring systems received a mean rating of 3.69 with a standard deviation of 0.51, suggesting that respondents had a moderately positive perception of their bank's credit scoring systems. The statement that the bank's existing systems generated accurate reports reflecting the true loan provisions had a mean rating of 3.87 with a remarkably low standard deviation of 0.14, implying that respondents generally perceived their bank's systems as capable of producing accurate reports in line with loan provisions. Lastly, the statement that banks, through KBA, made available a knowledge-sharing platform to ease the dissemination of information among banks received a mean rating of 3.69 with a standard deviation of 0.60. This indicated that respondents, on average, were aware of the existence of a knowledge-sharing platform facilitated by KBA to facilitate information exchange among banks.

36

The average mean rating across all statements was 3.85 with a standard deviation of 0.42. This indicated that, on average, respondents had a moderately positive perception of the technological support systems in place for the implementation of IFRS 9 in their respective banks. The relatively low standard deviation implied a degree of consensus among respondents regarding the effectiveness and compatibility of these systems with IFRS 9 requirements, suggesting a favorable technological environment for compliance with the standard.

4.5.3 Management Support

The study investigated the Management Support for the implementation of IFRS 9 among Commercial Banks in Kenya. To collect data, the respondents were to rate statements about their Management Support with the use of a Likert scale. Table 4.9 contains the mean and standard deviation for Management Support.

Table 4.9: Descriptive Statistics for Management Support

	N	Mean	S.D
The senior managers of the bank are experienced and skilled in matters of IFRS 9	32	3.50	0.56
IFRS 9 implementation project was given top priority by management	32	3.81	0.38
Top Management offered high-level cooperation and support to the IFRS 9 implementation team.	32	3.72	0.30
Top management has a good understanding of accounting and financial reporting standards in general	32	3.59	0.51
Management budgeted for and availed sufficient funds for the successful implementation of IFRS 9	32	3.88	0.39
Management directed that policies and operating procedures be reviewed to accommodate the new requirements of the standard.	32	4.03	0.30
There was close monitoring of IFRS 9 implementation to ensure a successful transition by both management and board of directors	32	3.56	0.42
There was financial reward/ recognition for the implementing team	32	3.53	0.51
Average		3.70	0.42

The statement that the senior managers of the bank are experienced and skilled in matters of IFRS 9 received an average rating of 3.50 with a standard deviation of 0.56. This suggests that, on average, respondents perceived their senior managers as having moderate levels of experience and skill in IFRS 9 matters, although there was some variability in these perceptions. The statement that the IFRS 9 implementation project was given top priority by management garnered a higher mean rating of 3.81 with a lower standard deviation of 0.38. This implies a more consistent and positive view among respondents regarding the prioritization of the IFRS 9 implementation project by management. The statement that top management offered high-level cooperation and support to the IFRS 9 implementation team received a mean rating of 3.72 and a relatively low standard deviation of 0.30. This suggests a consistent perception among respondents that top management provided a good level of cooperation and support to the IFRS 9 implementation team.

Additionally, the statement that top management has a good understanding of accounting and financial reporting standards, in general, received an average rating of 3.59 with a standard deviation of 0.51. This indicates that, on average, respondents perceived top management as having a reasonable understanding of accounting and financial reporting standards, although there was some variability in these perceptions. The statement that management budgeted for and availed sufficient funds for the successful implementation of IFRS 9 garnered a mean rating of 3.88 with a standard deviation of 0.39, suggesting that respondents generally believed that management allocated adequate funds for the successful implementation of IFRS 9.

Moreover, the statement that management directed that policies and operating procedures be reviewed to accommodate the new requirements of the standard received an average rating of 4.03 with a standard deviation of 0.30. This implies that respondents had a consistent perception that management took proactive steps to review policies and procedures to align with the new requirements of the standard. Regarding monitoring, the statement that there was close monitoring of IFRS 9 implementation to ensure a successful transition by both management and the board of directors received a mean rating of 3.56 with a standard deviation of 0.42. This suggests that, on average, respondents perceived a moderate level of monitoring during the IFRS 9 implementation, with some variability in their views. Lastly, the statement that there was financial reward/recognition for the implementing team received an average rating of 3.53 with a standard deviation of 0.51, indicating that respondents had a moderately positive perception of financial reward or recognition for the implementing team.

In summary, the average mean rating across all statements was 3.70 with a standard deviation of 0.42. This suggests that, on average, respondents had a moderately positive perception of management support in relation to the implementation of IFRS 9 in their respective banks. The relatively low standard deviation indicates a fair degree of consistency in their views, implying that management's support was generally perceived positively by the respondents.

4.5.4 Resource Allocation

The study investigated the resource allocation on the implementation of IFRS 9 among commercial banks in Kenya. To collect data, the respondents were to rate statements about their resource allocation with the use of a Likert scale. Table 4.10 contains the mean and standard deviation for Resource allocation.

Table 4.10: Descriptive Statistics for Resource Allocation

	N	Mean	S.D
There were inadequate budgetary allocations for staff training	32	3.87	0.17
The bank acquired new accounting software and data management systems that were compatible with IFRS 9 requirements	32	3.72	0.40
Funds were set aside to recruit IFRS 9 experts to strengthen internal capacity	32	3.78	0.31
The bank engaged consultancy firms to assist in developing ECL models	32	3.69	0.46
The cost associated with the project impeded its implementation	32	3.47	0.51
Average	32	3.71	0.37

The results indicated that there were inadequate budgetary allocations for staff training, with a mean rating of 3.87 and a relatively low standard deviation of 0.17. This implied a consistent view among respondents that budgetary allocations for staff training were insufficient within their banks. Moving on, the statement that the bank acquired new accounting software and data management systems that were compatible with IFRS 9 requirements received a mean rating of

3.72 with a standard deviation of 0.40. This indicated that respondents perceived a moderate level of investment in acquiring software and systems compatible with IFRS 9, although there was some variability in their views. Furthermore, the statement that funds were set aside to recruit IFRS 9 experts to strengthen internal capacity is reflected by a mean rating of 3.78 and a standard deviation of 0.31. This suggested that respondents generally acknowledged the allocation of resources for recruiting experts to enhance internal capacity.

The statement "the bank engaged consultancy firms to assist in developing ECL models" garnered a mean rating of 3.69 with a standard deviation of 0.46. This implied a moderately positive perception among respondents regarding the engagement of consultancy firms for developing ECL models. However, it was notable that the cost associated with the project impeded its implementation, with a mean rating of 3.47 and a standard deviation of 0.51. This indicated that respondents perceived cost-related challenges that hindered the smooth implementation of IFRS 9. Overall, the average mean rating across all statements was 3.71 with a standard deviation of 0.37. This suggested that, on average, respondents had a moderately positive perception of resource allocation in relation to the implementation of IFRS 9 in their respective banks. The relatively low standard deviation indicated a fair degree of consensus among respondents.

4.5.5 Implementation of IFRS-9

The objective of the study was to assess the implementation of the International Financial Reporting Standard (IFRS 9) by commercial banks in Kenya. The research assessed the degree of agreement among the participants over the claims pertaining to implementation. The results are shown in Table 4.11.

Table 4.11: Descriptive Statistics for Implementation of IFRS-9

	N	Mean	S.D
The competence of staff involved in IFRS 9 influences the implementation of the project in commercial banks	32	3.66	0.39
The technological support systems influence the implementation of IFRS 9 in commercial banks.	32	3.56	0.47

The support from senior management influences the implementation of IFRS 9 in commercial banks.	32	3.72	0.40
Resource allocation determines the success of the implementation of IFRS 9 in commercial banks	32	3.44	0.51
Average		3.60	0.44

The findings indicated that participants generally concurred that the competence of staff involved in IFRS 9 played a significant role in influencing the implementation of the project in commercial banks, with an average mean rating of 3.66 and a standard deviation of 0.39. There was a moderate level of agreement among participants regarding the influence of technological support systems on the implementation of IFRS 9 in commercial banks, as indicated by a mean rating of 3.56 and a standard deviation of 0.47. Similarly, participants tended to perceive support from senior management as a positive influence on the implementation of IFRS 9, with an average mean rating of 3.72 and a standard deviation of 0.40.

In contrast, when it came to the statement regarding resource allocation determining the success of implementation of IFRS 9 in commercial banks, the level of agreement was slightly lower, with a mean rating of 3.44 and a somewhat higher standard deviation of 0.51. This suggests that participants had more varied views on the impact of resource allocation on implementation success.

Overall, the average mean rating across all statements was 3.60, with a standard deviation of 0.44. This indicates a moderate degree of consensus among participants regarding the factors influencing the implementation of IFRS 9 in commercial banks. It suggests that factors such as staff competence, technological support systems, support from senior management, and resource allocation all contribute to the successful implementation of IFRS 9.

4.6 Diagnostic Tests

The diagnostic tests conducted included the Multicollinearity Test, Test for Heteroscedasticity, and Normality Test.

4.6.1 Multicollinearity Test

A multicollinearity test was performed to assess the presence of a strong correlation among two or more predictor variables in the regression model. The Variance Inflation Factor (VIF) was used to assess the presence of multicollinearity, with VIF values below 10 indicating acceptable levels. Variables with a Variance Inflation Factor (VIF) over 10 were considered to have a significant degree of collinearity.

Table 4.12: Multicollinearity Test Using Tolerance and VIF

	Collinearity Statistics	
	Tolerance	**VIF**
Staff competence	0.698	1.433
Technological support systems	0.909	1.101
Management support	0.803	1.245
Resource allocation	0.625	1.601

Based on the results shown in Table 4.12, all the variables examined in this study exhibited tolerance values more than 0.2 and VIF values below 10. This finding aligns with the assertion made by Myres (2015) that VIF values equal to or over 10 indicate the existence of multicollinearity. Consequently, it can be concluded that there was no evidence of multicollinearity among the independent variables in this study.

4.6.2 Test for Heteroscedasticity

Heteroscedasticity refers to the condition in which the dispersion of a variable is not uniform over the whole range of values of a second variable that serves as its predictor. Failing to account for heteroscedasticity while running a regression model may result in unbiased parameter estimates. The Breusch-Pagan/Godfrey test was used to examine the presence of heteroscedasticity. A heteroscedasticity test was conducted using the Breusch-Pagan / Cook-Weisberg test to examine

the presence of correlation among error terms across observations in the cross-sectional data (Long & Ervin, 2000). The theory proposed was that

H_1: The data is Homoscedastic.

If the p-value is less than 0.05, the hypothesis is rejected.

The Breusch-Pagan results are presented in Table 4.13.

Table 4.13: Heteroscedasticity Results

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity		
H_0: Constant variance		
Variables: fitted values of Implementation		
chi2(1)	=	71.42
Prob > chi2	=	0.073

Source: Field Survey Data (2022)

The findings shown in Table 4.13 indicate that the p-value exceeds the threshold of 5%. The hypothesis was not rejected at a crucial p-value of 0.05 due to the reported Chi2 (1) value of 71.42 and a p-value of 0.073, which is above the significance threshold. Consequently, it can be concluded that the data did not exhibit heteroscedasticity.

4.6.3 Normality Test

The test for normality assesses the extent to which the data conforms to a normal distribution, which is characterized by linearity. The Shapiro-Wilk test was used to assess the normality of the variables since it is known to possess the best statistical power compared to other tests for normality. The hypothesis was evaluated using a significance level of 0.05, according to the convention of rejecting the null hypothesis (H0) if the probability (P) value is less than 0.05, and retaining it otherwise. To meet the requirements of the multiple regression model, it is necessary for the dependent variable to have a normal distribution. This condition is essential for the analysis of the research, as stated by Quataroli and Julia (2012). The hypothesis was that;

H_1: The data is normal.

The results for normality are shown in Table 4.14 below

Table 4.14: Normality Outputs

	Shapiro-Wilk		
	Statistic	df	Sig.
Staff competence	0.743	32	0.063
Technological support systems	0.836	32	0.659
Management support	0.724	32	0.073
Resource allocation	0.862	32	0.055
Implementation	0.925	32	0.071
a Lilliefors Significance Correction			

Source: Field Survey Data (2022)

The findings of this study suggest that, based on the application of the Shapiro-Wilk test of normality, the data exhibits normal distribution. This conclusion is supported by the fact that all variables have p-values greater than 0.05, leading to the acceptance of the null hypothesis (H0) and the rejection of the alternative hypothesis (H1). Hence, it can be inferred that the variables pertaining to staff competence, technological support systems, management support, resource allocation and implementation exhibit a normal distribution.

4.7 Correlation Analysis

A correlation study was performed to determine the relationship between the independent and dependent variables. Correlation coefficients, denoted as "r," are used in quantifying the magnitude and orientation of these associations. The correlation coefficient is a statistical measure that varies between -1 and 1. Positive numbers signify a positive association, negative values indicate a negative relationship, and values closer to 0 suggest a weaker relationship. Table 4.15 displays the correlation matrix.

Table 4.15: Correlation Matrix

	Implementation	Staff competence	Technological support systems	Management support	Resource allocation
Implementation	1.000				
Staff competence	.820**	1.000			
	0.000				
Technological support systems	.785**	.416**	1.000		
	0.000	0.000			
Management support	.804**	.325**	.404**	1.000	
	0.000	0.000	0.000		
Resource allocation	.767**	.420**	.200**	.389**	1.000
	0.000	0.000	0.000	0.000	

The correlation between implementation and staff competence is strong, with a positive correlation coefficient of 0.820 ($p < 0.001$). This suggests a strong and significant association between the degree of implementation of IFRS 9 and the competence of the staff involved. As staff competence increases, the level of implementation tends to increase as well. This positive correlation underscores the importance of having knowledgeable and capable staff in successfully implementing IFRS 9 within commercial banks.

Similarly, the correlation between implementation and technological support systems is also strong, with a positive correlation coefficient of 0.785 ($p < 0.001$). This indicates a significant association between the level of implementation and the adequacy of technological support systems. As technological support systems improve, the implementation of IFRS 9 is likely to be more successful. This underscores the role of technology in facilitating the implementation of complex financial reporting standards.

Furthermore, the correlation between implementation and management support is robust, with a positive correlation coefficient of 0.804 ($p < 0.001$). This signifies a strong and significant association between the extent of implementation and the support provided by senior management.

When senior management is actively involved and supportive of the implementation process, it tends to lead to higher levels of successful implementation.

Lastly, the correlation between implementation and resource allocation is also significant, with a positive correlation coefficient of 0.767 ($p < 0.001$). This indicates that there is a strong association between the level of implementation and the allocation of resources. As resources are allocated more effectively, the implementation of IFRS 9 is more likely to be successful. This highlights the importance of proper resource allocation in achieving successful implementation outcomes.

In summary, these correlation statistics, with their respective correlation coefficients (R-values) and p-values, provide compelling evidence of positive and significant associations between the degree of implementation of IFRS 9 and various key factors, including staff competence, technological support systems, management support, and resource allocation.

4.8 Regression Analysis

The research conducted a regression analysis to determine the statistical significance of the connection between the independent and dependent variables. The fitness of the regression model in describing the studied phenomena is shown in Table 4.16.

Table 4.16: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.892[a]	.883	.781	6.960

The coefficient of determination, R Square, is 0.883, indicating that approximately 88.3% of the variance in implementation can be explained by the independent variables included in the model. This suggests a reasonably strong relationship between the variables. The Analysis of Variance (ANOVA) results are shown in Table 4.17.

Table 4.17: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	77888.086	4	19472.022	402.010	.000[b]
Residual	1307.789	27	48.437		
Total	79195.875	31			

The results provide further evidence supporting the significance of the regression model, as shown by the F-statistic of 402.01 (p<0.000). This is reinforced by the fact that the p-value was 0.000, which is below the conventional significance level of 0.05. The research used a regression coefficient analysis to determine the statistical significance of the connection between the independent factors and the dependent variable. The results of the regression coefficients are shown in Table 4.18.

Table 4.18: Regression of Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	14.515	10.465		1.387	.177
Staff competence	0.148	.053	0.158	2.785	.010
Technological support systems	14.544	1.469	15.408	9.902	.000
Management support	0.144	.051	0.147	2.825	.009
Resource allocation	13.028	1.330	14.846	9.797	.000

The fitted model was;

$Y = 14.515 + \beta_1 0.148 + \beta_2 14.544 + \beta_3 0.144 + \beta_4 13.028$

Where;

Y = Implementation of IFRS 9 among the Kenyan Commercial Banks

X_1 = Staff Competence

X_2 = Technology Support Systems

X_3 = Management Support

X_4 = Resource Allocation

β_0= the constant term

β_1, β_2, β_3, β_4= coefficients

Staff competence indicated a positive and statistically significant relationship (Beta = 0.158, p = 0.010). This finding suggests that an increase in staff competence corresponds to an increase in the success of IFRS 9 implementation. The statistical significance, as indicated by the p-value of 0.010, underscores that this relationship is not merely due to random chance. Technological support systems indicated a highly positive and highly significant relationship emerged (Beta = 15.408, p < 0.001). This indicates that an augmentation in technological support systems is strongly associated with a substantial improvement in the success of IFRS 9 implementation. The exceptionally low p-value (p < 0.001) emphasizes the robust statistical significance of this relationship.

Management support revealed a positive and statistically significant relationship (Beta = 0.147, p = 0.009). This suggests that when management provides support, there tends to be a positive influence on the success of IFRS 9 implementation. The p-value of 0.009 affirms the statistical significance of this effect. Lastly, concerning Resource allocation had a highly positive and highly significant relationship (Beta = 14.846, p < 0.001). This implies that increased resource allocation is strongly correlated with a heightened level of success in implementing IFRS 9. The low p-value (p < 0.001) reaffirms the robust statistical significance of this association.

The results of the regression showed that staff competence, technological support systems, management support, and resource allocation all exhibit positive and statistically significant relationships with the success of IFRS 9 implementation in commercial banks in Kenya. These findings suggest that enhancing staff competence, improving technological support systems, securing management support, and allocating sufficient resources are crucial determinants contributing to the successful implementation of IFRS 9.

4.9 Discussion of Findings

The objective of this study was to identify the institutional factors influencing the implementation of the International Financial Reporting Standard (IFRS 9) by commercial banks in Kenya. The variables of interest were staff competence, technological support systems, management support, and resource allocation and implementation.

4.9.1 Staff competence

The first objective was to assess the impact of staff competence on the implementation of IFRS 9 among Commercial Banks in Kenya. The correlation results indicated a strong positive correlation coefficient of 0.820 ($p < 0.001$). This indicates a strong and significant association between the degree of implementation of IFRS 9 and the competence of the staff involved. Regression analysis indicated that staff competence has a positive and statistically significant relationship (Beta = 0.158, $p = 0.010$). This finding suggests that an increase in staff competence corresponds to an increase in the success of IFRS 9 implementation.

Munkejord and Tingvold's study (2019) on competence among healthcare practitioners in a multicultural nursing home unit in Norway aligns with the current findings. They discovered that competence in healthcare workers was not solely defined by educational qualifications but also included factors like effective communication, enthusiasm for the job, and efficient task management. Similarly, this study found that staff competence, beyond mere qualifications, significantly influences the success of IFRS 9 implementation in commercial banks. Barykin et al. (2020) focused on digital competence and found that a combination of foundational knowledge and practical skills is crucial for competent personnel, particularly in the digital sector. This notion resonates with the current study's findings, where staff competence plays a vital role in the successful implementation of IFRS 9. It suggests that practical skills and a deep understanding of the subject matter are essential elements of competence that drive positive outcomes. Salman, Ganie, and Saleem's research (2020) explored the impact of staff competencies on organizational performance in banking sectors. Their findings indicated that staff competencies have a significant and positive effect on organizational performance. This result aligns with the current study, which found a strong and significant association between staff competence and the success of IFRS 9 implementation in commercial banks. Sabuhari et al.'s study (2020) delved into the relationship between employee skills, job happiness, and human resource flexibility on employee performance.

They found that employee skills significantly influence worker productivity, which is consistent with the study's findings regarding the positive impact of staff competence on IFRS 9 implementation success. Additionally, their study's emphasis on the importance of skills in employee performance reinforces the current findings.

4.9.2 Technological Support Systems

The second objective was to determine the impact of technology support systems on the implementation of IFRS 9 among Commercial Banks in Kenya. The correlation results indicated a strong positive correlation coefficient of 0.785 ($p < 0.001$). This indicates a significant association between the level of implementation and the adequacy of technological support systems. Regression results indicated that technological support systems have a positive and highly significant relationship (Beta = 15.408, $p < 0.001$). This indicates that an augmentation in technological support systems is strongly associated with a substantial improvement in the success of IFRS 9 implementation.

These findings align with and support the broader literature on technology adoption and utilization in the banking and financial sector. Alemayehu's (2021) study in the Ethiopian context highlights the importance of information technology audits and technology-related fraud detection within commercial banks. The study's findings indicate that commercial banks in Ethiopia perform IT audits and encounter IT-related fraud, emphasizing the significance of technology and its effective utilization in the banking sector. This resonates with the positive relationship observed between technological support systems and IFRS 9 implementation in Kenya, underlining the critical role of technology in banking operations.

Rahi, Ghani, and Ngah's (2018) research on technology adoption in Internet banking emphasizes the impact of perceived technological security on customers' willingness to use banking technology. Their study suggests that enhancing security features can encourage clients to embrace technology in banking. In the context of IFRS 9 implementation, the strong positive relationship between technological support systems and success echoes this sentiment. Adequate technological support systems likely enhance the sense of security and confidence in the implementation process, aligning with the findings. Denter, Seeger, and Moehrle's (2022) exploration of blockchain technology's potential benefits for patent management emphasizes the role of technology in reshaping stakeholder organization and collaboration. While their focus is on patents, the idea that

technology can revolutionize collaboration and efficiency within organizations resonates with the positive relationship observed between technological support systems and IFRS 9 implementation. Effective technological support systems can streamline processes, improve collaboration, and enhance efficiency, all of which contribute to successful implementation.

4.9.3 Management Support

The third objective was to establish the effects of management support on the implementation of IFRS 9 among Commercial Banks in Kenya. The correlation results indicated a strong positive correlation coefficient of 0.804 ($p < 0.001$). This signifies a strong and significant association between the extent of implementation and the support provided by senior management. Regression results indicated that Management support had a positive and statistically significant relationship (Beta = 0.147, p = 0.009). This suggests that when management provides support, there tends to be a positive influence on the success of IFRS 9 implementation.

In the study conducted by Sultan et al. (2022), which examined the effect of corporate entrepreneurship on customer satisfaction in Pakistani public sector banks, it was found that top management support played a significant role. Similarly, in the context of IFRS 9 implementation in Kenyan commercial banks, the research suggests that management support has a positive influence on implementation success. This alignment suggests that the importance of management support is consistent across different banking contexts. Zerihun's (2021) research on the impacts of total quality management (TQM) techniques in Ethiopian commercial banks also resonates with the findings. Zerihun's study indicated that top management leadership and commitment were crucial factors for the successful implementation of TQM practices and organizational performance. In the Kenyan context, the positive relationship between management support and IFRS 9 implementation success reinforces the notion that strong support from senior management is a common factor for successful initiatives within the banking sector. Okour's (2018) research in Jordan focused on knowledge management systems and found that top management support significantly influenced the use of these systems. This finding is consistent with the idea that management support is pivotal in facilitating the adoption and effective utilization of various systems and practices within the banking industry. Furthermore, the research by Hsu, Liu, Tsou, and Chen (2018) highlighted the importance of senior management support in fostering service innovation and technology adoption. This is in line with the notion that management support can

positively impact the implementation of new standards and practices, such as IFRS 9, in the banking sector.

4.9.4 Resource Allocation

The fourth objective was to evaluate the influence of resource allocation on the implementation of IFRS 9 among Commercial Banks in Kenya. The correlation results were significant, with a positive correlation coefficient of 0.767 ($p < 0.001$). This indicates that there is a strong association between the level of implementation and the allocation of resources. Regression results indicated that resource allocation had a positive and highly significant relationship (Beta = 14.846, $p < 0.001$). This implies that increased resource allocation is strongly correlated with a heightened level of success in implementing IFRS 9.

The findings from the study align with the broader understanding of resource allocation in various domains. For example, in Sadiq's (2019) research on Kenyan Water Service Boards, the importance of efficient resource allocation is emphasized. The study underscores that effective strategic planning and competitive processes for allocating resources improve institutional performance, which resonates with the positive relationship found in the current study regarding resource allocation and IFRS 9 implementation. Similarly, Kariuki's (2019) research in Laikipia County highlights the significance of feasibility studies and effective budget planning in resource allocation decisions. This reinforces the idea that resource allocation should be informed by careful assessment and planning, which can contribute to successful implementation, as seen in the current study. Eisenbach, Lucca, and Townsend's (2022) study on the distribution of resources in banking supervision provides insights into the consequences of resource allocation decisions. It indicates that the allocation of supervisory resources has implications for bank risk and outcomes. This aligns with the notion that resource allocation decisions can significantly impact the success of implementation, as observed in the study of IFRS 9 implementation. Furthermore, Chen and Zeng's (2022) examination of credit allocation's impact on corporate social responsibility (CSR) highlights the complex nature of resource allocation effects. The study suggests that there can be a curvilinear relationship between resource allocation and outcomes, like the findings in the current study, where an optimal level of resource allocation appears to be associated with higher implementation success.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the key findings, and conclusions drawn and includes recommendations based on the results of the study, discusses the limitations of the approach used, and suggests areas for further research.

5.2 Summary of Findings

The study's findings are presented across four key objectives, each highlighting a distinct institutional factor influencing the implementation of the International Financial Reporting Standard (IFRS 9) by commercial banks in Kenya.

The first objective focused on the impact of staff competence on the implementation of IFRS 9. The findings revealed a strong positive association between staff competence and the successful implementation of IFRS 9. This finding underscores the critical role of skilled and knowledgeable staff in navigating the complexities of IFRS 9. It suggests that banks with more competent staff are better equipped to implement these standards effectively, highlighting the importance of investing in employee training and development as a means to enhance compliance and financial reporting accuracy.

Regarding the second objective, the study examined the impact of technology support systems on the implementation of IFRS 9. The findings indicated a significant positive relationship between the adequacy of technological support and the level of IFRS 9 implementation success. This relationship emphasizes the crucial role of robust technological infrastructure in supporting the complex requirements of IFRS 9. Banks with advanced technology support systems are found to have a higher success rate in implementing these standards, suggesting that investments in technology are not only essential for operational efficiency but also for compliance and reporting accuracy.

The third objective was to assess the effects of management support on the implementation of IFRS 9. The results highlighted a strong positive influence of senior management support on the implementation process. This finding points to the importance of leadership and organizational commitment in driving the adoption of IFRS 9. It suggests that when bank management is actively involved and supportive, it creates an environment conducive to successful implementation, underlining the role of leadership in fostering a culture of compliance and continuous improvement.

Finally, the fourth objective evaluated the influence of resource allocation on the implementation of IFRS 9. The study found a significant positive correlation between resource allocation and implementation success. This highlights the importance of allocating sufficient resources, including financial, human, and material resources, for the effective adoption of IFRS 9. It suggests that banks that prioritize and allocate adequate resources towards IFRS 9 implementation are more likely to achieve higher levels of compliance and reporting quality. This finding emphasizes the need for strategic resource planning and allocation to ensure the successful implementation of complex financial reporting standards.

5.3 Conclusion of the Study

The study concludes that staff competence plays a crucial role in the successful implementation of IFRS 9 among commercial banks in Kenya. The findings underscore that banks with more competent staff demonstrate a higher success rate in implementing these complex financial reporting standards. This conclusion highlights the importance of a skilled workforce, knowledgeable in IFRS 9 specifics, for accurate and efficient compliance. It points to the need for continuous staff training and development programs, emphasizing that a well-informed and capable team is fundamental to navigating the intricacies of these standards and ensuring effective financial reporting.

Further, the study concludes that the presence and adequacy of technology support systems are vital for the effective implementation of IFRS 9 in commercial banks. The strong association between technological infrastructure and successful implementation emphasizes the need for robust, modern, and efficient technological solutions. This conclusion suggests that banks should invest in advanced technology systems to support the complex requirements of IFRS 9. These

investments not only aid in compliance but also contribute to the overall efficiency and accuracy of financial reporting processes, making technology a cornerstone of successful IFRS 9 implementation.

Regarding management support, the study concludes that it is a significant determinant in the successful implementation of IFRS 9. The findings highlight the role of senior management in providing direction, resources, and an enabling environment for the adoption and execution of these standards. This conclusion underscores the need for strong leadership and organizational commitment towards IFRS 9 compliance. It suggests that when management actively supports the implementation process, it fosters a culture of compliance, facilitates smoother adoption, and ultimately leads to more successful outcomes in financial reporting standards implementation.

Lastly, the study concludes that the allocation of resources is critically important for the successful implementation of IFRS 9. The positive correlation between resource allocation and implementation success underlines the necessity for banks to strategically plan and allocate adequate resources. This conclusion points to the importance of not only financial investment but also the allocation of human and material resources. Effective resource management, including budgeting and resource distribution, is essential for meeting the complex demands of IFRS 9. Banks that prioritize and effectively manage resources for this purpose are more likely to achieve a higher level of compliance and reporting quality, highlighting resource allocation as a key factor in the successful adoption of these financial reporting standards.

5.4 Recommendations of the Study

The study recommends that commercial banks in Kenya prioritize staff competence as a central component of their strategy for implementing IFRS 9. To achieve this, banks should invest in comprehensive training programs and continuous professional development for their employees. This investment should focus on enhancing their understanding of IFRS 9 requirements and intricacies. Furthermore, banks should consider hiring experienced professionals with expertise in IFRS 9 to strengthen their teams. By prioritizing staff competence, banks can better position themselves to successfully navigate the complexities of IFRS 9 implementation.

Additionally, the study recommends that commercial banks place a strong emphasis on technology support systems. Banks should assess their existing technological infrastructure and make

necessary enhancements to ensure it aligns with the demands of IFRS 9. This includes the implementation of advanced financial reporting software, data management systems, and automation tools. Moreover, banks should establish robust IT governance frameworks to continuously monitor and optimize their technology support systems. By doing so, banks can enhance their capacity to comply with IFRS 9 and improve the accuracy and efficiency of financial reporting processes.

In terms of management support, the study recommends that senior management within commercial banks take an active and engaged role in the implementation of IFRS 9. Management should demonstrate their commitment to compliance by providing the necessary resources, guidance, and leadership. This includes allocating budgetary resources specifically for IFRS 9 implementation, appointing responsible teams or committees, and fostering a culture of accountability throughout the organization. By championing the implementation process, senior management can create an environment conducive to successful IFRS 9 adoption.

Lastly, the study recommends that commercial banks develop strategic resource allocation plans to support IFRS 9 implementation effectively. Banks should allocate financial resources for training, technology upgrades, and compliance activities. Additionally, they should ensure that they have the right personnel and expertise in place to execute the implementation process. It is essential to allocate resources efficiently, considering the specific needs and challenges posed by IFRS 9. By implementing a well-thought-out resource allocation strategy, banks can optimize their efforts and increase the likelihood of successful IFRS 9 compliance and reporting.

5.5 Limitations of the Study

The limitations of this study include the potential for response bias, as the research relied on self-reported data from commercial banks in Kenya, which may introduce subjectivity and reporting inaccuracies. Additionally, the study's scope was limited to commercial banks in Kenya, which may limit the generalizability of the findings to a broader context. The cross-sectional nature of the research design may not capture longitudinal changes in the implementation of IFRS 9 over time. Furthermore, while the study examined key institutional factors, it did not consider external factors or contextual variables that could also influence implementation success. Finally, the study

did not delve into the qualitative aspects of the identified factors, which could provide a deeper understanding of the dynamics at play.

5.6 Suggestions for Further Research

For further research, it is suggested to explore the qualitative aspects of the identified institutional factors influencing the implementation of IFRS 9 among commercial banks in Kenya, including in-depth interviews and case studies to gain a deeper understanding of the underlying dynamics. Additionally, comparative studies across different countries and regions could provide insights into the variations in implementation challenges and strategies. Investigating the evolving landscape of international financial reporting standards and their impact on banks' compliance efforts over time could also be valuable. Furthermore, future research could delve into the role of regulatory bodies and policy frameworks in shaping IFRS 9 implementation practices within the banking sector, offering a comprehensive view of the regulatory landscape's influence on financial reporting.

REFERENCES

Akonoafua, S. A., & Aderin, A. (2021). International Financial Reporting Standards (IFRS) Adoption and Value Relevance of Accounting Numbers.

Albu, N., Albu, C. N., & Gray, S. J. (2020). Institutional factors and the impact of international financial reporting standards: The Central and Eastern European experience. In *Accounting Forum* (Vol. 44, No. 3, pp. 184-214). Routledge.

Alemayehu, T. (2021). *Assessing Practice of Information Technology Audit And Fraud Detection On Commercial Banks In Ethiopia* (Doctoral Dissertation, St. Mary's University).

Amidu, M., & Issahaku, H. (2019). Do globalization and the adoption of IFRS by banks in Africa lead to less earnings management? *Journal of Financial Reporting and Accounting*.

Angioha, P. U., Enukoha, C. U., Agba, R. U., & Ikhizamah, G. U. (2020). Information technology predictor variables and employee productivity in commercial banks. *JINAV: Journal of Information and Visualization*, *1*(1), 44-52.

Ball, R., & Brown, P. (1968). An empirical evaluation of accounting income numbers. *Journal of Accounting Research*, 159-178.

Barth, M. E., Landsman, W. R., & Lang, M. H. (2008). International accounting standards and accounting quality. *Journal of Accounting Research*, *46*(3), 467-498.

Barykin, S., Borovkov, A., Rozhdestvenskiy, O., Tarshin, A., & Yadykin, V. (2020, September). Staff competence and training for the digital industry. In *IOP Conference Series: Materials Science and Engineering* (Vol. 940, No. 1, p. 012106). IOP Publishing.

Baumann, S., & Leišytė, L. (2021). Changing Research Structures and Academic Staff Competence in the Swiss Non-traditional University Sector. *Higher Education Policy*, 1-22.

Beckman, J. K., Michel, M. L., Munter, P., & Kaiser Venuti, E. (2017). Progress Despite Uncertainty: Results of the AAA/KPMG Survey on Implementation of IFRS into US Accounting Curricula. *KPMG Survey on Implementation of IFRS into US Accounting Curricula (October 24, 2017)*.

Belolipetskaya, A. E., Golovina, T. A., Avdeeva, I. L., & Polyanin, A. V. (2021). Digital Economy Influence on the Formation of Staff Competencies. In *Economic Issues of Social Entrepreneurship* (pp. 395-404). Palgrave Macmillan, Cham.

Bestman, A. E., & Chinyere, J. O. (2021). Decisions support systems and organizational efficiency of the deposit money banks in Port Harcourt, Rivers State. *The Strategic Journal of Business & Change Management*, *8*(1), 183-196.

Boolaky, P. K., Tawiah, V., & Soobaroyen, T. (2020). Why do African countries adopt IFRS? An institutional perspective. *The International Journal of Accounting*, *55*(01), 2050005.

Brackney, K. S., & Witmer, P. R. (2005). The European Union's role in international standards setting: will bumps in the road to convergence affect the SEC's plans? *CPA journal*, *75*(11), 18.

Brüggemann, U. (2011). The impact of mandatory IFRS adoption on cross-border equity investments of individual investors. In *Essays on the economic consequences of mandatory IFRS reporting around the world* (pp. 45-82). Gabler.

Central Bank of Kenya. (2019). Circular on the Implementation of IFRS 9 Financial Instruments. Retrieved from https://www.centralbank.go.ke

Chen, Q., & Zeng, H. (2022). Is corporate social responsibility constrained by bank credit resource allocation? *Corporate Social Responsibility and Environmental Management*.

Colasse, B. (2000). *Comptabilité générale:(PCG 1999)*. Economica.

Creswell, J. W. (2014). *A concise introduction to mixed methods research*. SAGE publications.

De Haan, L., & van Oordt, M. R. C. (2018). Timing of banks' loan loss provisioning during the crisis. Journal of Banking & Finance,

Deloitte. (2016). IFRS in Focus, IFRS 9: Financial Instruments – high-level summary. Deloitte Touche.

Deloitte (2020). Retrieved from https://www2.deloitte.com/za/en/nigeria.html

Demski, J. S. (1988). Positive accounting theory: A review. *Accounting, Organizations and Society*, *13*(6), 623-629.

Denter, N. M., Seeger, F., & Moehrle, M. G. (2022). How can Blockchain technology support patent management? A systematic literature review. *International Journal of Information Management*, 102506.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 147-160.

Ding, C., & Peng, H. (2005). Minimum redundancy feature selection from microarray gene expression data. *Journal of bioinformatics and computational biology*, *3*(02), 185-205.

Donnellan, J., & Rutledge, W. L. (2019). A case for resource-based view and competitive advantage in banking. *Managerial and Decision Economics*, *40*(6), 728-737.

Eisenbach, T. M., Lucca, D. O., & Townsend, R. M. (2022). Resource Allocation in Bank Supervision: Trade-Offs and Outcomes. *The Journal of Finance*, *77*(3), 1685-1736.

Erin, O. A., & Oduwole, F. (2018). An investigative analysis into the impact of International Financial Reporting Standards (IFRS) on the profitability ratios of Nigerian banks. *EuroEconomica*, *38*(1).

Ferreira, M. A., Matos, P., & Pires, P. (2018). Asset management within commercial banking groups: International evidence. *The Journal of Finance*, *73*(5), 2181-2227.

Hsu, H. Y., Liu, F. H., Tsou, H. T., & Chen, L. J. (2018). The openness of technology adoption, top management support, and service innovation: a social innovation perspective. *Journal of Business & Industrial Marketing*.

Kariuki, J. M. (2019). *Resource Allocation in County Governments: A Case of Laikipia County* (Doctoral dissertation, United States International University-Africa).

Katz, M. L., & Shapiro, C. (1985). Network externalities, competition, and compatibility. *The American Economic Review*, *75*(3), 424-440.

Khomich, S. G. (2017). Factors Affecting the Adoption of International Financial Reporting Standards (IFRS) by Public Listed Companies: A Review. *Journal of Economics*, 8(5), 1474-1487.

Kund, A. G., & Rugilo, D. (2019). Assessing the implications of IFRS 9 on financial stability using bank stress tests. Working paper: University of Cologne.

Leuz, C., Nanda, D., & Wysocki, P. D. (2019). Earnings management and investor protection: An international comparison. *Journal of Financial Economics*, 69(3), 505-527.

Liebowitz, S. J., & Margolis, S. E. (1994). Network externality: An uncommon tragedy. *Journal of economic perspectives*, *8*(2), 133-150.

Malamud, S., Manetti, G., & Ordelheide, D. (2019). The impact of institutional factors on the implementation of International Financial Reporting Standards. *Journal of Accounting*, 34, 28-45.

Malo-Alain, A., Aldoseri, M., & Melegy, M. (2021). Measuring the effect of international financial reporting standards on quality of accounting performance and efficiency of investment decisions. *Accounting*, *7*(1), 249-256.

Mendoza, D. (2018). Research competencies of higher-education teaching staff based on emotional intelligence. *Available at SSRN 3639447*.

Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American journal of sociology*, *83*(2), 340-363.

Morozevich, E. S., Kuznetsova, Y. A., Kubrikova, A. S., Livak, N. S., & Makarov, A. I. (2022). Employee's Competence Profile for Adaptive Organization Management. *Organizacija*, *55*(1), 3-16.

Munkejord, M. C., & Tingvold, L. (2019). Staff perceptions of competence in a multicultural nursing home in Norway. *Social Science & Medicine*, *232*, 230-237.

Obeidat, D., Yousef, B., Hashem, L., & Masa'deh, R. E. (2018). The influence of knowledge management uses on total quality management practices in commercial banks of Jordan. *Modern Applied Science*, *12*(11).

Obwocha, D. N. (2019). *Effect of Change in Loan Loss Provisioning Policy by IFRS9 on the Financial Performance of Commercial Banks in Kenya*. Dissertation, University of Nairobi.

Ofoegbu, N. G., & Odoemelam, N. (2018). International financial reporting standards (IFRS) disclosure and performance of Nigeria-listed companies. *Cogent business & management*, *5*(1), 1542967.

Okour, M. K. (2018). *Knowledge Management System Usage, User Satisfaction, And Decision-Making Effectiveness In Jordanian Banks* (Doctoral dissertation, Multimedia University).

Ombati, R., & Shukla, A. (2018). Analyzing the problems with the current adoption of IFRS in the companies among India, China, Germany, Russia, and Kenya. *Accounting*, *4*(1), 29-40.

Omukhulu, B. A. (2020). *Impact of International Financial Reporting Standard 9 (IFRS 9) Implementation on Financial Performance of Commercial Banks in Kenya*. Dissertation, KCA University.

Pignatel, I., & Tchuigoua, H. T. (2020). Microfinance institutions and International Financial Reporting Standards: An exploratory analysis. *Research in International Business and Finance*, *54*, 101309.

PWC (2017) https://www.pwc.com/gx/en/audit-services/ifrs/publications/ifrs-9/ifrs-9-understanding-the-basics.pdf

Rahi, S., Ghani, M., & Ngah, A. (2018). A structural equation model for evaluating users' intention to adopt Internet banking and intention to recommend technology. *Accounting*, *4*(4), 139-152.

Sabuhari, R., Sudiro, A., Irawanto, D., & Rahayu, M. (2020). The effects of human resource flexibility, employee competency, organizational culture adaptation, and job satisfaction on employee performance. *Management Science Letters*, *10*(8), 1775-1786.

Sadiq, A. M. (2019). Effect of Resource Allocation Strategy on the Performance of Water Services Boards in Kenya.

Salman, M., Ganie, S. A., & Saleem, I. (2020). Employee competencies as predictors of organizational performance: a study of public and private sector banks. *Management and Labour Studies*, *45*(4), 416-432.

Scott, W. R. (2005). Institutional theory: Contributing to a theoretical research program. *Great minds in management: The process of theory development*, *37*(2), 460-484.

Serov, E. R., & Koltsov, A. N. (2019). Distributed ledger technology and banks: trends and prospects. *Ученые записки Международного банковского института*, (2), 7-20.

Sultan, M. F., Khoso, J. N., Mahesar, S. A., & Husnain, B. (2022). Relating Innovativeness to Customer's Satisfaction in Public-Sector Banks: Moderating Role of Top-Management Support. *Journal of Entrepreneurship, Management, and Innovation*, *4*(1), 231-244.

Wang, Y., Xiuping, S., & Zhang, Q. (2021). Can fintech improve the efficiency of commercial banks? —An analysis based on big data. *Research in international business and finance*, *55*, 101338.

Watts, R. L., & Zimmerman, J. L. (1986). Positive accounting theory.

White, J. M., & Irvine, R. J. (1999). Mechanisms of fatal opioid overdose. *Addiction*, *94*(7), 961-972.

Zerihun, T. (2021). *The Effect of Total Quality Management Practices on the Organizational Performance of Service Sectors: Evidence from Commercial Banks in Debre Berhan City* (Doctoral dissertation).

Zhang, Y., Wei, Y., & Zhou, G. (2018). Promoting firms' energy-saving behavior: The role of institutional pressures, top management support and financial slack. *Energy policy*, *115*, 230-238.

Zou, F., & Alfan, E. (2020). The Impact of Institutional Factors and IFRS on the Value Relevance of Accounting Information: Evidence from Chinese Ah-Shares. *Available at SSRN 3839139*.

APPENDICES

Appendix 1: Questionnaire

The University of Nairobi

Faculty of Business & Management Sciences

Department of Finance and Accounting

MBA Program

Questionnaire

I am an MBA student at the University of Nairobi. The objective of this questionnaire was to collect information for a research project to be conducted on the title, "***Institutional Factors Influencing the Implementation of IFRS 9 by commercial banks in Kenya***" to be submitted in partial fulfillment of the requirements for the award of the degree of Master of Business Administration of the University of Nairobi.

The information provided by you together with other respondents shall be combined and analyzed collectively. All responses shall be treated in strict confidence and used solely for academic purposes.

In case of any clarification regarding this questionnaire, kindly reach me by email: clochuria@students.uonbi.ac.ke

Thank you in advance for taking your precious time to provide me with honest feedback.

SECTION A: BACKGROUND INFORMATION

Kindly answer the questions by ticking in the boxes or writing in the spaces provided.

1. Gender   Male [ ]   Female [ ]

2. Age (Years)   25-30 [ ]   31- 35 [ ]   36- 40 [ ]

                    41- 45 [ ]   46 – 50 [ ]   Over 50 [ ]

3. What is your level of education? Certificate/Diploma [ ]   Undergraduate [ ]

                                Masters [ ]   Ph.D. [ ]

4. Are you a member of a professional body?   Yes [ ]   No [ ]

    If yes, specify _____

5. Which department/Unit do you work?   Finance [ ]   Credit [ ]

                              Internal Audit [ ]   Risk [ ]

6. Years of service in the bank?   0 - 2 [ ]   3 - 5 [ ]

                             6 -10 [ ]   Over 10 [ ]

7. What is the size of your bank?   Tier I [ ]   Tier II [ ]   Tier III [ ]

SECTION B

Listed below are institutional factors influencing the implementation of IFRS 9 by Kenyan Commercial Banks. Kindly state your level of agreement or disagreement with each of the statements. Put a tick mark (√) against that which best describes your position. The scale ranges from; 1- Strongly Disagree (SD), 2 - Disagree (D), 3 – Neutral (N), 4 – Agree (A), 5 - Strongly Agree (SA)

No	Statement	SD	D	N	A	SA
I	**Staff competence**	1	2	3	4	5
a)	The bank had adequate competent IFRS 9 specialists					
b)	Adequate training was provided for the implementing team before, during, and after IFRS 9 implementation					
c)	There was a lack of elaborate internal capacity-building programs for the implementation team.					
d)	There was heavy reliance on consulting firms and/ or external auditors for training and capacity building					
e)	The bank acquired training materials at an affordable cost to address the skill gaps of the implementing team.					
f)	The implementing team developed IFRS 9 financial models in-house.					
II	**Technological support systems**					
g)	The bank used MS Excel spreadsheets for financial modeling and reporting purposes					
h)	Historical loan information was readily available and easily retrievable.					
i)	The existing systems were compatible with IFRS 9 requirements					
j)	The bank had reliable and accurate credit scoring systems					
k)	The bank's existing systems generated accurate reports reflecting the true loan provisions					
l)	The banks through KBA made available a knowledge-sharing platform to ease the dissemination of information among banks.					
III	**Management support**					
m)	The senior managers of the bank are experienced and skilled in matters of IFRS 9					
n)	IFRS 9 implementation project was given top priority by management					

o)	Top Management offered high-level cooperation and support to the IFRS 9 implementation team.					
p)	Top management has a good understanding of accounting and financial reporting standards in general					
q)	Management budgeted for and availed sufficient funds for the successful implementation of IFRS 9					
r)	Management directed that policies and operating procedures be reviewed to accommodate the new requirements of the standard.					
s)	There was close monitoring of IFRS 9 implementation to ensure a successful transition by both management and board of directors					
t)	There was financial reward/ recognition for the implementing team					
IV	**Resource allocation**					
u)	There were inadequate budgetary allocations for staff training					
v)	The bank acquired new accounting software and data management systems that were compatible with IFRS 9 requirements					
w)	Funds were set aside to recruit IFRS 9 experts to strengthen internal capacity					
x)	The bank engaged consultancy firms to assist in developing ECL models					
y)	The cost associated with the project impeded its implementation					

SECTION C

In your opinion, to what extent do you agree with the following statements. Using a scale of $1 - 4$ where 4 = Fully Agree (FA), 3 = Partially Agree (PA), 2= Neutral (N), 1 = Not at All

Statement	1	2	3	4
	NA	**N**	**PA**	**FA**
The competence of staff involved in IFRS 9 influences the implementation of the project in commercial banks				
The technological support systems influence the implementation of IFRS 9 in commercial banks.				

The support from senior management influences the implementation of IFRS 9 in commercial banks.				
Resource allocation determines the success of the implementation of IFRS 9 in commercial banks				