

In most developing countries, commercial banks are the most dominant financial institutions, with the capital market institutions playing a minimal role. The main function of commercial banks is the availing of funds (monetary) to its customers. For a bank to be in a position to do so, it must be in a healthy liquidity position. The banks' primary business in lending and investment are risky business. Banks are exposed to uncertainty and instability of the financial market as interest rate fluctuations, exchange rate variation and economic volatility could all lead to insolvency, bankruptcy and financial crisis. Vodava made analysis of liquidity of Czech commercial banks and its determinant, his results showed that there is a positive link between liquidity and deposit withdrawal. In this paper we assess the influence of deposit withdrawals and inflation rate as components of liquidity level on performance of commercial banks in Kisumu County, Kenya.