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BANK RESTRUCTURING AND FINANCIAL PERFORMANCE

Angela Mucece Kithinji
PhD Candidate, University of Nairobi, School of Business,
Department of Finance and Accounting, Nairobi, Kenya
E-mail: akithinji@uonbi.ac.ke

Mirie Mwangi
Senior Lecturer, University of Nairobi, School of Business,
Department of Finance and Accounting, Nairobi, Kenya
E-mail: mwangim@uonbi.ac.ke

Kate Litondo
Senior Lecturer, University of Nairobi, School of Business,
Department of Management Science, Nairobi, Kenya
E-mail: klitondo@uobi.ac.ke

Martin Ogutu
Professor of Business Administration, University of Nairobi, School of Business,
Department of Business Administration, Nairobi, Kenya
E-mail: ogutum@uonbi.ac.ke

Abstract

This study envisaged to establish the relationship between bank restructuring and financial performance of commercial banks in Kenya. Positivism research philosophy and descriptive and inferential causal research design were used in this study. The study was based on 39 commercial banks that were consistently in business for the period 2002 to 2014. Bank restructuring was disaggregated into financial restructuring, capital restructuring, operational restructuring and asset restructuring. The empirical findings were as follows: Commercial banks use all the four types of bank restructuring. There was a direct association between bank restructuring and financial performance. Capital restructuring and asset restructuring were the

only variables found to have significant positive and negative influence respectively on the performance of commercial banks in Kenya. Financial and operational restructuring were found not to have a significant effect on financial performance of commercial banks in Kenya. The study outcome therefore reveals that the hypothesis that the relationship between bank restructuring and financial performance is not significant is rejected. The conclusion is that banks should focus more on capital restructuring and asset restructuring so as to influence their profitability. The study recommends that there is need to institute policy reforms geared towards viable restructuring and that to continuously improve bank performance banks should encourage more funds from shareholders while focusing on asset quality.

Keywords: Financial Restructuring, Capital Restructuring, Operational Restructuring, Asset Restructuring, Financial Performance

INTRODUCTION

Bank restructuring is usually undertaken to address the problems in individual banks experiencing banking crisis or to solve the problems affecting the entire banking system (Hoenig & Morris, 2012). Restructuring of banks is intended to restore and maintain faith and confidence in the banking system and profitability and efficiency in the individual banks (Nor, *et. al.*, 2009). Mario (2014) states that bank restructuring also refers to increasing surveillance and prudential regulation in order to increase the intermediation process of the banking system Bank restructuring is majorly undertaken to enhance financial performance and sometimes, to impose checks and balances to reduce the possibility of a financial crisis which may either have local or global implications (Birchil & Simmons, 2010). Hoggarth *et. al.* (2004) and Emilia, Gupta and Weisin (2007) state that failure to recognize and take action with regard to individual banks can lead to a build up of problem assets and institutions which increase the possibility of, and at the same time, hide more systemic problems calling for pre/non crisis bank restructuring). Diagonising banking problems before banking crisis ensue is necessary for ensuring a sound financial system (Hawkins & Turner, 1999).

The main factors that lead to bank restructuring include; bank failures, low profits (Hoggarth *et. al.*; 2004), high level of nonperforming loans, depressed asset prices, sharp real increase in interest rates and mergers and acquisitions (Claessens *et. al.*, 2011). Additionally, banks that are inefficient, are small-size, undercapitalized, illiquid and banks at early stages of financial crisis may require bank restructuring (Demirguc-kunt and Huzinga, 2000; Hoenig and Moris, 2012). The timing mismatch of assets and liabilities, bank ownership and bank insolvency

are other aspects that might influence the level and extent of bank restructuring (Stefan & Hoelscher, 2005). The need to increase banks branch network so as to improve service delivery and access many customers to be in tandem with economic development and economic growth forces banks to undertake operational restructuring (Miller, 1996). Suehiro (2002) observes that successful restructuring of the banking system is dependent not only on the implementation of institutional reforms initiated by the government in accordance with the global standards but also to the development of self-efforts undertaken by leading local commercial banks.

Dziobek (1998) and Dziobek and Pazarbasioglu (1998**)** states that there are four main types of bank restructuring and they include; financial restructuring, operational restructuring, asset restructuring and capital restructuring. Financial restructuring focuses on the financial structure of the banking institution and is usually concerned about the liability and capital structures of banking institutions. The most significant part of the banks liabilities is customer deposits and long term debt tends to form a very small proportion of the financial structure of banking institutions. Operational restructuring focuses on reorganizing the activities of banks including their governance structure and also entails closing down or downsizing poorly performing entities or branches, downsizing and closing down product lines to reduce costs of bank operations.

Asset restructuring entails reducing the poor performance in banks by increasing the liquidity of assets by holding more of current assets while ensuring that a large proportion is financial assets, and reducing the level of non-performing loans through provisioning for problem loans and selling off bad loans. Capital restructuring involves increasing the financial performance in banks by way of substitution of short-term debt and junior long-term debt with longer- term debt obligations (by converting debt to equity) to increase the financial structure of banks (John, Daunders & Senbet, 1995; Karacadag & Taylor, 2000; Wall & Peterson, 1995). It sometimes involves direct capital injection by the shareholders and other times a bailout by government whereby additional capital is channeled into the banking entity by government (Dziobek and Pazarbasioglu, 1998; Rose, 1994). Other types of bank restructuring identified by Bonish and Monte-Negret (1998) and Franks and Sanzbar, (2002) include; market-based solutions, carving out bad assets, establishing an asset recovery agency, changing the guard, creating phoenixes, recapitalization, change of ownership structure, restructuring borrowers, institutional arrangements, counting the monetary and fiscal costs, appointment of interim management, operational reforms and legal, regulatory and policy review.

The link between bank restructuring and financial performance is anchored in the theory of financial intermediation by Merton (1995) that explains the existence of financial institutions and the fact that they are dependent on information asymmetry and are subjected to high

transaction costs. When banks are inefficient in extending their financial services, they normally undergo restructuring by way of increasing the capital base, dealing with the problem of nonperforming loans or increasing their functions while maintaining or changing the status quo. Other strategies that commercial banks engage in to improve financial intermediation include mergers and acquisitions. The financial intermediation theory contends that if savers and borrowers had a better way of convergence, and where financial market participants are able to access market information the role of financial institutions and financial regulation would significantly diminish. Where financial institutions including commercial banks exist information asymmetry, moral hazard and transaction costs are reduced (Klein *et. al.*, 2005).

Kaplan and Norton (1996) states that financial performance metric is essentially the ultimate measure of institutional performance. The author contends that the balanced scorecard approach is from the perspective that non-financial data and financial data which is necessary for measuring financial performance of firms is essentially obtained from credible sources. Kaplan & Norton (2001) states that the performance measurement framework includes the aspects of financial perspective, internal business environment perspective, customer perspective and product innovations perspective. Every scorecard relies on the typical financial objectives of profitability, earnings of assets and mobilization of revenue. The financial perspective objective of the scorecard enables senior management of businesses to specify not only the metric by which the long-term success of the enterprise will be measured, but also the final result objectives. The measure of a manager's ability and effort is at the peak when the balanced score card is used and an interactive control system is put in place (Lipe & Satterio, 2000).

Leah (2008) defined financial performance as the measurement of the outcome of a firm's strategies, policies and operations in monetary terms. The outcomes are reflected in the firm's return on assets and return on investments. Financial performance is also defined as the end result of primary utilization of firm assets to generate proceeds during ordinary business operations (Adams and Mehran, 2005). Waweru (2008) argues that financial performance can also be used as a general measure of a firm overall financial level over a particular time duration and can be used for comparison of general performance of different firms operating in the same industry. Financial performance is also stated as a gauge to express the general financial productivity of an organization over a span of financial period and aids in comparison of financial results of other firms in the same sector. There is no one universally accepted proxy for measuring the financial performance of a firm. The level of financial performance however explains the extent to which a firm has succeeded. From a wider perspective, financial

performance of a firm take both the accounting and market based dimensions (Waweru, 2008; Waggoner, Neely & Kennerley, 1999)

According to Roberts (2007) the best performance measures contain inputs which facilitate organizations to focus their actions in achieving their long-term objectives. Measures of performance can be described as accounting measures, market based measures, the Tobin's Q, the Economic Value Added (EVA) and the non-accounting measures. Market based measures are futuristic and long-term in nature and they represent the expectations of the shareholders on the firm's future performance (Omran & Pointon, 2004). Many capital market studies therefore rely on market based measures for determining the financial performance of firms quoted at the stock exchange.

Accounting measures are majorly financial measures of performance which rely on balance sheet and income statement data. Financial performance measures rely on financial information which may be qualitative or quantitative and are return on assets (ROA), return on equity (ROE) and return on sales (ROS) (Ho & Mckay, 2002). Rose (1994) states that the main measures of performance of financial institutions are return on assets, return on equity, equity capital ratio, net interest margin, and the spread which is the difference between incomes from interest bearing assets and the expenses from interest paying liabilities.

The current study uses return on assets (ROA) as a measure of financial performance. Financial restructuring relied on changes in longterm debt to asset ratio, capital restructuring relied on changes in return on equity (ROE) and asset restructuring focused on the asset quality as measured using changes in nonperforming loans, which are accounting measures. Operational restructuring on the other hand relied on changes in Bank branches and Automated Teller Machines (ATMs) which is an operational variable and has cost implication, which again is another accounting measure.

LITERATURE REVIEW

The concept of bank restructuring has faced unresolved argument by researchers although it is a pivotal decision for banks as represented by the regularity of banks in injecting additional capital and the occasional government bailout whenever government owned banks experience a banking crisis. Rose (1994) examined the effect of financial, operational and asset restructuring on financial performance of banks that went through financial crisis in the form of negative profitability. The measures of financial performance were bank profitability and bank efficiency. Financial ratios used in the study were return on assets (ROA), return on equity (ROE), net interest margin (NIM) and the spread. The measure of operational restructuring was the income/cost ratio and the total operating costs to total assets. Financial restructuring was

measured using long-term debt to total assets while asset quality was measured using non-performing loans to total loans and loan provisions to total loans. Regression results showed that the banks that restructured reported positive and consistent increase in net profitability following bank restructuring.

De Young and Rice (2003) establish a number of research links between noninterest income of banks, business strategies, market conditions, technological change, and financial performance of banks for the period 1989 and 2001. Diversification into non-interest activities enabled the financial institution to increase its profitability. The results indicate that banks that are managed properly expand more slowly into noninterest activities to diversify their profits, and that increases in noninterest income marginally is associated with poorer risk-return tradeoffs on average. These findings suggest that the co-existence of noninterest income does not replace interest income from the intermediation activities that remain the core financial services function of banks.

Kwaning *et. al.* (2014) uses a study of cases to explore the motivators of restructuring banks and the effects of bank restructuring on financial performance of one of Ghana's largest bank, Agricultural Development Bank (ADB). The findings of the study of ADB as an institution on restructuring shows that the factors that motivated ADB's restructuring were changes in the business environment, weak governance, poor strategic control, and poor performance. The impacts on the ADB's corporate governance, organizational structure and strategic control, performance, and employee costs led to improved governance, a modified organizational structure, increased employee costs and a decrease in ADB's profitability.

Ithiri (2013) studied corporate restructuring and its effects on Kenya Commercial Bank performance. A descriptive survey was used and data was collected from 100 randomly selected sample respondents using a questionnaire. Descriptive statistics was used to analyze the data. The findings of the research were that the main drivers for restructuring were competition, new company strategy, budgetary cuts, public pressure and change in government policy.

Osoro (2014) carried out a study on the effect of restructuring financial systems on the financial performance of commercial banks in Kenya. The study focused on 11 commercial banks quoted at the Nairobi Securities Exchange (NSE) and were in business for the period 2008 to 2013. Debt ratio, dividend payout and equity ratio were used as measures of financial restructuring. The study relied on multiple linear regression to analyze the data. The findings were that there exists a positive effect of financial restructuring on the financial performance of commercial banks in Kenya.

Research Problem

Bank restructuring is important for enhancing the financial intermediation of a country's banking system. Intervention through financial innovations, increasing the capital base to address the aspect of size and legal and regulatory framework review are important to ensure successful bank restructuring to record increased financial performance (Kwaning *et. al.,* 2014). The financial sector in many economies is the main intermediary between savers who are interested in safe-keeping of their deposits and earning of interest income and borrowers who obtain loans at market rates of interest to finance profitable activities Suehiro (2002).

In Kenya, commercial banks are increasingly offering new services such as mobile banking, agency banking, bank-assurance, faceless banking and integrating microfinance in their banking system (CBK, 2014). Well-capitalized banks provide a safety net for depositors, owners and even borrowers making them more preferable than their under-capitalized counterparts. Commercial banks in Kenya have undertaken restructuring to be more competitive, to improve bank solvency, to increase the banking sector capacity for financial intermediation and to improve performance.

Although some commercial banks restructure as part of survival strategy, the CBK may require all banks experiencing a crises to restructure to reduce costs with the objective of increasing financial performance (CBK, 2014). The mergers and acquisitions of commercial banks in Kenya in the mid 1980's and late 1990's gave rise to bigger and more complex banking institutions which was aimed at improving profitability of the merged banks (Ithiri, 2013). To improve efficiency commercial banks have embraced modernized banking halls, broad ATM network, state of art technology, widespread branch network and agency banking (Das & Ghosh, 2006).

Dubel and Berlin (2013) researched on capital structure and practice of bank restructuring and found out that timing of bank restructuring is important. Beck *et. al.* (2007) researched on access to and use of banking services across selected countries and finds that large banks are better in providing a wider range of services because of their wider branch network. Espana (2015) researched on public financial assistance in the restructuring of Spanish banking sector emphasizing that government should take an active role in bank restructuring. Ithiri (2013) studied corporate restructuring and its effects on Kenya Commercial Bank performance and found out that the main drivers for restructuring were competition, company strategy, budgetary cuts, public pressure and change in government policy. Osoro (2014) undertook a study on the effect of financial restructuring on the financial performance of commercial banks in Kenya and found out that there exists an insignificant positive relationship.

The studies above provide input to conceptual and methodological aspects to be used in this study, therefore emphasizing their relevance in this study.

METHODOLOGY

The study relied on positivism philosophy and adopted descriptive causal research design for it involved analyzing of the relationship between bank restructuring and financial performance to determine the cause-effect implications. The study population was the 44 commercial banks operating in Kenya out of which 39 banks qualified as units of analysis as having data for the study period. Data was collected from the audited financial statements of the study banks using a standardized data collection sheet. The longitudinal panel data obtained covered a period of thirteen years for the period 2002 to 2014. Using SPSS version 21, inferential analysis was performed was the variables using hierarchical regression models. The financial performance was the independent variable and was operationalized using return on assets. Bank restructuring was the dependent variable and was measured using four proxies; namely, financial restructuring, capital restructuring, operational restructuring and asset restructuring. The linear regression model developed for the study was as follows:

$$ROA_{it} = \acute{\alpha}_{r11} + \beta_{rf1} FR_{rit} + \beta_{rc1} CR_{rit} + \beta_{ro1} OR_{rit} + \beta_{ra1} AR_{rit} + \varepsilon_{r11} \ldots\ldots\ldots\ldots\ldots\ldots 1$$

Where:

ROA is return on assets, FR is financial restructuring, CR is capital restructuring, OR is operational restructuring, AR is asset restructuring, $\alpha_{r11,}$ is the constant term, $\beta_{rf1,}$ $\beta_{rc1,}$ $\beta_{ro1,}$ and β_{ra1} are the regression coefficients, *i* is income for bank i and *t* is the year when the bank earns the income while ε_{r11} is the error term.

Data on bank restructuring was analyzed using descriptive statistics of mean, standard deviation, skewness and kurtosis while hierarchical regression analysis was employed in establishing the relationship between the variables.

RESULTS AND DISCUSSION

The data for the variables of the study consisted of 39 banks licensed to do banking business in Kenya and a summary of the descriptive statistics outcome as represented in Table 1 and 2 which generally depicted that indicators of both bank restructuring and financial performance were normally distributed with significant deviation. The linear regression results are as shown in Table 3.

Table 1: Summary of Descriptive Statistics for Financial Performance

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness			Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Z - Value	Statistic	Std. Error	Z - Value
Financial Performance	507	.00	0.37	0.0275	0.02396	5.832	0.108	0.019	76.931	.217	0.003

Table 2: Summary of Descriptive Statistics for Bank Restructuring

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness			Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Z - Value	Statistic	Std. Error	Z - Value
Financial restructuring	507	.00	.94	.0622	.15726	3.855	.108	0.028	14.929	.217	0.015
Capital restructuring	507	.00	.46	.1393	.07365	.787	.108	0.137	1.794	.217	0.121
Operational restructuring	507	.00	.40	.0510	.04151	3.567	.108	0.030	19.884	.217	0.011
Asset restructuring	507	.00	.84	.0845	.11099	3.181	.108	0.034	13.020	.217	0.017

Table 3: Regression Results for Bank Restructuring as Explanatory Variable and Financial Performance as the Response Variable

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.327[a]	0.107	0.100	0.02274

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.031	4	0.008	15.020	0.000[b]
	Residual	0.260	502	0.001		
	Total	0.291	506			

Table 3...

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	0.016	0.002		7.010	0.000	0.012	0.021
	Financial restructuring	0.012	0.006	0.078	1.828	0.068	-0.001	0.025
	Capital restructuring	0.106	0.015	0.326	7.223	0.000	0.077	0.135
	Operational restructuring	-0.037	0.025	-0.065	-1.493	0.136	-0.087	0.012
	Asset restructuring	-0.031	0.010	-0.144	-3.224	0.001	-0.050	-0.012

a. Dependent Variable: Financial Performance

In interpreting the results of multiple regression analysis, the *R* squared was used to estimate how well the model fitted the data (Anderson & Darling, 1954). This research study sought to determine whether the independent variables (financial restructuring, capital restructuring, operational restructuring and asset restructuring) have an influence on the dependent variable (financial performance) of commercial banks in Kenya.

Table 3 illustrates the regression results of these construct variables and the dependent variable which is the financial performance. The model summary of a linear relationship between financial performance and bank restructuring variables provided an estimated R^2 value of 0.107. This means that a combination of financial restructuring, capital restructuring, operational restructuring and asset restructuring accounted for 10.7% of the variations in financial performance of commercial banks in Kenya. This could indicate that there exist other factors not included in the study which can explain the remaining 89.3% of variation in the financial performance. Therefore, this could imply that the presence of the other factors would improve the predictive model of bank restructuring on financial performance. The findings are in line with Rose (1994) who found out that the banks that restructured their operations reported positive and consistent profits. Osoro (2014) also found that there exists an insignificant positive effect of financial restructuring on financial performance of commercial banks quoted in Kenya as the estimated coefficient of determination was 26.7% which is higher than the one estimated by this study.

The ANOVA of regression model provided the regression sum square of 0.031 and a model residual's of 0.260 with a mean square of 0.008 for the regression and 0.001 for the

residuals. The Analysis of Variance (ANOVA) results produced an *F*-significance value 15.020 and a $p < 0.000$. This is an indication that the probability of this model giving false prediction is 0.0%. According to Rumsey (2011) *p* – value is a number between 0 and 1 and interpreted as follows: a small *p* – value (typically ≤ 0.05) indicates strong evidence against the null hypothesis, thus under such circumstances, we reject the null hypothesis; a large *p* – value (> 0.05) indicates weak evidence against the null hypothesis, so we fail to reject the null hypothesis; and *p*-values very close to the cut off (0.05) are considered to be marginal, and thus either accept or reject the null hypothesis. Therefore, this study's hypothesis that there is no significant relationship between bank restructuring and financial performance of commercial banks in Kenya is rejected.

The regression model further gives the results of coefficients of independent variables used in the model which indicate that these variables have variance relationship to the dependent variable. The model provided a constant value of 0.016 (*t* – value = 7.010) with a *p* – value of 0.000. Capital restructuring was found to be a major determinant of financial performance as it had a significant positive coefficient of 0.106 with a *t* – value of 7.223 and a *p* – value of 0.000.

Additionally, financial restructuring too had a significant influence on financial performance of commercial banks. An increase in financial restructuring causes an increment in financial performance by 1.2%, (*t* – value = *1.828*) and *p* – value of 0.068. Capital restructuring increases financial performance by 10.6%, (t – value = 7 .223) and p – value of 0.000. The effect of capital restructuring on financial performance is significant. On the other hand, operational restructuring and assets restructuring did not have significant influence on the financial performance of commercial banks in Kenya since they had coefficient values of -3.7% (*t* – value = -1.493) and *p* – value of 0.136 and -3.1% (*t* – value = - 3.224) and *p* – value of 0.001 respectively.

The study used the regression model below to test hypothesis one of which the dependent variable was profitability and was measured using Return on Assets (ROA).

$ROA_{it} = \acute{\alpha}_{r11} + \beta_{rf1} FR_{rit} + \beta_{rc1} CR_{rit} + \beta_{ro1} OR_{rit} + \beta_{ra1} AR_{rit} + \varepsilon_{r11}$

The resulting model is given by;

$ROA_{it} = 0.016 + 0.012FR + 0.106CR - 0.037OR - 0.031AR$

The output of regression model arising from the data analysis presented in Table 3 reveal new predictor model indicated as follows:

$ROA_{it} = 0.016 + 0.106CR – 0.031AR$

This is an indication that capital restructuring had a significant positive effect on profits while asset restructuring was found to have a significant negative effect on financial performance of commercial banks in Kenya and therefore were able to fairly predict the financial performance of these banks. The finding on capital restructuring conflicts with the study by Kwaning (2014) who found that restructuring of government owned banks lead to a decrease in profitability. However, the findings on asset restructuring support those of Anandarajan, Hasan and Lozano-Vivas (2005) who discovered that restructuring assets reduces profitability of commercial banks according to this study. Operational restructuring and financial restructuring in the estimation have an insignificant relationship between bank restructuring and financial performance of commercial banks operating in Kenya which conflicts the findings by Rose (1994) that operational restructuring increases profitability of banks. This revelation also conflicts with those by Osoro (2014) who found out that there exists a positive effect of financial restructuring on the financial performance of commercial banks in Kenya. Osoro however relied on only 11 commercial banks listed at the Nairobi Securities Exchange (NSE) operating in Kenya for the period of between 2008 and 2013 which was a smaller population. Debt ratio, dividend payout and equity ratio were used as measures of financial restructuring in his study whereas this study uses the long term debt to asset ratio. The revelation conflicts with that by Nor *et. al.* (2008) who found that bank restructuring was not found to be justifiable because restructured banks ended up being less focused, had weak corporate governance, reported poor management debt ratios and poor profitability. This study also conflicts with that by Rose (1994) who found out that financial and operational restructuring increases bank profitability. This study finds out the reverse.

CONCLUSIONS

The study concludes that bank restructuring affects financial performance of commercial banks in Kenya. The main aspects that have a significant effect on financial performance is financial restructuring and capital restructuring. This means that raising longterm debt and injecting additional debt can increase bank profitability. If the objective is to increase profits banks might need to rely less on operational restructuring and asset restructuring. This is because operational restructuring tend to be accompanied by overhead costs such as those associated with increasing the branch networks, increasing the number of ATMs, incorporating agency banking, costs of entrenching internet banking, mobile banking, faceless banking, RTGS and other aspects of financial innovations encompassing, product, process and institutional innovations.

Asset restructuring on the other had has the main intention of increasing the asset quality as measured using the nonperforming loan ratio. Reducing the nonperforming loans in the loan book tend to be associated with huge provisioning of non-performing loans which is an expense and therefore reduces bank profits. This explains the negative effect of asset restructuring on profitability of commercial banks in Kenya. Incidentally, operational restructuring appears to have no effect on bank financial performance. This might be explained by the fact that restructuring bank operations usually has the effect of expanding the customer base and access to financial services which might not necessary be associated with profitability.

The disappointing revelation that bank restructuring only contribute to 10.2% of the profits of commercial banks is a pointer that whenever commercial banks are keen on significantly increasing financial performance, they should focus on other factors other than having to rely on bank restructuring. This contradicts the theory of financial intermediation that contends that for commercial banks to improve their financial performance, they need to improve their operations through improved processes, institutional capacity building and institutional innovation, as well as coming up with new products and services to increase their market share and therefore capture a wider customer base. This only explains outreach but also enhances financial inclusion.

To continuously improve financial performance and avoid instances of capital restructuring following a banking crisis, banks need to continuously restructure their operations by increasing their branches, widening their ATM network and emphasis on agency and mobile banking to enhance financial inclusion.

Bank restructuring is a current practice in the Kenya banking sector. Bank restructuring is however expected to increase the level of outreach while contributing to profits. If banks concentrate more on outreach at the expense of financial performance then the benefits that are expected to be realized from bank restructuring are compromised. Banks therefore need to strike a balance between enhancing their operations through operational restructuring or improving profits by focusing on aspects that have a direct positive effect on profits.

LIMITATIONS OF THE STUDY

While the study established among other variables the relationships between bank restructuring and financial performance, the study did not establish causal relationships. Nevertheless, the results are useful as they establish the basis to enable interested researchers to determine causality. The explanatory power of the model was low meaning that there other factors which can influence the dependent variable used in the study.

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