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BANK RESTRUCTURING STRATEGIES AND PERFORMANCE OF COMMERCIAL BANKS LISTED ON NAIROBI SECURITIES EXCHANGE, KENYA

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ABSTRACT

This study examined the influence of bank restructuring strategies (asset, and capital) on organizational performance of commercial banks listed on NSE, Kenya. The study was grounded on resource based view theory, and financial intermediation theory. The study adopted descriptive survey design and targeted relevant section from each of 12 commercial banks on NSE in Kenya, making a target population of 96 respondents where a census method was used to select all respondents to participate in the study. For pilot testing, all components of the questionnaires were checked and coded to ensure clarity of words and the accuracy of the statements, then pretested in an established commercial bank in Nairobi City, Kenya to ensure content and construct validity, while Cronbach alpha was used to test instrument reliability. All collected data was coded, cleaned, tabulated and analyzed using descriptive and inferential statistics with the aid of SPSS 24. Descriptive analysis such as frequencies, means, were utilized while inferential statistics assessed nature and the strength of the relationships. Analyzed data was presented in tables and graphs. From 96 questionnaires dispatched for data collection, 89 questionnaires were returned completely filled, representing a response rate of 92.7% which is very good for generalizability of the research findings to a wider population. Both descriptive and inferential statistics showed that all conceptualized independent variables had positive significant influence on performance of commercial banks listed on NSE. The study concluded that one, operational restructuring when done prudently can yield a significant increase in the overall performance of commercial banks listed on NSE, two, cautious choice asset restructuring approaches can significantly enhance performance of commercial banks listed on NSE.

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INTRODUCTION

Performance of commercial banks as measured in both financial and non-financial measures has been affected by banking crises including the 1982 to 1986 banking crisis, the 2007-2008 global financial crisis and now the Covid-19 pandemic (CBK,2020). Commercial banks in an economy play the role of mobilizing resources from savers and transferring funds to borrowers so as to improve efficiency of the financial markets. They also serve as a point of convergence between those with surplus funds and those in need of funds (Chang, Ciana& Hsiao, 2014). That is, to boost economy, Commercial banks offer various services to borrowers, savers and other financial market participants including; extending loans, accepting deposits, having in place Automated Teller Machine (ATM) services, agency banking, taking services to the people by opening branches close to their customers and suppliers and use of more relaxed modern banking halls (Dubel& Berlin, 2013).

A study by Aldasoro et al. (2020) based on data from 118 banks registered in 28 countries, shows that the first months of the COVID- 19 crisis showed that the whole banking sector was significantly affected, with well-capitalized and highly profitable banks going through it relatively more smoothly. Credit Default Swap spreads have grown up relatively more for banks with higher risk. Taking into account the market criterion, Credit Default Swap spreads of banks registered in Emerging Markets countries have reported the sharpest spike.

Further, according to World Bank (2020) reports using bank data including stock prices, balance sheets, and ownership, for 53 countries covering 896 commercial banks documented a systematic underperformance of bank stocks at the onset of the COVID-19 crisis, between March and April, 2020. More precisely, for most countries, bank stocks underperform relative to other publicly traded companies in their home country, and relative to non-financial institutions. The evidence highlights the nature of the COVID-19 shock, and the expectations of market participants that banks experience deeper and more protracted profit losses than other firms. Even within the financial sector, banks are expected to face greater losses than other financial institutions, thus advised use of restructuring among other turnaround strategies to enable banks cope with their financial crisis.

In this regard, bank restructuring strategy 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. That is, bank restructuring strategy is normally applied to restore and maintain faith and confidence in the banking system, profitability and efficiency in the individual banks (Mawih,(2014). More so, bank restructuring strategy is sometimes undertaken to address the problems in individual banks experiencing banking crisis or to solve the problems affecting the entire banking system. This is because failure to recognize and take action with regard to individual banks can lead to a buildup 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 (Mario, 2014).

Arising from technological changes many banks have had to restructure to improve efficiency and to enhance coordination and facilitate consolidation of the activities arising from the expanded branch networks while having the motive of increasing profitability. The need for Automated Teller Machine (ATMs) networks, mobile banking, agency banking, bank assurance and faceless banking calls for banks to continuously embrace bank innovations to be able to increase their volume of business (Chang, Ciana and Hsiao, 2014).

Technological infrastructure has the effect of increasing a bank's assets and an increase in banks operations. Good operational infrastructure such as expanded branch network, installation of ATM network, opening of subsidiaries, use of internet banking, agency banking, and embracing ICT in processing financial transactions within the banking institution as well as across banking institutions are important infrastructural facilities that are necessary to fast track quick provision of financial services to banking sector clients(Chang, Ciana.andHsiao, 2014).Operational restructuring is therefore essential to enable access of financial services by clients of banks. Most scholars assert that there are four main bank restructuring strategies to salvage banks during financial crisis 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 (Karacadag and Taylor, 2014).

Rose (2013) stated that 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. Dubel and Berlin (2013) observe that 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. Other strategies that commercial banks engage in to improve overall performance include portfolio diversification/restructuring, mergers and acquisitions,

Statement of the problem

Financial sector is one of the main drivers of the economy in any nation like Kenya but has been experiencing drastic changes in performance. That is, the banking sector in Kenya has not been spared of banking crises including the 1982 to 1986 banking crisis, the 2007-2008 global financial crisis and now the Covid-19 crisis. In event of bank failure in Kenya, the Banking Act provides two options; either to appoint a statutory manager under section 34(2) with powers to safeguard the institutions assets, evaluate its capital structure and management of the institutions assets and recommend to the Central Bank any restructuring or reorganization necessary for revival of the institution or appoint a liquidator under section 35(1) in the event the institution becomes insolvent (CBK, 2020).

In this regard, although some commercial banks in the Kenyan banking industry have recorded improved overall performance, several banks have not been doing well financially (Oloo, 2017). The ratio of NPL to total loans increased to 12.6 percent in 2018 up from 9.6 percent in 2017, and pre-tax profits declined by 8.4 percent in the year 2018 (CBK,2018) According to CBK report (2020), Central Bank lowered the Cash reserve Ratio to 4.25 per cent in order to avail Ksh. 35.2 billion to commercial banks-thus banks to lend more due to reduced cost of funds.. This liquidity availed by CBK to banks was based on their demonstrated requirement to directly support borrowers who are distressed as a result of COVID-19; interbank rate declined from 5.3% in March 2020 to 1.8% in July 2020 (CBK,2020).

The performance of the Nairobi Stock exchange between January 2020 and May 2020 dropped- the bourse lost 652 points in this period, dropping from 2600 points in January to 1,948 points by May 2020 depicting high stock volatility. During this period, the number of shares increased from Ksh.336 million in January to Ksh.639 million in March before dropping to Ksh.430 million in May. More interestingly, low demand for credit led to increased caution in the banking sector due to uncertainty caused by the pandemic (NSE, 2020); thus commercial banks were forced to engage in various turnaround strategies like bank restructuring strategy to assist them survive the financial crisis.Empirically, while Osoro's (2014) study found that the financial restructuring strategy in Kenya, Kithinji, Mwangi, and Litondo's financial performative success in Kenya (2017) had an unimportant but good impact, it found that capital restructuring and the asset restructuring were the only difference between bank restructuring and financial performance in Kenya. There has been no major impact on the financial performance of business banks in Kenya on financial and operational restructuring.

Further,Kithinji, Mwangi and Litondo (2017) study on commercial banks in Kenya found that bank restructuring only contribute to 10.2% of the profits of commercial banks- a pointer that whenever commercial banks are keen on significantly increasing financial performance, they should focus on other strategies other than bank restructuring. This contradicts the theory of financial intermediation that contends that for commercial banks to improve their financial performance, they need to restructure their operations through upgraded processes innovations. Therefore, due to inconsistencies and inconclusiveness in the relationship between selected bank restructuring strategies and bank performance motivated this study to examine the influence of operational, financial, asset and capital restructuring strategies on performance (financial and non-financial) of commercial banks listed on NSE, Kenya.

Specific Objectives of the study

1. To determine influence of operational restructuring on performance of commercial banks listed on Nairobi Securities Exchange.

2 To evaluate influence of asset restructuring on performance of commercial banks listed on Nairobi Securities Exchange.

LITERATURE REVIEW

Theoretical review

Resource based view theory

This theory was developed by BirgeWenefeldt in 1984.It is a method of analyzing and identifying a firm's strategic advantages based on examining its distinct combination of assets, skills, capabilities and intangibles as an organization. Each firm develops competencies from these resources, and when developed especially well, these become the source of the firm's competitive advantage (Pearce & Robinson, 2007). These competitive advantages in turn can help the organization enjoy strong profits (Barney, 1991). The founding idea of viewing a firm as a bundle of resources was pioneered by Penrose in 1959. Resource based view theory is based on the idea that the effective and efficient application of all useful resources that the company can muster helps determine its competitive advantage especially where emphasis is put on the importance of resources and its implications for firm performance (Conner, 1991).

Therefore, Resource based view theory is based on the idea that the effective and efficient application of all useful resources that the company can muster helps determine its competitive advantage. While this influential body of research within the field of strategic management was named by Birger Wernerfelt in his article A Resource-Based View of the Firm in 1984, where emphasis is put on the importance of resources and its implications for firm performance (Rugman and Verbeke, 2002).

That is, the essence of the Resource Based Model is that competitive advantage is created when resources that are owned exclusively by the firm are applied to developing unique competencies. Companies are different collections of resources: tangible and intangible assets/capabilities. No two companies are alike in terms of the resources they hold. The resources a company holds determine how well that company performs its activities. A company will be positioned to succeed if it has the best and most appropriate stock of resources relevant for its business and strategy. Competitive advantage ultimately can be attributed to ownership of valuable resources that enable the company perform its activities better than competitors. Organizational capabilities are defined by the complex combination of assets, people and processes that companies use to transform inputs into outputs (Thompson, and Strickland, 2003).

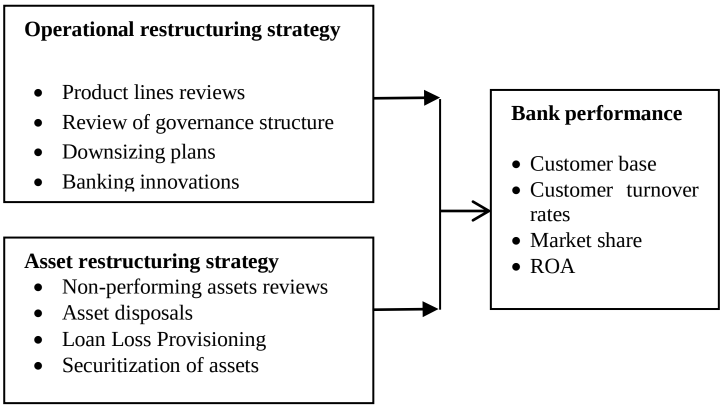
In this respect, the idea of reengineering can be traced back to this philosophy, since RBV supporters believe that it is much more practical to maximize external opportunities by repurposing current capital rather than acquiring new expertise for each opportunity. The RBV model emphasizes the importance of capital in assisting businesses to attain higher organizational efficiency. Therefore the resource based view theory connects to this study in the sense that during financial crisis, a commercial bank strategically rethinks through its resources in this case, restructuring processes to be able to achieve higher performance in both financial and non-financial terms.

Strategic choice theory

Founded under organizational theory, the strategic choice approach became widely used as the underlying theoretical foundation in investigating corporate governance research issues from the 1980s to the mid-1990s. This approach stresses that actions are undertaken by directors to help the firm adapt to its environment. The ability of the firm in adapting to its environment is argued as the main explanation of the organizational outcomes obtained by the firm. Therefore, the role of the Directors, firm managers progresses from the mere performance of legal and managerial tasks to those involving strategy development and implementation (Kreiken, 1985).

The other important function is for directors and top managers to apply appropriate tools and management methods so as to measure performance of the organization and report positive results to the shareholders. In fulfilling this role the board can use tools such as the Kaplan and Norton Balance Score Card (Kaplan, 2010). The choice of investing in a sizeable and quality board is therefore very important in order to deliver better performance. This strategic choice theory is relevant to this study in the sense that choice of particular turnaround strategies is at the manager's discretion especially restructuring assets or operations whose negative results can negatively affect manager's jobs and organizational performance in terms of financial losses and lower customer base.

Conceptual Framework



Operational restructuring strategy and Performance of commercial banks

Generally, operational restructuring strategy involves the elimination of non-core business and business processes, the consolidation of related operations and business functions and to a great extent, reengineering of existing processes (Chang *et al*., 2014).

In the banking sector, operational restructuring strategy focuses on reorganizing banking operations including their governance structure, closing down or downsizing poorly performing entities or branches, downsizing and or closing down non-performing product/service lines to reduce costs of bank operations (Dubel and Berlin (2013).

Asset restructuring strategy and Performance of commercial banks

Asset restructuring strategy 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 (Mawih2014).

From the literature review, it is clear that there is a relationship between asset restructuring of the firms and their financial performance, though it is not clear the kind and strength of the relationship, as different context produced different results.

Performance of commercial banks listed on Nairobi Securities Exchange

There are 12 listed banks at the Nairobi Securities Exchange (NSE) under the main market segment under banking stream (NSE reports, 2018). The NSE is regulated by Capital Markets Authority (CMA) which was established through an Act of Parliament, Cap 485 in 1989 and whose key role is to ensure proper conduct of all licensed persons and market institutions as well as investors protection (CMA reports, 2018). The listed banks are required to publish their financial reports widely hence it is easy to access relevant information on financial performance.

To enhance overall bank performance, the most popular turnaround strategies adopted by commercial banks in Kenya included cost cutting strategies, the diversification strategy, the reorganization strategy, the modernization strategy (Ochieng,2018) and broad restructuring strategies (Kithinji, Mwangi, and Litondo (2017), but distinct bank restructuring strategies are now being adopted by commercial banks in Kenya due to the financial crisis necessitated by the Covid-19 pandemic. In this regard, despite growing interest in research on restructuring, little attention has been paid to the influence of bank restructuring strategy on performance of listed commercial banks in Kenya.(Review independent variables and dependent separate do not combine them eg capital restricting strarategy do not give empirical study just explain the variable briefly.

Empirical review of literature

Rose (2016) investigated the structural rehabilitation of nearly 730 commercial banks in the United States that were allegedly in financial distress. The study looked at the impact of restructuring on commercial banks' overall financial results. ROA, ROE, and Interest Coverage Ratio were the financial efficiency metrics used in the study. The earnings ratio and the operating expenses/total assets ratio were the operational restructuring assessment ratios. Defined measurement methods and Ordinary Least Square methods were used in the study. The findings indicated that functionally restructured banks had higher profits and good operating performance.

Kithinji (2019) examine the association between bank consolidation, deposits, and financial results of Kenyan commercial banks. The study's population was the 44 financial institutions authorized and registered under the Banking Act to do business in Kenya, but the data came from the financial statements of 39 commercial banks that were in existence from 2002 to 2014.Secondary data was analyzed using descriptive and inferential data processing techniques. The financial services composite component was found to have no meaningful impact. As a result, the study found that structural consolidation and deposits had no impact on bank profitability. The research concluded that the performance of most commercial banks in Kenya is determined through restructuring banks financial and capital ratios and not necessarily operational restructuring.

Martina (2015) examine the association between real assets and the capital structure of Croatian SME's. The research was carried out on a population of 500 Croatian SMEs between 2005 and 2010.The evidence for the analytical study came from annual reports of firms. According to the study's findings, financial instruments are differently associated with short-term and long-term leverage. In all years studied, the association between tangible assets and short-term leverage was negative and statistically important. In all years studied, the association between real assets and long-term leveraging was favorable and statistically meaningful. The study recommended use of asset restructuring-not only limited to tangible assets to enhance firm performance, a gap that will be filled by this study.

Studies on the relationship between the asset restructuring and financial performance also exhibited mixed results. The study by Mawih (2014) examined the effects of assets structure (fixed assets and current assets) on the financial performance of some manufacturing companies listed on Muscat Securities Market for the period 2008-2012. The assets structure was measured by fixed assets turnover and current assets turnover while the financial performance was measured by ROA and ROE. The overall result of the study was that the structure of assets does not have a strong impact on profitability in terms of ROE. Another result of the study indicated that only the fixed assets had impact on ROE unlike ROA. Further, the result suggested that the effect of asset restructuring had an impact on ROE only in petro-chemical sector. It also concluded that there was no impact for current assets on ROE and ROA. . On the other hand, the study by ZhengSheng and NuoZhi (2013) on the optimal allocation of Asset Structure and business performance illustrated that asset restructure research had more application value and significant meaning in determining the financial performance.

The study by Okwo et al. (2015) assessed the impact of a company's investment in fixed assets on its operating profit margin. The study is based on a sample four companies in the Nigerian brewery sector over an eleven year period from 2004 to 2014. The operating profit margin was taken as the dependent variable while the independent variables were Sales/Net Fixed Assets ratio, Interest Rates, Foreign Exchange Rate, and Inventory/Cost of Sale ratio. The findings of the study was that though the relationship between the level of investment in fixed assets and its impact on the operating profit was positive, the result was not statistically significant. Therefore, the result did not suggest any strong positive impact of investment in fixed assets on the operating profit of brewery firms in Nigeria.

RESEARCH METHODOLOGY

The research used descriptive survey. This study targeted relevant section from each of 12 commercial banks on NSE in Kenya, making a target population of 96 respondents. This study targeted 8 relevant section managers (like risk managers, corporate affairs managers, human resource managers, finance managers, Accounts managers, audit managers, strategic managers, customer relations managers) from each of 12 commercial banks listed on NSE in Kenya, making a sampling frame of 96 respondents. Since this study's population is fairly small (below 100), a census method was employed to avoid sampling bias when the study population is small (Mugenda and Mugenda, 2003). Self- administered structured questionnaires (closed ended questions) were utilized to collect primary data from the respondents

All collected data were coded, cleaned, tabulated and analyzed using descriptive and inferential statistics with the aid of specialized Statistical Package for Social Sciences, version 24. Descriptive analysis such as frequencies, means, and standard deviation utilized; analyzed data was presented in tables and graphs. Further, inferential statistics assessed nature and the strength of the relationships. That is, correlations, linear and multiple regressions were computed to evaluate the linear and multiple relationships between the study's independent variables and the dependent variable. SPSS version 24 is the computer-based analysis software that was used to compute statistical data.

RESEARCH FINDINGS

Descriptive statistics

The descriptive statistics presented in this section are summated responses on the statements measuring the study's independent variables (operational restructuring, asset restructuring, financial restructuring, capital restructuring,) and dependent variable (Performance of commercial banks listed on Nairobi Securities Exchange) using Likert scale with values ranging from 5 to 1; that is; 5=Strongly Agree, 4=Agree, 3= Uncertain, 2=Disagree and 1= Strongly Disagree.

Table 1 Descriptive statistics

Variable	5	4	3	2	1	Grand mean
Operational restructuring	21	40	09	11	8	3.63
Asset restructuring	12	49	08	14	6	3.61
Performance of commercial banks	9	39	17	19	5	3.43

From table 1, the summated responses shows that most respondents agreed (40%) and strongly agreed (21%) that operational restructuring in terms of product lines reviews, review of governance structure, downsizing plans and banking innovations improves performance of commercial banks listed on Nairobi Securities Exchange. The grand mean is 3.63 rounded off to 4 corresponds to 'agree' on the likert scale used; meaning that effective use of operational restructuring initiatives such as product lines reviews, review of governance structure, downsizing plans and banking innovations improves performance of commercial banks listed on Nairobi Securities Exchange.

The results are supported by Dubel and Berlin (2013) assertion that effective use of operational restructuring strategy by focusing on reorganizing banking operations including their governance structure, closing down or downsizing poorly performing entities or branches, downsizing and or closing down non-performing product/service lines to reduces costs of bank operations which can then enhance bank performance.

Secondly most respondents agreed (49%) and strongly agreed (12) that use of asset restructuring in terms of resolutions of non-performing assets (Liquidity of assets), asset disposals/ asset transfers, loan provisioning, securitization of assets through joint ventures and reviews on asset quality influences financial performance of commercial banks listed on NSE. The grand mean is 3.61 rounded off to 4 corresponds to 'agree' on the likert scale used; meaning that effective use of asset restructuring tactics such as resolutions of non-performing assets (liquidity of assets), asset disposals/ asset transfers, loan provisioning, securitization of assets through joint ventures and reviews on asset quality significantly influence performance of commercial banks listed on Nairobi Securities Exchange.

The results are supported by Mawih, (2014) strong assertion that 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 reduces poor performance in banks.

Inferential statistics

Correlation analysis

The correlation results in table 2 shows that all independent variables (asset, operational) have significant linear correlation with the dependent variable (performance of commercial banks), with 0.873, asset restructuring; 0.850, operational restructuring; 0.823. This implies that for commercial banks to enhance their performance especially during low economic seasons, they must prioritize financial restructuring initiatives, without forgetting capital restructuring; though low in priority, can also significantly influence performance of commercial banks.

		Operational	Asset Restructuring	banks
Operational Restructuring	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	89		
Asset Restructuring	Pearson Correlation	.599**	1	
	Sig. (2-tailed)	.000		
	N	89	89	
Performance of commercial banks	Pearson Correlation	.823**	.850**	1
	Sig. (2-tailed)	.000	.000	
	N	89	89	89

Multiple regression analysis

The results in table 3 shows that the F-statistics produced is significant (F=123.594, *significant* at *p<.001*), thus confirming the fitness of the model. For an R^2 of 0.855, this indicates that the conceptualized study model explains 85.5% of the variations in the performance of commercial banks listed on NSE, while other factors not in this conceptualized study model accounts for 14.5%, thus, it is a very good model.

Table 3 Multiple regression analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
					Change Statistics				
1	.925[a]	.855	.848	.43618	.855	123.594	4	84	.000

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	94.056	4	23.514	123.594	.000[b]
	Residual	15.981	84	.190		
	Total	110.037	88			

a. Dependent Variable: Performance of Commercial banks listed on NSE
b. Predictors: (Constant), Capital Restructuring, Operational Restructuring, Financial Restructuring, Asset Restructuring

Further, from the values of unstandardized regression coefficients with standard errors in parenthesis in table 4, all the independent variables (operational restructuring; β = 0.373 (0.087) at p<0.05; asset restructuring; β = 0.330 (0.061) at p<0.05; financial restructuring; β = 0.503 (0.086) at p<0.05, capital restructuring; β = 0.228 (0.091) at p<0.05; were significant predictors of the performance of commercial banks listed on NSE (dependent variable).

Table 4.5. Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	.524	.233		2.251	.027
Operational Restructuring	.373	.088	.307	4.252	.000
Asset Restructuring	.330	.061	.335	5.407	.000

a. Dependent Variable: Performance of Commercial banks

Therefore, the resultant multiple regression equation is;

$$y = 0.524 + 0.373X_1 + 0.330X_2$$

Where;
Y= performance of commercial banks listed on NSE
X_1= operational restructuring
X_2= asset restructuring

Discussion of study findings

The first specific objective was to determine influence of operational restructuring on performance of commercial banks listed on Nairobi Securities Exchange. Multiple regression results showed that operational restructuring has positive significant effect on performance of commercial banks listed on Nairobi Securities Exchange (βeta = 0.307 significant; *at p<.05*). This implies that a single improvement in the effective application of operational restructuring initiatives will lead to 0.307 unit increase in the performance of commercial banks listed on Nairobi Securities Exchange.

The results are supported by Rose (2016) who studied the structural rehabilitation of nearly 730 commercial banks in the United States that were allegedly in financial distress. The earnings ratio and the operating expenses/total assets ratio were the operational restructuring assessment ratios. Defined measurement methods and Ordinary Least Square methods were used in the study. The findings indicated that functionally restructured banks had higher profits and good operating performance.

The second specific objective was to determine influence of asset restructuring on performance of commercial banks listed on Nairobi Securities Exchange. Multiple regression results showed that asset restructuring has positive significant effect on performance of commercial banks listed on Nairobi Securities Exchange (βeta = 0.335 significant; *at p<.05*). This implies that a single improvement in the effective use of asset restructuring tactics will lead to 0.335 unit increase in the performance of commercial banks listed on Nairobi Securities Exchange.

The results are supported by Olatunji et al. (2016) who examined the effect of investment in fixed assets on profitability of selected Nigerian banks. Data were obtained from annual reports and accounts of thirteen selected Nigerian commercial Banks for the period from 2005-2015. The relationship between the dependent variable (Net profit) and independent variables (Building, Land, Leasehold premises, fixtures and fitting, and investment in computers) indicated that there was a significant relationship between them. The study concluded that investments in fixed assets had strong and positive statistical impact on the profitability of banking sector in Nigeria. ZhengSheng and NuoZhi (2013) study on the optimal allocation of Asset Structure and business performance also illustrated that asset restructure research had more application value and significant meaning in determining the financial performance.

Conclusions

First, the study concludes that operational restructuring when done prudently can yield a significant increase in the overall performance of commercial banks listed on Nairobi Securities Exchange.

Secondly, cautious choice asset restructuring approaches can significantly enhance performance of commercial banks listed on Nairobi Securities Exchange.

Recommendations

First, the study recommends that strategic and or risk managers in commercial banks should prudently adopt viable operational restructuring initiatives that can only enhance both financial and non-financial performance of the commercial banks.

Secondly, commercial banks should craft feasible asset restructuring approaches with high asset quality that have a positive significant effect on their financial and non-financial performance.

Areas for further study

First, a longitudinal study can be done for a period of five using time series data to assess the performance of sampled commercial banks, before and after adoption of bank restructuring strategy. Secondly, a comparative study targeting micro finance banks, micro financial institutions and deposit taking Saccos can be done so as to compare empirical findings.

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