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Restructuring Strategies and Organizational Performance of Tier Iii Commercial Banks in Nairobi City County, Kenya

Eric Franc Juma[1], Dr. Linda Kimencu[2]

[1]*A Master of Business Administration (Strategic Management) Student at Kenyatta University, Kenya*
[2]*Lecturer, Department of Business Administration at Kenyatta University, Kenya*

Corresponding Author:** ***Eric Franc Juma, *A Master of Business Administration (Strategic Management) Student at Kenyatta University, Kenya*

Abstract: *Poor performance has remained a key challenge of most of the tier III commercial banks in Kenya. This challenge has been demonstrated by an increase in acquisitions of this tier III commercial banks by other stable counterparts in tier I category. This study sought to establish the effect of loan restructuring strategies and asset restructuring strategies on performance. This study was guided by contingency theory. Empirical literature is reviewed on the objectives of the study to inform the conceptual framework. Descriptive and correlational designs was adopted targeting 21 tier III commercial banks in Nairobi as the unit of analysis and 105 loan officers, finance managers, operations managers, human resource managers and the marketing managers from each of these institutions as the unit of observation. Census was used and thus all the 105 respondents were covered in the study. Information was gathered in its primary form through questionnaire. The study tested for content, construct and face validities with the aid of the supervisor and two appointed experts in the field of restructuring. Reliability was determined through Cronbach Alpha Coefficients on the basis of the piloted results and interpreted at 0.7 thresholds. The analysis was supported by means and standard deviations and regression analysis and tables and figure aided the presentation of the results. The study established that loan restructuring strategies ($M=3.84$, $\beta=0.343$& $p<0.05$) and asset restructuring strategies ($M=3.75$, $\beta= .499$& $p<0.05$) were all significant predictors of performance of tier III commercial banks in Nairobi, Kenya. It was concluded that restructuring strategies are significant predictors of performance of tier III commercial banks in Nairobi, Kenya. The study recommended that loan officers working on tier III commercial banks in Kenya should regularly carry out regular review of interests and loan loss provisions as this is expected to have significant contribution towards organizational performance.*

Keywords: *restructuring strategies, asset restructuring, loan restructuring, performance*

1. Introduction

1.1. Background to the Study

Bank performance is an important construct that has received significant attention by scholars owing to the growing forces of competition and globalization. Banks play a significant role of financial intermediation in the economy. Bank performance can be looked at broadly be in terms of financial and non-financial parameters, which include the market share, customer satisfaction, profitability as well as new product development (Gabeshi, 2020). The banking industry from the global perspective has been facing issues with performance, starting with the 2007/08 global financial crisis (GFC). This GFC coupled with emerging global issues, such as the recent COVID-19 pandemic, have had adverse effect on performance of the banking industry across the world (Erfani &Vasigh, 2018).

Nguyen, Nguyen, Nguyen and Do (2021) define organizational performance as an economic category that indicates the firm's ability to use its human and material resources in place in achieving the set goals. Taouab and Issor (2019) define organizational performance as the efficiency in utilization of business means during the consumption and production activities. Performance in the bank context is expressed in the degree that the institution is able to meet the formulated goals and objectives through utilization of the available resources more effectively and efficiently (Adesina, 2021). As a broader term, performance covers three key areas; returns that accrue to owners of the firm, performance of the market and monetary performance that is more quantitative. Banks that have a positive performance record have the possibility of improving their competitive advantage. This can allow these institutions to offer superior and quality products that are well aligned with the needs of the customers (Oketch, 2020).

The broad restructuring strategies recognized in literature are loan restructuring and asset restructuring (Duong, Phan, Hoang & Vo, 2020). Loan restructuring strategies involve making arrangement with borrowers to adjust the repayment period as well as the payable amount of loan as agreed by the parties (Maroro, Kamau & Koima, 2018). Loan restructuring strategies were increasingly recognized among commercial banks in Kenya during the peak of the COVID-19 pandemic when most of the customers started facing financial challenges in repaying their loans. Assets restructuring strategies entail purchase or sell of the non-current assets of the firm to generate cash needed for running the institution. There are several forms of asset restructuring including divestiture that involves the decision of the firm to sell its resource portfolio or business. Asset restructuring can include liquidation, spin-off as well as asset disposal. It can take the form of acquisition or merger that take place after the assets of the financial institution have been valued. In the Kenya's banking industry, asset restructuring strategies have been adopted through mergers and acquisitions as demonstrated by the emergence of Kingdom Bank (formerly called Jamii Bora Bank) a subsidiary of Cooperative Bank of Kenya (MaroroKamau, & Koima, 2018).

As of December 2017, there were 23 tier III commercial banks in Kenya. These institutions have been facing challenges when it comes to their performance and this has attracted significant attention among policy makers. Some of these institutions like Spire Bank (formerly the Equatorial Commercial Bank) and Kingdom Bank (formerly the Jamii Bora Bank) and others were acquired by Mwalimu SACCO and Cooperative Bank of Kenya to because of their challenges with performance (Maingi, 2019). Presently, Consolidated Bank of Kenya that has been posting financial losses of 278.3 million and 299.5 million at the end of 2020 and 2021 respectively is under review to be acquired by the Lake Region Counties in Kenya (Koech, 2022). Poor performance of these institutions should receive appropriate attention by policy makares as failing to do so would result into an imminent financial crisis and ultimate collapse of these institutions. The implications from the collapse of these institutions would include significant loss of customer deposits and this in turn may have negative spillover effects on the growth of the economy of Kenya at large. It is against this background that the current study seeks to explore how restructuring strategies can contribute towards reverting the poor performance track record of these tier III commercial banks in Kenya.

1.2. Statement of the Problem

Poor performance has remained a key challenge of most of the tier III commercial banks in Kenya. This challenge has been demonstrated by an increase in acquisitions of these tiers III commercial banks by other stable counterparts in tier I category. Examples of banks in the tier III category that have been acquired include Kingdom Bank (formerly Jamii Bora Bank), Spire Bank (formerly the Equatorial Commercial Bank) and Access Bank (formerly Transnational Bank) among others. Other banks like Consolidated Bank have been posting financial losses for instance Kshs. 278.3 million and 299.5 million for the financial years 2020 and 2021 respectively (CBK, 2022). These challenges of performance among the tier III call for adoption of restructuring strategies to achieve operational excellence and hence performance. These tier III need to implement effective restructuring strategies so as to lower their operating costs, improve efficiency and effectiveness and grow their market shares. In this case, restructuring strategies are not mere options but critical actions and steps needed to safeguard these tier III banks in Kenya against imminent collapse and for survival. If the institutions are allowed to collapse without taking relevant actions, the result would be significant loss of customer deposits that would adversely affect the growth of economy in the long run.

The available studies include Duong et al (2020) who used Vietnam to link financial restructuring and performance in monetary terms and established positive outcomes. Edevaldo (2018) used a case of the National Bank of Angola to link financial restructuring and performance in monetary terms where asset restructuring was seen to have an inverse implication on performance. Mwangi and Maina (2021) in organization restructuring and performance of Kenyan commercial banks established a number of restructuring strategies that had been adopted covering the mergers and acquisitions and human resource restructuring. Kanyagia (2020) used a case of Kenyan insurance firms to explore the corporate restructuring strategy performance nexus and established financial restructuring helped the institutions to reduce the operating costs. Kithinji, Mwangi, Litondo and Ogutu (2017) appraised the link between bank restructuring and performance in monetary terms where it emerged that four restructuring strategies are adopted by commercial banks: financial, capital, operational and asset restructuring.

However, the aforementioned studies create gaps as some like Duong et al (2020) and Edevaldo (2018) were conducted in other countries like Vietnam and Angola and not in Kenya. Other studies like Edevaldo (2018) were conducted adopting case study approaches thus creating methodological gaps. Other studies create conceptual gap by exclusively focusing on specific financial restructuring which is a mere proxy of restructuring strategies and financial performance which is an aspect of performance. Therefore, in order to fill these gaps, the present study sought to establish the effect of restructuring strategies on performance of tier III commercial banks in Nairobi, Kenya.

1.3. Objectives of the Study

i. To establish the effect of loan restructuring strategies on performance of tier III commercial banks in Nairobi City County, Kenya

ii. To find out the effect of asset restructuring on performance of tier III commercial banks in Nairobi City County, Kenya

2. LITERATURE REVIEW

2.1. Contingency Theory

The proponents of this theory include Smith (2000), Chenhall (2003) and Woods (2009) and it argues that the existing structures in the firm are contingent on contextual factors and settings like the size of the organization, technology and the overall environment. The theory offers an explanation of how contingent issues like external surrounding as well as technology. In this theory, an organization is viewed as rational institutions with ability to initiate radical changes through restructuring strategies. The success of an organization is informed and contingent on realization of the best fit between the surroundings and the organization (Zelt, Recker, Schmiedel & vom-Brocke, 2019).

The theory provides an indication that restructuring strategies are economically and essentially suitable in allowing firms to gain familiarity with the environment. Organizational restructuring provides a good opportunity for an organization to redefine and adjust the strategies so that they are aligned with the existing structures (Cunha, Fortes, A., Gomes, Rego& Rodrigues, 2019). This in turn supports effective implementation of strategies in the firm. The theory lays a strong emphasis and justification for adoption of restructuring strategies put in place sound organizational structures that will reinforce the strategies undertaken by the firm (Darvishmotevali, Altinay & Köseoglu, 2020).

The theory will be useful in explaining the justification for adoption of employee downsizing strategies. The aim of these restructuring strategies is to allow firms to best align themselves with changes in the environment.

2.2. Empirical Review

2.2.1. Loan Restructuring Strategies and Organizational Performance

Demertzis and Lehmann (2017) focused on the European financial crisis with regard to the strategy for restructuring debts and loans. It emerged that efforts of removal and reduction of NPLs from balance sheets of trade payables must also seek to remove excess debts from the debtors' statements of financial positions. It is through this mechanism that the balance sheet of the lending institution will undergo restoration to healthy state. Duong et al. (2020) did an appraisal of financial restructuring and performance in monetary terms focusing on commercial banks in Vietnam. Survey design was embraced relying on information from audited reports in the time horizon 2008 all through to 2018. It was showed that restructuring of bad debts leads to their reduction and this boots monetary performance of the enterprise. The conceptual gap created by this study is that it focused on performance in monetary terms and not the general performance as a whole.

Dardac, Barbu and Boitan (2011) focused on credit restructuring and its implication on asset portfolio quality of the banking entity. The study was conducted among European Union member states covering desk review approaches. A significant nexus was registered between credit restructuring and the quality of asset portfolio. Miglionico (2019) did an analysis of restructuring of NPLs and its implication on recovery within the European Banking Union. It was observed that NPLs has a role to play in linking the lending and credit risk among the poor individuals. It is not desirable for a lending entity to have a huge accumulation of NPLs stock as this might lead to loss of profitability. Aketchb and Musoke (2021) used commercial banks in Uganda and the point of reference to bring out the nexus between the need to restructure loan recovery and profitability. Case approaches were adopted where the focus was on Stanbic Bank and correlational cross sectional survey design was embraced. It emerged from the analysis that restructuring loan recovering is a significant predictor of profitability of the banking entities. Recommendations raised include the need for those in senior management to carry out relevant follow up activities through visitation of the businesses of clients for monitoring and evaluation of the operations of the firms. The methodological gap created by this study is that it adopted case approach.

Mutuku (2020) analyzed the strategies for restructuring debts and the NPLs level among the microfinance entities in Kenya. The variables covered in the study included rescheduling of rate, interest reduction as well as haircuts. Explanatory research design was the one that was embraced and 67 firms were covered. It emerged from the analysis that the adoption of debt restructuring was moderate among MFIs. A strong and inverse nexus was registered between NPLs and debt rescheduling. The recommendation was the need for MFIs to have careful evaluation of the possibility of rescheduling repayment periods for borrowers experiencing money related concerns. The need for refining of interest also emerged from the recommendations that were suggested by the inquiry. Milimu, Miroga and Otinga (2022) undertook an inquiry on equity and debt restructuring and profitability focusing on MFIs in Kenya. The embraced design was descriptive and 13 MFI banks were covered. Auxiliary sources generated relevant insights within the horizon 2016-2020. It was shown that debt and equity restructuring have direct nexus with profitability. The gap created by these studies is that they focused on MFIs and not the commercial banks.

2.2.2. Asset Restructuring Strategies and Organizational Performance

Li, Chen, Hong and Zhou (2019) conducted an investigation on asset restructuring and its implication failure of the entity. The analysis showed that the adoption of more asset restructuring ways increases the performance of the firm. It emerged that asset restructuring can be realized through the transfer of equity and acquisition of assets. Alessandrini, Zazzaro and Calcagnini (2006) did an assessment of strategies for restructuring assets and their implication on acquisitions within the banking industry focusing on the banking industry in Italy. The study acknowledged the fact that the restructuring of assets can be done by two broad strategies, asset cleaning as well as asset portfolio strategies. In the former strategy, a sweep is made on all the existing negative net present value operations in the acquired portfolio of the bank. For the asset portfolio strategy, the portfolio allocation of the acquired bank is permanently changed by the acquiring institution. This study creates contextual gap in that it was done in Italy and not in Kenya.

Bawa and Basu (2020) did a study on reform of restructuring with key focus on its implication on credit risk of the banking institution. The horizon covered by the inquiry was 2006-2016 within Indian banking context. The Generalized method of moments (GMM) model was embraced in the inquiry capturing the NPL risk. It emerged that banks having greater levels of restructured assets are characterized by greater risks and limited profit potential. Cascio, Chatrath and Christie-David (2021) analyzed the antecedents of asset as well as employee restructuring. The specific focus of the inquiry was on downsizing as well as right sizing strategies and it was underpinned by institutional theory. Information from primary sources covering the listed firms in New York was gathered. The horizon considered was 1980 all through to 2016. Some of the critical antecedents noted in this study included managerial foresight, institutional forces like technology, industry and political uncertainty. The contextual gap created by this study is that it focused on firms in New York and not in Kenya.

Lee (2021) did an appraisal of how M&AS as well as divestitures can be used as asset restructuring strategies at the corporate level. The study was conducted within the context of United States within the horizon 2000 all through to 2016. The wealth effect of the shareholders was examined through shorter as well as longer horizon event studies. It emerged that M&AS are key relevant asset restructuring strategies any institution can adopt. De-Oliveira-Viana (2016) did an assessment of divestiture strategy within the banking industry. It emerged that although banking entities play instrumental role of reinforcing the growth of the economies, the evident changes within the sector has forced most of them to restructure their operations. The existing empirical inquiries covered in the study had documented positive outcomes to the firm involved in divestiture. The results were that divestitures within the banks have different implication on profit potential of the entity in comparison to divestment in other industries. The study create conceptual gap in that it focused on divestiture and not on the broad asset restructuring construct.

2.3. Conceptual Framework

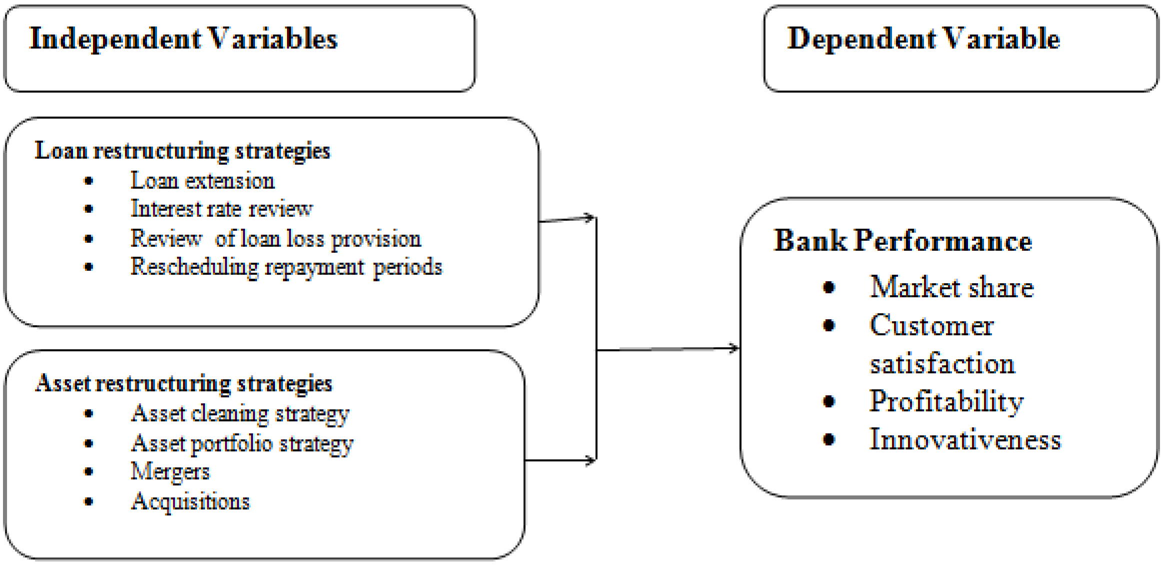

Figure1. *Conceptual Framework*

3. RESEARCH METHODOLOGY

3.1. Research Design

The study adopted descriptive and correlational research designs. The main focus of correlational design is to develop technique for elaborating the research and its key aim is offering information concerning the objects. On the other hand, descriptive design largely focuses on observing, recording and analyzing phenomena in its original state as it exists (Thanem& Knights, 2019).

3.2. Target Population

In this study, the unit of analysis were the 21 tier III commercial banks in Kenya and the respondents were the loan officers, finance managers, operations managers, human resource managers and the marketing managers from each of the commercial adding up to 105 respondents as shown in Table 1.

Table1. *Target Population*

Category	Population
Loan officers	21
Financer managers	21
Operations managers	21
Human resource managers	21
Marketing managers	21
Total	**105**

3.3. Sample Size and Sampling Technique

In this study, census was undertaken since the target population is relatively small and can easily be accessed from the head offices of the respective institutions in Nairobi. Thus, all the 105 respondents were included in the inquiry. Hennink, Hutter and Bailey (2020) opine that census is ideal for the population of 200 elements or less.

3.4. Data Collection Instrument

The study relied on information in its primary form gathered through the questionnaire. The reasons for use of questionnaire include the need to save on costs, they are easy to analyze, they have greater popularity and familiarity with majority of the people and was guided by the existing scales was designed on a 5-point Likert scale where 1-strongly disagree and 5-strongly agree.

3.5. Validity and Reliability of the Research Instrument

The subsequent sections provide discussion of validity and reliability of the study tool.

3.6. Validity of the Research Instrument

This study tested for content, construct and face validities with the aid of the supervisor and two appointed experts in the field of restructuring. In this regard, the questionnaire underwent review and relevant suggestions were made and effected in the final version before proceeding to the field for gathering of the views of the participants.

3.7. Reliability of the Research Instrument

A pilot study was conducted among 11 respondents (being 1% of the target population) as recommended by Hair, Page and Brunsveld (2019) from tier II commercial banks in Nairobi. The responses from this pilot test were used to compute Cronbach Alpha Coefficients and these were interpreted at 0.7 as the threshold. An Alpha coefficient above 0.7 signified that the study tool had reliable scale.

3.8. Data Analysis and Presentation

The data gathered from the questionnaire was keyed into excel and edited appropriately to remove inconsistencies. The values of means and standard deviations were then generated to offer a description of the data of the study. The generation of relevant inferences was supported by the regression results with the model as specified:

Y=

$$\mathbf{Y= \beta_0+ \beta_1X_1+\beta_2X_2 +\varepsilon}$$

Where Y= organizational performance of energy and petroleum companies listed on Nairobi Securities Exchange in Kenya

B_0 = Constant

β_1, β_2, and β_3 are Coefficients

ε = error term

X_1= Loan restructuring

X_2= Asset restructuring

Tables and figures were critical in presenting the results.

4. Results And Discussion

4.1. Response Rate

From, the 105 questionnaires that were administered to participants, 77 of them were completely filled and returned. This translated to a response rate of 73.3% as shown in Figure 4.1.

4.2. Descriptive Statistics

The subsequent sections detail an account of the findings as guided by the objective variables of the study.

4.3. Loan Restructuring Strategies

Table2. *Loan Restructuring Strategies*

Loan restructuring strategies	Mean	Std. Dev
Loan extension arrangements are adopted when borrowers fall behind their payments in this bank	3.77	0.724
Loan extension is used to get the borrowers back on track in this bank	3.74	0.733
The bank reviews interest rate of customers who are struggling to repay their loans	3.65	0.823
The bank regularly reviews the loan loss provisions	4.04	0.733
There are arrangements to restructure the loan repayment period of borrowers in this bank	3.94	0.848
Rescheduling the loan repayment periods allow customers to stay on track on serving of their loan obligation	3.91	0.729
Average	**3.84**	**0.765**

The findings in Table 2 indicate that loan restructuring strategies were practiced among tier III commercial banks in Kenya (M=3.84, SD=0.765). This allowed the banks to regularly reviews the loan loss provisions (M=4.04, SD=0.733) and restructure the loan repayment period of borrowers (M=3.94, SD=0.848). This means that loan restructuring in the studied banks entailed the review of loan loss provisions and repayment periods for customers. This was particularly evident during the COVID-19 pandemic period when most of these institutions were forced to restructure loams to cushion customers against hard economic times that had been occasioned by the pandemic.

It was observed that rescheduling the loan repayment periods allowed customers to stay on track on serving of their loan obligation (M=3.91, SD= 0.729) and that loan extension arrangements were adopted when borrowers fell behind their payments (M=3.77, SD= 0.724). This means that loan restructuring in the studied banks entailed rescheduling and extension of repayment period. Such arrangements were expected to create flexibility for customers to service their outstanding loans with easy and convenience.

The study showed that the bank reviewed interest rate of customers who were struggling to repay their loans (M=3.65, SD=0.823). In most cases, high interest rates can be a hindrance and reason why customers may find it hard to repay their loans. By reviewing the same, customers are likely to have flexibility in the repayment of the loans.

4.4. Asset Restructuring Strategies

Table3. *Asset Restructuring Strategies*

Asset restructuring strategies	Mean	Std. Dev
Unused assets are sold off in this bank	3.84	0.563
Unused assets are scrapped off in this bank	3.69	0.715
The firm has adopted asset cleaning strategy to free up floor space potentially increasing capacity	3.71	0.825
The banks merged with other stable institutions in the industry	3.79	0.635
The bank has been acquired by another stable institution in the industry	3.64	0.872
The bank has diversified its asset portfolio to generate more returns	3.82	0.854
Average	**3.75**	**0.744**

The findings in Table 3 are that asset restructuring strategies had been adopted in the studied banks (M=3.75, SD=0.744). These strategies entailed selling off of unused assets (M=3.84, SD=0.563) and diversification its asset portfolio to generate more returns (M=3.82, SD= 0.854). It is generally expected that disposal of assets is one of the quickest alternative a firm can leverage to enhance its working capital and liquidity position. This is particularly important for a financial institution like a bank that is expected to be so liquid in order to meet the demands of customers. Thus, through disposal of assets and diversification of assets that is associated with minimization of risks, the returns of these institutions are expected to improve.

It was pointed out that the banks merged with other stable institutions in the industry (M=3.79, SD=0.635) besides adopting asset cleaning strategy to free up floor space potentially increasing capacity (M=3.71, SD=0.825). Thus, diversification and asset cleaning were the activities that guided asset restructuring in the studied banks. In particular, the issue of merging has been so evident in the banking industry in the last five years as institutions strive to compete and increase synergies, combine resources and grow for better performance. The finding is supported by Mwangi and Maina (2021) who in organization restructuring and performance of Kenyan commercial banks established a number of restructuring strategies that had been adopted covering the mergers and acquisitions and human resource restructuring. Lee (2021) observed that M&AS are key relevant asset restructuring strategies any institution can adopt.

It was shown that unused assets were scrapped off in the banks (M= 3.69, SD=0.715) and that some of the banks had been acquired by other stable institution in the industry (M=3.64, SD=0.872). This means that scrapping of unused assets and acquisitions were features of asset restructuring strategies in the studied banks. There are several motives that can compel institutions like commercial banks to enter into merger arrangement chief being the need to remain viable. This finding agree with Mwangi and Maina (2021) in organization restructuring and performance of Kenyan commercial banks established a number of restructuring strategies that had been adopted covering the mergers and acquisitions and human resource restructuring. Li, Chen, Hong and Zhou (2019) showed that asset restructuring can be realized through the transfer of equity and acquisition of assets.

4.5. Inferential Statistics

The subsequent sections detail correlation and regression analysis results.

Correlation Matrix

Table4. *Correlation Matrix*

		Organizational Performance	**Loan Restructuring Strategies**	**Asset Restructuring Strategies**
Organizational Performance	Pearson Correlation	1		
Loan Restructuring Strategies	Pearson Correlation	.599	1	
Asset Restructuring Strategies	Pearson Correlation	.713	.144	1

Table 4 shows that loan restructuring strategies had strong and positive relationship with performance of tier III commercial banks in Nairobi, Kenya (r=0.599). The finding agree with Milimu, Miroga and Otinga (2022) who undertook an inquiry on equity and debt restructuring and profitability focusing on MFIs in Kenya where it was shown that debt and equity restructuring have direct nexus with profitability. Asset restructuring strategies had strong and positive relationship with performance of tier III commercial banks in Nairobi, Kenya (r=0.713).

4.6. Regression Results

Regression analysis was done to predict the effect of restructuring strategies on performance. Table 5 is a breakdown of the findings.

Table5. *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.735	.540	.515	1.13225

The findings in Table 5 show that 51.5% change in performance of tier III commercial banks in Nairobi, Kenya is explained by variation in restructuring strategies (Ads. R^2=0.515). It then follows that aside from restructuring strategies, there are other variables with an effect on performance of these institutions that should be of focus in future studies.

Table6. *Beta Coefficients and Significance*

	Unstandardized Coefficients		Standardized Coefficients		
	β	Std. Error	Beta	t	Sig.
(Constant)	3.021	1.276		2.368	.000
Loan Restructuring Strategies	.343	.107	.108	3.206	.017
Asset Restructuring Strategies	.499	.079	.603	6.316	.000

From Table 6, it is evident that an improvement in loan restructuring strategies by a unit would to 0.343 unit increase in performance of tier III commercial banks in Nairobi, Kenya. An improvement in asset restructuring strategies by a unit would result into 0.499 unit increase in performance of tier III commercial banks in Nairobi, Kenya.

4.7. Loan Restructuring Strategies and Organizational Performance

The study was set out to establish the effect of loan restructuring strategies and organizational performance. From Table 6, loan restructuring strategies had p-value as 0.017 that is $p<0.05$. Hence, it can be deduced that loan restructuring strategies were significant predictors of organizational performance. The finding is supported by Duong et al. (2020) who showed that restructuring of bad debts leads to their reduction and this boots monetary performance of the enterprise. Dardac, Barbu and Boitan (2011) focused on credit restructuring and its implication on asset portfolio quality of the banking entity where a significant nexus was registered between credit restructuring and the quality of asset portfolio. Aketch and Musoke (2021) used established that restructuring loan recovering is a significant predictor of profitability of the banking entities

4.8. Asset Restructuring Strategies and Organizational Performance

The objective of the study was to establish the effect of asset restructuring strategies and organizational performance. It was noted from Table 6 that asset restructuring strategies had p as 0.000 that is $p<0.05$. Hence, the study infers that asset restructuring strategies have significant effect on organizational performance. The finding contradicts Bawa and Basu (2020)who did a study on reform of restructuring with key focus on its implication on credit risk of the banking institution. It emerged that banks having greater levels of restructured assets are characterized by greater risks and limited profit potential

5. Conclusion and Recommendations

5.1. Loan Restructuring Strategies and Organizational Performance

From descriptive statistics, it was observed that loan restructuring strategies were practiced among tier III commercial banks in Kenya. This allowed the banks to regularly review the loan loss provisions and restructure the loan repayment period of borrowers. It was observed that rescheduling the loan repayment periods allowed customers to stay on track on serving of their loan obligation and that loan extension arrangements were adopted when borrowers fell behind their payments . The study showed that the bank reviewed interest rate of customers who were struggling to repay their loans. Correlation analysis showed that loan restructuring strategies had strong and positive relationship with performance of tier III commercial banks in Nairobi, Kenya. From regression analysis, it can be deduced that loan restructuring strategies were significant predictors of organizational performance.

5.2. Asset Restructuring Strategies and Organizational Performance

The findings are that asset restructuring strategies had been adopted in the studied banks. These strategies entailed selling off of unused assets and diversification its asset portfolio to generate more returns. It was pointed out that the banks merged with other stable institutions in the industry besides adopting asset cleaning strategy to free up floor space potentially increasing capacity. From correlation analysis, asset restructuring strategies had strong and positive relationship with performance of tier III commercial banks in Nairobi, Kenya. From regression analysis, the study infers that asset restructuring strategies have significant effect on organizational performance

5.3. Conclusion

The study was set out to establish the effect of loan restructuring strategies and organizational performance. Based on regression results, it can be concluded that loan restructuring strategies were significant predictors of organizational performance. The objective of the study was to establish the effect of asset restructuring strategies and organizational performance. From regression analysis, the study concluded that asset restructuring strategies have significant effect on organizational performance.

6. Recommendations of the Study

The loan officers working on tier III commercial banks in Kenya should regularly carry out regular review of interests and loan loss provisions as this is expected to have significant contribution towards organizational performance. The loan officers in these banks should reschedule the repayment periods especially for customers who might be struggling in servicing their outstanding loans. The policy makers working in these banks should develop sound loan restructuring policies to enhance performance. The finance managers working should leverage on asset cleaning and effective portfolio management strategies to minimize risk exposure and maximize returns. In turn, this translated to superior organizational performance. Mergers and acquisitions are encouraged and particularly among those institutions struggling with their performance.

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AUTHORS' BIOGRAPHY

Mr. Eric Juma, is an Operation Management expert specializing in Customer Service, Quality Assurance and Enterprise Risk Management (ERM) with public sector experience spanning over 10 years. Eric is currently working in the public service, water sector where he is responsible for offering advisory on regulatory compliance, internal control enhancement, Business Process Re-engineering and Corporate Governance.

Dr. Linda Kimencu, is an entrepreneurial educator with over ten years of experience in higher education in Kenya and the United States of America. She is a resident lecturer at Kenyatta University. She teaches graduate and post graduate courses in change management, entrepreneurial education, marketing, strategic management among others. She is the founder of Learning Gaps Consulting Center that aims at filling gaps in education through inculcating entrepreneurial education and career guidance to learners from a young age, through her Learning Gaps Kidpreneur and ex-candidate Programs.

Dr. Linda is a seasoned educator with experience at all levels of education. An author, researcher, coach, and speaker. She believes education is the ultimate key to freedom and uses her educational platforms to transform the lives of young people for more fulfilling lives and livelihoods.

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