THE EFFECT OF RESTRUCTURING ON THE PERFORMANCE OF FINANCIAL INSTITUTIONS IN KENYA

BY

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DECLARATION

I,the undersigned , declare that this is my original work and has not been presented to any institution or university other than The University of Nairobi for academic credit. I further declare that I followed all the applicable ethical guidelines in the conduct of the research proposal.Any other author's work has been clearly acknowledged.

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D63/79301/2012

Signed :_____ Date:_____

The Research Project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this research project to my dear family. To my mother, for the solid foundation you built in me and the sacrifices you went through in my quest for academic excellence,you always believed in me and supported me , you told me that I can achieve anything I want if I put my mind to it. My siblings, Tom,Betty, Ken and Robert, for all your support and encouragement, you made me realize that the sky is the limit. May the Lord, God Almighty bless you abundantly

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ABSTRACT

The objective of this study was to examine the effect of restructuring on the perfomance of financial institutions in Kenya, considering that over the years. It has become a common practice for companies around the world to restructure as the expectation is that when management of a firm employs different restructuring techniques, some effect on the performance of the firm will be felt.

Data from 43 Commercial Banks in Kenya was analyzed, during the eight year period of the study from 2008 to 2015. The data collected was from the annual published financial statements. Computation of the various ratios that make the variables under consideration namely Return on Equity, profit margin, asset utilization ratio, net interest margin, overhead efficiency, spread, interest expense ratio, provision for loan loss ratio and non – interest expense ratio of these banks were computed from the data collected from the financial statements of the banks for the period of the study. This was analyzed using a multiple linear regression model using SPPS version 20, in a bid to establish if there is any effect of restructuring on the performance of financial institutions in Kenya and if it exists, whether it has any significance on the performance of financial institutions.

The findings indicate that 31.9% of the variables used in the study could explain the variability of performance of financial institutions while 68.1% of the performance of financial institutions could be explained by variables not included in the model in the study. It was further noted that an increase in profit margin, asset utilization ratio and net interest margin had a positive impact on performance of financial institutions. Overall, the results indicate that restructuring had a positive impact on performance of financial institutions in Kenya, however the impact was minimal hence the institutions need to employ other factors so as to improve their overall performance.

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LIST OF ACRONYMS & ABBREVIATIONS

AU – Asset Utilization ratio

CBK – Central Bank of Kenya

IER – Interest Expense Ratio

LLR –Loan Loss Ratio

MPC – Monetary Policy Committee

NIER – Net Interest Expense Ratio

NIM – Net Interest Margin

NSE – Nairobi Securities Exchange

O E – Overhead Efficiency Ratio

P M – Profit Margin

PWC – PricewaterhouseCoopers

RBT – Resource Based Theory

RBV – Resource Base Theory

ROE– Return on Equity

SP – Spread

SPSS – Statistical Package for Social Sciences

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Restructuring is widely used in both the developed and developing countries. Companies and economies are restructuring to achieve a higher level of performance or to survive when the given structure becomes dysfunctional.

Restructuring takes place at different levels. At the economy level, it is a long-term response to market trends, technological change, and macroeconomic policies. At the sector level, restructuring causes change in the production structure and new arrangements across enterprises. At the enterprise level, firms restructure through new business strategies and internal reorganization in order to adapt to new market requirements, Osoro (2014)

Norley et al. (2001) defines restructuring as the act of reorganizing the legal, ownership, operational or other structures of a company for the purpose of making it more profitable and better organized for its present needs. Other reasons for restructuring include a change of ownership or ownership structure, demerger, a response to a crisis or major change in the business such as bankruptcy, repositioning or buyout. Norley et al. (2001) notes that a company that has been restructured effectively will theoretically be leaner, more efficient, better organized and focused on its core business with a revised strategic and financial plan. Restructuring has been adapted by institutions in several industries so as to streamline cost, increase productivity and revenues, improve employees' welfare, increase shareholders wealth, enhance efficiency and improve performance among other reasons.

Growing competition and globalization along with tightened fiscal policies are causing both private and public sector organizations to strive for greater efficiency and higher cost

effectiveness. In many cases the desired results cannot be achieved without subjecting the corporate strategy and structure to some transformation. In this context, restructuring is no longer just an option; it is a necessity for survival and growth (Rogovsky, Ozoux, Esser, Marpe, & Broughton, 2005).

1.1.1 Restructuring

The word structure used in an economic context implies a specific, stable relationship among the key elements of a particular function or process. To restructure means the (hopefully) purposeful process of changing the structure of an institution (a company, an industry, a market, a country, the world economy, etc. (Sander et al 1996). This structure defines the constraints under which institutions function in their day-to-day operations and their pursuit of better economic performance. Restructuring can therefore be interpreted as the attempt to change the structure of an institution in order to relax some or all of the short-run constraints.

Restructuring is concerned with changing structures in pursuit of a long run strategy. Crum & Goldberg (1998) define restructuring of a company as "a set of discrete decisive measures taken in order to increase the competitiveness of the enterprise and thereby to enhance its value". The objective of restructuring is to transform the company into an enterprise that is of high value to its owners.

Bowman & Singh (1999) summarized the findings of the corporate restructuring literature of 1990s that examined the impact of restructuring on performance. They classified restructuring activities into three categories, portfolio restructuring, financial restructuring and organizational restructuring.

Portfolio restructuring includes significant changes in the mix of assets owned by a firm or the lines of business in which a firm operates, including liquidation, divestitures, asset sales and spin-offs. Company management may restructure its business in order to sharpen focus by disposing of a unit that is peripheral to the core corporate restructuring and value creation. Moreover, a company can entail on an aggressive combination of acquisitions and divestitures to restructure its portfolio. According to the findings of Bowman et al. (1999) spin-offs and sell-offs generate gains while acquisitions and divestments generate no improvements on average.

Financial restructuring includes significant changes in the capital structure of a firm, including leveraged buyouts, leveraged re-capitalization and debt for equity swaps. Financial structure refers to the allocation of the corporate flow of funds-cash or credit-and to the strategic or contractual decision rules that direct the flow and determine the value-added and its distribution among the various corporate constituencies. According to Donaldson (1994), "the elements of the corporate financial structure include the scale of the investment base, the mix between active investment and defensive reserves, the focus of investment (choice of revenue source), the rate at which earnings are reinvested, the mix of debt and equity contracts, the nature, degree and cost of corporate oversight (overhead), the distribution of expenditures between current and future revenue potential, and the nature and duration of wage and benefit contracts." The findings of Bowman et al. (1999) revealed that financial restructuring generates economic value.

Organizational restructuring includes significant changes in the organizational structure of the firm, including redrawing of divisional boundaries, flattening of hierarchic levels, spreading of the span of control, reducing product diversification, revising compensation, streamlining

processes, reforming governance and downsizing employment. The findings of Bowman et al. (1999) indicated that lay-offs unaccompanied by other organizational changes tend to have a negative impact on performance. Downsizing announcements combined with organizational restructuring are likely to have a positive, though small effect on performance.

1.1.2 Firm performance

Ochieng (2012) states that firms are in business to succeed and to measure the extent of success, firms measure among others profitability using traditional performance measures. The measures that have been used may either be historical or comparative. Stakeholders influence how firm performance is measured and presented. The stakeholders include the employees, shareholders, government, customers, competitors and the general public.

According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.), product market performance (sales, market share, etc.) and shareholder return (total shareholder return, economic value added, etc.). Well performing companies often enjoy a competitive advantage over the rest in the industry and are able to deliver on quality and superior products and services.

According to Nimalathasan (2009), Performance measurement and reporting is now widespread across the private sector as well as public sector of many industrialized and industrializing countries. The common tool that is used for this process, key performance indicators (KPIs), has been argued to provide intelligence in the form of useful information about a public and private agency's performance (Williams, 2003).

Cicea & Hincu (2009) state that commercial banks represent the core of the credit for any national economy. In turn, the credit is the engine that put in motion the financial flows that determine growth and economic development of a nation. As a result, any efficiency in the activities of commercial banks has special implications on the entire economy. The management of every commercial bank must establish a system for assessing investment performance which suits its circumstances and needs and this evaluation must be done at consecutive intervals to ensure the achievement of the Bank's investment objectives and to know the general direction of the behavior of investment activity in the past and therefore predict the future.

1.1.3 Restructuring and organizational performance

According to Bowman et al (1999), the consequences of restructuring can be conceptualized in terms of intermediate effects which may have positive or negative outcomes and these intermediate effects may have some impact on financial performance or economic wealth of the corporation. Bowman et al (1999) suggest that this ultimate effect may be perceptible in a few years or over a longer period. In the opinion of the authors, the mechanism of when does restructuring work is composed of many intermediate steps, but the total or derivative economic effect is captured by the operating profit changes and/or stock market changes. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives).

Organizational restructuring has proven to be beneficial in a number of ways that are not limited to lowering operational costs and assisting in better formulation and implementation of strategies, (Eby & Buch 1998). According to Cascio (2002), debt restructuring also qualifies as financial restructuring. This process allows a private or public company facing

cash flow problems and financial distress, to reduce and renegotiate its delinquent debts in order to improve or restore liquidity and rehabilitate so that it can continue its operations.

Cascio (2002) contends that the investment pattern of a company which relates to ability of corporations to identify the various investments opportunities that would lead to higher returns is part of the restructuring procedure. Financial restructuring may be accomplished with the motive to enhance liquidity, lower the cost of capital, reduce risk, avoid loss of control, and improve shareholder value, among many other reasons, (Pfeiffer & Salancik 2003).

Since the dynamic environment within which companies operate is changing, financial managers should be ever alert to new and better ways of structuring and financing their business. The value-creation process described by Pike and Neale (1996) involves review of the corporate financial structure from the shareholders' viewpoint considering whether changes in capital structure, business mix or ownership would enhance value, increasing efficiency and reducing the after-tax cost of capital through judicious use of borrowing, improving operating cash flows through focusing on wealth creating investment opportunities (having positive net present values), profit improvement and overhead reduction programmers and divestiture, pursuing financially driven value creation using various new financing instruments and arrangements (that is, financial engineering).

Fruhan (1979) identified the following approaches to value enhancement: ability to command premium product prices, achievement of a reduced or lower than average cost structure, achievement of a reduced or lower than average capital intensity, ability to obtain debt at lower than normal cost, ability to obtain equity at lower than normal cost, design of capital structure that is more efficient than that achieved by major competitors, acquiring firms via

the exchange of an overvalued equity, selling overvalued equity and purchasing undervalued equities.

1.1.4 Financial institutions in Kenya

The Banking industry in Kenya is governed by the Companies Act Cap 486, the Banking Act, the Central Bank of Kenya Act, the Microfinance Act 2006, Microfinance Regulations, 2008 and the various prudential guidelines issued by the Central Bank of Kenya (CBK), the 2013 issue being the most recent. The banking sector was liberalized in 1995 and exchange controls lifted. The Microfinance (Amendment) Act 2013, allowed the former Deposit Taking Microfinance institutions (now Microfinance Banks) to operate current accounts, issue third party cheques and engage in foreign exchange trading, in a bid to enhance financial inclusion.

The CBK is responsible for formulating and implementing monetary policy regularly through the monetary policy committee (MPC) and fostering the liquidity, solvency and proper functioning of the financial system. However through the Finance Act, 2013, the legal power to make regulations under the Banking Act was transferred from the Cabinet Secretary, The National Treasury, to the Central Bank, in a bid to enhance the Central Bank's operational independence as provided for under the Republic of Kenya Constitution of 2010.

The financial performance of banks has been increasing and this is attributed to proper management, formulation and implementation strategies. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market (PWC Report, 2012).

According to the CBK report (Performance and developments in the Kenyan Banking sector for the first quarter ending 31st March 2015) there were 43 commercial banks and 1 Mortgage finance Company,10 Microfinance Bank, 8 representative offices of foreign banks , 86 foreign exchange bureaus,14 money remittance providers and 2 credit reference bureaus.

The Kenyan Banking Sector recorded improved performance with the size of net assets standing at Ksh. 3.37 trillion, loans & advances worth Ksh. 2.04 trillion, while the deposit base was Ksh. 2.41 trillion and profit before tax of Ksh. 37.3 billion as at 31st March 2015. Over the same period, the number of bank customer deposit and loan accounts stood at 29,714,738 and 5,354,017 respectively. Capital levels in March 2015 were at Kes 530.1 billion whereas shareholders' funds stood at Kes 533.9 billion.

1.2 Research Problem

Organization restructuring strategies help an organization to get the most from its workforce when the business significantly changes by developing a plan for corporate restructuring, layoffs and mergers (McKinley, Zhao & Rust, 2000). Ikhide and Alawode (2010) pointed out that with proper restructuring, banks would be able to stage a remarkable growth and revitalize their management efficiency. They point out those banks must restructure to improve efficiency and sharpen their competitive edge if they hope to prosper in the fiercely competitive banking industry. According to Asika (2012), for banks to compete and profitably survive in the local banking industry, they need to evaluate their performance and where possible restructure their organizations to minimize costs and increase efficiency.

Berger and DeYoung (1997) found that prior to failure; failing banks have a large proportion of nonperforming loans, suggesting weak balance sheet conditions, poor quality of loan

assets, and bank fragility. Das and Ghosh (2006) found that increases in nonperforming loans tend to be followed by decreases in efficiency, suggesting that high levels of sticky loans cause banks to increase spending on monitoring, administering and/or selling off these loans, and possibly become more diligent in administering the portion of their existing loan portfolio that is currently performing. Furthermore, Berger and Mester (2003) found that lower nonperforming loans improved operating efficiency over time in that the costs required dealing with problem loans decreased as the amount of outstanding loans declined. Das and Ghosh (2006) documented a positive relationship between banking efficiency and capital adequacy. This result is consistent with the notion that well-capitalized banks are perceived to be relatively safe and have better credit risk management practices, which in turn lowers their cost of borrowing, leading to enhanced efficiency. In addition, Niswander and Swanson (2000) found that banks with substandard or marginal capital adequacy ratios have higher operating costs. Panchal and Singh (2013) on studying the impact of restructuring on the financial performance of organization in Gujurat Power Sector concluded that restructuring had a positive impact on performance.

Rono (2011) focused on outsourcing as a restructuring strategy and recommended longer studies to establish the impact of outsourcing on performance. Airo (2009) found restructuring to be resulting into improved performance. He however warns that improvement was not sustainable and therefore recommended more studies. Ithiri (2013) in his study found that the main drivers for restructuring were competition, new company strategy, budgetary cuts, public pressure and change in government policy. Jarso (2013) infers that there is a relationship between restructuring and performance of banks and that for restructuring to be a success, management needs to take employee needs and concerns in planning and implementation of strategies. Ireri (2011) in his study in the case of the oil industry found that

mergers improved performance of listed companies. His findings are similar to those by Kiplangat (2006). Both authors however, recommend further studies into other industries on the real effect of restructuring while considering industry-specific factors. Considering the growth and reorganization of financial institutions in Kenya that includes Mergers and acquisitions, new entrants, liberalization of the financial sector by allowing Microfinance Banks and Microfinance institutions to be deposit taking, the studies leave one question unanswered, what is the effect of restructuring on the performance of financial institutions in Kenya? This study seeks to establish the extent to which restructuring efforts and activities have affected the performance outlook of the major financial institutions in Kenya.

1.3Research Objectives

The objective of the study is to determine to what extent restructuring impacts the performance of financial institutions in Kenya.

1.4 Value of the Study

The study will be useful to executives, managers, venture capitalist, business analysts, investment professionals and organizations in transition and reorganization who wish to establish the relationship between restructuring and the performance of financial institutions.

This study seeks to identify gaps and the necessary measures to be taken to make strategies in future as well as determining whether the projects have achieved the objectives and if not what gaps needed to be filled. In addition, it seeks to establish the impact of restructuring as a strategy used by top financial institutions in Kenya and to extension financial institutions globally. This will in return benefit the financial sector and all other related industries as they will understand the challenges facing the banking and financial industry as regards

restructuring and make the necessary adjustments as well as the benefits the banks will derive from the exercise for better relations with the banks.

The study also contributes towards theory by providing more information on the application of the various theories of strategy in the financial sector as well as the business sector as a whole. The information contained in this report will also be of use in providing empirical evidence on the impact of restructuring as a strategy on performance of institutions which will be of use to other researchers and used as a reference by all stakeholders in the field of strategy.

The study will offer a modern restructuring model for many institutions and thus contribute to the importance of further research, superior performance, and growth of the industry. The results of the study may also be applied to other organization in the service industry since restructuring strategy is applicable to all service oriented organizations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

There are several theories that explain the concept of restructuring and how it affects the performance of institutions. This chapter will give a general review of literature that is based on the theories of restructuring and how it impacts on the performance of financial institutions, and more so in the Kenyan financial sector. The review will include theoretical review of previous studies on the impact of restructuring on the performance of banks and financial institutions.

2.2 Theoretical Literature review

The section discusses relevant literature used in the study. The main focus is on the theoretical and conceptual framework. The first chapters discuss the literature reviews from scholarly articles and the theories that discuss the concept of restructuring. The theories reviewed here have been tested extensively by various researchers in the financial fields, indicating that restructuring and indeed financial restructuring, offers an opportunity for companies to improve their performance and increase shareholder value. The chapter also discusses in detail the determinants of financial performance, both internal and external followed by empirical studies and a summary of the literature review.

2.2.1 Resource Based View Theory

The resource-based view of the firm (RBV) and the resultant resource-based theory (RBT) provide an important framework for explaining and predicting the basis of a firm's competitive advantage and performance (Barney et al. 2011; Slotegraaf et al. 2003; Vorhies and Morgan 2005). Even though prior works have identified organizational resources as

important to a firm's success (Penrose 1959), it was not until the 1980s that the resource-based view of the firm began to take shape. At that time, according to Peteraf and Barney (2003), a firm achieves a competitive advantage when it is able to generate "more economic value than the marginal (breakeven) competitor in its product market".

The resource-based view (RBV) as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Mwailu & Mercer) 1983. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Peteraf 1993). Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991). If these conditions hold, the bundle of resources can sustain the firm's above average returns.

The RBV suggests that the resources possessed by a firm are the primary determinants of its performance, and these may contribute to a sustainable competitive advantage of the firm (e.g., Hoffer & Schendel, 1978;Wenerfelt, 1984). According to Barney (1991), the concept of resources includes all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney, 1991; Daft, 1983). A competitive advantage can be attained if the current strategy is value-creating, and not currently being implemented by present or possible future competitors. Sustainability in the context of a sustainable competitive advantage is independent with regard to the time frame. Rather, a competitive advantage is sustainable when the efforts by competitors to render the competitive advantage redundant have ceased (Rumelt, 1984).

In the early stage of the RBV, the main concern was to identify the characteristics of resources that are not subject to imitation by competitors. If the resources possessed by a firm can easily be replicated by competitors, even though the resources are the source of competitive advantage of the firm, then the advantage will not last long. Dierickx & Cool (1989) describe how the sustainability of a firm's asset position hinges on how easily its resources can be substituted or imitated, and imitability is linked to the characteristics of the asset accumulation process i.e., time compression diseconomies, asset mass efficiencies, inter-connectedness, asset erosion and casual ambiguity. In the same way, several other characteristics have been explored such as unique historical conditions, causal ambiguity (Reed & DeFillippi, 1990), social complexity, isolating mechanism and so on (Barney, 1991; Lippman & Rumelt, 1982; Rumelt, 1984). Barney's (1991) remarks on the conditions that a firm produces competitive advantage may be paraphrased as follows; the resources must be valuable and the resources must be rare.

However the two points should be noted here regarding to the attributes of the competitive advantage of a firm. Firstly, Barney's concept of 'valuable' is an ambiguous criterion to measure the competitive advantage of a firm. Whether the resource is valuable or not should be measured by its profitability, and thus it ought to take the form of an economic asset regardless of how tangible or intangible it is. The value of any resource should be measured by the discounted value of the expected future income stream that can be attributed to it.

Secondly, the concept of a 'rare' resource does not necessarily ensure the competitive advantage of the firm, even if that resource generates a large 'rent' due to its relative scarcity. Rents are the prices of services yielded by resources (Lewin & Phelan, 2002). In this phase rent is nothing more than the rental price of the service of the resource whether it is rare or not. After remunerating all the factors of production, no profit has been left to the firm (Demsetz, 1973; Barney, 1986; Rumelt, 1987). If there is a firm gaining profit from the

resource, it is simply that the firm squeezes some part of the rent from the owner of the resources.

Based on this study RBV theory asserts that the determinants of performance are mainly the resources possessed by a firm and how effectively and efficiently they can be used to drive organizational performance. This in turn forms a major part of this study on how to measure the resources and how restructuring them affects performance of firms.

2.2.2. Lifecycle Theory

The product life-cycle theory is an economic theory that was developed by Raymond Vernon in response to the failure of the Heckscher-Ohlin model to explain the observed pattern of trade. The theory suggests that early in a product's life-cycle all the parts and labor associated with that product come from the area in which it was invented. After the product becomes adopted and used in the world markets, production gradually moves away from the point of origin. In some situations, the product becomes an item that is imported by its original country of invention.

A firm grows and eventually matures while moving through different stages of the corporate lifecycle (Miller & Friesen, 1984). Each of the stages differs from the other in terms of characteristics and firm structure. Lifecycle theory suggests the unique firm lifecycle characteristics of birth, growth, maturity, and decline and how these characteristics affect the decisions a firm makes, especially in situations such as financial distress and the threat of bankruptcy (Koh, Dai, & Chang, 2012).

At birth phase a firm is in the initial stage of starting up business operations. The firm is therefore more geared towards expansion and is mostly action oriented. As it progresses into

growth stage, the firm is more or less successful and experiencing growth in terms of strong business and cash flows. The firm then enters maturity. Here, the firm is cash rich, financially oriented, and focuses more on low risk projects. Eventually, at decline stage firms has limited investment opportunities and generally are incapable of generating sufficient resources. Given that at different lifecycle stage a firm is faced with different challenges, management must have adjusted decisions that account for these differences.

According to Koh, Dai, & Chang, (2012), Lifecycle characteristics present limited options for restructuring to managers, this especially when firms are faced with distress. Depending on the stage in the Lifecycle in which the firm is, the specific lifecycle characteristics will affect the restructuring strategies that the firm may employ if in financial distress, namely; managerial, operational, asset and financial strategies. For example, mature firms replace top level management while growth, mature and decline firms reduce dividend payments and raise funds from external sources.

Corporate finance theory, on the other hand, argues that states of financial distress, default and bankruptcy present a fundamental stage in the lifecycle of firms (Wruck, 1990). The survival of a firm is therefore not only dependent on its ability to remain profitable, to maximize shareholder wealth and to avoid financial distress but also on its ability to make decisions which take into consideration its stage in the lifecycle, (Koh, Dai, & Chang 2012). There is therefore a need to effectively deal with financial distress and immediately so, especially given that it precedes bankruptcy. How effectively a firm responds when it is in financial distress is crucial when it comes to recovery.

Restructuring strategies available to a firm when in distress is limited by the lifecycle stage it is in. For instance, it is more likely for mature firms in distress to replace their managers if incompetent. Firms at birth while open to this option my not choose to do so. Distress firms at decline stage are also more likely to employ operational and asset restructuring strategies as compared to birth firms. Growth, mature and decline firms are more likely to reduce dividend payments to preserve investments and resources due to increased creditor pressure. Consistent with the pecking order hypothesis, distress firms will raise external funding through the issuance of common shares, (Osoro 2012).

Financial institutions in Kenya have undergone various forms of restructuring based on the different stages of their corporate life cycle. Mergers and acquisitions, management restructure, product redefinition, cost cutting measures such as product reprising and staff competency leading to downsizing. All these have relevance to this study considering the dynamics of the restructuring measures taken by different institutions based on their thirst for success and their own structural capacity.

2.2.3 Pecking order theory

Pecking order theory (or pecking order model) postulates that the cost of financing increases with asymmetric information. Financing comes from three sources, internal funds, debt and new equity. Companies prioritize their sources of financing, first preferring internal financing, and then debt, lastly raising equity as a "last resort". Hence: internal financing is used first; when that is depleted, then debt is issued; and when it is no longer sensible to issue any more debt, equity is issued.

Donaldson (1961) followed by Myers (1984) suggests that management follows preference ordering when it comes to financing. His work suggests that the costs of issuing risky debt or equity overwhelm the forces that determine optimal leverage in the trade-off model; the result

is the pecking order. He also argued that the trade-off theory fails to predict the wide degree of cross-sectional and time variation of observed debt ratios. The pecking order theory is mainly a behavioral explanation of why certain companies finance the way they do. It is consistent with some rationale arguments, such as asymmetric information and signaling, as well as with flotation costs. Moreover, it is consistent with the observation that the most profitable companies within an industry tend to have the least amount of leverage.

The pecking order theory explains why the bulk of external financing comes from debt; why more profitable firms borrow less: not because their target debt ratio is low. The order followed is as follows, firms prefer internal finance and if external finance is required, firms issued the safest security first. They start with debt, then possible hybrid securities such as convertible bonds then perhaps equity as a last resort.

This Pecking Order Theory suits large firms with high Profitability and which has enough internal funds in the form of retained earnings and depreciation. These firms follow a stringent dividend policy and a target dividend payout ratio. Thus, this theory states that highly profitable firms prefer internal funds and when external funds are required the firm will borrow, rather than issuing equity. The pecking order theory predicts that high-growth firms, typically with large financing needs, will end up with high debt ratios because of a manager's reluctance to issue equity. Smith and Watts (1992) and Fama and French (2002) also suggested that high-growth firms consistently use less debt in their Capital Structure. Firms that choose to fund with equity today will leave less expensive sources of funding for future needs. If they choose debt funding now, then they will tend to have only more expensive funding available in the future. This reasoning made Cornell and Shapiro (1987) to hypothesize that, firms with higher levels of net organizational capital; the firms should be

predominantly equity financed and hold relatively large cash balances. Corporate managers are more likely to follow a financing hierarchy than to maintain a target debt- equity ratio Pinegar and Wilbricht (1989).

2.2.4 Free Cash Flow theory

The Free Cash Flow Theory is framed for matured firms that are prone to over invest. It says that high debt levels will increase value, despite the threat of financial distress, when a firm's operating cash flow significantly exceeds its profitable investment opportunities Myers (2001). Thus, the profit earning capacity increases the value of the firm despite the threat of financial distress. Firms with a positive free cash flow use this cash flow to lower their debt ratio. Firms with a negative free cash flow increase their debt ratio to respond to the lack of internal funds. The percentage adjustment is smaller for firms with relatively more debt than for firms with relatively low debt.

The theory predicts that value-increasing takeovers occur in response to breakdowns of internal control processes in firms with substantial free cash flow and organizational policies (including diversification programs) that are wasting resources. It predicts hostile takeovers, large increases in leverage, the dismantling of empires with few economies of scale or scope to give them economic purpose (for example, conglomerates), and much controversy as current managers object to loss of their jobs or changes in organizational policies forced on them by threat of takeover, Jensen (1987).

Free cash flow theory predicts that many acquirers will tend to perform exceptionally well prior to acquisition. Empirical evidence from studies of both stock prices and accounting data indicates exceptionally good performance for acquirers prior to acquisition (Magenheim and Mueller (1985); Bradley and Jarrell (1985)). This exceptional stock price performance is

often associated with increased free cash flow, which is then used for acquisition programs as observed in the oil industry.

Acquisitions are one way managers spend cash instead of paying it out to shareholders. Free cash flow theory implies that managers of firms with unused borrowing power and large free cash flows are more likely to undertake low-benefit or even value-destroying mergers. Diversification programs generally fit this category, and the theory predicts that they will generate lower total gains. Thus, some acquisitions are a solution to the agency problems of free cash flow while others, such as diversification programs, are symptoms of those problems (Jensen 1987).

2.3 Determinants of Financial Performance of Financial institutions

The determinants of bank performances can be classified into bank specific (internal) and macroeconomic (external) factors (Al-Tamimi, 2010; Aburime, 2005). These are stochastic variables that determine the output. Internal factors are individual bank characteristics which affect the banks performance. These factors are basically influenced by internal decisions of management and the board. The external factors are sector-wide or country-wide factors which are beyond the control of the company and affect the profitability of banks. The overall financial performance of banks in Kenya in the last two decade has been improving. However, this doesn't mean that all banks are profitable, there are banks declaring losses (Oloo, 2010).

2.3.1 Bank specific factors

The internal factors are bank specific variables which influence the profitability of specific bank. These factors are within the scope of the bank to manipulate them and that they differ from bank to bank. These include capital size, size of deposit liabilities, size and composition

of credit portfolio, interest rate policy, labor productivity, and state of information technology, risk level, management quality, bank size, ownership and the like. CAMEL framework often used by scholars to proxy the bank specific factors (Dang, 2011). CAMEL stands for Capital Adequacy, Asset Quality, Management Efficiency, Earnings Ability and Liquidity

Capital is one of the bank specific factors that influence the level of bank profitability. Capital is the amount of own fund available to support the bank's business and act as a buffer in case of adverse situation (Athanasoglou et al. 2005). Banks capital creates liquidity for the bank due to the fact that deposits are most fragile and prone to bank runs. Moreover, greater bank capital reduces the chance of distress (Diamond, 2000). According to Dang (2011), the adequacy of capital is judged on the basis of capital adequacy ratio (CAR). Capital adequacy ratio shows the internal strength of the bank to withstand losses during crisis. Capital adequacy ratio is directly proportional to the resilience of the bank to crisis situations. It has also a direct effect on the profitability of banks by determining its expansion to risky but profitable ventures or areas (Sangmi and Nazir, 2010)

The bank's asset is another bank specific variable that affects the profitability of a bank. The bank asset includes among others current asset, credit portfolio, fixed asset, and other investments. Often a growing asset (size) is related to the age of the bank (Athanasoglou et al., 2005) Loan is the major asset of commercial banks from which they generate income. The quality of loan portfolio determines the profitability of banks. The loan portfolio quality has a direct bearing on bank profitability. The highest risk facing a bank is the losses derived from delinquent loans (Dang, 2011). Thus, nonperforming loan ratios are the best proxies for asset quality. It is the major concern of all commercial banks to keep the amount of

nonperforming loans to low level. This is so because high nonperforming loan affects the profitability of the bank. The lower the ratio the better the bank performing (Sangmi and Nazir, 2010).

Management Efficiency is one of the key internal factors that determine the bank profitability. It is represented by different financial ratios like total asset growth, loan growth rate and earnings growth rate. Yet, it is one of the complexes subject to capture with financial ratios. Moreover, operational efficiency in managing the operating expenses is another dimension for management quality. The performance of management is often expressed qualitatively through subjective evaluation of management systems, organizational discipline, control systems, quality of staff, and others. One of this ratios used to measure management quality is operating profit to income ratio (Rahman et al. in Ilhomovich, 2009; Sangmi and Nazir, 2010). The higher the operating profits to total income (revenue) the more the efficient management is in terms of operational efficiency and income generation. The ratio of operating expenses to total asset is expected to be negatively associated with profitability. Management quality in this regard, determines the level of operating expenses and in turn affects profitability (Athanasoglou et al. 2005).

Liquidity is another factor that determines the level of bank performance. Liquidity refers to the ability of the bank to fulfill its obligations, mainly of depositors. According to Dang (2011) adequate level of liquidity is positively related with bank profitability. The most common financial ratios that reflect the liquidity position of a bank according to the above author are customer deposit to total asset and total loan to customer deposits. Other scholars use different financial ratio to measure liquidity. For instance Ilhomovich (2009) used cash to deposit ratio to measure the liquidity level of banks in Malaysia. However, the study

conducted in China and Malaysia found that liquidity level of banks has no relationship with the performances of banks (Said and Tumin, 2011).

2.3.2 Macro-economic factors

Many studies show that bank financial performance is influenced by the business cycle (Lowe and Rohling 1993; Calomaris et al 1997; Kaufman 1998). During boom times, firms and households commit larger proportions of their income flows to debt servicing with preferences for leverage following a pro-cyclical pattern. Assuming all else constant, both the demand for leverage and bank's income will rise with the business cycle (Clair 2004).

The macroeconomic policy stability, Gross Domestic Product, Inflation, Interest Rate and Political instability are other macroeconomic variables that affect the performances of banks. For instance, the trend of GDP affects the demand for banks asset. During the declining GDP growth the demand for credit falls which in turn negatively affect the profitability of banks. On the contrary, in a growing economy as expressed by positive GDP growth, the demand for credit is high due to the nature of business cycle. During boom the demand for credit is high compared to recession (Athanasoglou et al, 2005). The same authors state in relation to the Greek financial crisis that the relationship between inflation level and banks profitability remains debatable. The direction of the relationship is not clear (Vong and Chan, 2009).

The variables most often found to be positively associated with strong bank income growth are GDP growth and changes in interest rates. Banks' total expenditure, including interest paid, may follow a pro-cyclical pattern along the business cycle. Interest paid may rise as savings increase, while wages and operating expenses may face upward pressure as labor markets tighten during economic booms. The relationship between risk and return depends on how the banks price for risk and lags between taking on risk and crystallization of the risk

into their realized profit or losses. When GDP increases, banks may earn higher returns by taking greater risk which boost profits, however, if a bank experiences losses subsequently beyond what it had provisioned for, such losses will reduce profitability (Clair 2004)

2.4 Empirical Studies

The common benefits of restructuring frequently cited in studies include improved accuracy, and the provision of timely and quick access to information, and the saving of costs (Cascio, 2002). Although it may be possible to identify many of the relevant organizational restructuring costs, according to Cascio (2002) it is more difficult to quantify the intangible benefits to be derived from the re-structured organization. Beyond cost reductions and productivity improvements, restructuring potentially and fundamentally affects revenue channels.

The findings of Zeitun and Tian (2007) indicated that leverage has a significant and negative relationship with firm's performance. They used leverage, growth, size, tax, risk and tangibility as independent variable to see their effect on firm's performance. They concluded that firm's size and tax have positive and significant relationship with firm's performance while risk and tangibility have negative and significant relationship with firm's performance.

Chang,Cianci,Hsiao & Huang (2010) while investigating the effect of First financial restructuring on the operating efficiency of commercial banks in Taiwan concluded that that banks had lower operating efficiency on average during the reform period (2002-2003) compared to the pre-reform period (2000-2001), improved operating efficiency was reflected in the post-reform period (2004). Their results remain unchanged even after controlling for the nonperforming loan ratio, capital adequacy ratio, bank ownership and size. Overall, the results indicate that the improved efficiency in the post-reform period was possibly due to the

reduction of nonperforming loans rather than the boosting of capital adequacy in the reform period.

Ongore & Kusa (2012) in their study of the determinants of financial performance of commercial banks in Kenya conclude that bank specific factors significantly affect the performance of commercial banks in Kenya, except for liquidity variable. But the overall effect of macroeconomic variables was inconclusive at 5% significance level. The moderating role of ownership identity on the financial performance of commercial banks was insignificant. Thus, they concluded that the financial performance of commercial banks in Kenya is driven mainly by board and management decisions, while macroeconomic factors have insignificant contribution.

Riany, Musa, Odera & Okaka (2012) while studying effects of restructuring on organization performance of mobile phone service providers in Kenya specifically inquiring the frequency with which an organization carries out portfolio, financial and organization restructuring, concluded that the three methods of restructuring have a favorable effect on the companies' market share and market growth. Their results indicate that financial restructuring had the greatest impact on a company's market share followed by portfolio restructuring and organization restructuring. It is distinct that organizational restructuring had the greatest impact on market growth rate. The Findings indicate that a firm's decision to restructure is influenced by a change in the firm's objectives, political/legal, technological, economic and socio-cultural factors; with a greater weight being set on the firm's objectives, technological change and economic factors.

Ithiri (2013) in his study of corporate restructuring and its effects on Kenya commercial bank's performance found that the main drivers for restructuring were competition, new company strategy, budgetary cuts, public pressure and change in government policy. The study revealed that increase in competition in the industry, government policy, increase in customer demands forced the organization to restructure itself in order to remain competitive in the market. The study also revealed that the organization structure had changed two times which was a result of competition in the market, regulation by the government, changes in the company's policies.

Mbogo & Waweru (2014) in their study on the corporate turnaround response by financially distressed companies listed on the NSE, surveyed companies that were listed for the entire period of the study (2002-2008). The survey found out that employee layoff was the most preferred course of action being carried out by 63% by the companies. Asset restructuring was the second most preferred turnaround strategy being carried out by 50% of the companies. Debt restructuring and top management change were the least preferred turn around strategies each one of them being taken by one company each.

2.5. Summary of the literature review

The chapter has explored the various theories, benefits, challenges and factors that influence restructuring and financial performance. Based on the various studies done, different scholars show that there is need for more research concerning restructuring and its effect on financial performance since it gives an organization a competitive advantage and strategic value.

The Resource Based Theory (RBV) suggests that the resources possessed by a firm are the primary determinants of its performance, and these may contribute to a sustainable competitive advantage of the firm, competitive advantage being attained through value creation and having resources that are not subject to imitation by competitors noting that if

the resources can be replicated the competitive advantage will not last for long. The Life cycle theory (birth, growth, maturity and decline) views the firm operations as initially geared towards expansion and action oriented with an increase in capital from shareholders, as it progresses the firm experiences strong business and cash flow growth whereby upon maturity the firm is cash rich and focus is on low risk projects and eventually on decline it has limited investment opportunities and generally incapable of generating sufficient resources for sustaining the business. The pecking order theory explains why a firm prefers internal financing as opposed external financing and what necessitates ratios and order of this financing. The Free Cash Flow Theory on the other hand is framed for matured firms that are prone to over invest. It says that high debt levels will increase value, despite the threat of financial distress, when a firm's operating cash flow significantly exceeds its profitable investment opportunities. Firms with a positive free cash flow use this cash flow to lower their debt ratio. Firms with a negative free cash flow increase their debt ratio to respond to the lack of internal funds.

Improved accuracy, provision of timely and quick access to information and the savings cost are some of the benefits of restructuring Casio (2002). Zeitun and Tian (2007) indicated that leverage has a significant and negative relationship with firm's performance by using leverage, growth, size, tax, risk and tangibility as independent variables to see their effects on firm's performance. Chang,Cianci,Hsiao & Huang (2010) concluded that banks had lower operating efficiency on average during the restructuring period than the post restructuring period. Ongore & Kusa (2012) concluded that bank specific factors except for liquidity significantly affected the performance of commercial banks. Riany, Musa, Odera & Okaka (2012) concluded that the three methods of restructuring have a favorable effect on the companies' market share and market growth i.e portfolio, financial and organization

restructuring. Their results indicate that financial restructuring had the greatest impact on a company's market share followed by portfolio restructuring and organization restructuring.

Profit is the ultimate goal of commercial banks. All the strategies designed and activities performed thereof are meant to realize this grand objective. However, this does not mean that commercial banks have no other goals. Commercial banks could also have additional social and economic goals Ongore and Kusa (2012). However, this study is related to performance. To measure the performance of financial institutions there are variety of ratios used of which Return on Asset, Return on Equity and Net Interest Margin are the major ones (Murthy and Sree, 2003; Alexandru et al., 2008).

Restructuring is evidently therefore, key in any corporate firm especially in times of financial distress. Kenyan banks are consequently not an exception when in times of such financial crisis. The banks need to revisit their capital structure and review it with an interest to ensure it is in its optimal level. To achieve the optimal capital structure, financial restructuring may mean the bank issues new debt or equity. It may also call for the total opposite in which the corporate institution buys back its shares from the security markets or avoids debt in total or may lead to downsizing of staff in a bid to decrease the cost to income ratios of the financial institutions in bid to increase bottom line that is profitability. It may also mean strategic partnership with other financial institutions in form of Mergers or acquisitions so as to place themselves in strategic positions in times of competition and growth. Some institutions have had to restructure their product offering so as to get the most earnings as they can.

However there exists a gap in how to measure these intangible benefits. Cost reduction and improved productivity can be easily ascertained but these are not the only fundamentals that affect revenue. Increase productivity might be as a result of increase operational efficiency or increased turnaround time, the measures of efficiency not being very straight forward because

of the underlying factors of its measure. Ongore & Kusa (2012) pointed out that the overall effect of macroeconomic variables on the performance of financial institutions after restructuring was inconclusive. Macroeconomic policies are long term and as such measuring their effects in the short term may be difficult. Similarly it is difficult to adequately measure the relationship of macroeconomic factors, restructuring and firm performance. Ithiri (2013) found that one of the main drivers of restructuring was a new company strategy. The question will be how many times does a company change its strategy and does this mean that frequency of restructuring is pegged on the frequency of change in strategy as well.The research gaps intended to be filled in this study will be establishing whether macroeconomic factors affect profitability of a firm on restructuring, whether the size of firm has an impact on restructuring and performance and the level at which restructuring affects efficiency and performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes how the research study will be conducted. It explains the research design applied in this study and a justification of why the research design was chosen. Subsequently the chapter states the target population of the study and the sample size and sample frame, the data collection method applied and how the data was analyzed to produce the required information for this study. Regression analysis is used to come up with the multiple regression equation.

3.2 Research Design

A research design is defined as a set of guidelines and instructions to be followed in addressing the research problem. That is, a programme to guide the researcher in collecting, analyzing and interpreting observed facts Orodho (2003) .The study was carried out through a cross sectional research whose main aim was to establish the restructuring strategies employed by financial institutions in Kenya and how the restructuring strategies influence the performance of financial institutions in Kenya.

The research was conducted through cross-sectional survey. Data inferences were made for the population of interest at a point in time. Cross-sectional surveys have been described as snapshots of the populations about which they gather data. The yearly financial reports have been used to determine the variables for an eight year period. As a result, the unaudited reports given from2008 to June 2015 are the basis of the study.

This design was appropriate because it had the ability of providing the critical success factors of restructuring that financial institution have adopted. Also, when the respondents give answers, it‘s easy to probe further for any question that may not have been included in the interview guide and also eliminates anonymity between the researcher and respondent. It is also appropriate considering the sensitivity of the information being provided and therefore gives an assurance that the information will be treated confidentially.

3.3 Population of the Study

Target population in a study is the specific population about which information is desired. According to Ngechu (2004), a population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated. The population for this study will comprised of 43 registered commercial banks operating in Kenya as per the Central bank of Kenya records as at June 2015.

3.4 Data Collection

The data was collected from secondary sources. This study will use a descriptive design approach. The secondary data is obtained from the yearly financial reports to derive the Return on Equity (ROE) Profit margin, Asset utilization ratio, Net interest margin, Overhead efficiency, Spread, Interest expense ratio, Provision for loan loss ratio , Non - interest expense ratio for each of the intervals in the event window and which will be analyzed to isolate trends in the variables. The secondary data is largely quantitative and descriptive in nature and will be obtained from individual banks’ annual financial statements, unaudited financial statements and the Central Bank of Kenya (CBK’s) banking sector reports for the seven-year period beginning 2008 to 2015.

3.5 Data analysis

Data analysis is the process which starts immediately after data collection and ends at the point of interpretation and processing (Mugenda & Mugenda, 2003). Data analysis will be carried out as regression and correlation analysis by use of Statistical Package for Social Sciences (SPSS) and presented using descriptive statistics.

Regression analysis will be used to come up with the model expressing the relationship between the dependent variable in the study, Financial performance and independent variables, Profit margin, Asset utilization ratio, Net interest margin, Overhead efficiency, Spread, Interest expense ratio, Provision for loan loss ratio , Non - interest expense ratio. These listed independent variables drive the capital structure of a financial institution and are key in any process of restructuring.

3.5.1 Conceptual Model

The conceptual model for this study is computed as follows:

$y = f(X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8)$

Whereby;

X_1= Profit margin (Net income/Total operating income)

X_2= Asset utilization ratio (Total operating income/Total assets)

X_3= Net interest margin (Net interest income/Earning assets)

X_4= Overhead efficiency (Non interest income/Non interest expense)

X_5= Spread $\left(\frac{\text{Interest income}}{\text{Earning assets}} - \frac{\text{Interest expense}}{\text{Interest bearing liabilities}} \right)$

X_6= Interest expense ratio (Interest expense/Total operating income)

X_7= Provision for loan loss ratio (Provision for loan loss /Total operating income)

X_8= Non - interest expense ratio (Non - interest expense /Total operating income)

The relationship between the variables above is on the basis of profitability, efficiency and asset utilization. The interest income, total operating income and the interest expense form the basis of measuring the performance of financial institutions putting into consideration the earning assets and interest bearing liabilities.

3.5.2 Multiple Regression Equation

The Multiple Regression equation for this study is computed as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + \varepsilon$$

Whereby;

Y = Financial performance measured as ROE $\frac{\text{Net Income}}{\text{Total operating income}} \times \frac{\text{Total Assets}}{\text{Total equity capital}}$

α = constant term,

X_1= Profit margin (Net income/Total operating income)

X_2= Asset utilization ratio (Total operating income/Total assets)

X_3= Net interest margin (Net interest income/Earning assets)

X_4= Overhead efficiency (Non interest income/Non interest expense)

X_5= Spread $\left(\frac{\text{Interest income}}{\text{Earning assets}} - \frac{\text{Interest expense}}{\text{Interest bearing liabilities}}\right)$

X_6= Interest expense ratio (Interest expense/Total operating income)

X_7= Provision for loan loss ratio (Provision for loan loss /Total operating income)

X_8= Non - interest expense ratio (Non - interest expense /Total operating income)

While β_1, β_2, β_3, β_4, β_5, β_6, β_7, β_8 are coefficients of determination, and ε is the error term.

The multiple regression function above will be used to investigate the effect of each of the independent variable on the dependent variable at the same time and of the same set of analysis. The change in value of β is the degree of effects on Y (financial performance) and the positive (or negative) sign of the value will imply the direction of effects. The higher the value β for a particular variable, the higher the effects of that variable on the dependent variable Y.

3.5.3 Test of significance

Tests of significance are statistical tools that help us make decisions about changes to responses (process outputs). Without these tools, we might look at a change in a process output and think that it is important, but the change was just part of the common cause variation from the process. Tests of significance give us a statistical basis for determining if a change in factor levels leads to a statistically significant effect on the process response.

While tests of significance can be standalone statistical tools, they serve as the backbone of ANOVA (analysis of variance) and of the analysis of the results from designed experiments.

The hypothesis for this test is as below,

Null hypothesis H_0 restructuring has no impact on firm performance

Alternative hypothesis H_a restructuring has an impact on firm performance

The significance level α 0.05

The t-test for the two sample means will be used to test the hypothesis on whether there will be any impact on the financial performance ratios of firms after the restructuring has been implemented.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter discusses the output of the analysis carried out for the eight years from the year 2008 to 2015. The study used all 43 Banks as at 30th June 2015. The variables for the eight years were analyzed using SPSS version 20 and the findings are discussed in this chapter.

4.2 Descriptive Statistics

The descriptive analysis of the data analyzed for the eight year duration is summarized in the tables below;

Table 4.1 Descriptive Statistics

Descriptive Statistics

	Mean	Std. Deviation	N
FINANCIAL PERFORMANCE	2.549	9.9127	344
PROFIT MARGIN	.447	.1304	344
A U RATIO	.113	.0386	344
NET INT MARGIN	.071	.0538	344
OVERHEAD EFFICIENCY	.531	.2785	344
SPREAD	.073	.0567	344
INT EXP RATIO	.476	.2667	344
LOAN LOSS RATIO	.047	.0935	344
NON - INT EXP RATIO	.476	.2667	344

Sampling Method	Simple
Number of Samples	1000
Confidence Interval Level	95.0%
Confidence Interval Type	Percentile

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

Source :Researcher 2015

The descriptive statistics in table 4.1 show that the total number of data analyzed (n) is 344, which represents the eight - year data for the 43 commercial banks in Kenya for which all of the eight variables were incorporated in the analysis. The standard deviation of the variables which is a measure of the dispersion from the mean, that is, the volatility of the respective variables can also be observed from the descriptive statistics. The mean of the data is also shown. The mean for financial performance is 2.549 with a standard deviation of 9.9127 meaning that the data is clustered around the mean. Profit margin has a mean of 0.447 and a standard deviation of 0.1304, asset utilization ratio has a mean of 0.113 and a standard deviation of 0.386, net interest margin has a mean of 0.071 and a standard deviation of 0.538, same applies for the other variables under observation. It can be concluded that financial performance has the highest dispersion from the mean, with all other variables having a low dispersion, and this enforces the accuracy of the data in consideration.

4.3 Diagnostic Statistics

A regression diagnostic is one of a set of procedures available for regression analysis that seek to assess the validity of a model in any of a number of different ways. This assessment may be an exploration of the model's underlying statistical assumptions, an examination of the structure of the model by considering formulations that have fewer, more or different explanatory variables, or a study of subgroups of observations, looking for those that are either poorly represented by the model (outliers) or that have a relatively large effect on the regression model's predictions.

4.3.1 Test for Normality

To check for normality the Dublin Watson test was applied. This is a test statistic used to test the presence of autocorrelation (a relationship between values separated from each other by a given time lag) in the residuals (prediction errors) from a regression analysis. If they are correlated, then least-squares regression underestimates the standard error of the coefficients; your predictors can seem to be significant when they may not be.

Table 4.2 Durbin WatsonTest

Bootstrap for Model Summary

Model	Durbin-Watson	Bootstrap[a]			
		Bias	Std. Error	95% Confidence Interval	
				Lower	Upper
1	1.945	-.544	.316	.908	1.898

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

a. Dependent Variable: FINANCIAL PERFORMANCE

Source :Researcher 2015

From the test results above it is observed that the test have a positive autocorrelation meaning that Financial performance is positively affected by the variables, profit margin, Asset utilization, net interest margin, overhead efficiency, spread, interest expense ratio, the loan loss ratio and the non interest expense ratio.

4.3.2 Test for Collinearity

Collinearity is defined simply as correlation among the predictors in a multiple regression. When there is a perfect linear relationship among the predictors, the estimates for a regression model cannot be uniquely computed. The term collinearity implies that two variables are near perfect linear combinations of one another. When more than two variables are involved it is often called multicollinearity. The primary concern is that as the degree of multicollinearity increases, the regression model estimates of the coefficients become unstable and the standard errors for the coefficients can get wildly inflated

Table 4.3 Tolerance and VIF Test

Coefficients[a]

Model		Correlations		Collinearity Statistics	
		Partial	Part	Tolerance	VIF
1	(Constant)				
	PROFIT MARGIN	.102	.084	.635	1.575
	A U RATIO	.094	.078	.877	1.140
	NET INT MARGIN	.171	.143	.235	4.263
	OVERHEAD EFFICIENCY	-.046	-.038	.878	1.139
	SPREAD	-.147	-.122	.266	3.759
	LOAN LOSS RATIO	-.480	-.452	.694	1.441
	NON - INT EXP RATIO	.011	.009	.690	1.450

Source :Researcher 2015

For testing the presence of multicollinearity the researcher used the tolerance and the variance inflation factor (VIF) test. It should be noted that the more independent variables in a multiple regression analysis the more likely presence of multicollinearity. As a rule of thumb, a variable whose VIF values is greater than 10 may merit further investigation

From table 4.3 it can be noted that all the variables are within the tolerance limits as the outcome of the test are all below the VIF threshold which is acceptable. The VIF on the other hand shows involvement of each variable in the equation. There exists a positive involvement of the variables in the overall equation.

4.4 Pearson Correlation

Table 4.4.represents the Bivariate Pearson's Correlation which shows that profit margin had a strong positive correlation of 0.170 and a statistically significant value of 0.002 This shows that the profit margin is statistically insignificant in its effect on the financial performance of financial institutions in Kenya. Asset utilization ratio had a weak positive correlation of 0.004 and a statistically significant value of 0.936, showing that the asset utilization ratio determined performance of financial institutions in Kenya. The net interest margin of the financial institutions had a weak correlation of 0.107 and a probability value of 0.047 concluding that the NIM determines financial performance of firms in the study. The overhead efficiency ratio has a strong positive correlation of 0.35 and statistical significance value of 0.52 meaning that it is insignificant on the effect of financial performance of firms. The spread on the other hand has a positive correlation of 0.01 and a statistical value of 0.856, while the interest expense ratio has strong negative correlation of 0.232, a highly statistical significance value of 0.000, showing that this has a strong effect on performance. The loan loss ratio ratio has a weak positive correlation of 0.507 and a high statistical significance value if 0.000, while the non interest expense ratio has a strong negative correlation of 0.232 and a high statistical significance of 0.000 meaning that both the LLR and NIER have great impact on performance. It can be generally concluded that most of the variables under study had a positive correlation to the financial performance of financial institutions in Kenya, with the correlation ranging from weak to strong apart from the, interest expense ratio, loan loss reserve ratio and the non interest expense ratio.

Table 4.4 Bivariate Pearson's Correlation

				FP	PM	AU	NIM	OE
	Pearson Correlation			1	.170**	0.004	.107*	0.035
	Sig. (2-tailed)				0.002	0.936	0.047	0.52
	N			344	344	344	344	344
		Bias		0	0.152	-0.037	0.077	-0.085
		Std. Error		0	0.186	0.065	0.093	0.145
			Lower	1	0.16	-0.186	0.097	-0.307
FP	Bootstrap[c]	95% Confidence Interval	Upper	1	0.625	0.03	0.367	0.104
	Pearson Correlation			.170**	1	0.081	.574**	-.204**
	Sig. (2-tailed)			0.002		0.135	0	0
	N			344	344	344	344	344
		Bias		0.152	0	0.001	0.002	0
		Std. Error		0.186	0	0.052	0.036	0.053
			Lower	0.16	1	-0.021	0.5	-0.303
PM	Bootstrap[c]	95% Confidence Interval	Upper	0.625	1	0.181	0.642	-0.092
	Pearson Correlation			0.004	0.081	1	.284**	-0.003
	Sig. (2-tailed)			0.936	0.135		0	0.955
	N			344	344	344	344	344
		Bias		-0.037	0.001	0	0	0.002
		Std. Error		0.065	0.052	0	0.041	0.049
			Lower	-0.186	-0.021	1	0.202	-0.089
AU	Bootstrap[c]	95% Confidence Interval	Upper	0.03	0.181	1	0.362	0.105

				SP	IER	LLR	NIER
	Pearson Correlation			0.01	-.232**	-0.507	-.232*
	Sig. (2-tailed)			0.856	0	0	0
	N			344	344	344	344
		Bias		0.095	0.036	0.081	0.036
		Std. Error		0.145	0.133	0.216	0.133
			Lower	-0.032	-0.405	-0.741	-0.405
FP	Bootstrap[c]	95% Confidence Interval	Upper	0.359	0.075	-0.073	0.075
	Pearson Correlation			.512**	0.09	-0.001	.090**
	Sig. (2-tailed)			0	0.097	0.988	0.097
	N			344	344	344	344
		Bias		0.003	0.001	0.007	0.001
		Std. Error		0.038	0.079	0.083	0.079
			Lower	0.439	-0.064	-0.143	-0.064
PM	Bootstrap[c]	95% Confidence Interval	Upper	0.587	0.242	0.168	0.242

	Pearson Correlation			0.23	0.141	0.218	.141**
	Sig. (2-tailed)			0	0.009	0	0.009
	N			344	344	344	344
		Bias		0.001	0	0.002	0
		Std. Error		0.045	0.054	0.071	0.054
			Lower	0.145	0.04	0.085	0.04
AU	Bootstrap[c]	95% Confidence Interval	Upper	0.32	0.254	0.366	0.254

				FP	**PM**	**AU**	**NIM**	**OE**
	Pearson Correlation			0.107	.574**	0.284	1*	-0.119
	Sig. (2-tailed)			0.047	0	0		0.027
	N			344	344	344	344	344
		Bias		0.077	0.002	0	0	0.002
		Std. Error		0.093	0.036	0.041	0	0.053
			Lower	0.097	0.5	0.202	1	-0.218
NIM	Bootstrap[c]	95% Confidence Interval	Upper	0.367	0.642	0.362	1	-0.011
	Pearson Correlation			.035**	-0.204	-0.003	-.119**	1**
	Sig. (2-tailed)			0.52	0	0.955	0.027	
	N			344	344	344	344	344
		Bias		-0.085	0	0.002	0.002	0
		Std. Error		0.145	0.053	0.049	0.053	0
			Lower	-0.307	-0.303	-0.089	-0.218	1
OE	Bootstrap[c]	95% Confidence Interval	Upper	0.104	-0.092	0.105	-0.011	1
	Pearson Correlation			0.01	0.512	0.23	.854**	-0.156
	Sig. (2-tailed)			0.856	0	0	0	0.004
	N			344	344	344	344	344
		Bias		0.095	0.003	0.001	0	0
		Std. Error		0.145	0.038	0.045	0.03	0.05
			Lower	-0.032	0.439	0.145	0.789	-0.251
SP	Bootstrap[c]	95% Confidence Interval	Upper	0.359	0.587	0.32	0.91	-0.054

				SP	**IER**	**LLR**	**NIER**
	Pearson Correlation			0.854	.154**	0.141	.154*
	Sig. (2-tailed)			0	0.004	0.009	0.004
	N			344	344	344	344
		Bias		0	0.001	0.005	0.001
		Std. Error		0.03	0.061	0.079	0.061
			Lower	0.789	0.033	0.005	0.033
NIM	Bootstrap[c]	95% Confidence Interval	Upper	0.91	0.275	0.308	0.275

	Pearson Correlation			-.156**	-0.277	-0.181	-.277**
	Sig. (2-tailed)			0.004	0	0.001	0
	N			344	344	344	344
		Bias		0	0	-0.002	0
		Std. Error		0.05	0.035	0.037	0.035
			Lower	-0.251	-0.343	-0.251	-0.343
OE	Bootstrap[c]	95% Confidence Interval	Upper	-0.054	-0.206	-0.107	-0.206
	Pearson Correlation			1	0.161	0.159	.161**
	Sig. (2-tailed)				0.003	0.003	0.003
	N			344	344	344	344
		Bias		0	0.002	0.002	0.002
		Std. Error		0	0.054	0.059	0.054
			Lower	1	0.059	0.047	0.059
SP	Bootstrap[c]	95% Confidence Interval	Upper	1	0.272	0.273	0.272

	Pearson Correlation			-0.232	.090**	0.141	.154*	-0.277
	Sig. (2-tailed)			0	0.097	0.009	0.004	0
	N			344	344	344	344	344
		Bias		0.036	0.001	0	0.001	0
		Std. Error		0.133	0.079	0.054	0.061	0.035
			Lower	-0.405	-0.064	0.04	0.033	-0.343
IER	Bootstrap[c]	95% Confidence Interval	Upper	0.075	0.242	0.254	0.275	-0.206
	Pearson Correlation			-.507**	-0.001	0.218	.141**	-.181**
	Sig. (2-tailed)			0	0.988	0	0.009	0.001
	N			344	344	344	344	344
		Bias		0.081	0.007	0.002	0.005	-0.002
		Std. Error		0.216	0.083	0.071	0.079	0.037
			Lower	-0.741	-0.143	0.085	0.005	-0.251
LLR	Bootstrap[c]	95% Confidence Interval	Upper	-0.073	0.168	0.366	0.308	-0.107
	Pearson Correlation			-0.232	0.09	0.141	.154**	-0.277
	Sig. (2-tailed)			0	0.097	0.009	0.004	0
	N			344	344	344	344	344
		Bias		0.036	0.001	0	0.001	0
		Std. Error		0.133	0.079	0.054	0.061	0.035
			Lower	-0.405	-0.064	0.04	0.033	-0.343
NIER	Bootstrap[c]	95% Confidence Interval	Upper	0.075	0.242	0.254	0.275	-0.206

				SP	IER	LLR	NIER
	Pearson Correlation			0.161	1**	0.52	1.000*
	Sig. (2-tailed)			0.003		0	0
	N			344	344	344	344
		Bias		0.002	0	0.002	0
		Std. Error		0.054	0	0.065	0
		95% Confidence Interval	Lower	0.059	1	0.391	1
IER	Bootstrap[c]		Upper	0.272	1	0.647	1
	Pearson Correlation			.159**	0.52	1	.520**
	Sig. (2-tailed)			0.003	0		0
	N			344	344	344	344
		Bias		0.002	0.002	0	0.002
		Std. Error		0.059	0.065	0	0.065
		95% Confidence Interval	Lower	0.047	0.391	1	0.391
LLR	Bootstrap[c]		Upper	0.273	0.647	1	0.647
	Pearson Correlation			0.161	1	0.52	1**
	Sig. (2-tailed)			0.003	0	0	
	N			344	344	344	344
		Bias		0.002	0	0.002	0
NIER	Bootstrap[c]	Std. Error		0.054	0	0.065	0
		95% Confidence Interval	Lower	0.059	1	0.391	1
			Upper	0.272	1	0.647	1

****. Correlation is significant at the 0.01 level (2-tailed).**

***. Correlation is significant at the 0.05 level (2-tailed).**

c. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

Source :Researcher 2015

4.5 Regression Model

The regression equation $y = f(X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8)$ is used to test the relationship between restructuring and perfomance taking into account the factors that affect performance

4.5.1 Estimated Model Coefficients

The regression model coefficients derived from the analysis are shown in the below equation

$Y = -.1.020 + 8.034X_1 + 21.33 + 54.367\ X_3 - 1.433X_4 - 41.449X_5 - 57.489X_6 + 0.400X_7$

Where

Y = Financial performance

X_1= Profit margin

X_2= Asset utilization ratio

X_3= Net interest margin

X_4= Overhead efficiency

X_5= Spread

X_6= Interest expense ratio

X_7= Provision for loan loss ratio

X_8= Non - interest expense ratio

From the regression model, it can be observed that there exists a positive relationship between the financial performance and profit margin, asset utilization ratio , net interest margin and the non interest expense ratio, while there is a negative relationship between overhead efficiency , spread and the loan loss ratio,

This means that as the profit margin increase the ROE will increase by 8.034. Furthermore if the asset utilization increases, the ROE will increase by 21.33, while an increase in the net interest margin will lead to an increase in performance by 54.367, while a 0.40 increase in non interest expense will lead to a similar increase in the ROE.

On the contrary there is a negative relationship whereby the relationship between financial performance and overhead efficiency is indicated by its coefficient -1.433 meaning that when the net interest margin decreases by 1.433 units the ROE will tend to decrease by approximately 1.433. Similarly there is a negative relationship between the spread and the loan loss ratio. When the spread and the loan loss decrease by 41.449 and 57.489,-0.16 the ROE will decrease by 41.449 and 57.489 respectively.

These coefficients can be summarized in the coefficients table 4.5

Table 4.5 Coefficient Table

Bootstrap for Coefficients

Model		B	Bootstrap[a]				
			Bias	Std. Error	Sig. (2-tailed)	95% Confidence Interval	
						Lower	Upper
1	(Constant)	-1.020	.439	2.542	.726	-6.555	2.297
	PROFIT MARGIN	8.034	-.488	3.715	.353	2.653	16.945
	A U RATIO	21.330	-3.497	19.438	.420	-5.592	59.398
	NET INT MARGIN	54.367	-6.573	39.302	.359	-1.883	127.365
	OVERHEAD EFFICIENCY	-1.433	.109	.927	.409	-3.532	.025
	SPREAD	-41.449	4.991	31.774	.366	-99.990	3.218
	LOAN LOSS RATIO	-57.489	7.486	38.104	.349	-115.921	-1.323
	NON - INT EXP RATIO	.400	-.153	1.196	.818	-2.007	2.846

It is also observed that the dependent variable Y and the independent variables are not significant. This is as represented in the “sig (2 – tailed)” column in table 4.5.

Table 4.6 Independent Variables Coefficient Table

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order
1	(Constant)	-1.020	2.603		-.392	.696	-6.139	4.100	
	PROFIT MARGIN	8.034	4.294	.106	1.871	.062	-.412	16.481	.170
	A U RATIO	21.330	12.347	.083	1.728	.085	-2.957	45.616	.004
	NET INT MARGIN	54.367	17.123	.295	3.175	.002	20.685	88.048	.107
	OVERHEAD EFFICIENCY	-1.433	1.710	-.040	-.838	.403	-4.797	1.931	.035
	SPREAD	-41.449	15.258	-.237	-2.716	.007	-71.463	-11.435	.010
	LOAN LOSS RATIO	-57.489	5.732	-.542	-10.030	.000	-68.763	-46.215	-.507
	NON - INT EXP RATIO	.400	2.015	.011	.199	.843	-3.564	4.364	-.232

Source: Researcher 2015

The unstandardized coefficients take into account other variables that are not under study, whereas the standardized coefficients do not. The standardized and the unstandardized coefficients are both not statistically significant as presented by their t and sig column

4.5.2 Model Analysis

The model summary below was established from the data analysis

Table 4.7 Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.565[a]	.319	.305	8.2659	.319	22.468	7	336	.000	1.945

Predictors: (Constant), non – interest expense, spread, profit margin, asset utilization

, overhead efficiency, loan loss ratio, net interest margin

Dependent Variable: Performance

Table 4.7 provides the summary of the regression model. In the model summary, the values of R, R2, adjusted R2 and the standard error are given. These values explain how well the regression model fits the analyzed data. The value of R represents the multiple correlation coefficients which measure the quality of the prediction of the dependent variable. In this case the value of R is 0.565 which shows a weak level of prediction. The value of R2 which is the coefficient of determination is 0.319 indicating that only 31.9% of the independent variables explain the variability of performance, the other 68.1% is not explained by the model. This indicates that the performance of financial performance in Kenya is affected only to a small extent by said factors under consideration.

4.6. Interpretation of Findings

From the analysis, it can be observed that profit margin, asset utilization ratio, net interest margin and the non interest expense ratio have some effects on the financial performance of financial institutions in Kenya. The model equation for this study shows that the profit margin (X_1), asset utilization ratio(X_2), net interest margin (X_3), and the non interest expense ratio (X_8) positively affects financial performance (Y). However the overhead efficiency (X_4) , spread (X_5) and interest expense ratio (X_6) negatively affects financial performance. The results show that if there is an increase in profit margin, asset utilization, net interest margin and non interest expense ratio the performance of the firm measured by the ROE, will increase by 8.034, 21.33, 54.367 and 0.40 units respectively. This ultimately means that there is a positive effect on financial performance. This in turns means financial institutions that choose to increase their profit margin, asset utilization ratio, net interest margin and their non interest expense ratio will in the long run increase their performance.

Further analysis of the variables and their coefficients also indicates that the effect of restructuring on the performance of financial institutions is significant. The correlation factor(R) is at 0.0565 which is greater than 0.5 indicating that there exists a strong level of prediction of the independent variables. The coefficient of determination R^2 which is at 31.9% means that the variables used in the model can only explain 31.9% of the independent variable which is performance. The remaining 68.1% can only be explained by variables outside this model in consideration. This means that it can only be concluded that restructuring does have a significant impact on performance of financial institutions in Kenya but only to a limited extent.

These findings tend to agree with Osoro (2014) whose finding in his analysis concluded that there exists a positive effect of financial restructuring of the financial performance of commercial banks in Kenya. However further in his analysis, the effect was found to be very minimal.,Similarly the findings agree with Bowman, Singh, Useem & Badhury (1999) comparative studies which found positive change in performance for firms that adopted portfolio

and financial restructuring and negative results for firms that adopted organization restructuring. Therefore it can be concluded that restructuring does affect the performance of financial institutions but not to a great extent.

CHAPTER FIVE

SUMMARY OF FINDINGS ,CONCLUSIONS AND RECOMMENDATIONS

5.1 ntroduction

The chapter summarizes the findings in chapter four and discussion of the findings in relation to the literature review and finally conclusion and recommendations.

5.2 Summary of findings

Financial institutions all over the world seek to enhance their financial performance by employing different strategies aimed at enhancing their performance and profitability. If not keen on their performance, firms could enter into financial distress which could lead to disruption of operations, cash flow problems and eventually closure.

This research therefore sought to establish the effect of restructuring on the performance of financial institutions in Kenya with the aim of ensuring that banks know how significant this strategy is in their financial performance both as a corrective measure or a preventive measure. 43 commercial banks were used and data was collected from the annual financial reports for an eight-year period of 2008 to 2015. Linear regression was then conducted to establish the effect and significance of restructuring with the ROE being the measure of financial performance. The analysis of the study found that there exists an effect of restructuring on the financial performance of financial institutions in Kenya but quite insignificant. This is evident from the model in which the independent factors that have been considered in the analysis can only explain 31.9% of the performance of financial institutions in Kenya. However, it can also be observed that the model is a very strong predictor of performance as it is only 0.565 which is considered strong since it is more than 0.5.

5.3 Conclusions

The findings of this study indicate that financial restructuring as a strategy has been used adopted by generally all financial institutions in Kenya. Different institutions employ different ways of restructuring, namely, profit margin maximization, increasing the interest rate spread, lowering the loan loss ratios, lowering the non interest expense, maximizing the asset utilization and increasing the overhead efficiency and the net interest margin. All of these were geared towards enhancing the financial performance of the different commercial banks. This is informed this study, namely, to establish how effective the financial strategies enhance the performance of financial institutions.

This study concludes that, restructuring does have a positive relationship with performance of financial institutions in Kenya although the effect is minimal. This minimal significance of restructuring as found in the study leads to the conclusion that there exist other factors which affect the performance of financial institutions more than restructuring does as a strategy. Other factors that might influence performance of financial institutions that should be included in this study include but not limited to product differentiation, marketing strategies, capital structure, customer service and customer loyalty, employee motivation among other factors. These factors should be considered in other studies on the performance of financial institutions in Kenya

5.4 Recommendations

This study shows that restructuring has a minimal effect on the performance of financial institutions in Kenya. Key stakeholders in this industry should endeavor in research into other variables in order to identify any major factors significantly affecting the financial performance of this industry. Such studies and findings will enable the stakeholders to maximize profitability and achieve sustainability in the industry.

Management should consider increasing the ratios that have a positive relationship to financial performance as doing so would result into increased productivity. There is need however for the management to ensure that they do so as per the statutory requirements of the regulator in this case the Central Bank of Kenya. Therefore, the managers of financial institutions should ensure that they meet the required capital regulations.

The study further shows that, the effect of restructuring on performance of commercial banks is minimal and therefore, it is recommended that concentration should be on other variables which have a major effect on performance. This could be employee motivation, strategic plans of the company, economic climate, competition, capital structure, product innovation, market penetration and concentration of a niche market e.t.c

5.5 Limitations of the Study

The research was limited to the period of the study. The research was based on an 8 year period from 2008 to 2015. The financial industry has undergone transformation and reorganization many years before and given the nature of competition in the banking and financial industry and the growth that has been evident in the industry in Kenya over the years, it is possible that a research focused on a longer period would yield different findings

from those observed by the researcher. A longer duration of study would also have captured various economic significances hence a broader dimension to the problem.

The study used secondary data as collected from the annual financial reports of the financial institutions. This limited the study to the degree of precision of the data obtained from the secondary source. This could be prone to errors and omissions by the financial institutions thus reflecting wrong financial information.

Time limitation was also experienced, constraints in both data collection and analysis as these need sufficient time for one carry out an effective study yet most of the time geared towards official duties meant limited time for conducting the study and analysis of the collected data.

Limitation of variables to financial ratios, meant that other variables that are not adequately measured on the face of annual financial reports of institutions e.g. employee satisfaction, employee involvement in restructuring, demographic location, perception of financial institutions by the public were not considered though they play a pivotal role in performance and the need for restructuring, this means a gap still exist in the study by the researcher.

5.6 Suggestions for further Studies

This study advocates for further studies to be carried out in other areas. Such areas may include identifying other factors which have effects on the financial performance of financial institutions. Such studies may be carried out using various other measure of financial performance such as return on assets as opposed to return on equity.

Other areas for consideration into research studies may include researching on the effects of other factors such as product differentiation, employee perception and employee performance, marketing of the institution on the performance of financial institutions. Such studies may enable stakeholders in industry to understand the existence of other factors which exhibit major effects on the performance of their firms given that the results of effects of restructuring in this study are minimal.

Further studies on this topic could be carried out over a longer period of time as opposed to an eight year period used by the researcher in his study. Such a longer period could be helpful given that significant effects of restructuring on the performance of financial institutions could take a longer period than eight years to be realized as considered in this study.

It would also be important to see how restructuring relates to the size of the firm. A smaller firm in size might carry out internal restructuring faster than a large firm; however it is not clear whether the effects will be felt faster in a small firm as opposed to a large firm.

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APPENDICES

Appendix i: List of Commercial Banks as at 30th June 2015

1	BARCLAYS BANK
2	KENYA COMMERCIAL BANK
3	STANDARD CHARTERED BANK
4	CO -OPERATIVE BANK
5	CFC STANBIC BANK
6	EQUITY BANK
7	COMMERCIAL BANK OF AFRICA
8	CITIBANK
9	DIAMOND TRUST BANK
10	NIC BANK
11	NATIONAL BANK OF KENYA
12	I&M BANK
13	PRIME BANK
14	BANK OF BARODA
15	HOUSING FINANCE
16	IMPERIAL BANK
17	BANK OF INDIA
18	BANK OF AFRICA
19	ECOBANK
20	FAMILY BANK
21	GUARANTY TRUST BANK
22	CHASE BANK
23	K-REP BANK
24	ABC BANK
25	DEVELOPMENT BANK
26	HABIB AG ZURICH BANK
27	GIRO BANK
28	GUARDIAN BANK
29	GULF AFRICAN BANK
30	UBA BANK
31	CONSOLIDATED BANK
32	VICTORIA BANK
33	HABIB BANK
34	FIDELITY BANK
35	EQUATORIAL BANK
36	TRANSNATIONAL BANK
37	CREDIT BANK
38	MIDDLE EAST BANK
39	PARAMOUNT UNIVERSAL BANK
40	ORIENTAL COMMERCIAL BANK
41	DUBAI BANK
42	JAMII BORA BANK
43	FIRST COMMUNITY BANK

Appendix i: Data Collection Sheet

Name of the institution.....

	VARIABLES	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
a	Interest income								
b	Interest Expense								
c	Non interest income								
d	Non interest expense								
e	Net profit before tax								
f	Net profit after tax								
g	Loan loss expense								
h	Total Assets								
i	Total Earning Assets								
j	Total liabilities								
k	Interest bearing liabilities								
l	Total Equity Capital								
m	Net interest income(a-b)								

Ratios
ROE
Profit margin
Asset utilization ratio -
Net interest margin
Overhead efficiency
Spread
Interest expense ratio
Non - interest expense ratio

2008										
	BANK	**ROE**	**PM**	**A U**	**NIM**	**OE**	**SP**	**IER**	**LLR**	**NIER**
1	Barclays	4.212	0.511	0.163	0.12	0.62	0.13	0.57	0.05	0.57
2	KCB	4.144	0.476	0.127	0.12	0.64	0.13	0.64	0.16	0.64
3	Equity Bank	1.828	0.466	0.166	0.12	0.82	0.12	0.53	0.07	0.53
4	Stanchart	4.539	0.521	0.118	0.1	0.74	0.11	0.46	0.04	0.46
5	Coop Bank	3.036	0.504	0.134	0.1	0.62	0.1	0.55	0.04	0.55
6	Citibank	2.272	0.439	0.117	0.07	1.7	0.07	0.24	0	0.24
7	CBA	4.282	0.423	0.104	0.08	0.76	0.09	0.41	0.05	0.41
8	National Bank	3.462	0.503	0.138	0.33	0.64	0.4	0.56	0.06	0.56
9	I&M	3.574	0.432	0.114	0.07	0.65	0.08	0.3	0.03	0.3
10	NIC	3.195	0.414	0.114	0.07	0.68	0.07	0.34	0.04	0.34
11	Cfc Stanbic	5.222	0.447	0.08	0.06	0.49	0.07	0.49	0.09	0.49
12	Diamond Trust	3.12	0.4	0.115	0.08	0.61	0.09	0.31	0.04	0.31
13	Imperial	2.767	0.394	0.214	0.14	0.52	0.18	0.33	0.02	0.33
14	Baroda	5.694	0.592	0.109	0.13	0.24	0.16	0.36	0.12	0.36
15	Bank of India	3.448	0.484	0.122	0.16	0.67	0.23	0.21	0.05	0.21
16	ABC	3.694	0.543	0.149	0.15	0.54	0.17	0.51	0.04	0.51
17	Family Bank	3.009	0.45	0.201	0.16	0.71	0.17	0.68	-0.04	0.68
18	Prime	2.698	0.416	0.102	0.09	0.48	0.13	0.36	0.07	0.36
19	Savings & Loans	6.452	0.717	0.094	0.09	0.26	0.09	0.46	0.06	0.46
20	Chase	5.786	0.475	0.108	0.1	0.46	0.13	0.46	0.03	0.46
21	Habib AG	5.405	0.638	0.093	0.17	0.42	0.19	0.41	0.01	0.41
22	Oriental	0.731	0.302	0.105	0.08	0.97	0.09	0.52	0.04	0.52
23	Transnational	1.519	0.55	0.162	0.2	0.48	0.21	0.63	0.07	0.63
24	K-Rep	3.751	0.517	0.191	0.14	0.22	0.15	1.05	0.22	1.05
25	Victoria	2.821	0.483	0.108	0.08	0.55	0.1	0.29	0	0.29
26	Development	2.175	0.41	0.099	0.07	0.51	0.08	0.3	0.01	0.3
27	Habib	4.67	0.645	0.082	0.24	0.38	0.3	0.4	0	0.4
28	Consolidated	2.563	0.465	0.17	0.13	0.54	0.14	0.78	0.08	0.78
29	Hfck	2.148	0.549	0.106	0.08	0.23	0.08	0.55	0.07	0.55
30	Bank of Africa	2.502	0.338	0.086	0.04	0.55	0.06	0.56	0.04	0.56
31	Ecobank	1.549	0.257	0.105	0.06	0.64	0.09	0.55	0.03	0.55
32	Credit	2.539	0.465	0.121	0.11	0.42	0.14	0.49	0.07	0.49
33	Fidelity	2.888	0.283	0.132	0.06	0.63	0.08	0.42	0.03	0.42
34	Paramount	2.115	0.394	0.124	0.1	0.44	0.15	0.42	0.05	0.42
35	FINA	4.012	0.476	0.123	0.09	0.29	0.11	0.57	0.09	0.57
36	Giro	4.624	0.473	0.121	0.1	0.33	0.13	0.45	0.04	0.45
37	Guardian	2.89	0.434	0.135	0.09	0.32	0.11	0.55	0.25	0.55
38	Middle East	1.588	0.422	0.11	0.09	0.44	0.11	0.61	0.11	0.61
39	Dubai	2.482	0.622	0.171	0.17	0.35	0.17	0.93	0.38	0.93

40	Southern Credit	4.116	0.385	0.144	0.11	0.39	0.15	0.63	0.07	0.63
41	City Finance	0.615	0.368	0.183	0.19	0.6	0.19	1	0.45	1
42	Gulf African	2.265	0.577	0.05	0.08	0.16	0.08	2.5	0.08	2.5
43	Equatorial	3.234	0.496	0.124	0.11	0.22	0.13	0.65	0.19	0.65
2009										
1	BARCLAYS	3.853	0.565	0.158	0.103	0.599	0.101	0.55	0.02	0.55
2	KCB	4.043	0.525	0.137	0.091	0.583	0.093	0.6	0.05	0.6
3	STANCHART	4.837	0.539	0.116	0.069	0.826	0.067	0.4	0.04	0.4
4	COOP BANK	3.355	0.489	0.125	0.073	0.611	0.072	0.57	0.05	0.57
5	CFC STANBIC	5.198	0.435	0.09	0.043	0.51	0.041	0.58	0.07	0.58
6	EQUITY BANK	2.182	0.528	0.163	0.107	0.689	0.106	0.55	0.06	0.55
7	CBA	3.911	0.429	0.103	0.05	0.691	0.048	0.43	0.04	0.43
8	CITIBANK	2.366	0.51	0.097	0.056	1.359	0.054	0.29	0.04	0.29
9	DIAMOND TRUST	3.225	0.428	0.125	0.06	0.532	0.056	0.32	0.03	0.32
10	NIC	2.872	0.414	0.125	0.059	0.635	0.057	0.38	0.08	0.38
11	NATIONAL BANK	3.144	0.484	0.134	0.081	0.672	0.082	0.52	0.02	0.52
12	I&M	2.59	0.437	0.122	0.062	0.602	0.059	0.28	0.02	0.28
13	PRIME	2.87	0.371	0.102	0.047	0.565	0.049	0.32	0.04	0.32
14	BARODA	4.003	0.468	0.109	0.055	0.299	0.052	0.23	0.02	0.23
15	HFCK	2.551	0.57	0.11	0.066	0.208	0.057	0.5	0.11	0.5
16	IMPERIAL	2.868	0.42	0.208	0.097	0.502	0.089	0.34	0.02	0.34
17	SAVINGS & LOANS	8.286	0.725	0.096	0.07	0.275	0.068	0.24	0.06	0.24
18	BANK OF INDIA	3.348	0.45	0.114	0.054	0.495	0.049	0.2	0.06	0.2
19	BANK OF AFRICA	2.194	0.326	0.097	0.036	0.641	0.035	0.46	0.02	0.46
20	ECOBANK	1.575	0.243	0.106	0.036	0.277	0.042	1.41	0.51	1.41
21	FAMILY BANK	3.525	0.491	0.18	0.116	0.551	0.118	0.77	0.03	0.77
22	FINA	4.07	0.397	0.125	0.058	0.328	0.058	0.57	0.14	0.57
23	CHASE	4.407	0.417	0.124	0.064	0.525	0.069	0.46	0.01	0.46
24	K-REP	3.804	0.59	0.229	0.17	0.229	0.008	0.99	0.16	0.99
25	ABC	3.729	0.483	0.129	0.078	0.476	0.081	0.49	0.06	0.49
26	DEVELOPMENT	2.211	0.371	0.096	0.038	0.509	0.028	0.26	-0.01	0.26
27	HABIB AG	4.609	0.602	0.094	0.063	0.478	0.061	0.36	-0.01	0.36
28	GIRO	3.39	0.42	0.125	0.057	0.473	0.054	0.39	0.02	0.39
29	GUARDIAN	3.339	0.43	0.121	0.059	0.246	0.057	0.47	0.16	0.47
30	GULF AFRICAN	4.724	0.701	0.081	0.072	0.181	0.057	1.17	-0.03	1.17
31	SOUTHERN CREDIT	-179.362	0.197	0.148	0.043	0.208	0.073	1.63	0.94	1.63
32	CONSOLIDATED	3.715	0.499	0.149	0.092	0.498	0.091	0.77	0.1	0.77
33	VICTORIA	2.709	0.493	0.12	0.072	0.494	0.072	0.28	0	0.28
34	HABIB	4.172	0.669	0.096	0.069	0.376	0.066	0.37	0	0.37
35	FIDELITY	2.774	0.247	0.12	0.04	0.576	0.056	0.4	0.02	0.4

36	EQUATORIAL	3.423	0.559	0.114	0.071	0.245	0.068	0.54	0.02	0.54
37	TRANSNATIONAL	1.504	0.592	0.168	0.118	0.378	0.104	0.7	0.06	0.7
38	CREDIT	2.67	0.53	0.132	0.078	0.327	0.071	0.53	0.08	0.53
39	MIDDLE EAST	1.563	0.45	0.106	0.057	0.428	0.05	0.56	0.03	0.56
40	PARAMOUNT	2.386	0.405	0.119	0.056	0.347	0.054	0.45	0.02	0.45
41	ORIENTAL	0.947	0.305	0.1	0.043	0.713	0.041	0.52	0.04	0.52
42	DUBAI	1.538	0.446	0.17	0.102	0.544	0.099	0.91	0.31	0.91
43	CITY FINANCE	0.742	0.477	0.152	0.111	0.437	0.09	1	0.27	1
44	FIRST COMMUNITY	4.084	0.608	0.077	0.068	0.19	0.071	1.3	0.06	1.3
					2010					
1	BARCLAYS	3.563	0.575	0.118	0.079	0.6	0.08	0.61	0.06	0.61
2	KCB	3.677	0.643	0.099	0.076	0.41	0.08	0.59	0.07	0.59
3	STANCHART	4.035	0.509	0.089	0.051	1.01	0.05	0.37	0.02	0.37
4	COOP BANK	3.462	0.471	0.096	0.054	0.71	0.05	0.52	0.04	0.52
5	CFC STANBIC	3.649	0.364	0.078	0.032	0.71	0.03	0.62	0.05	0.62
6	EQUITY BANK	2.698	0.608	0.128	0.097	0.62	0.1	0.5	0.09	0.5
7	CBA	4.053	0.443	0.084	0.047	0.8	0.05	0.48	0.13	0.48
8	CITIBANK	2.39	0.463	0.062	0.032	1.23	0.03	0.35	0.13	0.35
9	DIAMOND TRUST	3.117	0.422	0.1	0.047	0.94	0.04	0.33	0.07	0.33
10	NIC	3.5	0.48	0.082	0.046	0.78	0.05	0.34	0.03	0.34
11	NATIONAL BANK	3.825	0.525	0.09	0.061	0.62	0.06	0.52	0.04	0.52
12	I&M	2.465	0.445	0.09	0.046	0.88	0.04	0.28	0.05	0.28
13	PRIME	2.652	0.341	0.074	0.03	0.78	0.03	0.3	0.04	0.3
14	BARODA	3.966	0.444	0.088	0.042	1.37	0.04	0.18	0.01	0.18
15	HFCK	3.196	0.529	0.078	0.043	0.21	0.04	0.44	0.09	0.44
16	IMPERIAL	4.004	0.562	0.128	0.082	0.47	0.08	0.38	0.04	0.38
17	BANK OF INDIA	3.001	0.427	0.091	0.041	1.13	0.04	0.15	0.01	0.15
18	BANK OF AFRICA	1.871	0.306	0.078	0.027	0.67	0.03	0.46	0.01	0.46
19	ECOBANK	2.018	0.366	0.093	0.044	0.62	0.04	0.65	0.06	0.65
20	FAMILY BANK	2.814	0.474	0.13	0.079	0.63	0.08	0.73	0.09	0.73
21	FINA	4.098	0.383	0.1	0.045	0.4	0.05	0.59	0.23	0.59
22	CHASE	5.825	0.42	0.08	0.043	0.54	0.05	0.44	0.03	0.44
23	K-REP	3.88	0.617	0.143	0.112	0.31	0.11	0.81	0.02	0.81
24	ABC	3.134	0.443	0.116	0.066	0.6	0.07	0.5	0.07	0.5
25	DEVELOPMENT	2.839	0.402	0.069	0.029	0.51	0.02	0.27	0.02	0.27
26	HABIB AG	4.277	0.572	0.063	0.04	0.45	0.04	0.4	0.02	0.4
27	GIRO	1.926	0.254	0.12	0.033	1.78	0.03	0.26	0.03	0.26
28	GUARDIAN	2.495	0.297	0.088	0.03	0.58	0.03	0.41	0.11	0.41
29	GULF AFRICAN	4.351	0.593	0.082	0.063	0.36	0.06	0.84	0.03	0.84
30	SOUTHERN CREDIT	0.363	0.149	0.118	0.025	0.59	0.02	1.23	0	1.23

31	CONSOLIDATED	2.792	0.342	0.129	0.054	0.7	0.05	0.67	0.09	0.67
32	VICTORIA	2.583	0.475	0.094	0.055	0.93	0.05	0.25	0	0.25
33	HABIB	4.469	0.683	0.066	0.049	0.34	0.05	0.36	0.01	0.36
34	FIDELITY	2.071	0.211	0.12	0.029	1.59	0.03	0.25	0.02	0.25
35	EQUATORIAL	2.488	0.227	0.066	0.019	0.49	0.02	0.78	0.07	0.78
36	TRANSNATIONAL	1.229	0.406	0.127	0.064	0.81	0.06	0.58	0.06	0.58
37	CREDIT	2.362	0.429	0.11	0.054	0.5	0.05	0.61	0.13	0.61
38	MIDDLE EAST	1.003	0.261	0.112	0.034	1.43	0.03	0.37	0	0.37
39	PARAMOUNT	1.041	0.193	0.14	0.033	1.91	0.03	0.26	0.04	0.26
40	ORIENTAL	0.55	0.157	0.114	0.023	1.69	0.02	0.33	0.06	0.33
41	DUBAI	1.471	0.422	0.104	0.059	0.56	0.06	0.89	0.2	0.89
42	CITY FINANCE	2.516	0.847	0.137	0.172	0.1	0.17	1.44	0.58	1.44
43	FIRST COMMUNITY	7.074	0.644	0.066	0.064	0.21	0.07	1.22	0.02	1.22
				2011						
1	BARCLAYS	3.384	0.591	0.165	0.115	0.7	0.11	0.52	0.03	0.52
2	KCB	3.57	0.571	0.132	0.092	0.63	0.09	0.52	0.04	0.52
3	STANCHART	4.432	0.555	0.111	0.072	0.77	0.07	0.44	0.03	0.44
4	COOP BANK	4.205	0.526	0.135	0.085	0.52	0.09	0.53	0.03	0.53
5	CFC STANBIC	6.268	0.454	0.095	0.05	0.62	0.05	0.57	0.05	0.57
6	EQUITY BANK	2.777	0.55	0.16	0.108	0.74	0.11	0.47	0.05	0.47
7	CBA	3.695	0.441	0.098	0.049	0.81	0.05	0.4	0.03	0.4
8	CITIBANK	1.983	0.401	0.104	0.046	1.84	0.04	0.26	0	0.26
9	DIAMOND TRUST	3.939	0.527	0.115	0.068	0.54	0.07	0.36	0.06	0.36
10	NIC	3.551	0.478	0.112	0.061	0.77	0.06	0.31	0.03	0.31
11	NATIONAL BANK	3.638	0.554	0.134	0.087	0.51	0.09	0.58	0.08	0.58
12	I&M	2.808	0.506	0.12	0.069	0.91	0.07	0.24	0.02	0.24
13	PRIME	3.918	0.417	0.111	0.052	0.55	0.05	0.31	0.05	0.31
14	BARODA	4.151	0.558	0.112	0.068	0.22	0.06	0.19	0.05	0.19
15	HFCK	3.387	0.507	0.117	0.062	0.24	0.05	0.32	0.05	0.32
16	IMPERIAL	3.42	0.492	0.202	0.114	0.49	0.11	0.34	0.02	0.34
17	BANK OF INDIA	3.257	0.471	0.1	0.051	0.59	0.05	0.13	0.01	0.13
18	BANK OF AFRICA	3.204	0.387	0.092	0.041	0.4	0.04	0.38	0.01	0.38
19	ECOBANK	3.361	0.213	0.122	0.035	0.69	0.05	0.56	-0.01	0.56
20	FAMILY BANK	4.328	0.553	0.164	0.113	0.44	0.11	0.76	0.08	0.76
21	FINA	3.833	0.402	0.139	0.064	0.51	0.06	0.51	0.1	0.51
22	CHASE	5.44	0.442	0.112	0.061	0.45	0.06	0.42	0.02	0.42
23	K-REP	4.207	0.601	0.196	0.142	0.38	0.14	0.74	0.16	0.74
24	ABC	3.197	0.435	0.138	0.074	0.66	0.08	0.4	0.01	0.4
25	DEVELOPMENT	2.111	0.286	0.101	0.031	0.41	0.02	0.26	0.03	0.26
26	HABIB AG	3.959	0.581	0.085	0.055	0.4	0.05	0.4	0.03	0.4

27	GIRO	3.107	0.414	0.113	0.051	0.4	0.05	0.28	-0.01	0.28
28	GUARDIAN	3.281	0.395	0.13	0.057	0.38	0.05	0.4	0.11	0.4
29	GULF AFRICAN	6.366	0.65	0.095	0.075	0.29	0.08	0.74	0.03	0.74
30	SOUTHERN CREDIT	0.793	0.18	0.138	0.03	0.44	0.02	1.07	0.01	1.07
31	CONSOLIDATED	4.18	0.392	0.144	0.069	0.5	0.07	0.56	0.04	0.56
32	VICTORIA	3.301	0.541	0.114	0.073	0.48	0.07	0.31	0.01	0.31
33	HABIB	3.559	0.645	0.098	0.068	0.47	0.07	0.33	0.01	0.33
34	FIDELITY	3.045	0.287	0.13	0.044	0.77	0.05	0.32	0.01	0.32
35	EQUATORIAL	2.942	0.274	0.111	0.036	0.52	0.04	0.47	0	0.47
36	TRANSNATIONAL	2.207	0.528	0.139	0.082	0.56	0.08	0.54	0.06	0.54
37	CREDIT	2.537	0.451	0.137	0.072	0.39	0.07	0.62	0.08	0.62
38	MIDDLE EAST	1.551	0.368	0.114	0.049	0.57	0.04	0.45	0.02	0.45
39	PARAMOUNT	1.493	0.324	0.127	0.044	0.57	0.03	0.32	0.02	0.32
40	ORIENTAL	1.055	0.271	0.143	0.047	0.99	0.04	0.36	0.09	0.36
41	DUBAI	1.477	0.454	0.155	0.092	0.52	0.09	0.83	0.23	0.83
42	CITY FINANCE	0.951	0.702	0.073	0.124	0.22	0.12	1.21	0.13	1.21
43	FIRST COMMUNITY	6.122	0.586	0.104	0.079	0.43	0.08	0.81	0.04	0.81
					2012					
1	BARCLAYS	3.744	0.598	0.164	0.116	0.644	0.114	0.48	0	0.48
2	KCB	3.223	0.561	0.163	0.113	0.469	0.113	0.46	0.06	0.46
3	STANCHART	3.434	0.538	0.135	0.083	0.714	0.08	0.36	0.03	0.36
4	COOP BANK	3.405	0.494	0.161	0.099	0.546	0.101	0.43	0.03	0.43
5	CFC STANBIC	2.51	0.341	0.143	0.063	0.806	0.066	0.48	0.04	0.48
6	EQUITY BANK	2.923	0.578	0.177	0.128	0.617	0.126	0.41	0.04	0.41
7	CBA	3.281	0.38	0.121	0.052	0.835	0.052	0.31	0.01	0.31
8	CITIBANK	1.92	0.479	0.161	0.089	1.818	0.082	0.2	0.01	0.2
9	DIAMOND TRUST	2.938	0.463	0.154	0.081	0.478	0.076	0.27	0.06	0.27
10	NIC	2.568	0.38	0.127	0.054	0.804	0.05	0.24	0.02	0.24
11	NATIONAL BANK	2.724	0.424	0.168	0.084	0.439	0.083	0.57	0.06	0.57
12	I&M	2.058	0.373	0.144	0.061	0.915	0.055	0.19	0	0.19
13	PRIME	2.592	0.249	0.14	0.039	0.732	0.04	0.22	0.02	0.22
14	BARODA	2.766	0.345	0.135	0.05	0.399	0.043	0.13	0.02	0.13
15	HFCK	2.886	0.365	0.131	0.052	0.207	0.045	0.25	0.04	0.25
16	IMPERIAL	2.888	0.38	0.219	0.095	0.524	0.093	0.27	0.02	0.27
17	BANK OF INDIA	1.58	0.258	0.122	0.033	0.516	0.022	0.12	0.01	0.12
18	BANK OF AFRICA	2.519	0.258	0.13	0.04	0.421	0.047	0.27	0.01	0.27
19	ECOBANK	0.205	0.013	0.108	0.002	0.346	0.023	0.71	0.05	0.71
20	FAMILY BANK	3.397	0.533	0.199	0.136	0.364	0.139	0.62	0.1	0.62
21	FINA	1.96	0.286	0.156	0.052	0.56	0.051	0.35	0.02	0.35
22	CHASE	3.382	0.351	0.156	0.071	0.478	0.082	0.34	0.02	0.34

23	K-REP	3.648	0.584	0.235	0.178	0.284	0.181	0.62	0.13	0.62
24	ABC	2.894	0.32	0.143	0.056	0.614	0.062	0.3	0.01	0.3
25	DEVELOPMENT	1.433	0.175	0.115	0.022	0.407	0.014	0.18	0.02	0.18
26	HABIB AG	3.4	0.536	0.121	0.072	0.346	0.066	0.29	0.03	0.29
27	GIRO	1.836	0.265	0.148	0.044	0.393	0.038	0.25	0	0.25
28	GUARDIAN	2.715	0.282	0.149	0.046	0.346	0.043	0.24	0.02	0.24
29	GULF AFRICAN	5.84	0.672	0.129	0.104	0.255	0.104	0.62	0.04	0.62
30	SOUTHERN CREDIT	0.139	0.058	0.13	0.01	0.228	-0.025	1.43	0.1	1.43
31	CONSOLIDATED	3.302	0.289	0.179	0.062	0.439	0.068	0.42	0.05	0.42
32	VICTORIA	2.215	0.437	0.146	0.078	0.483	0.076	0.22	0	0.22
33	HABIB	3.304	0.635	0.132	0.093	0.411	0.087	0.24	0.03	0.24
34	FIDELITY	1.373	0.138	0.168	0.028	0.679	0.035	0.27	0.05	0.27
35	EQUATORIAL	3.23	0.165	0.147	0.029	0.161	0.044	0.57	0.08	0.57
36	TRANSNATIONAL	1.892	0.394	0.159	0.071	0.644	0.062	0.46	0.04	0.46
37	CREDIT	2.041	0.375	0.167	0.072	0.291	0.063	0.42	0.01	0.42
38	MIDDLE EAST	1.302	0.249	0.126	0.041	0.455	0.046	0.34	0.02	0.34
39	PARAMOUNT	0.921	0.144	0.119	0.019	0.841	0.01	0.25	0.01	0.25
40	ORIENTAL	0.565	0.126	0.155	0.025	0.973	0.023	0.29	0.04	0.29
41	DUBAI	1.218	0.432	0.26	0.138	0.449	0.119	0.86	0.26	0.86
42	CITY FINANCE	0.947	0.57	0.106	0.102	0.457	0.095	0.78	0.08	0.78
43	FIRST COMMUNITY	5.783	0.626	0.129	0.1	0.403	0.101	0.66	0.04	0.66
					2013					
1	BARCLAYS	3.972	0.621	0.147	0.111	0.57	0.11	0.53	0.04	0.53
2	KCB	3.171	0.612	0.147	0.105	0.5	0.1	0.48	0.04	0.48
3	STANCHART	3.569	0.583	0.13	0.089	0.67	0.09	0.36	0.03	0.36
4	COOP BANK	3.567	0.556	0.146	0.1	0.53	0.1	0.5	0.02	0.5
5	CFC STANBIC	3.083	0.404	0.109	0.055	0.94	0.05	0.47	0.05	0.47
6	EQUITY BANK	2.758	0.587	0.169	0.121	0.69	0.12	0.43	0.05	0.43
7	CBA	3.824	0.421	0.105	0.052	0.78	0.05	0.36	0.03	0.36
8	CITIBANK	2.078	0.466	0.126	0.076	1.3	0.07	0.29	0	0.29
9	DIAMOND TRUST	3.417	0.556	0.124	0.081	0.47	0.08	0.3	0.04	0.3
10	NIC	3.235	0.505	0.115	0.067	0.67	0.07	0.3	0.04	0.3
11	NATIONAL BANK	4.011	0.514	0.119	0.075	0.42	0.08	0.61	0.03	0.61
12	I&M	2.702	0.503	0.125	0.072	0.72	0.07	0.23	0.03	0.23
13	PRIME	3.597	0.423	0.119	0.055	0.6	0.05	0.26	0.02	0.26
14	BARODA	3.289	0.479	0.122	0.062	0.34	0.05	0.13	0.01	0.13
15	HFCK	3.657	0.444	0.123	0.06	0.19	0.06	0.29	0.05	0.29
16	IMPERIAL	3.854	0.512	0.189	0.107	0.38	0.1	0.33	0.02	0.33
17	BANK OF INDIA	2.711	0.449	0.103	0.049	0.53	0.04	0.12	0	0.12

18	BANK OF AFRICA	2.726	0.338	0.12	0.047	0.49	0.05	0.34	0.02	0.34
19	ECOBANK	2.801	0.257	0.095	0.031	0.26	0.04	0.82	0.09	0.82
20	FAMILY BANK	4.531	0.622	0.165	0.122	0.4	0.12	0.63	0.04	0.63
21	FINA	1.874	0.445	0.097	0.05	0.37	0.04	0.44	0.01	0.44
22	CHASE	4.902	0.479	0.133	0.078	0.34	0.08	0.39	0.04	0.39
23	K-REP	4.04	0.572	0.185	0.124	0.39	0.12	0.56	0.06	0.56
24	ABC	3.126	0.39	0.142	0.066	0.48	0.07	0.35	0	0.35
25	DEVELOPMENT	2.777	0.325	0.109	0.038	0.27	0.03	0.22	0.05	0.22
26	HABIB AG	3.561	0.596	0.103	0.067	0.34	0.06	0.27	0	0.27
27	GIRO	2.851	0.437	0.119	0.058	0.26	0.05	0.27	0	0.27
28	GUARDIAN	3.683	0.429	0.133	0.063	0.3	0.06	0.29	0.01	0.29
29	GULF AFRICAN	4.101	0.686	0.117	0.096	0.28	0.1	0.63	0.02	0.63
30	SOUTHERN CREDIT	1.118	0.319	0.103	0.039	0.24	0.03	1.38	0.06	1.38
31	CONSOLIDATED	5.224	0.387	0.166	0.075	0.27	0.08	0.6	0.15	0.6
32	VICTORIA	2.668	0.494	0.116	0.064	0.51	0.06	0.25	0.01	0.25
33	HABIB	3.284	0.678	0.119	0.086	0.4	0.08	0.26	0.02	0.26
34	FIDELITY	2.603	0.287	0.151	0.051	0.61	0.05	0.32	0.03	0.32
35	EQUATORIAL	4.711	0.415	0.128	0.064	0.26	0.07	0.48	0.04	0.48
36	TRANSNATIONAL	2.759	0.534	0.135	0.083	0.31	0.08	0.53	0.07	0.53
37	CREDIT	2.957	0.501	0.142	0.083	0.23	0.08	0.56	0.04	0.56
38	MIDDLE EAST	1.847	0.377	0.127	0.053	0.38	0.04	0.43	0.09	0.43
39	PARAMOUNT	2.036	0.312	0.124	0.042	0.08	0.03	0.23	0.01	0.23
40	ORIENTAL	1.479	0.322	0.133	0.049	0.62	0.04	0.34	0.03	0.34
41	DUBAI	1.034	0.366	0.177	0.076	0.6	0.06	0.83	0.35	0.83
42	CITY FINANCE	1.636	0.525	0.105	0.074	0.4	0.06	0.68	0.04	0.68
43	FIRST COMMUNITY	6.285	0.673	0.112	0.094	0.29	0.1	0.72	0.03	0.72
2014										
1	BARCLAYS	3.799	0.626	0.108	0.08	0.54	0.08	0.52	0.31	0.52
2	KCB	2.807	0.539	0.119	0.073	0.65	0.07	0.45	0.08	0.45
3	STANCHART	3.265	0.581	0.103	0.071	0.75	0.07	0.37	0.05	0.37
4	COOP BANK	3.441	0.524	0.107	0.066	0.57	0.06	0.47	0.03	0.47
5	CFC STANBIC	2.82	0.427	0.089	0.045	0.87	0.04	0.48	0.04	0.48
6	EQUITY BANK	2.986	0.585	0.115	0.084	0.68	0.08	0.45	0.02	0.45
7	CBA	3.875	0.375	0.078	0.033	0.74	0.03	0.36	0.05	0.36
8	CITIBANK	2.305	0.506	0.081	0.057	1.01	0.06	0.33	0.03	0.33
9	DIAMOND TRUST	2.717	0.534	0.095	0.058	0.47	0.05	0.28	0.03	0.28
10	NIC	2.863	0.468	0.09	0.049	0.72	0.05	0.27	0.03	0.27
11	NATIONAL BANK	4.786	0.502	0.085	0.056	0.39	0.06	0.59	0.03	0.59
12	I&M	3.048	0.491	0.097	0.053	0.68	0.05	0.24	0.03	0.24
13	PRIME	3.259	0.427	0.091	0.044	0.68	0.04	0.22	0.01	0.22

14	BARODA	3.109	0.48	0.088	0.045	0.28	0.04	0.13	0.01	0.13
15	HFCK	4.185	0.435	0.088	0.043	0.26	0.04	0.33	0.05	0.33
16	IMPERIAL	4.112	0.541	0.112	0.069	0.37	0.07	0.36	0.02	0.36
17	BANK OF INDIA	2.508	0.423	0.075	0.034	0.47	0.03	0.13	0.05	0.13
18	BANK OF AFRICA	2.622	0.365	0.082	0.038	0.37	0.04	0.41	0.02	0.41
19	ECOBANK	2.865	0.248	0.069	0.022	0.43	0.03	0.58	-0.07	0.58
20	FAMILY BANK	4.308	0.553	0.126	0.08	0.5	0.08	0.54	0.04	0.54
21	FINA	2.028	0.486	0.078	0.05	0.36	0.05	0.37	0.01	0.37
22	CHASE	3.908	0.439	0.118	0.069	0.45	0.08	0.38	0.08	0.38
23	K-REP	3.651	0.555	0.157	0.1	0.37	0.1	0.55	0.1	0.55
24	ABC	3.233	0.39	0.101	0.047	0.36	0.05	0.45	0.03	0.45
25	DEVELOPMENT	2.556	0.319	0.087	0.029	0.31	0.02	0.2	0.04	0.2
26	HABIB AG	3.537	0.608	0.073	0.049	0.28	0.05	0.3	0	0.3
27	GIRO	2.449	0.41	0.09	0.041	0.42	0.04	0.24	-0.01	0.24
28	GUARDIAN	3.519	0.417	0.098	0.045	0.32	0.04	0.29	0.01	0.29
29	GULF AFRICAN	4.357	0.686	0.087	0.067	0.26	0.07	0.59	0.03	0.59
30	SOUTHERN CREDIT	0.818	0.152	0.07	0.013	0.31	0.01	1.44	0.13	1.44
31	CONSOLIDATED	5.053	0.345	0.119	0.051	0.31	0.06	0.61	0.16	0.61
32	VICTORIA	2.644	0.458	0.085	0.044	0.38	0.04	0.24	0.02	0.24
33	HABIB	3.195	0.631	0.085	0.057	0.33	0.05	0.3	0.08	0.3
34	FIDELITY	2.943	0.322	0.099	0.036	0.36	0.04	0.33	0.02	0.33
35	EQUATORIAL	3.981	0.357	0.102	0.043	0.31	0.05	0.46	0.05	0.46
36	TRANSNATIONAL	2.739	0.546	0.11	0.067	0.24	0.06	0.54	0.07	0.54
37	CREDIT	3.227	0.482	0.102	0.057	0.2	0.05	0.56	0.01	0.56
38	MIDDLE EAST	1.64	0.338	0.102	0.04	0.41	0.03	0.37	0.01	0.37
39	PARAMOUNT	1.978	0.295	0.091	0.029	0.4	0.02	0.26	0.01	0.26
40	ORIENTAL	1.356	0.27	0.094	0.03	0.56	0.03	0.33	0.03	0.33
41	DUBAI	0.932	0.297	0.113	0.038	0.69	0.02	0.74	0.25	0.74
42	CITY FINANCE	1.822	0.446	0.097	0.061	0.34	0.05	0.58	0.06	0.58
43	FIRST COMMUNITY	6.12	0.614	0.083	0.064	0.37	0.06	0.78	0.04	0.78
					2015					
1	ABC	3.358	0.413	0.068	0.046	0.3	0.06	0.42	0.03	0.42
2	Bank of Africa	2.096	0.303	0.054	0.024	0.38	0.03	0.46	0.08	0.46
3	Bank of Baroda	2.91	0.492	0.06	0.064	0.26	0.09	0.12	0.01	0.12
4	Bank of India	2.459	0.438	0.05	0.059	0.4	0.1	0.13	0	0.13
5	Barclays	3.837	0.592	0.072	0.073	0.57	0.08	0.49	0.03	0.49
6	CFC Stanbic Bank	3.463	0.445	0.048	0.036	0.65	0.04	0.49	0.03	0.49
7	CHASE	3.752	0.383	0.071	0.051	0.49	0.08	0.31	0.04	0.31
8	Citibank	2.983	0.513	0.039	0.051	1.15	0.06	0.3	0.04	0.3

9	CBA	3.117	0.327	0.059	0.033	0.82	0.05	0.31	0.06	0.31
10	Consolidated	2.887	0.318	0.095	0.048	0.57	0.06	0.66	0.21	0.66
11	Co-op Bank	3.734	0.536	0.068	0.055	0.61	0.06	0.39	0.03	0.39
12	Credit Bank	3.183	0.46	0.07	0.049	0.22	0.06	0.58	0.03	0.58
13	Development	1.869	0.294	0.052	0.031	0.25	0.06	0.22	0.05	0.22
14	DTB	2.93	0.511	0.06	0.042	0.5	0.04	0.29	0.04	0.29
16	ECOBANK	1.953	0.304	0.051	0.025	0.48	0.03	0.56	0.01	0.56
18	Equatorial	3.331	0.416	0.065	0.049	0.2	0.07	0.46	0	0.46
19	Equity	3.696	0.554	0.078	0.063	0.74	0.07	0.43	0.01	0.43
20	Family Bank	3.71	0.553	0.078	0.069	0.47	0.08	0.49	0.01	0.49
21	Fidelity	2.498	0.273	0.062	0.025	0.39	0.04	0.31	0.01	0.31
22	FCB	6.43	0.667	0.048	0.048	0.26	0.05	0.73	0.04	0.73
23	Giro Bank	2.614	0.422	0.058	0.045	0.36	0.06	0.23	0	0.23
24	GTBank	1.944	0.494	0.051	0.061	0.31	0.07	0.42	0.02	0.42
25	Guardian	3.575	0.431	0.065	0.043	0.28	0.05	0.33	0.01	0.33
26	Gulf	3.502	0.568	0.073	0.067	0.63	0.07	0.48	0.03	0.48
27	Habib Bank AG	3.413	0.592	0.047	0.082	0.24	0.11	0.32	0.03	0.32
28	Habib Bank	2.697	0.61	0.062	0.084	0.31	0.1	0.39	0.13	0.39
29	Housing Finance	2.987	0.434	0.059	0.034	0.18	0.04	0.33	0.07	0.33
30	I & M	2.994	0.48	0.068	0.048	0.68	0.05	0.23	0.03	0.23
31	Imperial	4.112	0.576	0.069	0.067	0.39	0.08	0.39	0.06	0.39
32	JAMII BORA	1.586	0.314	0.058	0.033	0.47	0.04	0.5	0.05	0.5
33	KCB	3.333	0.571	0.07	0.059	0.58	0.06	0.42	0.05	0.42
34	K-REP	3.38	0.518	0.094	0.072	0.39	0.08	0.52	0.07	0.52
35	Middle East Bank	0.88	0.17	0.051	0.014	0.37	0.02	0.52	0.05	0.52
36	National	4.125	0.436	0.07	0.053	0.63	0.06	0.42	0.04	0.42
37	NIC	2.805	0.472	0.061	0.04	0.63	0.04	0.31	0.06	0.31
38	ORIENTAL	1.417	0.255	0.061	0.027	0.47	0.04	0.35	0.02	0.35
39	PARAMOUNT	2.475	0.336	0.06	0.042	0.24	0.07	0.24	0.02	0.24
40	PRIME	3.118	0.42	0.06	0.038	0.63	0.05	0.23	0.01	0.23
41	Stanchart	3.55	0.619	0.062	0.065	0.5	0.07	0.47	0.09	0.47
42	Trans-National	2.805	0.53	0.075	0.061	0.26	0.07	0.53	0.06	0.53
43	UBA	1.031	0.166	0.043	0.011	0.59	0.02	0.82	0.04	0.82
44	Victoria Comm	2.545	0.411	0.058	0.035	0.38	0.04	0.21	0.01	0.21