EFFECT OF RESTRUCTURING ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN MERU COUNTY, KENYA

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A Thesis Submitted in the School of Business and Economics in Partial Fulfillment of the Requirement for the Conferment of Degree of Masters of Science in Finance and Investments of Kenya Methodist University

JUNE, 2023

DECLARATION AND RECOMMENDATION

Declaration

This thesis is my original work and has not been presented for a degree or any other award in any university.

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Recommendation

This thesis has been submitted for examination with our approval as university supervisors

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DEDICATION

This thesis is dedicated to my dear husband and our children for their support, patience and encouragement during the entire period of my study.

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Undertaking this thesis has been made achievable by several people. I thank God for the gift of life, his grace and abundance wisdom bestowed to me. Secondly .am grateful to my dear husband and our children for holding me up and for their consistent love, prayers and encouragement.You really walked this journey with me .In the same vein, am thankful to my beloved parents and siblings for their prayers and support. I acknowledge the advice and support from my supervisors Mr.Fredrick Mutea and Mr. Abel Moguche. Prof. Kenneth Mugambi for his guidance, KeMU staff in school of business and economics, library and directorate of research and development for their reinforcement. I recognize the support of my school colleagues at Kenya Methodist University and friends for moral support. Last but not least, I appreciate the immense support by commercial banks in Meru County by agreeing to participate in the study.

ABSTRACT

Banking industry is section of financial sector. Its role in economy development cannot be overemphasized. Globally, it facilitates financial intermediation process. In Africa however, the commercial banks have been decreasing owing to tightening regulations, mergers, acquisitions, liquidations and collapses. On the same vein, profitability trend of commercial banks in Kenya have been fluctuating for the past eight years .This could be linked to raising inflationary pressure, emerging risks, concerns of public debt sustainability, fragile economic recovery among others. However, in an effort to enhance performance, commercial banks have been restructuring but it is not clear which restructuring strategy is most successful in doing so. The subject study therefore sought to examine effect of restructuring on financial performance of commercial banks in Meru County. It assessed the effect of technology adoption, downsizing of employees, business process reengineering and outsourcing on financial performance of commercial banks. The study was anchored on financial intermediation theory, resource-based view, technology adoption model and transaction cost theory. It employed descriptive research design, target population of sixty branch management staff and adopted census approach. It made use of structured questionnaire which was reliable for use in actual data collection since Cronbach's Alpha coefficient for each variable was greater than 0.7. The content validity of the questionnaire was enhanced by ensuring questions were formulated based on the objectives. Criterion validity was utilized to test how well results were relevant to measuring the effect of restructuring on financial performance. Additionally, it utilized both qualitative and quantitative data. Pilot testing was carried out in Fina Bank, Nanyuki branch, Laikipia County and Ecobank Kenya Karatina branch, Nyeri County to enhance reliability of questionnaire. Data was coded using SPSS and analyzed using descriptive statistic correlation and multiple regressions. Further, it was presented using charts and tables. The study discovered that downsizing, technology adoption, outsourcing and BPR positively and significantly affected the financial accomplishments of commercial banks in Meru County. The study concluded that downsizing of employees constructively and significantly influenced financial achievements of commercial banks. In addition, technology adoption is essential on financial performance of commercial banks. Likewise, outsourcing of services positively and significantly influenced fiscal performance of commercial banks. Furthermore, it was inferred that BPR enhanced financial accomplishments of commercial banks. Therefore, the study recommended that commercial banks should establish training programs to boost morale and instill commitment spirit among the employees left behind after downsizing process. In addition, they should employ entertaining language to capture the potential market available in social media. They should also outsource services that are expensive to nurture and has declining function. Last but not least, future researchers should consider exploring impact of innovation related risks on financial performance of commercial banks; challenges and opportunities posed by outsourced fintech services on financial performance goals of commercial banks; relationship in between BPR, organizational culture and organization performance. Eventually, the study may be replicated by future researcher in savings and credit societies in Kenya to establish whether the results realized would hold.

TABLE OF CONTENTS

DECLARATION AND RECOMMENDATION ii

COPYRIGHT iii

DEDICATION iv

ACKNOWLEDGEMENT v

ABSTRACT vi

TABLE OF CONTENTS vii

LIST OF TABLES x

LIST OF FIGURES xi

ABBREVIATIONS AND ACRONYMS xii

CHAPTER ONE 1

INTRODUCTION 1

1.1 Background of the Study 1

1.2 Statement of the Problem 6

1.3 General Objective 8

1.4 Research Hypotheses 9

1.5 Justification of the Study 9

1.6 Scope of the Study 10

1.7 Limitations of the Study 10

1.8 Assumption of the Study 10

1.9 Definition of Terms 10

CHAPTER TWO 12

LITERATURE REVIEW 12

2.1 Introduction 12

2.2 Theoretical Review ... 12

2.3 Empirical Review 17

2.4 Conceptual Framework ... 33

CHAPTER THREE ... 35

RESEARCH METHODOLOGY ... 35

3.1 Introduction ... 35

3.2 Research Design ... 35

3.3 Location of the Study ... 35

3.4 Population of the Study ... 35

3.5 Sample Size ... 36

3.6 Data Collection Methods and Instruments ... 37

3.7 Pilot Testing ... 37

3. 8 Validity of Research Instruments ... 37

3.9 Reliability of Research Instruments ... 38

3.10 Procedures of Collecting Data ... 38

3.11 Analysis of Data ... 38

3.12 Ethical Issues ... 40

CHAPTER FOUR ... 41

RESULTS AND DISCUSSION ... 41

4.1 Introduction ... 41

4.2 Response Rate ... 41

4.3 Demographic Response ... 42

4.4 Reliability Test ... 43

4.5 Descriptive analysis ... 44

4.6 Restructuring and Financial Performance ... 59

4.7 Diagnostic Test ... 64

4.8 Effect of Restructuring on Financial Performance 65

4.9 Discussion 67

CHAPTER FIVE 72

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 72

5.1 Introduction 72

5.2 Summary of Major Findings 72

5.3 Conclusion 74

5.4 Recommendations 75

REFERENCES 78

APPENDICES 89

LIST OF TABLES

Table 3.1 Target Population 36

Table 4.1 Demographic Findings 42

Table 4.2 Reliability Test Results........ 44

Table 4.3 Analysis of Downsizing of Employees 44

Table 4.4 Analysis of Technology Adoption........ 48

Table 4.5 Analysis of Outsourcing 51

Table 4.6 Analysis of Business Process Reengineering 55

Table 4.7 Analysis of Financial Performance........ 58

Table 4.8 Analysis of the Association between Restructuring and Financial Performance........ 60

Table 4.9 Multicollinearity Test 64

Table 4.10 Normality Test........ 65

Table 4.11 Restructuring and Financial Performance Model Summary 66

Table 4.12 Restructuring and Financial Performance: ANOVA........ 66

Table 4.13 Restructuring and Financial Performance: Coefficient Regression 67

LIST OF FIGURES

Figure 2.1 Conceptual Framework 33

Figure 2.2 Operational Framework 34

Figure 4.1 Response Rate 41

Figure 4.2 Kenya's Banks' Performance 2014-2021 59

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ABBREVIATIONS AND ACRONYMS

AIJMEG	Africa International Journal of Management Education and Governance
AJEBA	Asian Journal of Economics Business and Accounting
ATMs	Automated Teller Machines
BPR	Business Process Reengineering
CBK	Central Bank of Kenya
DEA	Data Envelopment Analysis
EU	European Union
EABL	East African Breweries Ltd
IAJHRBA	International Academic Journal of Human Resource and Business Administration
ICT	Information and Communication Technology
IJBIS	International Journal Business Information Systems
IJCASM	International Journal of Contemporary Aspects in Strategic Management
ILO	International Labour Office
IT	Information Technology
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KCB	Kenya Commercial Bank
NPL	Non-performing Loan
RBV	Resource Based View
ROI	Return on Investment
ROE	Return on Equity
ROA	Return on Asset
SPSS	Statistical Package for the Social Sciences
TAM	Technology Adoption Model
TCE	Transaction Cost Economic
U.S	United States
VIF	Variance Inflation Factor
CRM	Customer Relationship Management

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The industry of banking is subset of financial sector. Its role in economy development cannot be overemphasized. Globally, facilitates the process of financial intermediation. It is an essential segment, therefore, for it to efficiently function it calls for execution of adequate reforms and policy guidelines. The obligations of banking sector are; mobilizing and accumulating deposits, make room for exchange of goods and services, provision of credit and monitoring investments among others (Aluko, 2018). Commercial banks have been striving for greater productivity and effectiveness through restructuring due to globalization, stiff competition, rapid developing technology and tightened government policies (Mwaura & Gitari, 2018).

According to Duong and Nguyen (2021) in Vietnam, restructuring process refers to a set of tightly coordinated actions, anticipated to preserve the financial system while addressing the underlying issues that contributed to the crisis in banking industry. This was resounded by Edevaldo (2018) of Angola, who stated that restructuring is a corporate action undertaken to alter structure or operations of a firm to eliminate financial distress and improve the business. On the same vein, the root cause of restructuring is worsening of financial standing (the incurred losses), deterioration of asset quality and huge credit loss provisions as denoted in banking industry of EU countries (Iwanicz-Drozdowska et al.,2016). Alias et al. (2017) in Malysia echoed on the same, that restructuring is carried out because of bad and declining profits, underperforming divisions & a motive to increase market share. Restructuring is considered as one of the turnabout strategies that helps banks get on during financial crisis.

It can be undertaken to solve problems of specific banks or entire banking system during economic downturn (Abdi&Mangána, 2022).

Globally, in the United States, the banking sector underwent integration and reorganization for quite some time. It was discovered that a combination of factors and not a single force drive the process. In 2020, JPMorgan US largest bank assigned employees into restructuring roles as they take steps to handle a wave of troubled or defaulted loans, according to people with knowledge of their policies (Campbell, 2020).Following the collapse of Lehman Brothers, the European Union embraced an intensive framework through the restructuring Communication, the recapitalization communication, the impaired assets communication, the restructuring communication and banking communication. The purpose was to establish the rules that allowed for the support of the financial sector during downtime so as to ensure financial stability while minimizing distortions of competition between banks in the European Union (Everaert et al., 2018). This framework of rules sets out common conditions at EU level for access to public support and the requirements for such aid to be compatible with the EU's internal market in the light of state aid principles. The structure allowed the European Commission to approve state support to remedy a serious disturbance in the economy of an EU Member State. In 2019, because of Covid 19 and emergence of digital banking, major bank restructuring targeting workforce in Europe occurred. For instance, bank restructurings were announced by Banco BPM in Italy, Deutsche Bank in Germany, Santander in United Kingdom and Banco Bilbao Vizcaya Argentaria in Spain, among others resulting to 10,000 across Europe (De Blasio, 2021).

Recently, the Chinese Shadow Banking with $137 billion of assets sought dent restructuring (Liu & Du, 2023). Bank of India and Union Bank of India have restructured about 4% of loans. The highest portion of restructured loans lies with Karnataka Bank (8%), DCB Bank (8%) (Rai, 2022). In Vietnam, according to Duong and Nguyen (2021) banks restructured

financial activities such as ownership restructuring, privatization of state-owned commercial banks, mergers, and acquisitions and operational restructuring among others.

Banks in Africa have been doing restructuring targeting operations, finance and human resource. In Nigeria, restructuring of banking operations have had impact on bank performance Okoye et al. (2020).In South Africa, Kumaraswamy et al. (2019) corporate restructuring through mergers and acquisitions had negative impact on profitability. In Kenya, Waithaka and Kimencu (2018) indicated that the reorganization schemes embraced by banks are meant to alleviate net earnings. In addition, restructuring had brought down production cost and reduce risk exposures. According to Karanja (2018), management that effectively redesigned their institutions facilitates information processing and accurate decision making thus portraying significant performance. Thus, improved efficiency and enhanced competitive edge even though in fiercely competitive banking industry.

Firms have employed downsizing to enhance human resource competitiveness, efficiency and effectiveness thus pushing their profits high (Njoki, 2018). Technology is anticipated to enhances competence in the provision of services resulting into improved profits of a business organization (Okiro & Ndungu, 2018). The assumption of technology demands huge starting capital thus negatively affects the business earnings in short term. In the long run, this will have an effect on shareholders' dividends which may bring doubt on suitability of the investment(Bett & Bogonko, 2019). The scope of technology adoption is considered as an outstanding element in the interaction with banking institution. These inter-activities consist of executing fundamental banking functions including processing clients' deposits and withdrawals, bills payments, transfer of funds, loan/account processing and credit and debit card issuance processes (Njogu et al., 2018).According to Kamanga and Ismail (2019), there is a notable correlation amongst cost, quality and technology adoption owing to outsourcing and organizational achievement. Strategic outsourcing helps a firm attain a

competitive advantage edge and offers an avenue to effectively handle difficult or complex business situations (Kihanya et al., 2019). Outsourcing is a business strategy that moves some of the organizational tasks from within an organization to outside providers (Overby, 2017)). Firms outsource their function to gear their focus on core business activities, take competitive advantage by containing operating costs and improve service quality. Some of the benefits that organizations gain by means of outsourcing their subsidiary duties as drawn from literature include lowering costs, increased efficiency, improved access to skills and resources swiftness and expertise, giving room to strategic focus and risk sharing .On the other side risks associated with outsourcing comprise risk of exposing confidential data hidden costs, lack of customer focus, employee lay off, quality risk, language and culture barrier, loss of controlled.(Patel,2017), (Overby ,2017), (Patricia,2017). Business process re-engineering (BPR) is seen by M Hammer and Champy (1993) as being crucial. BPR's goal is to speed up transaction processing without sacrificing security safeguards, product quality, or real-time customer assistance. Essentially, BPR focused on sustaining lengthy tenure profitability and reinforcing competitive advantage of banks in adapting changing market realities (Sudha & Kavita, 2019).BPR strategy implementation is being considered at policy level by many companies in different countries across the world. In Switzerland, for example professionals can receive BR based training where learners acquire knowledge on local aspects, culture, and variations in management techniques versus the other parts of Europe. This initiative aids in the practical understanding of the key aspects of business model transformation, firm's structure of the economic process aspect (Fasna &Gunatilake, 2019)

Restructuring is explained as the predesigned problem solving tool used to rescue business entity's performance from decaying further and thus revive its feasibility. Restructuring is involved with exclusion of non-core business process, consolidation of similar works and firm's concerns (Jarso, 2013). Nadeem and Ahmad (2016) examined the impact of BPR in

Pakistan banks by discussing the execution of BPR in fiscal institutions. . The findings indicated that BPR has an influence on the monetary performance of banking sector enterprises. According to Ogada (2017), the study looked into how much the deployment of business process re-engineering affected the presentation of viable state-run corporations in Kenya. The information was gathered using semi-structured questionnaires, and SPSS was utilized to analyze it. The study's findings showed a significant correlation between Kenyan state-owned enterprises' performance and commercial process re-engineering techniques.

Further studies by Mwihaki (2016) looked at business process re-engineering and the performance of operations in Nairobi county. Data collection employed questionnaires; descriptive statistics was adopted with the use of Pearson correlation. In addition, regression analysis was conducted to find out if BPR affects operational performance in Nairobi. The results showed a statistically important association between BPR and performance. The study was important to the research since it informed the researcher on how to conduct the proposed study.

A firm's financial performance indicates how well its financial goals are being met. It measures the financial activities and policies of an organization. This shows the financial stability of the company over a specified period of time, either overall or in comparison to other companies in the same industry (Kambua, 2018). Profitability levels determine the financial performance of any corporate organization (Tsuma & Gichinga, 2019). Profitability is therefore crucial, and bad fiscal performance in the banking industry may negatively impact the growth and development of a country's banks (Derbali, 2021). According to E1 Khoury et al. (2023), stability of commercial banks mostly leans on their financial achievements; this actually portrays their soundness or deficiencies. Menicucci and Paolucci (2023) claimed that banks frequently utilize the metrics; Return on Equity (ROE), Return on Assets (ROA), and Net Interest Margin (NIM). The capacity of management of the bank to

generate income from its resources is demonstrated by return on asset. It explains how the company's assets are successfully managed to produce excess (Erdoğan, 2022). The return on equity (ROE) gauges profitability level by calculating the institution's profits using shareholders' employed capital (Duong et al., 2020). Although ROE is frequently employed in various researches, it is not the best indicator of profitability (Gupta & Mahakud, 2020). The NIM is a measure of the net return on the earning assets of a bank, which include investment securities, leases and loans. It is the ratio of interest income minus interest expense divided by earning assets (Hersugondo et al., 2021). It gives an indication of the effectiveness level and how much its intermediation services cost. The more profitable and secure the bank is, the larger the profit earned (Derbali, 2021). In order to assess monetary achievements of commercial banks in Meru County, ROA, ROE, and NIM was used.

Complete and proficient banking sector is critical for steady macroeconomic situation, thus, the significance of commercial banks in Meru County occupies essential position in the county's financial systems. Established Banks in Meru County enables the locals to deposit their money safely and seek credit facilities. Existing banks in Meru County include: Co-operative bank, Equity Bank, KCB, NCBA, Family bank, Credit bank, consolidated bank, Absa, Stan chart, Stanbic Bank, Bank of baroda, Diamond Trust bank, Prime bank, I&M bank, Post bank, ABC bank, House Finance, National Bank, Sidian Bank and Bank of Africa

1.2 Statement of the Problem

The primary goal of a banking sector is to have enough funds, pay obligations as they fall due and appropriate functioning of a sound market based financial system. This is in line with the Central Bank's mission statement. Commercial banks in the sector have continued to appraise and strengthen their business models in order to take advantage on structures that seem profitable (Wafula, 2021). However, the financial performance of commercial banks has been fluctuating in the last few years. The ROA for commercial banks in Kenya was

3.2% in 2016, 2.6 % in 2017, 2.76% in 2018, 2.6 % in 2019, 1.7% in 2020 and 3.3% in 2021 thus signifying unstable profitability trend (Kamer, 2023). This could be linked to raising inflationary pressure, emerging risks, concerns of public debt sustainability, fragile economic recovery, and volatilities in both global and domestic financial markets and devastating impact of COVID-19 (KBA, 2022). In a bid to enhance performance, commercial banks have been restructuring but it is not clear which restructuring strategy is most successful in doing so.For instance, Dubai bank, Imperial bank and Chase bank were placed under receivership. Ecobank Kenya Limited and Bank of Africa closed down some of their branches. Other banks have been reducing human resource labour, this is depicted by the declining staff population in Kenyan banking sector ,from 36,212 in 2015 to 32,440 in 2021 (CBK, Bank Supervision Annual Reports, 2013-2021).

Studies have been carried out on the influence of restructuring on financial performance of financial institutions. Globally, Duong and Nguyen (2021) studied Bank restructuring and financial performance of commercial banks in Vietnam and noted that some aspects of re-organization; retrenching employees and mergers have constructive influence on financial achievements while some aspects of restructuring such as debt restructuring negatively influenced financial performance indicating lack of consensus regarding effect of restructuring on financial performance of a bank. Muhammad et al. (2021) investigated impact of corporate restructuring and financials firms' performance in Pakistan. It established that fiscal accomplishments of commercial banks improved after restructuring with and without corporate tax that was a moderator. Okoye et al. (2020) examined impression of corporate restructuring on the financial performance of banking institutions in Nigeria. It concluded that altering of structures in place significantly influenced profitability of banks especially the smaller banks unlike the larger banks which recorded low profits presenting contextual gap.

Locally, Mokaya (2016) investigated the connection between corporate restructuring and East African Breweries Limited's performance. It established that EABL undertook restructuring to enhance value and to avoid hostile takeovers and to sharpen focus by disposing off units that were peripheral to the core business. An examination on effects of corporate restructuring on the performance of insurance businesses, Kenya was handled by Anyona (2017) and concluded that restructuring affected performance of an organization positively. Waithaka and Kimencu (2018) looked on how financial, portfolio, and organizational restructuring affected KCB's performance. It revealed that techniques such as financial restructuring, portfolio restructuring and organizational restructuring had a productive and significant association with performance of the bank. Kithinji (2019) looked into connection in-between bank reconstruction and the financial success of Kenyan commercial banks, using customer deposits as an intervening variable. It established that restructuring had a weak relationship on the fiscal performance of a corporate institution.

Duong and Nguyen (2021) noted that restructuring had both positive and negative influence on financial performance depending on which variable of restructuring is going to be undertaken. Muhammad et al. (2021), Mokaya (2016), Anyona (2017), Waithaka and Kimencu (2018) and Kithinji (2019) observed that restructuring improved financial performance of banks significantly. While Okoye et al. (2020) remarked although restructuring improved financial performance of an organization, size of the organization also matters. The analysis of the above conclusion by various scholars resulted to mixed findings hence conceptual gap is diagnosed which this study sought to fill.

1.3 General Objective

The aim of this study was to determine the effect of restructuring on financial performance of commercial banks in Meru County.

The Specific Research Objectives were:

i. To examine the extent to which downsizing employees affects financial performance of commercial banks.
ii. To investigate whether technology adoption influences financial performance of commercial banks.
iii. To establish whether outsourcing affects financial performance of commercial banks.
iv. To ascertain whether business process reengineering have an effect on financial performance of commercial banks.

1.4 Research Hypotheses

H_1: There is no noteworthy association relationship between downsizings of employees on financial performance of commercial banks.

H_2: There is no significant relationship between technology adoption and financial performance of commercial banks.

H_3: There is no significant effect on financial performance of commercial banks as a result of outsourcing.

H_4: There is no significant effect existing between Business process reengineering and financial performance of commercial banks.

1.5 Justification of the Study

The subject study provided valuable insights to commercial bank regarding their financial performance. Bank management should be able to identify restructuring business models that may assist in achieving better financial performance. Once the research problem is addressed, the study should enhance knowledge to existing scholarly work, which should be of great help to students undertaking studies on banking and finance.

1.6 Scope of the Study

The study focused on the association amid restructuring and financial performance. It intended to examine the extent to which downsizing employees, technology adoption, outsourcing and business processes reengineering affects fiscal outcomes of financial organizations in Meru County. The study only targeted 20 commercial banks in Meru County.

1.7 Limitations of the Study

The researcher considered 8-year study period from 2014 to 2021.This means that the findings could vary where the analysis is done on a different period of time for instance, span of 5 years. The study was also limited to the bank restructuring in commercial banks in Meru County that could not provide same results when carried out in other firms.

1.8 Assumption of the Study

Performance without financial metrics such as employee satisfaction; motivation, layoffs as well as environmental factors such as competition within locality and security are assumed to be adequately represented in the financial statements.

1.9 Definition of Terms

Business Process Re-engineering is redesigning of core business processes of a firm with an aim of improving customer service, reduction of operational cost and enhancing its competitive edge (Bako & Banmeke, 2019).

Downsizing is the move of deceasing labor force by specific bank in order to reduce employee cost, increase profitability and prevent organizational collapse especially during severe economic conditions (Roy, 2020).

Financial performance shows how effectively a bank makes money, utilize assets, obligations, and share capital (Erdoğan, 2022).

Outsourcing is act of delegating services to a third party. The third party will be paid a fee in respect to services offered (Pomegbe et al., 2019).

Technology entails knowledge used to create tools, process things, and extract materials (Wahab et al., 2019).

Restructuring refers to the undertaking to reorganize the composition of a bank to make it more profitable (Mwaura Gitari, 2018).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter contained previous scholarly work with regard to examination of effect restructuring on financial performance of commercial banks in Meru County. The chapter included theoretical and empirical review sections, a summary of the literature, a conceptual and operational framework.

2.2 Theoretical Review

The section reviewed intermediation theory, resource-based view, technology adoption model as well as transaction cost theory.

2.2.1 Theory of Financial Intermediation

According to Merton (1995), theory of financial intermediation, financial capital is transferred through financial intermediaries from providers (those with excess) to consumers (users). According to the above theory, financial institutions exist due to asymmetric knowledge, high transaction costs, extensive monitoring expenses, and financial sector rules. According to the subject theory, information asymmetries and transaction costs are examples of market frictions.

According to Suehiro (2002), successful restructuring of the banking industry depends on increased efforts made by local commercial banks to perform the job of financial mediation successfully and efficiently. Engaging in operational restructuring is basically effective and productive for financial intermediation. Revamped processes, established technology including mobile and internet banking among others and accepting financial modernization allow commercial banks strengthen their capacity as financial mediators (Chang et. al., 2014).

The theory of financial intermediation relates to the subject study that aims in instituting the association that may occur amid restructuring and fiscal achievements of financial intermediaries. With the current economic challenges, the commercial banks are forced to reorganize their internal processes. As a result, this will enable them curb operational cost and improve financial performance thus maintaining their competitiveness. However, this may not work well for tier three banks because of the huge cost implication involved in restructuring. Hence such institutions may quit the role of financial intermediation or being merged or acquired by better performing banks to strength their financial muscles.

2.2.2 Resource –Based –View

The resource-based view (RBV) model evolved from studies of Penrose in 1959; "The theory of the firm's growth." Her thesis then was refined and given the label "the resource based view of the firm" (Wernerfelt, 1984). Thereafter was revived by (Prahalad and Hamel, 1990). The theory assumes that resources are perfectly immobile and diverse among companies. The RBV theory emphasizes that internal resources of an organization play a key role in developing technique to attain viable competitiveness edge in the industry. The RBV theory emphasizes organization's internal resources is the main driver of profitability and strategic edge of the firm. The resources enable companies to come up and execute strategies to improve firm's efficiency and efficacy. This theory laid down the foundation to the conceptual framework of the study that provided platform for connecting resources BPR, human resource, financial performance goals (Shahu, 2022). This is because it focuses on reorganization of internal resources such as man power, assets and other firm's capacity to enhance financial performance (Barney, 1991). The most competitive firm is that which can utilize its unique resources in an efficient manner the unique resources can be patents, trademarks, materials and capital equipment among others (Bamakan et al. 2022). The resources in an organization

dictate its capacity to complete and/or meet the everchanging demands of the customers. In other words, it is a managerial framework applied to establish the strategic resources an organization is able to consider in attaining a sustainable competitive advantage. The theory posits that in strategic management, the main sources and enablers to organization competitive benefits and unmatched performance are basically related to the organization resource features and capabilities that are not only important but not possible duplicate (Peteraf & Bergen, 2003).The assumption of the theory is that if the resources in an organization are utilized properly, then the organization can achieve its competitive advantage. This implies that an organization's optimal performance is achieved through the efficient use of its available resources. This theory implies that the impact of restructuring on the performance of commercial banks is determined by the effective utilization of their available resources. Given that RBV stresses that a firm's capability can be improved using its internal resources, Business Re-engineering (BR) translates into a veritable tool for restructuring firms and processes through technological innovation. The main purpose of a business is to increase its shareholders wealth by among other things, meeting client's needs, retention of clients and enhancing organization performance through process improvement .This qualifies the use of this theory in this study as commercial banks continue to remain relevant and profitable in the wake of a very dynamic financial technology environment .This therefore explains the need for restructuring strategies that incorporate the use of existing and new financial technological resources While RBV argues that if every firm does the same analysis it would end up with the same conclusions, the theory does not specify how to manage specific resources in the organization.

Additionally, the theory does not acknowledge the other theories of management that can be adopted hand in hand with the RBV theory. The RBV has been widely criticized,

with some critics alluding to the fact that it does not consider the factors surrounding resources (Utami & Alamanos, 2022).According to Odhiambo and Musyoka (2016), the theory also ignores the impact of the dynamic marketing environment where firms operate. Additionally, the theory fails to explain thedevelopment and deployment of resources for competitive advantage achievement. However, RBV theory is mostly relevant to the current study in that it helps in describing how Equity bank can strategically use the resources in their disposal to achieve sustainable competitive advantage and ultimately attain the desired performance.

2.2.3 Technological Adoption Model

The Technology Adoption Model (TAM) by Davis (1989). The theory that guides on the way various users take up provided technology at a given time. Further the model expound that users take into account a number of factors prior to accepting technology presented (Al-Suqri-et al., 2015; Ajzen & Fishbein, 1975). According to Davis (1989), there are two components that are considered by user before embracing any given technology; perceived usefulness(PU),this is the level in which the end user trusts that upon employing the specific system it will eventually boost his achievements. Similarly, perceived ease of use (PEOU), relates to a state whereby user assumes that the system will be effortless.

Taking into consideration TAM, banking institutions will assess technology cost and acceptability level prior to assumption of technology. Adoption of technology will subsequently boost data analytics, credit assessments and transformation. This will result into production of desired financial outcomes (Kemboi, 2018). TAM does not take into account preceding experience, ages and gender of the users and any other characteristics that may impact belief about technology adoption. This model mainly looks into the adoption behavior of clients and evaluation that is normally done for the reason of establishing a system to be applied that will not only be useful to the customers but also

provide them with convenience. Prior researchers have investigated the principal concept of validity of TAM in gauging individual’s acceptance and drew the conclusion that, TAMs principal concept fail in explaining how acceptance by users are influenced by technology as well as other factors concerning usability (Moon & Kim, 2015). Davis (1989) contends that, anticipated usefulness refers to the belief by an individual that the technology or information system adopted will significantly improve job performance after its adoption Perceived effortlessness of use indicates how easy it is for the individual to learn how to use the new technology and information system. TAM emphasizes on ease of use as a means of predicting the usefulness of a system. Gefen et al,.(2014) undertook a study in Finland to determine the real effect of predicted value and derived the conclusion that it aimed to utilize inventive, self-servicing, independence and user friendly to users through the banking system to provide financial services to clients in the twenty first century.Gerrard and Cunningham (2013) observed that, the perceived value hinged on the rendered banking services. The services comprised of loan applications ,making utility bill payments, checking balance, transferring fund abroad and obtaining relevant information regarding mutual; funds.

2.2.4 Transaction Cost Theory

This theory outlines the purpose of any firm is to minimize costs related to transactions With regards to this an organization will either decide to manage these resources within its boundaries or acquire third party assistance over the same resources depending on cost associated transactions. Transaction Cost Theory (TCE) with regards to firm’s boundaries the theory aimed to answer the concerns when activities will occur within the firm and when undertakings within the market (Williamson, 1991). He further, theorized that, transaction cost is a major determinant towards internalization of activities within the firm. In addition, when transaction costs are low obtaining service or good from the market is most preferred.

Contrary, when transaction costs are high internalizing the transaction within the firm is most appropriate decision. It offers a diagnostic background utilized in comparing and contrasting internal services and subcontracting services (Lacity& Hirschheim, 1995). This theory makes easier to ascertain the success of outsourcing in terms of economic gains (Siran, 2017). This is the most widely used theory of outsourcing among a series of different theories. TCE.Theory relies on a rational decision made by firms after considering transaction related factors such as asset specificity, environmental uncertainty and other types of transaction cost (Felix Ndungu and Shale Ismail, 2016). On the other hand, it views the relationship between service receiver and service provider as a model that allows economic transactions to take place (Ndungu and Shale Ismail, 2016). AnthiVaxevanou and Konstantopoulos (2015) proposed a model which combines the TCE theory with theory of incomplete contracts in order to formulate a model that explains the phases of preparation and relationship management. The limitation of this theory in that the TCE framework only explained few IT sourcing decisions and generated much more in their sample on top of its reliance on a single transaction as a unit of analysis, neglecting the contemporary industrial collaborative arrangements. Besides it is static in nature that does not fit itself to dynamism of current business environment

2.3 Empirical Review

In the empirical review the study looks at literature on the independent variable, restructuring and eventually the specific independent variables of the study. According to Duong and Nguyen (2021) in Vietnam, restructuring process refers to a set of tightly coordinated actions, anticipated to preserve the financial system while addressing the underlying issues that contributed to the crisis in banking industry. This was resounded by Edevaldo (2018) of Angola, who stated that restructuring is a corporate action undertaken to alter structure or operations of a firm to eliminate financial distress and improve the business. On the same

vein, the root cause of restructuring is worsening of financial standing (the incurred losses), deterioration of asset quality and huge credit loss provisions as denoted in banking industry of EU countries (Iwanicz-Drozdowska et al.,2016). Alias et al. (2017) in Malysia echoed on the same, that restructuring is carried out because of bad and declining profits, underperforming divisions & a motive to increase market share. Restructuring is considered as one of the turnabout strategies that helps banks get on during financial crisis. It can be undertaken to solve problems of specific banks or entire banking system during economic downturn (Abdi&Mangána, 2022).Restructuring was championed by Vo and Nguyen (2018) who examined the association amid the Vietnams bank restructuring and bank efficiency. It was found out that the government of Vietnam in restructuring the banking sector in the 1st phase did not yield much in its implementation. The action of privatizing state-owned banks with state intervention didn't show any substantial improvements and efficiency leading to financial problems and domestic economic slowdown.

Kucukkocaoglu and Bozkurt (2018) identified effects of merger and acquisitions on Turkish Banks' performances and deduced that blend, acquirement, or share transfer reduce quality of assets, ability of managers and reserve requirement. The above study relates to this proposal of study since it's based on mergers and acquisition in banking industry in Turkey. In 2020, JPMorgan US largest bank assigned employees into restructuring roles as they take steps to handle a wave of troubled or defaulted loans, according to people with knowledge of their policies (Campbell, 2020).Following the collapse of Lehman Brothers, the European Union embraced an intensive framework through the restructuring Communication, the recapitalization communication, the impaired assets communication, the restructuring communication and banking communication. The purpose was to establish the rules that allowed for the support of the financial sector during downtime so as to ensure financial stability while minimizing distortions of competition between banks in the European Union

(Everaert et al., 2018). This framework of rules sets out common conditions at EU level for access to public support and the requirements for such aid to be compatible with the EU's internal market in the light of state aid principles. The structure allowed the European Commission to approve state support to remedy a serious disturbance in the economy of an EU Member State. In 2019, because of Covid 19 and emergence of digital banking, major bank restructuring targeting workforce in Europe occurred. For instance, bank restructurings were announced by Banco BPM in Italy, Deutsche Bank in Germany, Santander in United Kingdom and Banco Bilbao Vizcaya Argentaria in Spain, among others resulting to 10,000 across Europe (De Blasio, 2021).

Recently, the Chinese Shadow Banking with $137 billion of assets sought dent restructuring (Liu & Du, 2023). Bank of India and Union Bank of India have restructured about 4% of loans. The highest portion of restructured loans lies with Karnataka Bank (8%), DCB Bank (8%) (Rai, 2022). In Vietnam, according to Duong and Nguyen (2021) banks restructured financial activities such as ownership restructuring, privatization of state-owned commercial banks, mergers, and acquisitions and operational restructuring among others.

In order to determine whether firm restructuring has an effect on the performance of stated companies as well as the effects of post analysis after restructuring looking at the performance of the various sectors of the economy, Oloyede and Sulaiman (2013) carried out relative analysis on post shakeup achievements of companies in area of finance more specifically banks and real sector firms in the petroleum industry in Nigeria. It was found out that restructuring did not have any impact in the financial sector but significantly influenced earnings, liquidity, and stability of businesses in the real sector.

Reda (2013) in his study established effect of firms coming together through merging and acquirement mainly on the effectiveness and profit levels of banks in Egypt utilizing Data Envelopment Analysis(DEA) to gauge managerial efficiency as well as traditional fiscal

measures . The study compared the results over a period of two years in 2000 to 2003 which was referred to as pre-consolidation stage while 2007-2010 was the post consolidation stage. The combination resulted into weaker intermediation role and profitability of the bank. On the other hand, the same combination had a positive influence on managerial competence, capital base and management of risks.

Banks in Africa have been doing restructuring targeting operations, finance and human resource. In Nigeria, restructuring of banking operations have had impact on bank performance Okoye et al. (2020).In South Africa, Kumaraswamy et al. (2019) corporate restructuring through mergers and acquisitions had negative impact on profitability. In Kenya. According to Karanja (2018), management that effectively redesigned their institutions facilitates information processing and accurate decision making thus portraying significant performance. Thus, improved efficiency and enhanced competitive edge even though in fiercely competitive banking industry.

Kenya Commercial Bank was the primary subject of Waithaka and Kimencu's (2018) who scrutinized the impression of restructuring methods on achievements of commercial banks in Kenya (KCB). The study aimed at determining how financial, portfolio, and organizational restructuring affected KCB's performance. It was found out that a significant and positive association in between bank performance and fiscal realignment, portfolio realignment, and managerial realignment of specified strategies. In Kenya, commercial banks' fiscal output and bank restructuring were expected to be linked, according to Kithinji (2017). Financial, capital, operational, and assets restructuring were the categories used to classify bank restructuring. Empirical judgments showed that commercial banks utilized the mentioned four modes of reorganization. It was concluded that, there was an unswerving association among the bank rearrangement and fiscal performance. Capital and asset reestablishment had

notable positive and negative impact respectively on commercial banks performance in Kenya.

2.3.1 Downsizing of Employees and Financial Performance of Commercial Banks

Tsai and Shih (2013) in his study found out responsible downsizing strategy had effects on Taiwan's company's performance. The outcome of the study stated that responsible downsizing strategy boost company's performance. The outcomes of the study showed that firms enrolled in labor unions had a higher downsizing performance than firms not enrolled in unions. Ikechukwu and Chijindu (2016) discovered the association amid downscaling and business performance of 5 Nigerian banks. The studied banks rolled out computerized transactions outlets thus reduced workforce. T-test was used to analyze the sample findings, which showed that there was no notable variation between financial achievements indicators (ROA and ROE) before and after the number of bank employees was reduced. The results demonstrated that the fiscal performance variables before and after downscaling did not differ noticeably. The study found no evidence of an increase in overall wealth in Nigerian companies following downscaling.

Itunga (2017) looked at the effect of downscaling on workers output in Kenyan Banks. The study emphasized more on effects of downscaling on workers' morale, engagement and staff turnover and secure employment at Sidian bank. It employed descriptive research design, non-probability convenience sampling method and questionnaires to collect the data. Following the collection of data, descriptive statistics were used to examine it. It was found that downsizing employees had an impact on employees' productivity. Miguda (2013) looked at the corporate profits and downscaling tactics used by commercial banks in Nairobi, Kenya. The researched work was directed by objectives; establishing influence of workers' reduction policy, redesigning the organization and system strategy. Descriptive statistics was

employed, cross sectional and survey design. The outcome showed certain features of these strategies have negative influence while others positively influenced performance stated firm.

Mukhebi et al. (2019) ascertained what effects downsizing has on the performance of employees of commercial banks in Trans Nzoia County, Kenya. The study employed descriptive survey research design as well as stratified simple random .In addition, questionnaires was utilize to collect primary data. Descriptive and inferential statistics were employed to analyze quantitative data .It was discovered that the way downsizing is managed really affects employee performance. Further, it was established that downsizing pose threats to job security hence resulting to a reduction in employee commitment to workforce quality.

Mwangi and Jagongo (2021) aimed at finding out how downsizing techniques influence commercial banks' fiscal performance in Nairobi County, Kenya. It narrowed down and examined effects of personnel reduction, organization redesign, system strategy and asset reduction strategy. The study was anchored on agency theory, risk returns theory among others. The target population was 36 managers. Further, it utilized descriptive research design as well as census approach. Questionnaire was used to collect data and analyzed by descriptive and inferential statistics. A conclusion was drawn that besides the strategy of personal reduction, downscaling constructively and greatly impacted financial achievements.

2.3.2 Technological Adoption and Financial Performance of Commercial Banks

Dadoukis et al. (2021) investigated the aftermath of pre-2020 information technology adoption on bank performance during the first stages of the Covid-19 pandemic. Stock price data were collected and matched with balance sheet data using regression. It was discovered that better market achievements were associated with higher level of pre-Covid IT

investments. The study findings were line with the opinion that technology accelerates monetary soundness by enhancing accomplishments and resilience of banks. Reeshma (2017) explored on the technology's effects on accomplishment of Indian banking sector among their clients.The study looked at earlier studies with findings revealing that banks that adopted technology of Indian Banking sector gained competitive advantage over other banks as well as customers. The findings of the study revealed the technology could help banks compete better. Thus, banking industry had created awareness among clients on electronic banking, M-banking, credit card facilities, and credit facilities to ensure they use such facilities to impact the financial status of the company. El-Chaarani and El- Abiad (2018) in their studies tested the consequences of technological innovation on performance goals of the Banking sector in Lebanon. Prime and inferior data was looked at via descriptive measurements and the weighted least square regression. Performance output was assessed by ROA and ROE. Technology uptake in the banking industry included mobile banking, automated teller machines. It was found out that mobile banking and application software investment did not impact financial accomplishments of banking institutions in Lebanon.

Haabazoka (2019) set out to look at the impact of innovation in technology on fiscal achievements of Zambian banking sector. The reading aimed to establish the relationship between mobile, internet and automated trades and fiscal performance in Zambia by looking at monthly transactions in four-year period. Innovation was looked at on how it affects commercial banks' performance measured by revenue. Descriptive research design was utilized to analyze data using SPSS. The outcome of the research indicated that adoption of technology had a productive effect on the monetary achievement of commercial banks. Further, it was found that mobile banking and ATM had a constructive influence of financial accomplishment while internet banking had a weaker association with the fiscal achievements. The research carried out in Zambia is related to this current study, the

variables looked at are similar thus it will be a guide to this study which has adopted descriptive survey design. Financial performance of commercial bank is boosted by income generated from automatic teller machines, direct payments, electronic check conversion, mobile banking and electronic transactions. Performance is achieved when profitability is achieved. Asia (2015) surveyed the impact of e-banking towards banking achievements in Rwanda. Descriptive research design was employed to look at the qualitative and quantitative approach with the utilization of primary and secondary information sources. It noted that the banking system adopted had direct impact on company's profits. Kajewski (2014) investigated innovations, its benefits, challenges and recommendation for practice in Australia in banking sector .The study embraced a descriptive research design. Secondary data was gathered from risk manuals and financial reports of a sample of 38 commercial banks in Australia. The data was analyzed by applying correlation analysis, autocorrelation techniques and regressions analysis. In the findings it was revealed that, over the years, banks in the need to improving the accessibility of financial services to their customers had increasingly capitalized in various technology platforms. It was also revealed that, because of the innovations the transactions volumes had went up. He observed a positive significant De Young et al., (2015) investigated the influence of internet on both the performance and output of community banks in Oslo, Norway. This study was conducted during the time frame 2006 to 2019 and the targeted population was 29 banks. The researchers utilized a descriptive research design. A mixture of both secondary and primary data was used where the data from primary sources was obtained through use of online questionnaire and secondary data was extracted from published annual financials of the banks. The findings of the study revealed that traditional community banks compared to those that embraced internet banking recorded lower profits because of the business volumes being low

in term of non-interest income and deposits and further they had labor cost that were comparatively higher. Nonetheless the research also indicates that the financial performance gaps are quickly filled with time because of the impact of economies of scale.Wadhe and Saluja(2015) explored the technological impact on bank profitability in India from the period 2006 to 2014 was affected by E-banking .A sample of 31 Indian commercial banks was used. The impact that E-banking services had on profitability of banks was tested through multiple regression analysis. Findings showed a positive association amongst e-banking and profitability in the private sector as well as in the public sector banks'. Base on this study.it was pointed that an increase in the number of ATMs was necessary to increase profitability. However, a weak association was established between the amount of branches and profitability, assets, and operations of the bank which is seen in the operational efficiency of the bank.

Otieno and Ndede (2020) geared his study towards finding out how digital banking technology innovations influence fiscal achievement of commercial banks in Kenya. The study was harbored on modern economics, innovations diffusion and financial intermediation theory. Questionnaire was used to collect data that was analyzed by descriptive method. In addition, it was presented in bar graphs, pie charts and frequency tables. It deduced that digital banking technology innovations productively and significantly influenced financial performance with many banks recording high volume of deposit and enhanced loan values thus widening their customer base. Kemboi strived to establish relationship between financial technology applications and financial achievements Kenyan banking sector. The parameters were M-banking, E-banking, and agency banking systems. Data was analyzed using SPSS which was obtained through descriptive statistics. Further the study utilized multiple regression with the outcome indicating that agency, internet and mobile banking yield good performance in the banking sector. This study relates to the

subject study's variables, the methodology adopted guided the researcher when conducting the research. Muia (2017) examined the effects of financial innovation on fiscal achievements of commercial banks in Kenya. The main goals were; determine the effect of electronic fund transfers, mobile and internet banking on fiscal performance of commercial banks in Kenya. The population comprised all regulated and licensed banks by the central bank of Kenya with 12 banks forming study sample. The study employed secondary data that was analyzed using STATA. The relationship amongst the variables was ascertained by use of multiple regressions and eventually discovered that fiscal modernization had a worthwhile effect on the performance of commercial banks in Kenya. The banks selected in that study were similar to the banks selected in Meru county thus the study conducted on Kenyan banks is a reflection of the targeted banks in Meru county which adopted similar research methodology, analysis. Feng and Wu (2016) examined the interconnection that existed in middle of selected technologies and monetary achievements of banks in Kenya. The elected technologies include mobile, electronic banking combined with electronic transfer of funds at the point of sale as well as branch networking. The study employed descriptive survey, analyzed data using SPSS as well as descriptive statistics. It was clearly found out that the uptake of technology continues to positively add value to the profitability level of commercial banks in Kenya. Abdulkadir (2018) looked at the effect of financial technology on FP of commercial banks in Kenya. Financial technology was determined by the number of transactions that were undertaken through mobile banking and transactions undertaken through internet banking. Data was obtained from 35 commercial banks .Size of the commercial bank and capital adequacy ratio acted as the control variables of the study. Secondary data was gathered for all the commercial banks in Kenya for descriptive research design that was used in the study. In establishing the association amongst the variables Pearson moment correlation was utilized whereas the nature of the association was

established using regression analysis. The study concluded that, a positive significant effect of financial technology on FP was observed.

Mwiti (2016) investigated the effect of alternate banking methods on the performance of Kenyan banks. The five-year period from 2011 to 2015 was selected .Regression analysis was employed in determining how these channels impact performance of the banks. A strong positive association amongst the alternate channels and performance was found. Additionally, it showed that alternate banking channels affects financial performance both positively and the effect was substantial. Kinyua (2018) sought to determine how internet banking impacts the efficiency of banks in Kenya. A population of the 42 banks operating in Kenya was used. Internet banking in this study was the predictor variable given by the natural log of totaltransactional value via internet banking. The response variable in the study was efficiency, defined as the ratio of total revenue to total assets. His study used five-year (2013-2017) annual data for analysis. The results showed that, all variables were statistically significant in the study. Internet banking together with liquidity produced positive values while bank size produced a negative value for this study. Kamande (2018) studied how electronic banking influences FP of commercial banks in Kenya. He sampled all of the 42 commercial banks operating in Kenya. The predictor variable was selected as electronic banking as measured by value of transactions carried out through ATMs, internet banking, agency banking and mobile banking. FP was selected as the response variable of the study and it was measured bythe return on assets. Secondary data for 5 years was collected beginning January 2013 up to December 2017. The results revealed that agency banking, ATMs, capital adequacy, liquidity and bank size had both a positive and significant effect on this study. It was also uncovered that mobile banking and internet banking are not statistical significant determinants of FP of commercial banks Ocharo and Muturi (2016) study on how alternate banking channels like mobile banking, ATMs, internet and agency

banking affects profitability of banks within the County of Kisii revealed a positive association amongst the performance of the banks and the use of alternative banking methods.187 respondents were the total population of which 170 were employees and 17 were managers of the banks within the Kisii County.

2.3.3 Outsourcing and Financial Performance of Commercial Banks

Outsourcing refers to the technique employed by business entities that entails contracting the performance tasks or provision of services to an organization (Elmuti, 2018). The outside company, which is also known as the service provider or the third-party provider, is the one that is responsible for making the necessary arrangements for its own personnel or technological resources in order to carry out the responsibilities or offer the services either on-site at the premises of the business that is hiring them or in other locations (Christopher, 2019). Outsourcing can be interpreted in many different ways. However, in general, outsourcing of logistics often referred to as third party logistics can be described as the employment of external organizations to undertake logistics services that have historically been conducted within an organization. The services performed by the third party can cover the entirety of thelogistics process, or they can be limited to certain activities contained within that process (Lieb, 2022).The research on outsourcing has revealed both the operations that are outsourced (Power et al., 2017) as well as the motivations behind logistics outsourcing (Jager et al., 2019) and the benefits of logistics outsourcing (Power et al., 2019).Mazikana (2023) aimed at determining the influence of outsourcing on organizational performance in the cement industry, Zimbabwe. He noted that high levels of commitment and trust brought by outsourcing enables the firm to attain a competitive edge. The study further noted that outsourcing resulted into efficiency. Further, the study clearly outlined

challenges such as lack of management support, limited resources, bureaucracy and culture misalignment that are associated with the process of outsourcing.

A paper by Alrwashdeh et.al (2022) investigated the impact of outsourcing on the operational performance in industrial companies in Jordan. It also tested the effect of the organizational structure and organizational culture as mediator variables .Testing of hypotheses using the structural equation modeling revealed that all the hypotheses suggested were supported, besides, the organizational structure and culture ate fully mediate the impact of outsourcing on operational performance. Isiaka (2020) scrutinized impression of outsourcing on fiscal achievements of commercial banks in Nigeria over period over 2013 to 2018 through a panel research design. The sample comprises of 8 commercial banks which represented tier one banks. Data was retrieved from annual reports. The Pooled Ordinary Least Squares method was used to estimate models. The study results showed that outsourcing positively impacted financial performance parameters. Jegede posited that outsourcing in the bank sector targets services such as housekeeping services, recruitment, provision of security services and information technology services and products. Studies conducted in Nigeria examined the reasons for outsourcing, challenges and benefits in the banking sector. In-depth interviews were conducted. The outcome of the studies showed that banks outsource so as to focus more on the core functions, reduce overhead costs with the aim of increasing performance. Key benefits of banks outsourcing services include focus on core bank activities, reduction of overheads, technical expertise and enhance effectiveness and efficiency. The study also unveiled benefits associated with outsourcing including shifting of attention to core competence and strategies, downscaling of staff size, cut down and avert contentions in the industry. The result further highlighted the negative aspects of outsourcing namely lack of quality in the products and services procured and staff resistance to some services and

products. On the flip side outsourcing showed that there is improved performance in the banking sector.

Boison et al (2018) assessed the impact of outsourcing on the organizational performance of Vodafone Ghana. Both leading (quality of service and knowledge development) and lagging (financial) indicators of performance were selected to obtain a balanced view of the firm. The quantitative approach to research was chosen with a descriptive research design. The research revealed a moderately positive relationship between outsourcing and quality of service. Similar results were obtained between outsourcing and knowledge development. The study however found no significant relationship between outsourcing and financial performance. This paper finally advises the case study organization to take corrective action against undesirable outcomes of the relationship between outsourcing and financial performance, which is key. It also recommends that management should as a measure to mitigate the risk of outsourcing undertake a thorough check on all potential vendors and ensures their expertise and resources are sufficient to deliver customer-centric services. The paper further suggested that Vodafone Ghana should invest considerably in the development of intellectual skills and capabilities of its workforce in order to improve on the positive knowledge development effect outsourcing have on the firm.

2.3.4 Business Process Reengineering and Financial Performance of Commercial Banks

Restructuring is involved with exclusion of non-core business process, consolidation of similar works and firm's concerns (Jarso, 2013). As different sectors of the economy continue to benefit from BR, many commercial banks have come to the realization of the many benefits of business re-engineering in the enhancement of overall performance (Topala & Postolache, 2018). Nadeem and Ahmad (2016) examined the impact of BPR in Pakistan banks by discussing the execution of BPR in fiscal institutions. The findings indicated that BPR had an impression on fiscal performance of banking sector. Oladimeji et al. (2017) scrutinized the effect of BPR on organizational financial accomplishments in Nigeria Deposit Money Bank. It employed ex-post facto research design and purposive sampling. Further, it utilized secondary data. The data was calculated using ROA. Regression statistics and t-test were both used to analyze collected data. Consequently, they deduced that BPR implementation is very crucial in attaining anticipated performance in the realm of profitability and efficiency in bank's operations in banking industry.

In Kenya the most competitive firms are quickly embracing business re-engineering processes to primarily enhance their management operations as well as their technical or administrative performance within their operations. While analyzing business re-engineering, Musya (2018) advised that the desired performance can be achieved through effective BPR implementation in the different sectors of an economy. On the other hand, Odeny (2017) observed that business re-engineering can be the bridge between the challenges and solutions experienced within an economy as its different sectors enhance their competition. In the long run, business re-engineering helps in assisting the organization to not only achieve their set up goals, but also establishing ways through which such goals are achieved.

Wambua (2022) examined business process reengineering methods on fiscal performance of Equity bank in Kenya. The study was supported by Resourced Based View, Diffusion of Innovation theory and Technological Acceptance Model. Descriptive research designed was utilized. Structured questionnaire was used to collect data. Validity and reliability of questionnaire was verified .Descriptive statistic was employed to analyze data. Further inferential statistics was used to ascertain the relationship between the variables. A conclusion was drawn that BPR techniques enhances bank's competitive advantage edge, growth in customer base as well as increase market share.

Ogada (2017) examined how much deployment of business process re-engineering affected the accomplishments of financial firms in Kenya. Semi-structured questionnaires were utilized to collect the data; which SPSS was then used to analyze. The findings showed a significant correlation between Kenyan state-owned enterprises' performance and commercial process re-engineering techniques. Further studies by Mwihaki (2016) looked at BRP and the achievements of operations in Nairobi county. Data collection employed questionnaires; descriptive statistics was adopted with the use of Pearson correlation. In addition, regression analysis was conducted to find out if BPR affects operational performance in Nairobi. The results showed a statistically important association between BPR and achievements. The study was important, since it informed the researcher on how to conduct the proposed study. Morogo (2018) observed that the Kenya Commercial bank (KCB) has undergone remarkable improvements in their performance following re-engineering of its banking processes. Through business re-engineering, the bank has extensively put more resources in training, innovation and cost leadership. Additionally, businesses re-engineering has improved decision making as well as the strategic development of Kenya Commercial Bank (KCB) that have greatly led them towards attaining their desired organization performance.

2.4 Conceptual Framework

Conceptual framework presents variables of study diagrammatically thus illustrating the association of the stated variables. Conceptual framework aids the researcher to quickly see the proposed relationship (Kamande, 2017). The independent variables of the study were downsizing of employees, technological adoption, outsourcing and business process reengineering as core items of restructuring in banks. The dependent variable was financial performance of banks. It hypothesised downsizing of employees, technology adoption, outsourcing and business process reengineering have significant effect on financial performance of banks.

Figure 2.1 *Conceptual Framework*

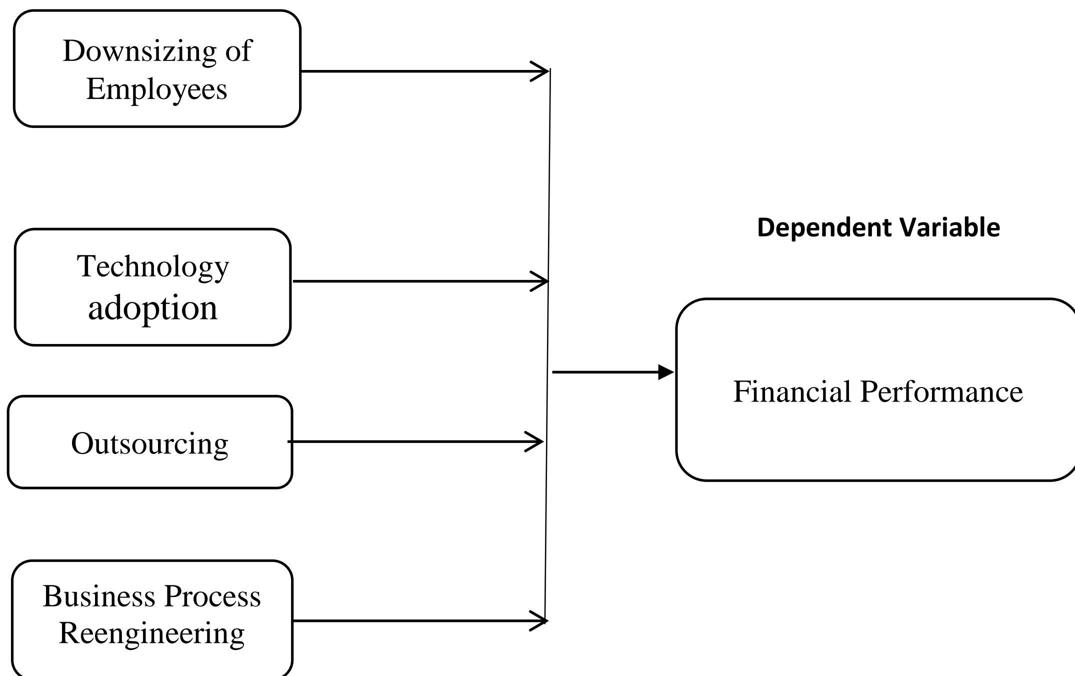
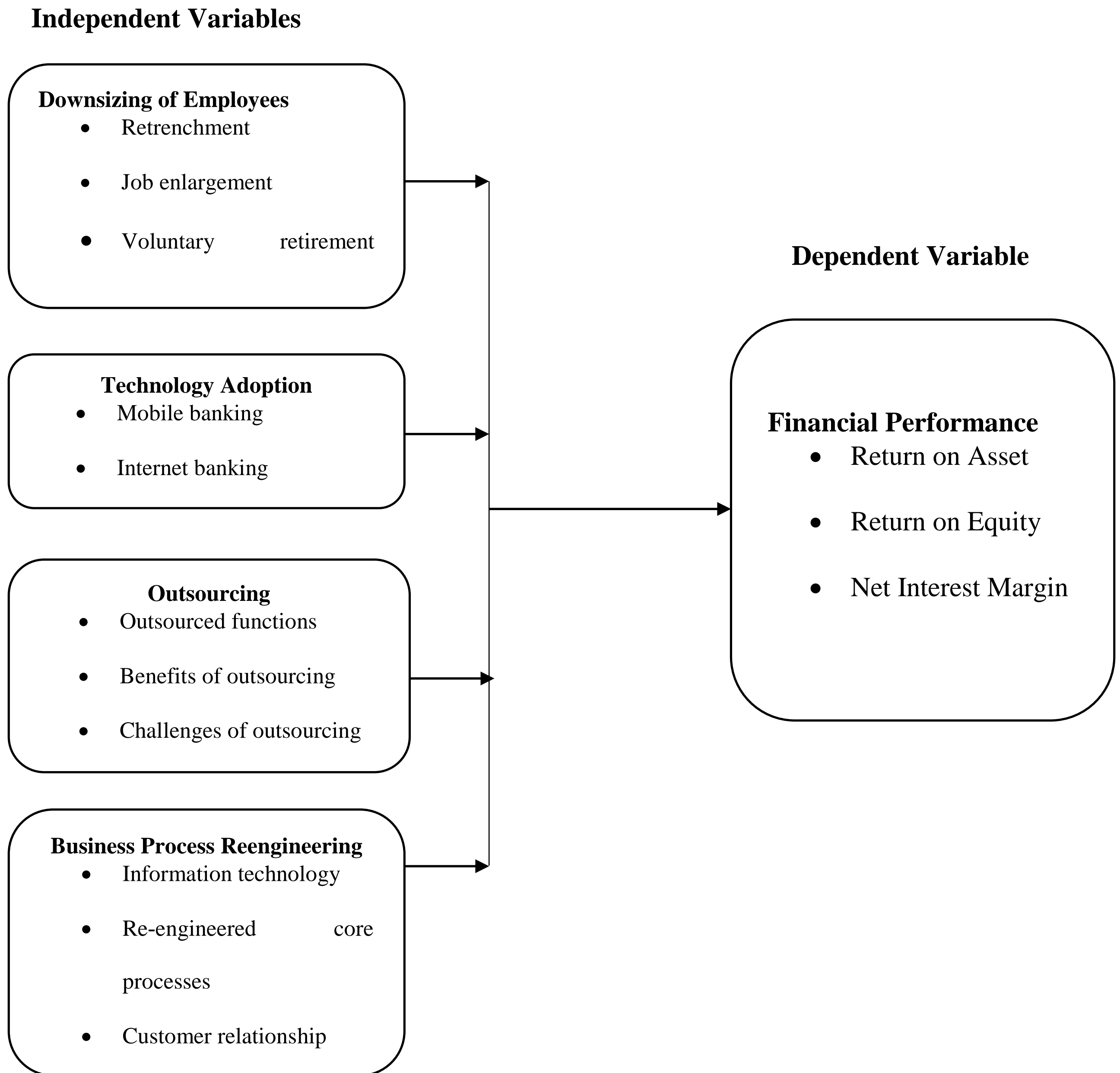


Figure 2.2 *Operational Framework*



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The section outlined type of research design used, subject area, target population, sample size, collection of data, process, methodology, analysis of data and ethics of research.

3.2 Research Design

Research design is the approach used to conduct a study with a plan to meet the objectives using data collection tools, data interpretation and discussion of the findings. Research design refers to the conceptual organization which aids research (Kombo & Tromp, 2006). The study considered descriptive research design as it gives systematic view of events, data collection, analysis and reporting of study results (Musyoka, 2011).It aids to respond to what, when, where, how questions regarding research problem.

3.3 Location of the Study

Meru County was the subject area; it's one of the 47 counties in the eastern region of Kenya. It borders counties; Nyeri, Laikipia, Isiolo and Tharaka Nithi. The researcher focused on commercial banks in Meru County.

3.4 Population of the Study

Mugenda and Mugenda (2003), stated that the populace is the entire set of selected persons, cases or objects possessing similar characteristics in a study. The term "target population" refers to group of people among whom the researcher expects to generalize the study's findings. In this study, sixty branch managers from commercial banks in Meru County formed target population.

Table 3.1 *Target Population*

S/NO.	Bank	Branch Manager	Branch Operations Head	Credit Manager	Total
1	KCB	1	1	1	3
2	Absa	1	1	1	3
3	Equity	1	1	1	3
4	Co-operative	1	1	1	3
5	Consolidated	1	1	1	3
6	Post Bank	1	1	1	3
7	Credit Bank	1	1	1	3
8	Family Bank	1	1	1	3
9	NCBA	1	1	1	3
10	NBK	1	1	1	3
11	Prime Bank	1	1	1	3
12	Bank of Baroda	1	1	1	3
13	Cfc Stanbic	1	1	1	3
14	Bank of Africa	1	1	1	3
15	Stand chart	1	1	1	3
16	Sidian Bank	1	1	1	3
17	I & M Bank	1	1	1	3
18	ABC Bank	1	1	1	3
19	DTB Bank	1	1	1	3
20	Housing Finance	1	1	1	3
	Total	20	20	20	60

3.5 Sample Size

The process of choosing study objects from a population is called sampling, in order to ensure that the selected group represents the entire population (Orodho & Kombo, 2002).The study conducted a census targeting all the sixty sample units ,branch management staff of

commercial bank in Meru county. This is because the population was small. Hence, true measure of the population (no sampling error) and in depth information on subject elements in the population was most likely to be available. Census picks every individual in the population (Sekaran & Bougie, 2011) .

3.6 Data Collection Methods and Instruments

Ajayi (2017) noted that primary data is actual and distinctive, directly gathered from a source such as interviews, questionnaires, observations and surveys while secondary data can be access with ease but not solid since they have be subjected to several statistical treatments. Such data is collected from sources such as websites, journals articles and publications. To learn more about the restructuring process and its current state at the chosen commercial banks, the study used primary data. Surveys were utilized to gather primary data. As a result, the questionnaires were dropped and picked from respondents. The responders used their records to complete the questions. As a result, this served as the main source.

3.7 Pilot Testing

Once the questionnaire was designed, it was subjected to pilot test for appropriateness. The sample that was piloted was derived by calculating 10% of the population of the study (10/100*60=6). Therefore, the staff of Fina Bank, Nanyuki branch in Laikipia County and Ecobank Kenya Limited, Karatina branch in Nyeri County was requested to fill the questionnaires. The respondents critiqued the questionnaire on content, design and validity.

3. 8 Validity of Research Instruments

The content and criterion validity were employed by the researcher. In regards to content validity, a variable is considered valid if it is in accord with the previous literature review (Zohrabi, 2013). Therefore, the study enhanced content validity of questionnaires by ensuring the questions asked relate to downsizing of employees, outsourcing, technology adoption and BPR. On the other hand, criterion validity tested how well results are relevant

to measuring the influence of restructuring on fiscal performance. This was achieved by comparing the study's results with previous studies on restructuring and financial performance (Crowther & Lancaster, 2012)

3.9 Reliability of Research Instruments

A pilot test was carried out in order to increase dependability of surveys, explained in section 3.6. Blumberg et al. (2014) asserted that for good reliability in business research, minimum Cronbach alpha coefficient rate should 0.7. The procedure of assuring the steadiness of the research tools is known as reliability. This means that the tools can give the same consistent results and can be repeated in similar conditions and the same results are achieved. Reliability aimed to minimize faults and prejudices in the study. Reliability in quantitative research is mainly related to the internal consistency of the research instruments. The range of Cronbach's alpha is a value of 0.70 or above (Taber, 2018).

3.10 Procedures of Collecting Data

The researcher sought permission from Kenya Methodist University post-graduate department and National Council of Science Technology and Innovation (NACOSTI) to carry out research. Thereafter a letter of introduction was written to bank management enable the researcher conduct the exercise as well as clarify the need of the study. The researcher used picks a drop method to give out questionnaires to participants. Respondents filled questionnaires and the same were collected after two days. Further, secondary data was retrieved from commercial banks' websites and the same data filled in data collection sheets.

3.11 Analysis of Data

Kothari et al. (2012) stated that once data has been collected it is processed for analysis and presented using acceptable format. Tsuma and Gichinga (2019) asserted that analysis entails the conversion of data into information that may be used for decision-making. By comparing the responses to the surveys' qualitative data, the effects of reorganization on fiscal

performance were documented. Data analysis was used to code quantitative data using Statistical Package for Social Sciences (SPSS) software version 25. Data analysis involved descriptive statistics that include mean, standard deviation and multiple regression. Multiple linear regression was employed to determine the effect of downsizing of employees, technology adoption, outsourcing and BPR on financial performance goals of banks in Meru County. Multiple independent variables, enable researcher account for more factors that influence the dependent variable, and reduce the error and bias in your estimates. Fraenkel et al. (2011) stated that regression refers to the looking for statistical association amid variables using multiple regression models on the variables.

The multiple linear regression model was adopted is;

$Y=\beta_0+\beta_i X_i+\beta_{ii} X_{ii}+\beta_{iii} X_{iii}+\beta_{iv} X_{iv}+\ldots\ldots\ldots \beta_n X_n+\varepsilon$.

Where: Y = Financial performance of commercial banks

Xi= Downsizing of employees

Xii=Technology adoption

Xiii=Outsourcing

Xiv= BPR

ε=error value

β_0= Constant

βi, βii, βiii, βiv= independent coefficient variables

Model Assumptions

The following diagnostic tests were screened for simple conventions of classical linear regression model; Kurtosis and skewness data was examined using descriptive statistics that emphasize normality. Multicollinearity was used to determine whether there is a significant connection among independent variables. The analyzed data was presented in tables and charts, scores using percentages, mean, standard deviation as well as variance.

3.12 Ethical Issues

The purpose of research was disclosed in order to enable participants make an informed decision about participating or not. Similarly, the researcher strived to protect the respondents by keeping the information provided confidential. The researcher upheld the anonymity and privacy of respondents by having them not to write names in the questionnaires. Further, he ensured that the collected information is not interfered with and kept safe to maintain integrity of the data. The researcher acknowledged any work or ideas used in the subject study to avoid plagiarism. This was done by acknowledging source of information, in-text citation and compiling a list of references according to American Psychological Association 7th edition guidelines. Plagiarism is the use of an author's work without giving credit to the source,

CHAPTER FOUR

RESULTS AND DISCUSSION

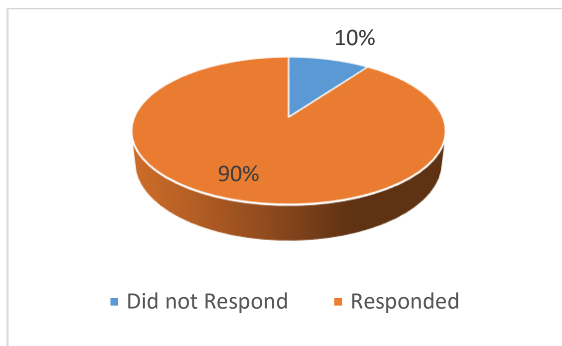
4.1 Introduction

The study aimed at establishing effect of restructuring on financial performance of commercial banks in Meru County. The section presented and discussed demographic, descriptive and inferential findings of the study. Inferential findings investigated relationship of variables.

4.2 Response Rate

The study targeted 60 bank management staff to give their views regarding effect that restructuring may have on financial performance of commercial banks domiciled in Meru County. The response rate is presented as below.

Figure 4.1 *Response Rate*



The outcome of the investigation revealed that 90% of the study respondents agreed to participate in the survey while 10% did not participate in the survey. The response rate was adequate for analysis. The response rate is considered sufficient for further analysis when is above 50%. According to Baruch (1999), a response rate of 50% is sufficient, whereas one of more than 70% is excellent. This suggests that the 98.6% response rate in this instance is very good based on this claim. This high response rate might have been caused by the data gathering methods utilized. These included pre-notifying respondents, encouraging

respondents to participate voluntarily, dropping off and picking up questionnaires to give respondents plenty of time to fill them out, assuring confidentiality and anonymity, and making follow-up calls to answer respondents' follow-up questions.

4.3 Demographic Response

The study sought established gender, educational attainment and work related experience of the participants.

Table 4.1 *Demographic Findings*

Category	Frequency	Percentage
Gender		
Male	28	51.9
Female	26	48.1
Total	54	100
Level of Education		
PhD	2	3.7
Masters	10	18.5
Undergraduate	41	75.9
Diploma	1	1.9
Total	54	100
Work Experience		
1-5 years	24	44.4
6-10 years	11	20.4
Above 10 years	19	35.2
Total	54	100.0

In table 4.1., the finding revealed that 51.9% (28) of the respondents were male while 48.1% (26) are female. This indicated that gender equality is almost attainable in banking sector. It can be concluded still that majority of the banks' employees were male. Despite the increasing proportion of female employees in the banking sector. However, this trend varies globally. According to Mendonca and Ranganathan (2020), female employees in the banking sector in India forms 15-17 percent. However, in Sweden, Ferrary (2017) indicated that female makes up 65 percent of employees in the banks while males make only 35 percent.

It was also found out that 75.9 percent of the responders had undergraduate degree. In addition, it was established that 18.5 percent of the respondents had master's degree as the

maximum education qualification. It was further revealed that 3.7 percent of the participants had PhD as the maximum education qualification while only 1.9 percent had diploma as the maximum education attainment. Majority of the participants were undergraduate degree holders hence had sufficient knowledge on the researcher's questions and the overall operations taking place in the banking sector. The results are in tandem with Makinde et al. (2018) who established that level of education and employee involvemen significantly and positively affected employee productivity in banking industry in Nigeria. Similarly, Rahman and Akhter (2021) established that higher investment in training boost bank performance. When employees are highly skilled, they contribute much to performance for banks. Therefore more resources should be allocated to such. On the other hand, it implies that the level of education does not influence the performance of banks. The findings also exposed that the better the knowledge level, the higher the bank performance.

Most of bank employees had work experience between 1-5 years (44.4 percent). It was also noted that 20.4 percent had worked 6-10 years. Finally, 35.2 percent had work experience of more than 10 years. Work experience is significant predictor of firm performance as it outlines the expertise, skills and competences required in the bank. The results were in concurrence with Kamna and Ilkhanizadeh (2022) that discovered that employee experience in terms of accumulated skills and competencies have significant impact on employee performance. Similar assertion was held by Matui (2017) that employees experience in their work would be reflected in organizational performance. More years in work may imply more skills and experiences that are channeled to the banking business activities resulting to enhanced bank performance.

4.4 Reliability Test

Reliability test of the questionnaire was undertaken using Cronbach's alpha coefficient. The reliability test results are shown in Table 4.2.

Table 4.2 *Reliability Test Results*

Variable	Cronbach's Alpha	Comment
Downsizing employees	.823	Acceptable
Technology adoption	.808	Acceptable
Outsourcing	.794	Acceptable
Business process reengineering	.808	Acceptable
Financial performance	.730	Acceptable

The Cronbach's Alpha coefficient on downsizing employees, technology adoption, outsourcing, business process reengineering and financial performance were each greater than 0.7. Thus, the questionnaire was reliable for use in actual data collection.

4.5 Descriptive analysis

The study sought statements regarding downsizing of employees, technology adoption, outsourcing, business process reengineering and financial performance.

4.5.1 Analysis of Downsizing of Employees The study searched for effects of downsizing of employees on fiscal performance of commercial banks in Meru County. The participants gave their opinions regarding statements on downsizing of employees in relation to financial performance by; strongly disagree (1), disagree (2), neutral (3), agree (4) or strongly agree (5).

Table 4.3 *Analysis of Downsizing of Employees*

Statement	SD	D	Neutral	A	SA	Mean	Std

Bank has once reduced its employees to enhance its financial performance	20.4	11.1	14.8	35.2	18.5	3.20	1.42
Retrenchment results into additional work load for the surviving staff.	7.4	7.4	5.6	51.9	27.8	3.85	1.14
The bank pays severance pay and subjects the retrenched employees to career counseling before they leave.	7.5	11.3	28.3	34.0	18.9	3.45	1.15
Losing valuable and loyal employees is a critical negative effect of downsizing to the bank	3.7	1.9	1.9	37.0	55.6	4.39	0.92
Retrenchment hurts survivors through job insecurity, anger that may eventually reduce job satisfaction and organization commitment	1.9	1.9	14.8	40.7	40.7	4.17	0.88
The bank combines various aspects of a job(planning ,controlling and executing)	1.9	1.9	14.8	50.0	31.5	4.07	0.84
The management is entrusted with planning and controlling whereas employees are responsible for task execution.	1.9	7.4	9.3	44.4	37.0	4.07	0.97
The employees clearly understand their roles in all departments.	1.9	1.9	9.3	66.7	20.4	4.02	0.74
The employees understand processes and procedures of the bank.	1.9	1.9	1.9	59.3	35.2	4.24	0.75
Offering VER may affect financial performance of the bank since many experienced employees may leave.	5.6	16.7	18.5	37.0	22.2	3.54	1.18
VER reduce head count, cut cost and streamline operations.	5.6	13.0	25.9	42.6	13.0	3.44	1.06
VER is seen as human way of reducing workforce and relatively painless to both managers and those who opt for the program.	3.7	7.4	25.9	51.9	11.1	3.59	0.92
VER can change the profile of organization and favour career prospects of workers.	1.9	5.6	24.1	53.7	14.8	3.74	0.85
VER contain costs occasioned by the aging workforce.	0.0	7.4	25.9	48.1	18.5	3.78	0.84
Average						**3.83**	

Key: SD=Strongly Disagree, D=Disagree, A=Agree, SA=Strongly Agree

The findings in Table 4.3 indicated that most of the responders remained neutral that bank had once reduced its employees to enhance its financial performance as shown by the mean of 3.2.It was found that majority of the respondents agreed that retrenchment results into

additional work load for the surviving staff as depicted by the mean of 3.85.Further, the study revealed that many of the participants were neutral that banks pays severance pay and subjects the retrenched employees to career counseling before they leave as shown by the mean of 3.45.

Also, it established that most of the responders concurred that losing valuable and loyal employees is a critical negative effect of downsizing to the bank as depicted by the mean of 4.39. Similarly, it was found out that many of the respondents admitted that retrenchment hurts survivors through job insecurity, anger that may eventually reduce job satisfaction and organization commitment as deduced by the mean of 4.17. The finding of the study revealed that bank combines various aspects of a job (planning, controlling and executing) as depicted by the mean of 4.07.

Further, it was discovered that many of the responders acknowledged that management is entrusted with planning and controlling whereas employees charged with task execution as depicted by the mean of 4.07. It was revealed that many of the participants were in agreement that employees are clear about their tasks in all organizational levels as exhibited by the mean of 4.02. The study found out that many of the responders were in one accord that employees understand processes and procedures of the bank as manifested by the mean of 4.24.

In addition, it was also found that many of the respondents admitted that task structuring and work arrangement enhance employee performance as depicted by the mean 3.91. Many respondents agreed that offering VER may affect financial performance of the bank since

many experienced employees may leave as shown by mean of 3.54. It was noted that most of participants were neutral that VER reduce head count, cut cost and streamline operations as deduced by the mean of 3.44

Further, it was established that VER is seen as human way of reducing workforce and relatively painless to both managers and those who opt for the program as depicted by the mean of 3.59. It was further revealed that VER can change the profile of organization and favour career prospects of workers as depicted by the mean of 3.74. Likewise, it was discovered that VER contained costs occasioned by the aging workforce as deduced by the mean of 3.78.

The average mean of 3.83 showed that majority of the participants admitted that downsizing of employees enhanced financial performance of the organization. Downsizing has been a tool employed by firms that intend to cope up with business environment that occasion structural changes. Downsizing that only focus on reducing costs without being employee oriented is harmful to employee welfare. A good downsizing strategy put employee welfare ahead and proposes favorable strategy where employees are laid off in the long run rather than having quick fixes. Itunga (2017) pointed out that downsizing has an impact on employees' productivity. On the other hand, Miguda (2013) argued that certain features of these strategies have negative influence while others have constructive influence on the performance of stated firm. Likewise, Mukhebi et al. (2019) pointed out that that downsizing pose threats to job security hence resulting to a reduction in employee commitment to workforce quality.

4.5.2 Analysis of Technology Adoption

The researcher assessed effect of technology adoption on financial performance of commercial banks in Meru County. Participants gave opinions regarding statements on effects of technology adoption on financial performance and were supposed to respond by strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5).

Table 4.4 *Analysis of Technology Adoption*

Statements	SD	D	Neutral	A	SA	Mean	Std
Mobile banking boosts level of effectiveness and efficiency in service delivery .	1.9	0.0	0.0	24.1	74.1	4.69	0.67
Mobile banking adoption increases customer outreach.	0.0	0.0	1.9	27.8	70.4	4.64	0.51
Mobile banking has expanded loan portfolio in the bank.	0.0	9.3	11.1	38.9	40.7	4.11	0.95
Mobile banking have helped reduced staff cost and general administrative expense.	1.9	11.1	20.4	38.9	27.8	3.80	1.03
The benefits of mobile banking outweigh the cost in my bank.	0.0	11.1	16.7	38.9	33.3	3.94	0.98
Internet banking has minimal operating and maintenance cost.	3.7	11.1	9.3	46.3	29.6	3.87	1.08
The bank has been able to attract and retained more corporate clients on internet banking platform.	0.0	3.7	18.5	44.4	33.3	4.07	0.82
Internet banking operated in restricted and controlled environment in order to safe guard customer information.	0.0	5.6	7.4	50.0	37.0	4.19	0.80
Internet banking platforms have enhanced customer service response rate	0.0	9.3	11.1	57.4	22.2	3.93	0.84
Internet banking has ensured 24 hours service delivery to the customers.	0.0	1.9	3.7	48.1	46.3	4.39	0.66
						4.14	

Key: SD=Strongly Disagree, D=Disagree, A=Agree, SA=Strongly Agree

With reference to findings in Table 4.4, many of the responders strongly agreed that mobile banking services boost level of effectiveness and efficiency in service delivery in commercial banks as depicted by mean of 4.69. It was also established that most of the participants strongly admitted that mobile banking adoption increases customer outreach as shown by the

mean of 4.64. Further, it was noted that good percentage of informants suggested mobile banking had expanded loan portfolio in the bank as depicted by the mean of 4.11.

The outcome of the study revealed that mobile banking has helped reduced staff cost and general administrative expense as depicted by the mean of 3.80. On the other hand, most of the participants admitted that benefits of mobile banking outweigh cost incurred by their banks as deduced by the mean of 3.94. It also revealed that internet banking had minimal operating on internet banking platform as depicted by the mean of 4.07. On the other hand, a good number of the participants supported idea that internet banking operated in restricted and controlled environment enhanced safety over customer information as deduced by the mean of 4.19. More so, mean of 3.93 showed that internet banking platforms enhanced customer service response rate. Additionally, mean of 4.39 showed that internet banking ensured 24 hours service delivery to customers as shown by the mean of 4.39.

With regards to the above findings, responders unanimously admitted that technology adoption is a crucial component in relation to financial performance as showed by the average mean of 4.14. Technology adoption enhances competency in service provision thus improve financial performance. Technological aspect increases interaction that is vital in banking and financial services. Technology adoption requires huge capital in the initiation stage thus faces cost limitations in short-run but huge benefit in the long term. Technology adoption is essential in the operationalization of various banking services such as deposits, withdrawals, bills payments, transfer of funds, loan/account processing and credit and debit card issuance processes. El-Chaarani and El-Abiad (2018) noted that technology uptake in the banking sector included use of mobile banking, automated teller machines. According to Haabazoka (2019) adoption of technology had a productive effect in the fiscal achievement of commercial banks.. Similar findings were found by Dadoukis et al. (2021) that adopted

technology boost resilience of bank during financial distress, hence enhancing financial stability.

4.5.3 Analysis of Outsourcing

The study assessed implication of outsourcing on financial performance of commercial banks in Meru County. The responders were to provide opinions regarding statements on impact of outsourcing on financial performance and were supposed to respond by strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5).

Table 4.5 *Analysis of Outsourcing*

Statement	SD	D	Neutral	A	SA	Mean	Std
Cash management services.	5.6	11.1	14.8	53.7	14.8	3.61	1.05
Advertisement & marketing.	5.6	7.4	13.0	55.6	18.5	3.74	1.03
Security services.	0.0	1.9	11.1	51.9	35.2	4.20	0.71
Information technology services.	7.4	14.8	14.8	50.0	13.0	3.46	1.13
Staff recruitment services.	9.3	22.2	27.8	33.3	7.4	3.07	1.11
The bank outsources services to reduce cost involved and improve quality.	1.9	11.1	9.3	55.6	22.2	3.85	0.96
Outsourcing help a bank use resources that are not available internally or access new technology.	0.0	1.9	5.6	63.0	29.6	4.20	0.63
Outsourcing helps the bank focus on core competencies.	0.0	0.0	11.1	59.3	29.6	4.19	0.62
Outsourcing makes capital funds available for more profitable operations.	0.0	13.0	9.3	59.3	18.5	3.83	0.88
Outsourced operational services are more reliable than in-house services.	7.4	11.1	27.8	42.6	11.1	3.39	1.07
Lack of top bank management support.	7.4	27.8	22.2	33.3	9.3	3.09	1.14
Poor performance by the outsourcing vendor results into poor quality of services to the customer.	1.9	16.7	13.0	46.3	22.2	3.70	1.06
The employees may lose interest and motivation for expertise and innovation in regards to services outsourced.	1.9	18.5	11.1	42.6	25.9	3.72	1.11
Inadequate supporting infrastructure.	1.9	11.1	27.8	48.1	11.1	3.56	0.90
Inability to develop clear objectives.	3.7	14.8	20.4	46.3	14.8	3.54	1.04
						3.68	

Key: SD=Strongly Disagree, D=Disagree, A=Agree, SA=Strongly Agree

It was established that most of responders concurred that cash management services is outsourced as depicted by the mean of 3.61 in table 4.5. It was also found out that many of the respondents admitted that advertisement and marketing are outsourced services as shown by the mean of 3.74. In addition, many of respondents agreed that security services are outsourced as depicted by the mean of 4.20. The study noted that most of the responders remained neutral regarding outsource of information and technology services as deduced by the mean of 3.46.Likewise, it was established that a good number of the respondents were neutral regarding outsource of staff recruitment services as depicted by the mean of 3.07.

Additionally, it was discovered that many informants accepted that bank outsources services to reduce cost involved and improve quality as depicted by the mean of 3.85. Moreover, mean of 4.20 showed that most of responders were in consensus that outsourcing helps a bank use resources that are not available internally or access new technology. It was revealed that many of informants unanimously suggested that outsourcing assists bank focus on core competencies as represented by the mean of 4.19.

Further, good number of study participants was in agreement with the fact that outsourcing makes capital funds available for more profitable operations as depicted by the mean of 3.83. It was revealed that most of the respondents remained neutral when asked about outsourced operational services are more reliable than in-house services as shown by the mean of 3.39.Similarly, the participants remained impartial ,that statement that top management does not support outsourcing as showed by the mean of 3.09. Moreover, many participants admitted that poor performance on outsourced services results into poor quality of services to the customer as depicted by mean of 3.70.

It was also noted that most of the responders were in accord with the fact that employees' interest and motivation for expertise and innovation may decrease with regards to services outsourced as depicted by the mean of 3.72. On the other hand, it was disclosed that most of

the respondents agreed that there is inadequate supporting infrastructure as shown by the mean of 3.56. Likewise, the study established that outsourcing has led to inability to develop clear objectives as depicted by the mean of 3.54 indicated that outsourcing had resulted into inability to develop clear objectives

Average mean 3.68 signified that most participants admitted that outsourcing of services enhanced financial performance in the banking sector. Outsourcing has gained interest across all the industries. Outsourcing is vital in driving crucial parameters such as flexibility innovation, cost effectiveness, speed, quality and volume. Although outsourcing is seen as beneficial to banking sector, it also comes with challenges such as introduction of new risks to business. Outsourcing enhances access to new technology, reduction in cost and economies of scale. . For instance, IT outsourcing grants banks opportunities to access world class skills, actualize fast project start-up and borrow best examples in the banking industry. This in turn result into cost reduction and higher quality services, hence increase competitiveness and greatly impacts financial performance Most banks outsources services such as cleaning and security to other established firms.

Jegede (2015) noted that that outsourcing in the bank sector targets services such as housekeeping services, supply of security services, information technology services and products. Outsourcing can be of great help to a firm so long as proper engagement is effected right vendor, assessed and managed appropriately. With regards to this, outsourcing may result into high productivity, efficiency and cost reduction. However, there is likelihood that employees from outsourced companies may not be loyal. Additionally, a firm may end up delegating core activities that forms its completive advantage strategic if identification of activities is not properly done.

4.5.4 Analysis of Business Process Reengineering

Finally, the study was geared towards ascertaining the level effects business process reengineering has on financial performance of commercial banks, Meru County. The respondents were asked to suggest opinions regarding statements on business reengineering and were supposed to respond by; strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5).

Table 4.6 *Analysis of Business Process Reengineering*

Statement	SD	D	Neutral	A	SA	Mean	Std
Information technology has simplified information flow in the bank.	0.0	0.0	0.0	72.2	27.8	4.28	0.45
Adoption of technology cuts cost of operation and increases returns in the bank.	0.0	0.0	7.4	57.4	35.2	4.26	0.60
Continuous development of competitive information systems and networks enhance operational excellence.	0.0	0.0	1.9	59.3	38.9	4.37	0.52
The bank subjects its staff to regular information technology trainings.	0.0	1.9	13.0	50.0	35.2	4.19	0.73
The bank engages in product/service innovations to attract new customers and retain the existing customers.	0.0	1.9	3.7	59.3	35.2	4.28	0.63
Queue management.	0.0	0.0	14.8	61.1	24.1	4.09	0.62
Loan management.	0.0	1.9	16.7	55.6	25.9	4.06	0.71
Cash tellering services.	0.0	3.7	11.1	64.8	20.4	4.02	0.69
Account processes.	0.0	1.9	5.6	74.1	18.5	4.09	0.56
Cheque clearing.	1.9	1.9	7.4	55.6	33.3	4.17	0.80
The CRM tools such as Analytical CRM, OMNI, Checkpoint, Credit Quest, MICR system, Sybrin system are being utilized by the bank.	0.0	1.9	9.3	55.6	33.3	4.20	0.68
With adoption of CRM, customers have since received personalized attention from the bank.	0.0	3.7	22.2	51.9	22.2	3.93	0.77
Bank processes and relationships with customers have been improved with CRM.	0.0	3.7	22.2	48.1	25.9	3.96	0.80
The bank incurred huge cost in regard to initial purchase and set up cost of CRM system.	0.0	7.4	31.5	46.3	14.8	3.69	0.82
CRM system does not address the bank customers' needs.	9.3	31.5	22.2	31.5	5.6	2.93	1.11
						4.03	

Key: SD=Strongly Disagree, D=Disagree, A=Agree, SA=Strongly Agree

Results showed many responders unanimously were in agreement that information technology has simplified information flow in the bank as indicated by the mean of 4.28 in

table 4.6 as above. Likewise, it was found out that the mass of the participants accepted that adoption of technology cuts cost of operation and increases returns in the bank as depicted by mean of 4.26. The study noted also that many of the respondents were in consensus that continuous development of competitive information systems and networks enhance operational excellence as shown by the mean of 4.37.

It was revealed that majority of the participants agreed that bank subjects its staff to regular information technology trainings as shown by the mean of 4.19. The study established that bank engages in product/service innovations to allure new customers and keep the existing customers as depicted by mean of 4.28.

In addition, it was revealed that many of the repliers agreed that queue management has helped banks to monitor, plan and managed visiting customers as depicted by the mean of as shown by the mean of 4.09. It was also discovered that most of the responders were in accord that loan management system has streamlined entire loan processing as depicted by the mean of 4.06. Further, it was established that nearly all the participants agreed that cash tellering services has sine improved as a result of redesigning business processes as depicted by the mean of 4.02. Besides the above, the study established that many of informants unanimously accepted that account processes have been made better by BPR as deduced by the mean of 4.09. Likewise, it was revealed that many of the participants agreed unanimously that cheque clearing process has improved due to BPR as depicted by mean of 4.17.

Similarly, it was discovered that many responders unanimously agreed that CRM tools such as Analytical CRM, OMNI, Checkpoint, Credit Quest, MICR system, Sybrin system are being utilized by the bank as depicted by the mean of 4.20. The findings also indicated that most of the repliers were in agreement that with adoption of CRM, customers have since received personalized attention from the bank as depicted by the mean of 3.93. The study further established that many of the responders were in accord with the fact that bank

processes and relationships with customers have been improved with CRM as shown by the mean of 3.96.

The study found out that most of participants agreed that bank incurred huge cost in regard to initial purchase and set up cost of CRM system as shown by the mean of 3.69. Moreover, it was noted that most of the informants were neutral that CRM system does not address the bank customers' needs as depicted by the mean of 2.93.

The average mean of 4.03% signified many of the responders unanimously agreed that business process reengineering is vital in realizing financial performance in an organization. Business process reengineering induces a new mindset in business that can improve performance drastically. Critical examination of business processes on the existing ways with an intention of changing how business should be run efficiently for desirable results to be achieved is an ingredient to financial performance. Business process reengineering bring out weakness and strengths that business can explore to achieve the desired results. Mwihaki (2016) pointed out that business process reengineering influences performance of an organization. Likewise, Oladimeji et al. (2017) found out that execution of redesigned business processes in the banking sector is very key in accomplishment of anticipated performance in a more effective and efficient way.

4.5.5 Analysis of Financial Performance

The study investigated how financial performance is affected by restructuring of banks in Meru County. Participants gave opinions regarding statements on financial performance of commercial banks and were to respond by; strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5).

Table 4.7 *Analysis of Financial Performance*

Statement	SD	D	Neutral	A	SA	Mean	Std
Restructuring has led to improvement on shareholders' equity.	1.9	13.0	25.9	51.9	7.4	3.50	0.88
Restructuring has led to increase in banks of assets.	1.9	11.1	27.8	51.9	7.4	3.52	0.86
Restructuring has led to increased profitability.	0.0	13.0	22.2	51.9	13.0	3.65	0.87
The cost of bank operations negatively affects bank's profitability.	5.6	18.5	16.7	50.0	9.3	3.39	1.07
Generally, restructuring has improved financial performance of commercial bank	0.0	9.3	33.3	50.0	7.4	3.56	0.77
						3.524	

Key: SD=Strongly Disagree, D=Disagree, A=Agree, SA=Strongly Agree

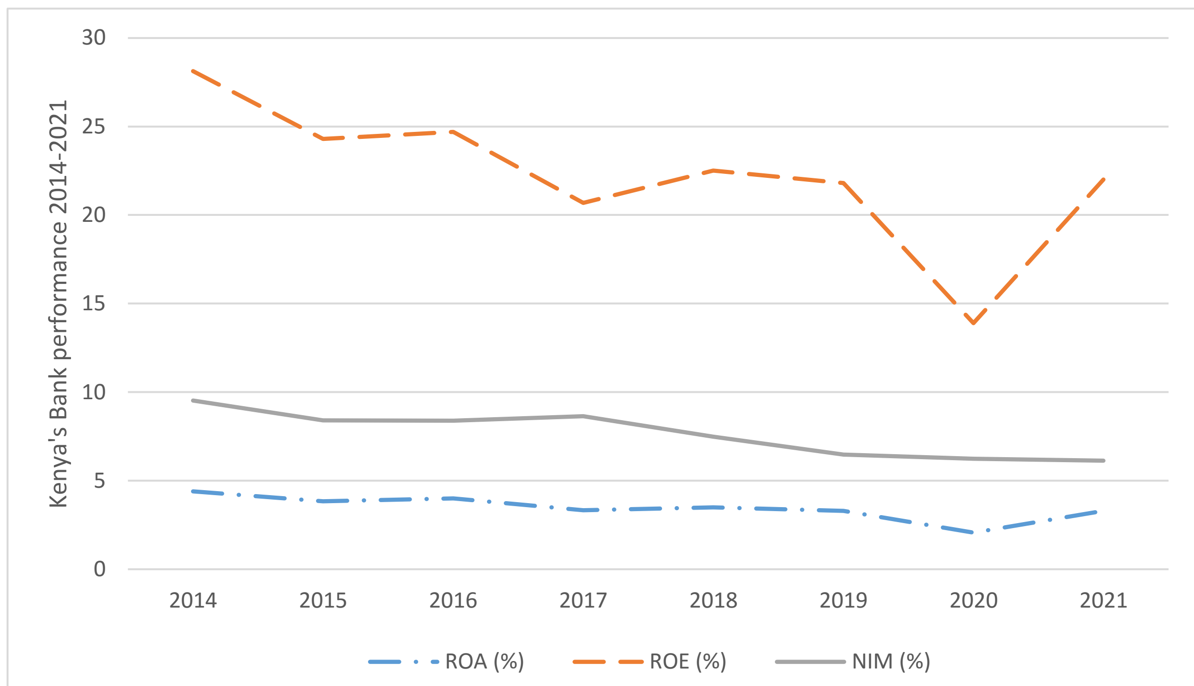
It was discovered that majority responders concurred that restructuring has led to improvement on shareholders' equity as depicted by the mean of 3.50 in table 4.7. It was also noted that most of informants agreed that restructuring resulted into increment in bank's assets as depicted by the mean of 3.52. On the other hand, it was established that many of the responders accepted that restructuring had resulted into increased profitability as depicted by the mean of 3.65.

In addition, it was noted that a good number of respondents were impartial on the fact that cost of bank operations negatively affects bank's profitability as depicted by the mean of 3.39. On the other hand, most of participants were admitted that restructuring had resulted into improved financial goals of commercial banks as represented by the mean 3.56.

Average mean of 3.524 showed that a good number of the respondents accepted that restructuring affected financial performance. Restructuring in banking sector is normally carried out to address challenges emanating from within due to the dynamic operating environment so as to boost the financial results of the organization (Waithaka & Kimencu, 2018). Over the past years banks in Kenya have made immense adoptions aimed at obtaining superlative outcome to key stakeholders and keep their market share. For instance, banks

have endowed enormous funds in information technology in order to sustain their market share banks. This has begun to lower congestion in banking halls and branch networks have been rationalized hence minimizing operating expenses. Figure 4.2 shows Kenya's bank performance from 2014-2021.

Figure 4.2 Kenya's Banks' Performance 2014-2021



The trend graph above shows that financial performance of commercial banks has been gradually declining over period of study. As indicated by ROA, ROE and NIM, the performances have been on the downward trajectory. The declining performance of the commercial banks may have ignited the restructuring processes across the commercial banks.

4.6 Restructuring and Financial Performance

Analytics on correlation were done in order to ascertain association joining independent variables (downsizing of employees, technology adoption, outsourcing and business reengineering process) and the dependent variable (financial performance). Pearson's correlation (r) was applied to explore the association between the factors, particularly in

terms of direction and strength ranging ±1. Pearson was conducted before carrying out further regression analysis. r= +0.7 indicates very strong association, r=+0.5 to 0.69 is a strong association, r=0.3 to 0.49 moderate association whereas r<0.29 is weak association. Where r=0 it indicates that there is no association (Danacica, 2017). Results are presented in Table 4.8.

Table 4.8 *Analysis of the Association between Restructuring and Financial Performance*

Correlations

		Downsizing employees	**Technology adoption**	**Outsourcing**	**Business Process Reengineering**	**Financial performance**
Downsizing employees	Pearson Correlation	1	.338*	.510**	0.233	.587**
	Sig. (2-tailed)		0.012	0	0.091	0
	N	54	54	54	54	54
Technology adoption	Pearson Correlation	.338*	1	.383**	.559**	.595**
	Sig. (2-tailed)	0.012		0.004	0	0
	N	54	54	54	54	54
Outsourcing	Pearson Correlation	.510**	.383**	1	.408**	.688**
	Sig. (2-tailed)	0	0.004		0.002	0
	N	54	54	54	54	54
Business Process Reengineering	Pearson Correlation	0.233	.559**	.408**	1	.607**
	Sig. (2-tailed)	0.091	0	0.002		0
	N	54	54	54	54	54
Financial performance	Pearson Correlation	.587**	.595**	.688**	.607**	1
	Sig. (2-tailed)	0	0	0	0	
	N	54	54	54	54	54

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

out that a positive and significant connection existed between downsizing of employees and financial performance (r=0.587, p=0.000). The p value of 0.000 <0.05 means that association in-between downsizing of employees and financial is statistically significant. This finding implied that downsizing of employees improve financial achievements. The null hypothesis of study showed that there is no noteworthy association linking downsizing of employees to financial accomplishments of commercial banks. The null hypothesis was therefore rejected since p value is less than 0.05 affirming that there is significant association joining downsizing to financial performance. Downsizing is a holistic strategy that involves attitude, guidelines and plan of action. This approach ensures that long term strategy of employees are taken care off rather than going for short term downsizing which reduces cost and enhance profits in the short lived but injures employee morale to great extent . The findings agreed with study of Miguda (2013) who remarked that some strategies have negative influence while others have positive influence on the achievements of the stated firm. Similarly Tsai and Shih (2013) found out that responsible downsizing strategy had effects on Taiwan's company's performance. However, Itunga (2017) studied the effect of downscaling on workers output in Kenyan Banks and found that downsizing negatively impacts employees' productivity to greater extent. This negative impact on employee performance may be transferred to the overall bank performance.

Further, it was discovered that there was a positive and significant interconnection in the middle of technology adoption and financial achievements (r=0.595, p=0.000). The calculated p value of 0.000 <0.05 indicated that the association between technology adoption and financials is statistically significant. This signified that enhancing of technology adoption significantly influenced financial performance. The null hypothesis of the study stated that there is no noteworthy association between technology adoption and financial performance of commercial banks. The null hypothesis was however rejected since p value was less than

0.05 affirming significant relation between technology adoption and financial performance. Several banking services such as depositing, withdrawal and billing are facilitated by technology adoption. Other bank services such as online banking rely on internet to function hence innovation aspect of technology is essential. Most financial systems are now relying on technology more than human resources in operationalizing their activities making technology synonymous with banking. This findings concurred with a study by Kirera (2016) who observed that selected technologies include mobile, electronic banking combined with electronic transfer of funds at the point of sale as well as branch networking. Likewise, Feng and Wu (2018) researched on the influence of technology outlay on firm's achievements and open market value using a unique dataset on technology spending by USA Banks found out that investment in technology improves the efficiency of banking operations enhance fair market value of bigger financial institutions unlike smaller banks. Nonetheless, El-Chaarani and El-Abiad (2018)) studied effects of technological innovation on performance of Banking sector in Lebanon and discovered that there wasn't any impression of mobile banking and application software investment on the financial accomplishments of banks in Lebanon.

In addition, it was discovered that there is positive and strong connection joining outsourcing employees to financial performance (r=0.688, p=0.000). The computed p value of 0.000 <0.05 showed that the interconnection in between outsourcing of employees and financial outcome is statistically significant. This implied that outsourcing the employees enhances financial performance. Study hypothesis stated that there is no noteworthy association linking outsourcing to financial performance of commercial banks. The null hypothesis was however rejected since p value was less than 0.05 thus affirming that there was significant association linking outsourcing to financial performance. Adoption of outsourcing in business result to reduction in costs and increased productivity which influences financial performance positively. Firms only outsource those services that are deemed expensive,

sensitive to be handled by the mother organization or those services that can be best handled by the external sources. Outsourcing is vital in driving crucial parameters such as quality, volume, flexibility innovation, speed, and cost element. Although outsourcing is seen as beneficial to banking sector, it also comes with challenges such as introduction of new risks to business. The findings concurred with a study by Siran (2017) who concluded that although outsourcing significantly influences financial performance but also are faced with managerial challenges, lack of training and cost implications. Likewise, Kigwe and Maina (2018) investigating the effects of outsourcing on business accomplishments of banks in Mombasa showed that the specified goals positively and greatly impacted operation of banks in Mombasa. However, Jegede (2015) highlighted the negative aspects of outsourcing namely lack of quality in the products and services procured and staff resistance to some services and products. On the flip side outsourcing showed that there is improved performance in the banking sector.

Finally, according to Pearson correlation findings, there existed positive and significant relation joining business process redesigning and financial performance ($r=0.607$, $p=0.000$). Computed p value of value of $0.000 < 0.05$ portrayed that the association between business process reengineering and financial is statistically significant. Study hypothesis indicated that relationship between business process reengineering and fiscal performance of commercial banks was insignificant. The null hypothesis was however rejected since p value was less than 0.05 indicating significant association joining BPR to financial achievements. Strengthening business reengineering process improves financial performance. BPR's goal is to speed up transaction processing without sacrificing security safeguards, product quality, or real-time customer assistance. Essentially, BPR focused on sustaining lengthy tenure profitability and reinforcing competitive advantage of banks in adapting changing market realities (Sudha & Kavita, 2019). Restructuring is explained as the predesigned problem

solving tool used to rescue business entity's performance from decaying further and thus revive its feasibility. The finding concurred with a study by Nadeem and Ahmad (2016) that concluded that BPR impacted on the fiscal performance goals of banking sector enterprise. Also, results are in agreement with findings of the study carried out by Mwihaki (2016) who looked at BRP and the achievements of operations in Nairobi county and showed a statistically important association between BPR and achievements.

4.7 Diagnostic Test

The following diagnostic tests were conducted. Normality and Multicollinearity

4.7.2 Multicollinearity Test

The Multicollinearity test of the study was conducted using variance Inflation factors as indicated in Table 4.9. For existence of severe multicollinearity, VIF should be greater than 5, otherwise the multicollinearity is acceptable (Senaviratna & Cooray, 2019).

Table 4.9 *Multicollinearity Test*

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Downsizing employees	.713	1.402
Technology adoption	.636	1.573
Outsourcing	.645	1.550
Business Process Reengineering	.641	1.560

The VIF for downsizing employees, technology adoption, and outsourcing and business process reengineering were less than 5. Thus, the data did not suffer from severe multicollinearity. Thus, the study was fits multiple regression model. Thus, the study was fit for use in multiple regression models.

The study's goal was to discover how restructuring affected the financial success of Commercial banks. According to the descriptive findings, the vast majority of respondents concurred that downsizing of employees, outsourcing, technological adoption and

reengineering business processes are essential for a firm to achieve financial performance. The correlation and regression results showed a strong and favorable impact of downsizing of employees, outsourcing, technological adoption business process reengineering on the financial performance of commercial banks. Business process reengineering induces a new mindset in business that can improve performance drastically. Critical examination of business processes on the existing ways with an intention of changing how business should be run efficiently for desirable results to be achieved is an ingredient to financial performance. Restructuring process brings out weakness and strengths that business can explore to achieve the desired results.

4.7.1 Normality Test

The normality test of the study was conducted using Skewness and Kurtosis as illustrated in table 4.10

Table 4.10 *Normality Test*

Variable	Skewness	Kurtosis	Sig.
Downsizing employees	-1.226	2.539	.075
Technology adoption	-.453	-.164	.097
Outsourcing	-.349	.627	.200
Business Process Reengineering	-.874	1.047	.088
Financial performance	-.310	-.0710	.054

The probability value should be >0.05, if data to be normally distributed (Ghasemi & Zahediasl, 2012). According to the normality test results above, downsizing employees, technology adoption, outsourcing, business process reengineering and financial performance attracted p-value>0.05. Distribution of data was normal thus suitable for use in multiple linear regressions.

4.8 Effect of Restructuring on Financial Performance

The multiple regression model was employed to ascertain level of effectiveness restructuring has on financial performance of commercial banks in Meru County. Output of the model

comprised of model summary, ANOVA test and regression of coefficient. Table 4.11 presented the results of the model summary.

Table 4.11 *Restructuring and Financial Performance Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.836a	0.699	0.674	0.39666
a Predictors: (Constant), Business Process Reengineering, Downsizing employees, Outsourcing, Technology adoption				

It was noted that restructuring sufficiently explains fiscal performance. This is due to the fact that adjusted coefficient of determination (adjusted R square) was 67.4%.Restructuring therefore, explained 67.4% of the variation in the dependent variable which is financial performance of commercial banks in Meru County. In addition, coefficient of multiple correlation (R=0.836) denoted that restructuring had a strong relationship with financial performance. Moreover, model's validity was verified using Analysis of Variance (ANOVA) as indicated in table 4.12.

Table 4.12 *Restructuring and Financial Performance: ANOVA*

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.869	4	4.467	28.393	.000b
	Residual	7.709	49	0.157		
	Total	25.579	53			
a Dependent Variable: Financial performance						
b Predictors: (Constant), Business Process Reengineering, Downsizing, Outsourcing, Technology adoption						

In overall, p value of 0.000 which was less than the critical p value of 0.05 showed that the model was statistically significant. Further, supported by an F statistic of 28.393.This suggested that restructuring can adequately predict financial performance. Table 4.13 displayed regression weights of each variable in the model. The regression coefficients exhibit the impact each predictor has on the dependent variable while other predictors are held constant.

Table 4.13 *Restructuring and Financial Performance: Coefficient Regression*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		β	Std. Error	Beta		
1	(Constant)	1.04	0.444		-2.34	0.023
	Downsizing employees	0.314	0.108	0.269	2.897	0.006
	Technology adoption	0.201	0.093	0.211	2.150	0.037
	Outsourcing	0.402	0.111	0.355	3.637	0.001
	Business Process Reengineering	0.325	0.113	0.281	2.869	0.006

a Dependent Variable: Financial performance

The hypothesized model [$Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \varepsilon$] becomes;

Financial Performance= -1.04+0.314Downsizing of employees +0.201Technology adoption +0.402 Outsourcing + 0.325Business Process Reengineering

All the independent variables (Downsizing, Technology adoption, Outsourcing and Business Process Reengineering) have identical (Likert) scales, and the constant value in the model is significant, thus the use of unstandardized B-coefficients. With regards to regression weights, outsourcing best explains financial performance (β=0.402), followed by business process reengineering (β=0.325), then downsizing (β= -0.314) and finally technology adoption consequences (β= 0.201).

4.9 Discussion

Regression finding indicated that downsizing of employees positively and significantly influenced financial accomplishments (β=0.314, p=0.006). Therefore, it implied that downsizing of an employee results into increase of 0.314 units of financial performance. Banks implement downsizing strategy in the interest of shareholders as interest of employees and other community stakeholders are jeopardized. Employees become the area of focus in downsizing as other stakeholders in the field such labour union register protest to arrest the

situation. The downsizing faces a lot of resistance from both internal and external forces which tend to vary depending on the level resources dependency.

Downsizing attract huge interest from labour unions and management is supposed to meticulously address the issue with sustainable solutions. Downsizing is a critical tool that enhances efficiency through cutting down cost and aligning responsibilities rightly. Despite being an efficient tool in enhancing efficiency, downsizing has adverse effect in employee morale, commitment and security. Retrenchment may result into depression, diminish organization productivity level and cast down the most talented and productive employees who eventually leave the organizations. As downsizing is executed, workers left behind might experience decay in morale that has adverse influence on productivity and efficacy. Downsizing of employees seems preferred technique utilize to aid to turn about declining organizations, cut cost, and improve organizational performance . It may improve the banking efficiencies and thus profitability. However, employee downsizing may cause the remnant employees to wrestle with increased workloads and stress, resulting into decrease in bank's performance. Be deprived management's trust ultimately results into lesser engagement and loyalty to the organization.

These concurred with the Tsai and Shih (2013) study which concluded that firms enrolled in labor unions had a higher downsizing performance than firms not enrolled in unions. It also concurred with the study of Itunga (2017) that found out that downscaling on workers affected their morale, engagement and turnover and job security at Sidian bank. It also agreed with the study by Miguda (2013) that concluded that some downsizing strategies have negative influence while others constructively influenced performance of stated firm.

Additionally, outcome of regression indicated that technology adoption productively and greatly influenced financial performance goals (β=0.201, p=0.037). Hence signified a unit increase of technology adoption resulted to a gain of 0.201 financial performance.

Banking services have migrated to digital platform and technology is strongly associated with infrastructure that has provided. Banking services such as depositing, withdrawal and billing are aided by technology to optimally function. Technology has also seen people operate their bank accounts using their mobile phones at their own convenience making financial services more accessible. This has improved the efficiency of financial system and financial performance on aggregate. The use of technology-driven applications such as automated teller machines, telephone banking, point of sale networks, internet banking and mobile banking offer immerse advantages while presenting existing products to customers. Banking operations and processes may also be enhanced through technology.

Banks have been able to process customers request timely reducing the long queues that was witnessed in banks halls before technology was integrated into banking financial management system. Customers have been able to undertake several transactions remotely that have saved them time and commuter cost of visiting bank halls. Technology provide a direct interface between banks and their customers that allow customers to access all the financial services without help from anyone but only by trusting their gadgets. Technology has also transformed the customer and bank relationship to seamless where there is no breakdown of services or existence of inconsistencies.

The findings contrasted with a study carried out by El-Chaarani and El-Abiad (2018) that found out that mobile banking and application software investment does not have any impact on accomplishments of banks in Lebanon. However, in agreement with the results of a study done by Haabazoka (2019) that concluded that adoption of technology has productive effect on fiscal achievement of commercial bank. It also concurred with the finding of a study by Kemboi (2018) who indicated that agency, internet and mobile banking yield good performance in the banking sector.

Further, regression findings showed that outsourcing positively and significantly affected financial accomplishment ($\beta=0.402$, $p=0.001$). Thus implied a unit improvement on outsourcing amounted to a plus in fiscal performance by 0.402. Outsourcing focuses more on the core functions, reduce overhead costs with the aim of increasing performance. Key benefits of banks outsourcing services include focus on core bank activities, reduction of overheads, technical expertise and enhance effectiveness and efficiency thus enhances financial performance.

Outsourcing involves transfer of company functions to a services provider deemed expert in the area or a lower cost. Outsourcing give companies an opportunity to select on acquisition of intermediary input as long as the cost element is lower or there is a benefit attached to. The general goal of outsourcing is getting quality services at a lower cost offered by established organizations that enjoy economies of scale. Banks outsources services that are resource intensive and those that are expertise in nature with a fluctuation of a work pattern making outsourcing the only viable option. Outsourcing of human resources has been considered a main tool in tackling organizational politics and improving performance. Bank outsources financial services to access superior expertise, cost reduction, boost performance, strategic reasons among others. Furthermore, IT outsourcing grants banks opportunities to access world class skills, actualize fast project start-up and borrow best examples in the banking industry. Consequentially, resulting into reduced cost, higher quality services, enhanced competitiveness of banks and significantly impact on financial performance.

Study's results concurred with outcome of study by Jegede (2015) that found out that, banks outsource so as to focus more on the core functions, reduce overhead costs with the aim of increasing performance. It also concurred with the study by Kigwe, and Maina (2018) who argued that specified goals had constructive and worthwhile pay-off on operation of banks in Mombasa. It contrasted with the finding of the study by Siran (2017) who pointed out that

biggest obstacles to outsourcing services were the implementation cost, the lack of managerial support, and the lack of training. Additionally with the study by Mazikana (2023) who stated that Outsourcing enables the organization to achieve a competitive advantage. Challenges such as lack of management support, limited resources, bureaucracy and culture misalignment were outlined

Lastly, the regression results showed that business process reengineering positively and significantly influenced financial performance (β=0.325, p=0.006). Consequently implied a unit improvement on business process reengineering enhances financial performance by 0.325 units. Business reengineering process is crucial enabler of financial performance. BPR's goal is to speed up transaction processing without sacrificing security safeguards, product quality, or real-time customer assistance. Essentially, BPR focused on sustaining lengthy tenure profitability and reinforcing competitive advantage of banks in adapting changing market realities (Sudha & Kavita, 2019). Restructuring is explained as the predesigned problem solving tool used to rescue business entity’s performance from decaying further and thus revive its feasibility.

The findings of the study concurred with the study by Nadeem and Ahmad (2016) who pointed out that BPR has an impact on the financial performance of banking sector enterprises. It also agreed with a study by Ogada (2017) who found a significant correlation between Kenyan state-owned enterprises' performance and commercial process re-engineering techniques. Likewise, it agreed with finding of the study by Mwihaki (2016) who concluded that there is statistically important association between BPR and performance. Likewise, Oladimeji et al. (2017) implementation of business process reengineering is very crucial in attaining expected goals in the realm of lucrativeness and operational efficacy in banking industry.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study focused on effect of restructuring on financial performance of commercial banks in Meru County. The section laid out summary of the results, conclusions arrived and eventually relevant recommendations.

5.2 Summary of Major Findings

5.2.1 Downsizing of Employees and Financial Performance of Commercial Banks

Foremost, the study sought to establish the extent to which downsizing of employees' affected financial performance of commercial banks. Descriptive findings disclosed that nearly all respondents agreed that downsizing of workforce enhanced financial performance goals of the organization. Correlation and regression findings established that downsizing of employees constructively and greatly influenced financial performance of commercial banks. Downsizing has been a tool employed by firms that intend to cope up with business environment that occasion structural changes. Downsizing that only focus on reducing costs without being employee oriented is harmful to employee welfare. Downsizing had been a major effort to revitalize organizations. The bank management considers downsizing as one of the preferred ways to swing around decreasing organizational performance as well as cost-cutting measure. Downsizing may therefore improve the banking efficiencies thus boost profitability. . However, employee downsizing may bring about some struggles such as increased workloads, stress, and loss of morale among layoff survivors. Thus negatively affects bank performance. When remnant human resource loose trust in governing organs they become less motivate and less committed resulting into low production.

5.2.2 Technology Adoption and Financial Performance of Commercial Banks

Secondly, study centered on technology adoption influence on fiscal performance parameters of commercial banks. The results showed that majority of responders unanimously concurred with the fact that technology adoption is essential component of financial performance as showed by the average mean of 4.14.The regression and correlation findings indicated that technology adoption positively and significantly influenced financial performance. Technology adoption enhances competency in service provision thus improve financial performance. Technological aspect increases interaction that is vital in banking and financial services. Several banking transactions are supported by technology and they include withdrawal, deposit, billing among others. The use of electronic banking applications such as automated teller machine, debit and credit cards, mobile banking and internet banking allows digital payments which are fast, transparent and secure.

5.2.3 Outsourcing and Financial Performance of Commercial Banks

In addition, study aimed on effect of outsourcing on financial performance parameters of commercial banks in Meru County. Results disclosed good percentage of the responders agreed that outsourcing of services enhanced financial performance in the banking sector. Correlation and regression findings indicated that outsourcing constructively and greatly influenced financial performance goals of commercial banks. Outsourcing is vital in driving aspects like cost, speed, quality, volume, flexibility, and innovation. Bank delegates fiscal services to third party in order to enjoy superior expertise as well as economies of scale. Although outsourcing is seen as beneficial to banking sector, it also comes with challenges such as introduction of new risks to business. Outsourcing enhances access to new technology, reduction in cost and economies of scale. Furthermore, IT outsourcing grants banks opportunities to access world class skills, actualize fast project start-up and borrow

best examples in the banking industry. All of these result into cost reduction, higher quality services, thus enhanced competitiveness and significant impact on financial performance.

5.2.4 Business Reengineering Process and Financial Performance of Commercial

Banks Last but not least, it explored on consequences of business process reengineering on monetary achievements of commercial banks. The descriptive findings showed that majority of responders were in one accord that BPR is vital in realizing financial performance in an organization. The correlation and regression findings established that business process reengineering productively and materially affected fiscal achievements of commercial banks. Business process reengineering induces a new mindset in business that can improve performance drastically. Critical examination of business processes on the existing ways with an intention of changing how business should be run efficiently for desirable results to be achieved is an ingredient to financial performance. Business process

Reengineering bring out weakness and strengths that business can explore to achieve the desired results.

5.3 Conclusion

In keeping with the findings of the subject study, conclusion is drawn in accordance to each objective.

5.3.1 Downsizing of Employees and Financial Performance of Commercial Banks

Conclusion is drawn that downsizing of employees productively and greatly influenced fiscal performance of commercial banks. It can be summarized that downsizing is a tool used by firms to cope up with business environment that occasion structural changes. It can also be presumed that downsizing focuses on reducing cost in business operations.

5.3.2 Technology Adoption and Financial Performance of Commercial Banks

It was also concluded that technology adoption is an essential element of financial performance of commercial banks. On the same note technology adoption constructively and to the great extent influenced financial performance. Technology adoption enhances competency in

operationalization of bank activities. It can be further presumed that several bank transactions are supported by technology ranging from deposits, withdrawal, billing among others.

5.3.3 Outsourcing and Financial Performance of Commercial Banks

Inference was drawn that outsourcing of services constructively and greatly influenced financial performance. A conclusion can be drawn that outsourcing injects competitive factors that induces financial performance. With this in mind, outsourcing is faced with challenges such as introduction of new risks to the business.

5.3.4 Business Process Reengineering and Financial Performance of Commercial Banks

The study concluded that business process redesigning productively and materially impacted monetary performance of commercial banks. Overall, BPR can bring paradigm shift on how business is conducted. BPR's goal is to speed up transaction processing without sacrificing security safeguards, product quality, or real-time customer assistance. Business process reengineering brings out weakness and strengths that business can explore to achieve the desired results. BPR substantially seeks to enhance reliability, runtimes, and efficiency by progressively redesigning such systems.

5.4 Recommendations

This section outlines recommendations of the study with regards to practice and areas for further research.

5.4.1 Recommendation for Practice

The study deduced that downsizing of employees significantly affect financial results of commercial banks. Downsizing affect employees negatively, therefore the study recommend establishment of training programs within the organization. Training programs will induce work morale and cultivate work commitment among the employees left behind thus boosting productivity and organizational performance.

The usage of technology by banks has been on upward trajectory. The study recommends embrace of more innovative technological aspect in operationalization of bank activities.

Banks have not embraced many of other digital space in marketing, social media is the largest digital space and banks have not done enough on marketing through social media. Banks ought to use entertaining language to capture the potential market available in social media. The study found that banks have outsourced many services to other service providers. The study recommends the outsourcing of services that are expensive to nurture and has declining function from time to time. Outsourcing of services such as security that require energetic people demand a short term contracting thus assist banks from avoiding in engaging people on long term contract in the sector thus saving costs and diminishing productivity.

Business process reengineering induces a new mindset in business that enhances performance drastically. The study recommends for a continued support of bank management .Over and above the fact that management of commercial banks appreciate the need for change ,it is equally significant to ratify the essential actions required to drive change. Hence, this is why bank management should take active role in the implementation of BPR in order to attain better results. Similarly, it recommends strengthening of BRP to improve business operations. Reengineering of new ideas into business enhances business performance especially in banking where competitors improve from time to time and there is need to reengineer ideas to cope with the existing competition.

5.4.2 Recommendation for Further Research

Future researchers can replicate this study among savings and credit societies in Kenya to establish whether the results realized under this study would hold. Future studies should also review impact of innovation related risks on financial performance of commercial banks. In addition, banking institutions have continued to focus more on collaboration and partnership with fintech companies to provide innovative services and products to customers. Therefore future studies should consider analyzing the challenges and opportunities posed by outsourced fintech services on financial performance goals of commercial banks. Further,

future researchers can explore relationship among BPR, organizational culture and organization performance as well as ascertain the benefits of adopting business process reengineering in commercial banks in Kenya

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APPENDICES

Appendix i: Introductory Letter

Dear respondent,
I am a Master's student in the School of Business and Economics at the Kenya Methodist University (KeMU), pursuing a Master's Degree in Finance and Investment. I am researching

“The relationship between restructuring and financial performance of commercial banks in Meru County-Kenya*”*. This study is in partial fulfillment for the award of Master of Finance and Investment at the fore mentioned university. The study is purely for academic purposes and any information collected for this study will not be used otherwise. I am kindly requesting you to be part of the study by filling in the questionnaire provided. Your participation will be highly appreciated. Thank you in advance.

Sincerely

Janet Jepleting Kipkorir.

Appendix ii: Questionnaire for Bank Staff

Do not write your name on the questionnaire. There is no right or wrong answers. Kindly respond honestly from your own perspective. It may take 15 minutes to fill in the questionnaire; hence tick the appropriate response.

Section A: Demographic Data.

1. Gender
   a) Male []
   b) Female []
2. Level of Education
   a) PhD []
   b) Masters []
   c) Undergraduate []
   d) Diploma []
3. Working Experience
   a) 1-5 years []
   b) 6-10 years []
   c) Above 10 years []

Section B: Effects of Downsizing of Employees on Financial Performance

This section has statements regarding the effects of downsizing of employees on financial performance of commercial banks. Kindly tick your preferred answer according to 5-point Likert scale denoted as;

1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
Retrenchment						
1	The bank has once reduced its employees to enhance its financial performance					
2	Retrenchment results into an extra work load for the remaining staff.					
3	The bank pays severance pay and subjects the retrenched employees to career counseling before they leave.					
4	Losing valuable and loyal employees is a critical negative effect of downsizing to the bank					
5	Retrenchment hurts survivors through job insecurity, anger that may eventually reduce					

	job satisfaction and organization commitment					
Job Enlargement						
1	The bank combines various aspects of a job(planning ,controlling and executing)					
2	The management is entrusted with planning and controlling whereas employees are responsible for task execution.					
3	The employees are clear about their tasks in all the organizational levels.					
4	The employees understand processes and procedures of the bank.					
5	Task structuring and work arrangement result into increased employee performance.					
Voluntary Early Retirement(VER)						
1	Offering VER may affect financial performance of the bank since many experienced employees may leave.					
2	VER reduce head count, cut cost and streamline operations.					
3	VER is seen as human way of reducing workforce and relatively painless to both managers and those who opt for the program.					
4	VER can change the profile of organization and favour career prospects of workers.					
5	VER contain costs occasioned by the aging workforce.					

Section C: Influence of Technology Adoption on Financial Performance.
Technology adoption has an influence on financial performance of commercial banks. Kindly tick your preferred answer according to 5-point Likert scale denoted as;
1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
Mobile Banking						
1	Mobile banking increases effectiveness and efficiency of service delivery in commercial banks.					
2	Mobile banking adoption increases customer outreach.					
3	Mobile banking has expanded loan portfolio in the bank.					
4	Mobile banking have helped reduced staff cost and general administrative expense.					

5	The benefits of mobile banking outweigh the cost in my bank.					
Internet Banking						
1	Internet banking has minimal operating and maintenance cost.					
2	The bank has been able to attract and retain more corporate clients on internet banking platform.					
3	Internet banking operated in restricted and controlled environment in order to safe guard customer information.					
4	Internet banking platforms have enhanced customer service response rate					
5	Internet banking has ensured 24 hours service delivery to the customers.					

Section D: Effects of Outsourcing on Financial Performance

This section has statements regarding the effects of outsourcing on financial performance of commercial banks. Kindly tick your preferred answer according to 5-point Likert scale denoted as;

1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
Outsourced Functions						
1	Cash management services.					
2	Advertisement & marketing.					
3	Security services.					
4	Information technology services.					
5	Staff recruitment services.					
Benefits of Outsourcing						
1	The bank outsources services to reduce cost involved and improve quality.					
2	Outsourcing help a bank use resources that are not available internally or access new technology.					
3	Outsourcing helps the bank focus on core competencies.					
4	Outsourcing makes capital funds available for more profitable operations.					
5	Outsourced operational services are more reliable than in-house services.					
Challenges of Outsourcing						
1	Lack of top bank management support.					

2	Poor performance by the outsourcing vendor results into poor quality of services to the customer.					
3	The employees may lose interest and motivation for expertise and innovation in regards to services outsourced.					
4	Inadequate supporting infrastructure.					
5	Inability to develop clear objectives.					

Section E: Effects of Business Process Reengineering on Financial Performance

This section has statements regarding the effects of business process reengineering on financial performance of commercial banks. Kindly tick your preferred answer according to 5-point Likert scale denoted as;

1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
Information Technology						
1	Information technology has simplified information flow in the bank.					
2	Adoption of technology cuts cost of operation and increases returns in the bank.					
3	Continuous development of competitive information systems and networks enhance operational excellence.					
4	The bank subjects its staff to regular information technology trainings.					
5	The bank engages in product/service innovations to attract new customers and retain the existing customers.					
Reengineered core processes.						
1	Queue management.					
2	Loan management.					
3	Cash tellering services.					
4	Account processes.					
5	Cheque clearing.					
Customer Relationship Management System						
1	The CRM tools such as Analytical CRM,OMNI, Checkpoint, Credit Quest, MICR system ,Sybrin system are being utilized by the bank.					
2	With adoption of CRM, customers have since received personalized attention from the bank.					
3	Bank processes and relationships with customers have been improved with CRM.					

4	The bank incurred huge cost in regard to initial purchase and set up cost of CRM system.					
5	CRM system does not address the bank customers' needs.					

Section F: Financial Performance of Commercial Banks

This section has statements regarding financial performance of commercial banks. Kindly tick your preferred answer according to 5-point Likert scale denoted as;

1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	Restructuring has led to improvement on shareholders' equity.					
2	Restructuring has led to increase in banks of assets.					
3	Restructuring has led to increased profitability.					
4	The cost of bank operations negatively affects bank's profitability.					
5	Generally, restructuring has improved financial performance of commercial bank					

Thank you

---END---

Appendix iii: Secondary Data Collection Sheet

Return on Assets(ROA) Years

Bank	2014	2015	2016	2017	2018	2019	2020	2021
KCB								
Absa								
Equity								
Co-operative								
Consolidated								
Post Bank								
Credit Bank								
Family Bank								
NCBA								
NBK								
Prime Bank								
Bank of Baroda								
Cfc Stanbic								
Bank of Africa								
Stand chart								
Sidian Bank								
I & M Bank								
ABC Bank								
DTB Bank								
Housing Finance								

Return on Equity(ROE)

KCB								
Absa								
Equity								
Co-operative								
Consolidated								
Post Bank								
Credit Bank								
Family Bank								
NCBA								
NBK								
Prime Bank								
Bank of Baroda								
Cfc Stanbic								
Bank of Africa								
Stand chart								
Sidian Bank								
I & M Bank								
ABC Bank								
DTB Bank								
Housing Finance								

Net Income Margin(NIM)

KCB								
Absa								
Equity								
Co-operative								
Consolidated								
Post Bank								
Credit Bank								
Family Bank								
NCBA								
NBK								
Prime Bank								
Bank of Baroda								
Cfc Stanbic								
Bank of Africa								
Stand chart								
Sidian Bank								
I & M Bank								
ABC Bank								
DTB Bank								
Housing Finance								

Appendix iv: Mergers & Acquisitions Banks

	Mergers			

	Institution	Merged with	Current Name	Date approved
1	NIC Group PLC	Commercial Bank of Africa Ltd	NCBA Bank Kenya PLC	30.09.2019
	Acquisitions			
	Institution	Acquired by	Current Name	Date approved
1	K-Rep Bank Ltd	Centum Ltd	Sidian Bank Ltd	29.10.2014
2	Equatorial Commercial Bank Ltd	Mwalimu Sacco Society Ltd	Equatorial Commercial Bank Ltd	31.12.2014
3	Giro Commercial Bank Ltd	I&M Bank Ltd	I&M Bank Ltd	13.02.2017
5	Fidelity Commercial Bank Ltd	SBM Bank Kenya Ltd	SBM Bank Kenya Ltd	10.05.2017
6	Habib Bank Kenya Ltd	Diamond Trust Bank Kenya Ltd	Diamond Trust Bank Kenya Ltd	01.08.2017
7	NBK Limited	KCB Group Plc	National Bank of Kenya Limited	02.09.2019
8	Jamii Bora Bank Ltd	Co-operative Bank of Kenya Ltd	Kingdom Bank Kenya Ltd.	21.08.2020
9	Transnational Bank Plc	Access Bank Plc	Access Bank Kenya Plc	01.02.2020

Appendix V: A Sample of Banks' Branches closed in Financial Year 2017

Institution	No. of branches		Date
Ecobank Kenya	9	Thika Road Mall Gikomba Chambers Ongata Rongai Embakasi Busia Meru Kitale Malindi	2017
Bank of Africa	12	Githurai Gikomba Monrovia Gateway South B Outer Ring Road BOA Direct Likoni Road BOA Direct Thika Road BOA Direct Nanyuki Embu Digo Road Branch Kitale	2017

Appendix vi: Letter to NACOSTI

KENYA METHODIST UNIVERSITY

P. O. Box 267 Meru - 60200, Kenya
Tel: 254-064-30301/31229/30367/31171

Fax: 254-64-30162
Email: deanrd@kemu.ac.ke

DIRECTORATE OF POSTGRADUATE STUDIES

January 23, 2022

Commission Secretary,
National Commission for Science, Technology and Innovations,
P.O. Box 30623-00100,
NAIROBI.

Dear Sir/Madam,

RE: KIPKORIR JANET JEPLETING – (REG. NO. MFI-3-0736-3/2015)

This is to confirm that the above named person is a bona fide student of Kenya Methodist University, in the School of Business and Economics, Department of Business Administration undertaking a Masters' Degree in Finance and Investment. She is conducting research on: "The Relationship between Restructuring and Financial Performance of Commercial Banks in Meru County".

We confirm that her research proposal has been presented and approved by the University.

In this regard, we are requesting your office to issue a research license to enable her collect data.

Any assistance accorded to her will be appreciated.

Thank you.

Yours sincerely,

Dr. John M. Muchiri (PhD)
Director, Postgraduate Studies

Appendix vii: Research Permit NACOSTI

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **609296**

Date of Issue: **28/January/2023**

RESEARCH LICENSE

This is to Certify that Ms.. JANET JEPLETING KIPKORIR of Kenya Methodist University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Meru on the topic: THE RELATIONSHIP BETWEEN RESTRUCTURING AND FINANCE PERFORMANCE OF COMMERCIAL BANKS IN MERU COUNTY for the period ending : 28/January/2024.

License No: **NACOSTI/P/23/23391**

609296

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

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