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Corporate Restructuring And Financial Performance Of Commercial Banks In Delta State

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Abstract: *This study evaluated the effect of corporate restructuring on financial performance of selected commercial banks in Nigeria for the period of 15 years ranging from 2009-2023. Specifically, the study disaggregates corporate restructuring into capital restructuring, leadership restructuring, asset restructuring and debt restructuring. To answer the research questions, data were collected on twenty (20) quoted commercial banks drawn from a population of listed commercial banks on the Nigerian Exchange Group Plc as at 31st December, 2023. The study adopted the panel data estimation technique. However, to choose the most appropriate model, the Hausman test was conducted. The result proved that, the Random Effect Model is the most appropriate panel data variant. To ensure that the regression results are fit for policy formulation, the model was subjected to some preliminary analysis. These include: multi-collinearity test, normality test; Ramsey reset test, and Heteroskedasticity test. Evidently, the preliminary analysis proved that, the model is free from multicollinearity problems, normally distributed, well-specified, and Homoskedastic. The study reported that, capital restructuring does have significant effect on financial performance of selected commercial banks in Delta State, leadership restructuring does have significant effect on financial performance of selected commercial banks in Delta State, assets restructuring does have significant effect on financial performance of selected commercial banks in Delta State and debt restructuring does have significant effect on financial performance of selected commercial banks in Delta State. Hence, the study concludes that, corporate restructuring practices have significant effect on the performance of commercial banks in Nigeria. The study further recommends that commercial banks should reduce their increase collection period in order to improve their financial performance. The need to improve their operations through improved processes, institutional capacity building and institutional innovation, as well as coming up with new services to increase their market share and therefore capture a wider customer base. The study contributed to the ongoing debate on the need for business to adopt corporate restructuring approach.*

Key Words: Corporate Restructuring, Capital, Leadership, Asset, Debt, Financial Performance and Commercial Banks

1.1 Introduction

Corporate restructuring has increasingly become a staple of management life and a common phenomenon around the world as unprecedented number of companies across the world have reorganized their divisions, restructured their assets, streamlined their operations and spun-off their divisions in a bid to spur financial performance. Corporate restructuring is the process through which an organization modifies its financial operational and/or organizational structure. Individual firms and economies as a whole carry out restructuring to gain a competitive edge and improve performance or risk losing out to competitors in the dynamic business environment (Kahuko, 2018). It entails provision of new services, invention of more products, ensuring more effective and efficient means to reduce operational costs, and also ensure growth technologically. Corporate restructuring helps commercial banks in Delta State to initiate innovations that led to improvement of financial performance and quality service delivery for customers as well as ensuring stability in the financial system (Magiri, 2023).

Hane (2023) contends that organizations project particular symptoms that suggest a need to undergo an organizational restructuring process. These symptoms include significant understaffing or overstaffing in parts of the firm; inconsistencies in communications within and outside the organization arising from fragmentation and inefficiencies; workflow and the production process transitioning due to technology and innovation; need for improved skills and capabilities to enable the employees deliver on the current or expected operational guidelines; lack of clarity with regards to outcome accountability which results in subjectivity and biasness when doing performance appraisals; significant challenges with regards to retention of personnel as well as their turnover; low morale among the workforce which results to stagnant productivity. Corporate restructuring has been of great benefit to organizations in many ways including minimized costs of operations as well as aided in improved formulation of strategy and its implementation (Eby & Buch, 2022). According to Johnson (2024), restructuring in financial institutions should align with the workplace environment that is continuously evolving, dynamic and characterized by cultural diversity so as to enhance performance. This, as Hayes (2022) contends, ensures that organizations are able to effectively move through change. Restructuring therefore refers to making decisions that are critical with regards to talent deployment or re-deployment talent and calls for insight on how to best tap talent and align to the jobs that await them.

On the other hand, financial performance of institutions is usually measured using a combination of financial ratios analysis, benchmarking, measuring performance against budget or a mix of these methodologies. The common assumption, which underpins much of the financial performance research and discussion, is that increasing financial performance will lead to improved functions and activities of the organizations. The subject of financial performance and research into its measurement is well advanced within finance and management fields. It can be argued that there are three principal factors to improve financial performance for financial institutions; the institution size, its asset management, and the operational efficiency (Fitzgerald, Johnston, Brignall, Silvestro & Voss, 2020). With organizations operating in very volatile environment, the managements concern is how to achieve financial performance. Financial performance involves recurring activities to establish organizational goals, monitor progress towards the goals, and make adjustments towards achieve those goals more effectively and efficiently (Carter, 2023). There is limited empirical evidence on the effects of corporate restructuring on financial performance of banks in Delta State, this study seek to fill the existing research gap by conducting a study to explore the effects of corporate restructuring on financial of commercial banks in Delta State, with special references to help improve the overall restructuring process.

1.2 Statement of the Problem

In Nigeria, the poor financial performance of some banks has prompted a focus on the role of leadership structure as a lever for improving financial outcomes. Faced with a competitive landscape intensified by new market entrants and technological innovations, banks are under pressure to revisit their leadership strategies. Further complexity arises from the Central Bank of Nigeria's new regulations, such as increased capital requirements, compelling banks to adapt their leadership approaches for compliance and optimized. In this challenging economic environment, effective leadership structure that foster innovation is seen as key to streamlining operations and improving financial standing. Changes in leadership in operating environment necessitate change in strategic focus which in turn forces organizations to restructure their businesses. Given the dynamic nature of business environments today, leadership restructuring is inevitable for any organization. These changes, however, do affect organizations and employees. In organizations which leadership restructuring result to massive layoffs and pattern of operation will have problems with dissatisfied employees who feel left out of the change processes thus, leading to poor performance and work-morale? Therefore, leadership restructuring remains the problem militating against the effectiveness of such performance.

Most reviewed studies are from developed countries. Furthermore, the reviewed studies used different methodologies hence the results are inconsistence. This raises the question of which are the ideal methodologies to study the effect of corporate restructuring and financial performance. The current study thus seeks to fill this gap by investigating the effect of corporate restructuring on financial performance of selected commercial banks in Delta State. Specifically the study investigates the effect of capital restructuring, leadership restructuring, assets restructuring and debt restructuring on the financial performance of selected commercial banks in Delta State.

1.3 Research Objectives

The general objective of the study is to examine the effect of corporate restructuring on financial performance of selected commercial banks in Delta State. The specific objectives are to:

i. examine the effect of capital restructuring on financial performance of selected commercial banks in Delta State
ii. evaluate the effect of leadership restructuring on financial performance of selected commercial banks in Delta State
iii. ascertain the effect of assets restructuring on financial performance of selected commercial banks in Delta State
iv. establish the effect of debt restructuring on financial performance of selected commercial banks in Delta State

Literature Review

2.1 Corporate Restructuring

Corporate restructuring is defined as the process involved in changing the organization of a business (Bowman & Singh, 2023). Corporate restructuring can involve making dramatic changes to a business by cutting out or merging departments. It implies rearranging the business for increased efficiency and profitability (Hane, 2022). In other words, it is a comprehensive process, by which a company can consolidate its business operations and strengthen its position for achieving corporate objectives-synergies and continuing as competitive and successful entity (Hane, 2022).

As a business strategy, corporate restructuring is the process of significantly changing a company's business model, management team or financial structure to address challenges and increase shareholder value (Lal, Pitt & Beloucif, 2023). Restructuring may involve major layoffs or bankruptcy, though restructuring is usually designed to minimize the impact on employees, if possible (Cascio, 2022). Restructuring may involve the company's sale or a merger with another company (Maria, Angel & Javier, 2015). Companies use restructuring as a business strategy to ensure their long-term viability. Shareholders or creditors might force a restructuring if they observe the company's current business strategies as insufficient to prevent a loss on their investments (Lal, Pitt

& Beloucif, 2023). The nature of these threats can vary, but common catalysts for restructuring involve a loss of market share, the reduction of profit margins or declines in the power of their corporate brand (Cascio, 2022). Other motivators of restructuring include the inability to retain talented professionals and major changes to the marketplace that directly impact the corporation's business model (Lal, Pitt & Beloucif, 2023).

2.1.1 Capital Restructuring

Capital restructuring is defined as the changing of the firm's capital structure based on the changing business environment and with the aim of funding the growth of a firm (Koh, Dai & Chang, 2012). Gilson (2010), define capital restructuring as the reorganization of a firm's capital structure in order to enhance the financial performance of a firm based on the profitability objective. Capital restructuring is the change in the equity-debt mix when restructuring a firm (Cascio, 2012). Lal, Pitt and Beloucif (2013) note that capital restructuring becomes necessary where a firm seeks to expand operations, increase assets base, gain market share, modify their debt level and alter the ownership structure.

Cascio (2012) supports capital restructuring when a firm seeks to maximize profitability or when responding to changing environmental conditions, attempted firm takeover or bankruptcy. Further, capital restructuring replicates the targeted efforts of financial management to maximize shareholder wealth. Nazir and Alam (2010) posit that prospective investors find a firm that restructures its capital to be more appealing due to improved performance metrics. Capital restructuring is measured through the changing capital structure relating to leverage buyouts, recapitalization and swapping debt with equity (Rogovsky, et al, 2015). According to Javed and Akhtar (2012) measuring capital restructuring in a firm is measured in terms of increase in equity through issue of new shares, changes in the debt policy and the amount of equity replaced with debt. On the other hand, Bowman et al. (2016) indicated that capital restructuring in a firm is measured through the changes in debt to capital ratio over the years. In this study, the change in debt to capitalization ratio was used to measure the capital restructuring.

Capital restructuring has been found to enable a firm to handle financial performance related issues (Bowman et al., 2016). They contended that capital restructuring influences the value of a firm in terms of billions. Roberts (2017) posits that capital restructuring brings a capital structure balance in terms of equity and debt funding which leads to reduction in finance costs and loss of capital while at the same time improving firm performance through increased profits and revenue. In effecting change in capital structure to achieve balanced operative results, capital restructuring reduces financial costs and improve financial ratios over time (Adams & Mehran, 2015).

2.1.2 Leadership Restructuring

The study of leadership restructuring has gained significant attention in recent years, reflecting the evolving complexities of the business environment, social changes, and technological advancements. Researchers are increasingly focusing on identifying which leadership styles and approaches are most effective in various contexts, such as diverse workplaces, remote work settings, and rapidly changing industries (Khan, Ismail, Hussain & Alghazali, 2020; Elkhwesky, Salem, Ramkissoon & Castañeda-García, 2022). Leadership is considered important for the success of an organization, as it helps navigate global business challenges. Hosseini, Hajipour, Kaffashpoor and Darikandeh (2020) argue that the presence or absence of effective leadership has the ability to make or break an organization.

According to Mills (2023), without leadership structure, organizations risk stagnation and internal conflict due to divergent views and solutions among team members. Successful leadership inspires enthusiasm and commitment, enhancing organization performance. The structure of leadership affects performance since performance cannot be achieved in the absence of a leadership that can adapt to the changes and challenges of the environment. Therefore if an organization wants to improve its performance, it is the leadership style that should be analyzed and adapted to new requirements (Popa, 2022). Leaders bring clarity and direction, aligning staff towards common organizational goals. Leadership involves a high level of commitment to the vision and the team, as well as the assumption of significant responsibility and risk.

2.1.3 Asset Restructuring

Asset restructuring entails identification of non- performing parts of a portfolio and separating it from other assets and also writing off of non- performing loans. Identification of non –performing parts of a portfolio and writing off of non- performing loans is essential and can be achieved using various techniques to achieve performance. Using ten models, including: standalone models of multivariate discriminate analysis (MDA), logistic regression (Logit), probit, case –based reasoning (CBR), support vector machine (SVM), and their bagged ensembles, (Li, Hong & Zhou, 2019), confirmed that adopting more means of asset restructuring leads to a higher performance improvement. However, using generalized method of moments (GMM), banks with higher restructured assets levels witness higher risk and lower profits (Bawa & Basu, 2020). Banks assess the strategies to adopt in addition to the many means available to improve performance.

Mwangi and Maina (2021), confirmed by use of descriptive statistics firms that use various restructuring strategies to improve performance. However, using linear regression analysis Kithinji, (2019), confirmed that asset restructuring negatively impact financial performance of banks. Risk management and compliance to regulations laid down by regulatory authorities ensures a less chance of financial distress. However, applying data envelopment analysis (DEA) to operations data for 40 commercial banks in Taiwan over a 6- year period 2000-2005, Hsing & Hsiao, (2010) confirmed that banks have lower operating efficiency on average during the reform period compared to the pre-reform period.

2.1.4 Debt Restructuring

Debt restructuring plays an important role in corporate restructuring of preserving the insolvent lender and avoidance of the bankruptcy procedure. Firms should put emphasis on improving their liquidity levels while taking care of the leverage ratio. Using random effect regression model Lotto (2019), confirmed that bank liquidity and capital adequacy have a positive relationship with operating efficiency of Tanzanian banks. Extending credit to new ventures may led to risk of the loan default where the founders can be forced to offer the leaders partial ownership in the venture in exchange of loan principle by loan principle by swapping their debt for equity (Vinturella & Erickson, 2013). This improves the profitability of the venture by lowering debt services payments while lowering debt on the balance sheet and replacing it with equity. Replacing debt with equity is critical since financial distress affects firm performance in terms of employment, productivity, investment and survival. Lack of firms' financial soundness during the period of financial distress of Slovenian firms is a critical factor constraining firm performance (Damijan, 2018). Equity capital is fundamental in capital structure of a firm as it has a positive impact on performance indicator (ROA) while total debt and short term debt have a negative relationship with ROA and ROE (Vătavu, 2015). Additionally, total debt, short term debt and long debt of Malaysian listed firms have a significant negative relationship with performance of the firms (Salim & Yador, 2012).

2.1.5 Financial Performance

Financial performance is revenue generation through utilization of firm assets (Adams & Mehran, 2015). Financial performance relates to evaluating the financial aspect of a firm in form of financial records based on the financial efficiency of a firm (Amalendu, Somnath & Gautam, 2011). Financial performance is the monetary measurement of the outcomes of a firm (Kwaning, Awuah & Mahama, 2015). Rogovsky (2015) notes that financial performance is defined as the measurement of a firm's financial outcomes for a specified period of time in comparison to other firms within a sector. Financial performance, according to me, is the measurement of a firm's output measured in terms of money. The financial performance is based on a specified period of time, mainly years (Omran & Pointon, 2014). For the financial performance measures to be effective, they need support from the nonfinancial measures of firm performance (Kaplan & Norton, 2010). Mario (2014) notes that a firm measures financial standing in an attempt to meet long term financial objectives and enhance the periodic financial outcomes of a firm. This is supported by Roberts (2017) who asserts that measurement of financial performance requires activity-based inputs supporting firm's long-term objectives. Chen and Wong (2014) measured financial performance in term of profitability. This is supported by Ceylan, Emre and Asl (2018) who contends that profitability is the best measurement of a firm's financial performance. He recommended ratios like return on assets (ROA) and return on equity (ROE). Oladipupo and Okafor (2013) measured performance in terms of ROE, ROA, ROI and ROIC. Omran and Pointon (2014), recommended the use of ratios like Tobin Q, marketing, accounting, and economic value added (EVA) to measure firm financial performance.

2.2 Theoretical Review

2.2.1 Pecking Order Theory

The theory was hypothesized by Myers and Majluf (1984). It argues that firms will have preference for internal sources of finance rather than external sources, that is equity or debt finances. The theory propounds that a firm has got three sources of finance, that is, internal finances, debt or issue of new shares. It is on the basis of pecking order theory that corporations rank their preferred source of funding with internal sources being the most preferred and therefore in circumstances that internal sources is not adequate a firm will go for debt financing with issuing new shares being the last option which is least preferred(Myers & Majluf, 1984). The theory is relevant in relation to financial restructuring as it guides the manufacturing firms on the priority that be followed in relation to financing projects for improved financial performance which is explained by the findings of the study that an increase in use of debt capital reduces financial performance

METHODOLOGY

3.1 Research Design

The study adopted the ex-post facto research design. The ex- post facto research design will be used because the study involves an empirical study of corporate restructuring and financial performance of commercial banks in Delta State, that is the cause and effect

of the study have already occurred. This method adopted because it stimulates better control of variables than other forms of studies and is less expensive and requires few resources.

3.2 Population and Sample Size

The Target population of this study involves all banking institutions (commercial banks) in Delta State. Additionally the sample size for this study consists of all commercial Banks in Delta State and they are as follows: First Bank of Nigeria, Zenith Bank, Guaranty Trust Bank, Fidelity Bank, Access Bank, Diamond Bank, Eco Bank, United Bank for Africa, Skye Bank, Stanbic IBTC Bank, First City Monument Bank, Union Bank of Nigeria, Citi Bank, Heritage Bank, Keystone Bank, Stanbic IBTC, Standard Chartered Bank, Sterling Bank, Unity Bank and Wema Bank all located in Delta for the period 2009-2023.

3.3 Sampling Technique

This study adopted the census sampling technique owing to the fact that, both the sample size and population are equals. Justifiably, the census sampling technique was considered appropriate for the study because it ensured that, the researcher collect all the data related to the problem under investigation (population) are considered.

3.4 Method of Data Collection

Secondary Method was considered in which the materials used for this research was obtained from secondary data as source. The study adopted secondary method of data collection. The reason for secondary extraction of data is borne out of the fact that its findings or data are more reliable compare to primary data that can easily be manipulated. Additionally, it is quite cheap and cost effective to adopt and can easily be sourced from the firm's website at the comfort of the researcher. Secondary data from Financial Reports and Annual Statistical Bulletin on Bond, Preference Shares, Ordinary Shares, Debenture and Profit after Tax will be obtained from 2009 to 2023. The data of the dependent variables covered the whole commercial Banks in Delta State which will be gotten from CBN Statistical Bulletin (2009-2023) while the dependent variable financial performance covers for the whole commercial Banks in Delta State.

3.5 Model Specification

From the Research Methodology, the model shall contain the following variables: Modeling:

PFP = f (CR, LR, AR, DR)

Where:

FP = Financial Performance, CR = Capital Restructuring, LR = Leadership Restructuring, AR = Asset Restructuring, DR = Debt Restructuring

$\beta 0$ = Constant Intercept; $\beta 1$- β 4= Coefficients; μ = Error term.

$LnFP = \beta 0 + \beta 1 LnCR + \beta 2 LnLR + \beta\ 3 LnAR + \beta 4 LnDR + \mu$

Aprior Expectation:

$\beta 1, \beta 2 < 0$

$\beta 3, \beta 4 > 0$.

3.6 Technique for Data Analysis

The nature of the time series of the dependent variable that is Bank profitability in form of Profit after Tax (PRF) and independent variables (capital restructuring, leadership restructuring, asset restructuring and debt restructuring) are diagnostically checked and also tested for Ordinary Least Square (OLS) and Diagnostic Test (Ojameruaye & Oaikhenan, 2013). The Analysis is performed with the help of econometric tool E-Views 7.0.The following statistical techniques used in testing significance of the variables and models are;

a. Student T-test: the t-test tested the individual contribution of each explanatory variables and their significance for each formulated hypotheses.

b. F-test: the F-test at 1% or 5% level significance was used to test each models.

c. R: the coefficient of multiple regressions, explaining the level of relationship between the variables.

d. R 2 : the coefficient of determination, which shows the extent the variations in the independent variables have been able to explain the total variable in the each dependent variable.

e. AR2 : the adjusted coefficient of multiple determinations to test the model as a whole.

f. Durbin Watson: the DW was test the level of autocorrelation among the variables in each of the models.

Results and Discussions

4.1. Data Presentation

This chapter dealt with the data presentation, analysis of result, test of research hypotheses, and discussions of regression results. Several statistical and econometric tools were employed in the generation of the empirical results in this chapter and the justification for the tools employed has been provided in the previous chapter. The preliminary analysis covering descriptive and correlation statistics is first presented and then the regression results are also presented and interpreted. Here, the various Diagnostic tests were analyzed as well. Notably, the sourced data and the full regression results were also presented in Appendix 1 and 2 respectively.

4.2 Descriptive Statistics

Table 4.1 presents the result for the descriptive statistics for the variables. Accordingly, the descriptive statistics takes into consideration the mean value, standard deviation value, maximum values and minimum values respectively. In view of that, each of the variables and their descriptive properties are presented in table 4.1 collectively and represented individually:

Table 4.1: Summary of Descriptive Statistics

Variables	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
CR	0.644759	0.666700	0.888900	0.166700	0.160854	150
LR	0.633675	0.600000	0.800000	0.200000	0.164792	150
AR	0.633127	0.666700	0.888900	0.222200	0.179758	150
DR	1.453462	1.516708	2.918100	0.116900	0.732090	150
FP	0.066067	0.022950	0.885600	0.000300	0.140726	150

Source: E-Views Version 24.0 (2025)

The table 4.1 reported that, the quoted commercial banks on the overall, has an average FP value of 0.066067. In terms of variability, FP reported standard deviation value of 0.140726. This indicates a high variability (dispersion) since the standard deviation estimate is greater than the mean value. To correct the high deviation from normality, the model was subjected to the panel corrected standard error modelling. Again, FP reported maximum values of 0.885600 percent and minimum values of 0.000300%.

Again, the capital restructuring of corporate restructuring has a maximum and minimum value of 0.888900 and 0.160854respectively for the sampled period. In terms of variability, the result above shows that, the average mean of the capital restructuring for the selected commercial banks in Delta State is 0.644759and a standard deviation estimate at 0.160854. This indicates a low variability (dispersion) since the standard deviation estimate is less than the mean value.

Further, the leadership dimension of corporate restructuring has a maximum and minimum value of 0.800000 and 0.200000 respectively for the sampled period. In terms of variability, the result above shows that, the average mean of the leadership capital restructuring for the selected commercial banks in Delta State is 0.633675and a standard deviation estimate at 0.164792. This indicates a low variability (dispersion) since the standard deviation estimate is less than the mean value.

Similarly, the asset dimension of corporate capital restructuring has a maximum and minimum value of 0.888900 and 0.222200respectively for the sampled period. In terms of variability, the result above shows that, the average mean of the asset capital restructuring for the commercial banks in Delta State is 0.633127and a standard deviation estimate at 0.179758. This indicates a low variability (dispersion) since the standard deviation estimate is less than the mean value.

Additionally, debt restructuring has a maximum and minimum value 12.11090and 0.400000 respectively for the sampled period. In terms of variability, the result above shows that, the average mean of the capital restructuring for the selected commercial banks in Delta State throughout the studied period is 8.540370but deviated by an estimate value of 3.009024. This indicates a low variability (dispersion) since the standard deviation estimate is less than the mean value.

4.3 Correlation Analysis

The Pearson correlation analysis provide some preliminary insight into the nature/degree and direction of the relationship among the dependent (FP), independent variables (corporate capital restructuring measures). Though the correlation coefficient does not in

itself imply functional dependence between the variables, it nevertheless, is a good starting point to examine the degree and direction of relationship between the variables. The results are presented and interpreted in table 4.2:

Table 4.2a: Summary of Correlation Analysis-Model One (Without Dependent Variable)

Variables	CR	LR	AR	DR
CR	1.000000			
LR	0.705210	1.000000		
AR	-0.316347	-0.044755	1.000000	
DR	0.376991	0.019085	0.019365	1.000000

Source: E-Views Version 9.0 (2025)

Table 4.2a shows that capital restructuring, leadership restructuring, asset restructuring and debt restructuring have positive correlation with financial performance with respective correlation coefficients of 0.705210, 0.376991, 0.61 5766, and 0.123703 though their degree of correlation differ. Meanwhile, none of the dependent variable reported a coefficient value of up to 70%. This indicates that, the possibility of multicollinearity problem among the regress and is very low. This was revalidated by the Variance inflation factor estimate stated in table 4.3a and 4.3b:

Table 4.2b: Summary of Correlation Analysis-Model (With Dependent Variable)

	FP	CR	LR	AR	DR
FP	1.000000				
CR	0.702755	1.000000			
LR	0.411935	0.044755	1.000000		
AR	0.318916	0.019085	0.019365	1.000000	
DR	0.207970	0.165583	0.069390	0.068767	1.000000

Source: E-Views Version 9.0 (2025)

Table 4.2b shows that the dimensions of corporate restructuring have positive correlation with financial performance with respective correlation coefficients of 0.702755, 0.411935, 0.318916 and 0.207970 though their degree of correlation differ. This indicates that, the possibility of multicollinearity problem among the regress and is high. This was revalidated by the Variance inflation factor estimate stated in table 4.4a and 4.4Bb:

4.1.3. Diagnostic Tests

To ensure that the regression results are fit for policy formulation, the model was subjected to multi-collinearity test, normality test; Ramsey reset test, Heteroskedasticity test, and model estimation diagnostic tests. They are discussed below:

4.4 Multicollinearity Test

The term 'Multicollinearity' occurs when there is a strong correlation between the independent variables in a model. This study tested for the presence of multicollinearity using both the VIF (Variance Inflation Factor) and the Tolerance Value. Accordingly, both the Variance inflation factor ($\boldsymbol{Var}\ (\boldsymbol{\beta}\hat{})$) and the Tolerance value test quantifies the severity of multicollinearity in an ordinary least squares regression analysis. It provides an index that measures how much the variance (the square of the estimate's standard deviation) of an estimated regression coefficient is increased because of collinearity.

The decision here is that, if the VIF is greater than 10 or less than 1, then multicollinearity is said to exist in the model. Likewise, according to Gujarati (2006) if the Pairwise correlation among the independent variables is greater than 80%, then multicollinearity is said to have occurred.

Table 3a: Multicollinearity Test-Model One (Dependent Variables)

Variable	Nature of Variables	VIF	TOV	Conclusions
CR	Independent	1.036654	0.964642	No Multicollinearity Problem
LR	Independent	1.012182	0.987965	No Multicollinearity Problem
AR	Independent	1.024109	0.976459	No Multicollinearity Problem
DR	Independent	1.042183	0.980065	No Multicollinearity Problem
Average	Aggregate	1.024315	0.976355	No Multicollinearity Problem

Note: VIF-Variance Inflation Factors; TOV –Tolerance Value
Source: E-Views Version 9.0 (2025)

From Table 4.3a, the results show that, the VIF (Variance Inflation Factor) suggests that, none of the study variables reported VIF values up to 10 even when the model was tested without moderating variable. On the overall, the average VIF value is 1.03295. More so, the average TOV is 0.968268>0.10. . Therefore, it can be concluded that, model one is free from multicollinearity problem.

Table 3b: Multicollinearity Test-Model Two (With Dependent Variable)

Variable	Nature of Variables	VIF	TOV	Conclusions
CR	Independent	1.90591	0.524684	No Multicollinearity Problem
LR	Independent	1.67835	0.595823	No Multicollinearity Problem
AR	Independent	1.90374	0.525283	No Multicollinearity Problem
DR	Moderating	1.82769	0.547139	No Multicollinearity Problem
FP	Moderating	3.74574	0.26697	No Multicollinearity Problem
Average	Aggregate	2.212285	0.49198	No Multicollinearity Problem

Note: VIF-Variance Inflation Factors; TOV –Tolerance Value
Source: E-Views Version 9.0 (2025)

From Table 4.3b, the results show that the VIF (Variance Inflation Factor) suggests that, none of the study variables reported VIF values up to 10. On the overall, the average VIF value is 1.03295. More so, the average TOV is 0.49198>0.10. . Therefore, it can be concluded that, model one is free from multicollinearity problem.

4.1.3.2 Heteroskedasticity Test

The Heteroskedasticitytest is used to test if the residual of model spreads equally or unevenly. The null hypothesis benchmarked at above 5% Level of significance is preferred over the alternative hypothesis. The Heteroskedasticitytest estimate is presented in table 4.4a and 4.4b:

Table 4.4a: Heteroskedasticity Test: Breusch-Pagan-Godfrey- (No Moderating Variables)

F-statistic	4.909882	Prob. F (3, 146)	0.1097
Obs*R-squared	9.075765	Prob. Chi-Square (3)	0.1694
Scaled explained SS	0.441670	Prob. Chi-Square (3)	0.9985

Source: Authors Computation Using E-views 9 (2025)

From the table 4.5a, the Prob. Chi-Square stood at 0.1097. This gives us prove that the residual of the model is Homoskedastic since its Prob. Chi-Square estimated at 0.1097 is greater than 5% Level of significance. On this note, the study boldly states the model is reliable and fit for prediction.

Table 4.4b: Heteroskedasticity Test: Breusch-Pagan-With Moderating Variables

F-statistic	2.095425	Prob. F (5, 144)	0.3607
Obs*R-squared	8.800094	Prob. Chi-Square (5)	0.2673
Scaled explained SS	9.405298	Prob. Chi-Square (5)	0.2249

Source: Authors Computation Using E-views 9 (2025)

From the table 4.5b, the Prob. Chi-Square stood at 0.3607. This gives us prove that the residual of the model is Homoskedastic since its Prob. Chi-Square estimated at 0.3607 is greater than 5% Level of significance. On this note, the study boldly states the model is reliable and fit for prediction.

4.1.3.3 Ramsey Reset Test

The Ramsey Reset test (RRT) was used to test if the model is faced with variable mis-specification issue or not. The decision rule here is that if the RRT's p-value is above 5%, it implies no variable was omitted in the model but if its p-value is less than 5%, it therefore implies that the model is not well-specified. Hence, the regression result is therefore presented in table 4.5a and 4.5b:

Table4.5a: Ramsey RESET Test (Without Moderating Variables)

	Value	Df	Probability
t-statistic	1.333613	145	0.1845
F-statistic	1.778525	(1, 145)	0.1845

Likelihood ratio	1.854079	1	0.1733

Source: Authors Computation Using E-views 9 (2025)

Table 4.5a reported a P-value of 0.1845. This suggests that no variable was omitted since it is not significant at 5%. On this note, the study boldly states the model is reliable and fit for prediction.

Table4.5b: Ramsey RESET Test (With Moderating Variables)

	Value	Df	Probability
t-statistic	0.794211	143	0.4284
F-statistic	0.630771	(1, 143)	0.4284
Likelihood ratio	0.660193	1	0.4165

Source: Authors Computation Using E-views 9 (2025)

Table 4.5b reported a P-value of 0.4284. This suggests that no variable was omitted since it is not significant at 5%. On this note, the study boldly states the model is reliable and fit for prediction.

4.1.3.4. Model Estimation-Diagnostic Test

The Hausman test served as the model estimation diagnostic tests. The Hausman test was conducted to determine whether Fixed or Random effect model is suitable for the study. While the fixed effect model is applied to dominate for omitted variables that are constant over time but vary between observations, the Random effect model is used when some omitted variables are constant between observations but vary over time. The decision rule here is that:
$H0_1$: Random effect model is appropriate.
HA_2: Fixed effect model is appropriate.
Premised on the above, the summary of both tests is presented in table 4.6a and 4.6b:
Table 4.6a: Model Estimation-Diagnostic Test (No Dependent Variable)

Correlated Random Effects - Hausman Test
Equation: Untitled
Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	0.805529	3	0.9767

Source: Authors Computation Using E-views 9 (2025)

From Table 4.6a, the Hausman specification test reported a p-value of 0.9767. This suggests that the Random effect model is appropriate for the study as evidenced by both diagnostics tests in the case of model one.

Table 4.6b: Correlated Random Effects - Hausman Test (With Dependent Variable)

Equation: Untitled
Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	2.820250	5	0.9011

Source: Author's Computation Using E-views 9 (2025)

From Table 4.6b, the Hausman specification test reported a p-value of 2.820250. This suggests that the Random effect model is appropriate for the study as evidenced by both diagnostics tests in the case of model one.

4.5 Regression Results

Having ascertained that the model is free from both multicollinearity problem and normality issues, and is Homoskedastic, well – specified, as well as supports the Random effect model, the REM estimate is presented in table 6.1a and 6.1b:

Table 6.1a: Random Effect Model-Model One (Without Moderating Variables)

Dependent Variable: ROI
Method: Panel EGLS (Period random effects)
Date: 04/24/25 Time: 18:35
Sample: 2009-2023
Periods included: 15
Cross-sections included: 10
Total panel (balanced) observations: 150
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.609098	0.206975	7.774375	0.0000
ECDS	-0.063283	0.368994	-0.171500	0.8641
EVDS	-0.424456	0.160293	-2.648002	0.0093
SDSF	0.294496	0.083689	3.518919	0.0006

Effects Specification		
	S.D.	Rho
Period random	0.000000	0.0000
Idiosyncratic random	0.461351	1.0000

Weighted Statistics			
R-squared	0.552960	Mean dependent var	0.646154
Adjusted R-squared	0.518805	S.D. dependent var	0.480012
S.E. of regression	0.450597	Sum squared resid	25.17664
F-statistic	4.478417	Durbin-Watson stat	2.046026
Prob(F-statistic)	0.000872		

Unweighted Statistics			
R-squared	0.552960	Mean dependent var	0.646154
Sum squared resid	25.17664	Durbin-Watson stat	2.046026

Source: Authors Computation Using E-views 9 (2025)

The multiple regression able present a regression without moderating variables. The result evidenced that, a coefficient of determination (R^2) of 55.30%. Hence the model is a good fit for the data as 55.30% of the variation in return on asset of the selected commercial banks is explained by economic dimension of corporate restructuring. The F-value test statistic was below 0.5 showing that the model has statistically significant predictive capability with its four predictive variables. Finally, the Durbin-Watson (DW) test was employed as a statistical test to detect autocorrelation. Results show an output of 2.046026 which is within the recommended autocorrelation range of 1.5-2.5, hence observations were independent. Consequently, the four research hypotheses postulated in null forms are tested in the next section.

Table 6.1b: Random Effect Model-Model Two **(Without Dependent Variable)**

Dependent Variable: ROI
Method: Panel EGLS (Period random effects)
Date: 04/24/25 Time: 18:43
Sample: 2009 2024
Periods included: 15
Cross-sections included: 10

Total panel (balanced) observations: 150
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CR	1.316118	0.128666	10.228940	0.0000
LR	0.415272	0.201446	2.061453	0.0421
AR	0.404598	0.111003	3.644915	0.0004
DR	-0.182919	0.060235	-3.036772	0.0031

Effects Specification	S.D.	Rho
Period random	0.000000	0.0000
Idiosyncratic random	0.087288	1.0000

Weighted Statistics			
R-squared	0.582349	Mean dependent var	0.059008
Adjusted R-squared	0.520137	S.D. dependent var	0.089892
S.E. of regression	0.084319	Sum squared resid	0.654099
F-statistic	2.931071	Durbin-Watson stat	2.019030
Prob(F-statistic)	0.008149		

Unweighted Statistics			
R-squared	0.582349	Mean dependent var	0.059008
Sum squared resid	0.654099	Durbin-Watson stat	2.019030

Source: Authors Computation Using E-views 9 (2025)

From table 6.1b, the co-efficient of determinant (R-Square) of 0.582349 indicates that about 58.23% of the variation in dependent variable; financial performance (FP) is jointly explained by economic dimension of corporate restructuring (capital restructuring, leadership restructuring, asset restructuring and debt restructuring). Meanwhile, the remaining 41.77% variance in financial performance(FP) is explained by other factors not captured in this study. Similarly, the F-statistic of 2.931071 with a p-value of 0.008149 suggests that the model is significant at a 5% Level while the Durbin-Watson statistic of 2.019030 indicates the absence of autocorrelation in the model. Consequently, the last three research hypotheses postulated in null forms are tested in the next section.

4.3. Test of Hypotheses

This section focused on testing the four research hypotheses formulated in chapter one of this study. For ease of understanding, two models were presented; while model one gives a clear cut description of no moderating variable, model two present a regression result with moderating variables. The decision rule here is that: accept the null hypothesis if the probability value (p-value) of any of the integrating reporting parameter is greater than 0.05 significantly. However, if it is less than 5% significant Level, the alternative hypothesis should be accepted instead. Based on this, each of the individual variables is tested below:

Null Hypothesis One: capital restructuring does not have significant effect on financial performance of selected commercial banks in Delta State

From table 4.a, capital restructuring reported a p-value of 0.8641 which is greater than 0.05 significant Level. This led to the acceptance of the alternative hypothesis one. As such, hypothesis one which states that: capital restructuring does have significant effect on financial performance of selected commercial banks in Delta State

Null Hypothesis Two: leadership restructuring does not have significant effect on financial performance of selected commercial banks in Delta State

From table 6.1a (Model One), leadership restructuring reported a p-value of0.0093 which is less than 0.05 significant Level. This

led to the rejection of the null hypothesis two while the alternative hypothesis is accepted instead. As such, hypothesis two is restated as: leadership restructuring does have significant effect on financial performance of selected commercial banks in Delta State

Null Hypothesis Three: assets restructuring does not have significant effect on financial performance of selected commercial banks in Delta State. From table 6.1a, asset restructuring reported a p-value of0.0006which is less than 0.05 significant Level. This led to the rejection of the null hypothesis three while the alternative hypothesis is accepted instead. As such, hypothesis three is restated as: assets restructuring does have significant effect on financial performance of selected commercial banks in Delta State.

Null Hypothesis Four: debt restructuring does not have significant effect on financial performance of selected commercial banks in Delta State

The results obtained from the moderated regression as stated in table 4.6b, debt restructuring did significantly moderates between corporate restructuring and financial performance of selected commercial banks in Delta State. However, the four (4) corporate restructuring proxies had a high statistical significant effect on financial performance of selected commercial banks in the periods under review. Since, the moderating variable are below the 5 percent suggests that, all proxies are statistically significant, the study accept the alternative hypothesis that the dimensions of corporate restructuring have significant effects on financial performance of selected commercial banks in Delta State.

4.5. Discussion of Findings

The regression result in Table 4.6a clearly revealed that, capital restructuring had significant effect on financial performance of selected commercial banks in Delta State. The positive result is in tandem with the aprioiri expectation of the study. This connotes that 1% increase in capital restructuring will increase the financial performance of selected commercial banks in Delta State by 0.063283. Meanwhile, in terms of statistical significant, capital restructuring succeed the test of statistical significant with p-value of 0.8641> 0.05 level; of significant. This implies that the more a firm increases their capital structure will increase the financial performance of the firm. This means that for a firm to have a sustainable financial performance, attention should be given to capital restructuring

The regression result in Table 4.6a clearly revealed that, leadership restructuring had a significant effect that connotes that 1% increase in leadership restructuring will decrease the increase the financial performance of selected commercial banks in Delta State by 0.308986. The justifiable reason is that most of the activities of the commercial banks have made the Nigerian banking environment habitable over the years. Hence, the positive result recorded. Meanwhile, in terms of statistically significant, leadership restructuring passed the test of statistical significant with p-value of 0.287>0.05 level of significant. This implies that a change in leadership restructuring will increase the financial performance of selected commercial banks in Delta State to a great extent.

The regression results in Table 4.6a clearly revealed that, asset restructuring has positive and significant effect on financial performance of selected commercial banks in Delta State. The positive result is in tandem with the aprioiri expectation of the study. This connotes that 1% increase in asset restructuring will increase the financial performance of selected commercial banks in Delta State by 0.294496. Meanwhile, in terms of statistical significant, asset restructuring passed the test of statistical significant with p-value of 0.0006< 0.05 level; of significant. This implies that a change in asset restructuring will lead to a change in financial performance of selected commercial banks in Delta State.

The panel regression results in Table 4.6b evidenced that, when moderated for debt restructuring had significant effect on the financial performance of selected commercial banks in Delta State. This suggests an interesting and nuanced finding. However, in terms of statistical significance, the debt restructuring succeeded the test of statistical significance since its estimated p-value of 0.3009> 0.05 level of significant. The positive sign connotes that 1% increase in debt restructuring will increase finance activities and the performance of selected commercial banks by 18.29%. The study further reaffirmed that; study affirmed that debt restructuring activities are highly instrumental to the performance of banks in Delta State provided that, the level of the indebtedness of banks is reduced.

Conclusion and Recommendations

5.1 Conclusion

Based on the findings of the study, the study concludes that capital restructuring has significant effect on the financial performance of commercial banks in Nigeria. This effect comes in the form of higher return on assets when the debt equity ratio is reduced or when there is an increase in the value of equity. Various banks need still to redefine their lending policies and regulations on insider loan default treatment to ensure the stable financial performance of tier three commercial banks.

The study concluded that leadership restructuring have significant effect on financial performance of commercial banks. The hierarchical organizations like banks in Nigeria, directive leadership oriented towards command and control seems most effective at present. However, more participative styles could potentially also deliver results. Leadership restructuring should adapt based on the situation of the organizational culture and employee expectations.

The study concluded that asset restructuring improves financial performance of commercial banks. The study observed that that bad debts sell-off improves commercial bank efficiency and that banks remain afloat when bad debts are sold-off. More current assets are held by commercial banks to avert business failure.

The study concluded that debt restructuring significantly have effect on financial performance of commercial banks. In this study, restructure debt can reduce the sustainable growth rate in the long term. This can be caused by a decrease in profit growth which causes a decrease in the financial performance of banks. The use of financial policies that differ from their desired growth direction can affect the capital structure, which results in a decrease in financial resources. This causes the expected growth rate to decrease every year. Thus, restructure debt, if they do not utilize their capital properly, will have an impact on reducing the growth rate of their financial performance.

5.2 Recommendations

Based on the findings the following were recommended:

i. the study recommends commercial banks should to pay attention to restructuring programs that have been mentioned in this study which can allow for restructuring activities that can be well accommodated. It is important to implement restructuring that will reduce wastage of resource as the organization strives to attain its strategic goals enable by effectively utilizing its human and asset resources.
ii. there should be high emphasis on capital adequacy in view of increasing profitability. Banks should try to keep this metric to the barest acceptable and safe minimum. When seeking to finance projects, there is need for more equity financing. This strategy is one that will significantly reflect on profitability.
iii. commercial banks should employ more democratic and delegate leadership structure that may increase their overall financial performance. In more detail, they should embrace leadership structure that may promote discussion; build a consensus and encourage organizational members' ideas and creativity.
iv. the study also recommends that commercial banks should reduce their increase collection period in order to improve their financial performance. The need to improve their operations through improved processes, institutional capacity building and institutional innovation, as well as coming up with new services to increase their market share and therefore capture a wider customer base.

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