Financial Restructuring and Commercial Banks Performance Nexus in Zimbabwe

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Abstract

Corporate restructuring has gained considerable salience in strategic management in recent years. Effective corporate restructuring has permitted strategic managers of ailing organizations to regain their competitive advantage. Specifically, financial restructuring is one of the key pillars of corporate restructuring. Prior research on the nexus between financial restructuring and performance of commercial banking institutions in developed and developing nations has yielded inconclusive empirical evidence. Therefore, the focus of this study is to examine the nexus between financial restructuring and performance of commercial banks in Zimbabwe. This study employs the random effects model (REM) by making use of 2011-2016 panel data from 10 commercial banks. Empirical evidence establishes that financial restructuring has a positive influence on performance of commercial banks. The study, therefore, recommends that the management of commercial banks should embrace a conservative approach by increasing equity financing so as to avoid bank failures.