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Corporate Restructuring and the Shareholders Wealth of Selected Firms in Nigeria

Dr. Ebi R. Odi and Dr. Greatness U. Oji
Department of Finance and Banking
University of Port Harcourt, Rivers State, Nigeria
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Abstract
This study examines the effect of corporate restructuring on the shareholders wealth of selected firms in Nigeria. The objective is to know the existing and the direction to which components of corporate restructuring affect shareholders wealth. The needed data was sourced from stock exchange fact book and financial statement of the firms from 2000-2014. Profit after Tax (PAT) was modeled as the function of asset restructuring, ownership restructuring and business restructuring. Descriptive and multiple regressions with the aid of statistical package for social services (SPSS) were used as data analysis techniques. It was discovered in the study the independent variables have positive and significant effect on the profitability of the firms. It also found that the correlation coefficient is strong by 67.4%, R^2 and adjusted R^2 of 87.4%, 69.0% and the F-ratio 27.772. We conclude that corporate restructuring have significant effect on the shareholders wealth of the firms. It recommend that there should be well articulated policies to manage the corporate restructuring, the internal operating environment of the firms should be well structured, the objective of the management should be harmonized and integrated with the shareholders wealth maximization and the board should ensure corporate governance.

Keywords: *Corporate Restructuring, Shareholders Wealth, Nigeria*

INTRODUCTION

Corporate restructuring is a business strategy that consciously engages and aims to affect policies, programs, products, processes, and people to serve redefined policies and programs (Sinha, 2015; Okoye et al., 2024). It is a deliberate, important and unusual alteration in the organization and operation of business entities suffering from financial and operational crises, and it is typically associated with changes in ownership and financial structure of the firm (Coates, 2014). This suggests that the imperative to restructure often derives from challenges arising from dynamics of market variables and/or internal problems of management. Depending on a firm's primary motivation, corporate restructuring may take the form of changing the composition of assets by divesting from non-performing assets and increasing the stock of blue chips or divesting from those business units that are not part of its core business area, to allow the firm to concentrate on its core business for optimal performance. It can result in changes to the financing mix or financial structure, dividend and capitalization or retention policies. It can also take the form of

technological or organizational changes. However, regardless of the form, organizations are restructured to maximize profitability and value for stakeholders.

The traditional finance paradigm, theory and teaching put the shareholders wealth maximization as the primary goal of corporate management. The shareholders wealth maximization as function of management is a critical function that requires tactical and strategic measures to achieve. Hence, achieving this objective is a linear function of the operating environment of the firms which comprises the internal such as management policies, assets compositions, dividend policy and external factors such as the state of the economy. Corporate re-structuring is one of the internal determinants of shareholders wealth maximization. The general framework for corporate restructuring comprises reorganization of assets such as acquisition and sell-offs, creating new ownership such as spin-offs, split-ups and equity carves-outs and the reorganizing of financial claims (Ismail et al, 2011).

Corporate restructuring is a critical strategy implemented to remain relevant in the business world. Dramatic event like merger, acquisition, takeover and assets combination are developments that have become central focus of organizations. For many firms, the objective of corporate restructuring is to grow profit thereby adding value to shareholders. The growing rate of corporate restructuring has been influenced by uncertainties in the business environment, technological changes, globalization, market deregulation, economic liberalization, competition, management deficiencies (Ismail et al, 2010; Davies, & Lucky 2018). . As a mechanism that can affect for shareholders wealth maximization, it facilitates growth of the firm, cost efficiency, cost advantage and consolidation of the existing statuo quo. For instance between 1994 and 2004 about 36 banks Nigeria collapsed most of them due to capital inadequacy, small size and unethical practices (Dagogo & Okorie, 2014). However, the corporate restructuring in the banking sector has consolidated the sector and deepened its performance (Adeleye, 2011)

The issue of corporate restructuring gained increasing attentions in Nigeria after the banking sector consolidation. Poor management will lead to poor corporate performance that can affect negative shareholders value. It is critical issue for every corporate organization to maximize shareholders wealth. Many shareholders are regretting their investment as a result of poor performance of the firms. If corporate restructuring is well managed, it will enhance shareholders wealth. However, if fail to do so, it will threaten survival of the organization. For instance section 287 of CAMA permits only company that makes profit to pay dividend to shareholders.

Poor corporate structure affects the firms' ability to make profitable investment decision, increase cost and profitability which are prerequisite for shareholders wealth maximization. The adverse effect of corporate restructuring can be attributed to management inefficiency, conflict of interest between management and shareholders, external shocks. Again, poor management of corporate restructuring can also lead to poor shareholders wealth maximization, for instance less than five years after the consolidation, CBN Examination Team in 2009 found that Nigerian banks were still found performing poorly, this lead to the nationalization of some commercial banks and the establishment of Assets Management Corporation of Nigerian (AMCON) (Akani and Lucky,

2015). Therefore, the relationship between corporate restructuring and shareholders wealth maximization should be given due consideration because of its twin effect on performance. Though, there are a number of studies that are conducted at a global level to examine the effect of corporate restructuring on performance and shareholders wealth maximization, most of the studies were made with reference to developed countries whose management are bind with corporate ethnics of the business and legally committed compared with emerging environment like Nigeria where management consider first there interest before that of shareholders. Results of the studies have been inclusive as some found positive evidence (Suleman, 2012), (Maran, 2014) while others found negative (Pas evidence cal & Erwan, 2014). This means, the existing studies do not explain issue for emerging market like Nigeria. Again, existing studies in Nigeria have focused on the corporate re-structuring of the banking sector in post consolidation through merger and acquisition creating a knowledge gap on the manufacturing sector thus, the basic motive of this study is that different studies were done (Patrick, 2015) in both the developed and the emerging inconsistent. This inconsistency of result might be due to methods of analyses, variables used and time frame. In light of the above facts and research gaps, this study focused the existing relationship between corporate restructuring and shareholders wealth maximization of Nigerian manufacturing firms.

Motives for Corporate Restructuring

Corporate restructuring involve the process of reorganizing and combining of firms. The theories with respect to corporate restructuring can majorly be categorized into two groups of neoclassical theories and behavioral theories. Neoclassical theory is based on the assumption that managers are rational and make rational choices to maximize the wealth for the shareholders whereas behavioral theory focuses on the assumption that managers are not rational and they do not represent the interests of the shareholders. These theories can be further categorized into external and internal motives. Internal factors, for instance, agency costs or synergy can be directly influenced by the management whereas the external motives such as globalization or technology cannot be influenced by the management. Cost cutting, revenue enhancement and risk reduction are the possible factors that explain successful acquisitions with cost cutting being the most important factor for the banks worldwide.

Mukherjreem et al. (2004) stated that primary motivation for corporate restructuring is to achieve operating synergies. Their results depicted that most of the firms believe that diversification is a justified motive for corporate restructuring as a means of reduction in losses when there are economic downturns.

Theoretical Framework

Neoclassical Theories

One of the factors that fall under the neoclassical theories is the synergy factors which assume that managers will only be involved in corporate restructuring if the returns are positive for the target as well as the acquiring shareholders therefore creating a synergy with positively correlated gains for both groups of the shareholders. Synergy factor exists if the two combined firms have a greater return than the two individual firms owing to reasons such as improvements in efficiency and increase in market power for the merged or acquired firms.

One of the most frequently stated synergies with respect to corporate restructuring motives is the operating synergies in terms of economies of scope and economies of scale, for instance, ability to offer a wide range of products. Other kinds of synergies are financial synergies between firms that have an excess capital but with less expansion possibilities and the other one with the larger growth opportunities but with less capital and together they can attain higher profits. Agency cost is also one of the internal factors that are under the neoclassical theories. This is the cost that is incurred by the company when an agent is employed to make decisions for the welfare of the firm.

Behavioral Theories

Behavioural theories can be categorized into agency motives and Hubris motives. In agency motives, managers are assumed to be rational but they do not represent the shareholder's interests and in Hubris motives managers are assumed to be non-rational. The problem arises under the agency motives because managers do not behave in a way that maximizes profits for the shareholders. As described by Jensen and Meckling (1976), the agency problems can arise due to managers that own a small amount of the shares of a firm and other owners do not own a larger enough share of the company to have an incentive to monitor the behaviours of the managers. In hubris motives, manager's non-rational behaviour or over confidence about the expected synergies resulting from corporate restructuring and acquisitions might lead to an overpayment of the target firms. As a result, the acquirers overpay for the target firms and realize negative profits whereas stockholder of the target banks witness value creation.

Risks

Several arguments surround the risk behind the corporate restructuring deals. There are also certain risks involved in the corporate restructuring deals. Sharma (2009) elaborated that operating risk is involved in these types of deal owing to the fact that it is difficult to incorporate technical systems, personnel culture as well as practices with respect to remuneration resulting in the loss of personnel and customers. Risks are more in cross border deals in comparison to domestic deals. This is because cultural differences, foreign exchange risk, accounting regulations and perception of foreign clients in terms of deals add further difficulties.

Efficiency of Corporate restructuring

The Conventional Wisdom

Caves (1987) observed that acquisitions always entail a large amount of gains for the shareholders of the target firm over the market value of the firm. Author stated that corporate restructuring tend to create value, are economically efficient and socially desirable. According to Agarwal (2007), it is difficult to assess the mode of success of a merger and whether it has been a success. Author further stated that estimates illustrated that about 80% of the corporate restructuring do not meet their financial targets, producing lower returns than it was expected and higher than the expected cost and about 50% of the corporate restructuring are failures.

Diversifying Corporate Restructuring

Caves (1987) explained that value of diversifying corporate restructuring lies in the managerial efficiency. Managerial efficiency and full use of resources and assets are the basis for the productivity of the corporate restructuring that are consistent with efficient capital markets and behavior that leads to wealth maximization. Corporate restructuring might also result in financial

efficiencies. For instance, firms may expand their earnings by acquiring other firms with dissimilar streams of earnings. Diversification in terms of earnings may decrease the variation in the profitability, leading to a reduction in the risk of bankruptcy. On the other hand, Caves (1987) stated that management of the acquirer might not succeed in maximizing the expected value, either because other motives dominate their preferences or it might be because an unrecognized bias inhibits their efforts. Event studies have found out that the market valuation of the target company declined for a time period prior to an acquisition. Therefore, negative abnormal returns could also be a result of disturbances such as financial crisis, faced by management that lower the expected profitability of the firm's resources, but in the ways that are remediable through consolidation with another company.

Tax Benefits

Pautler (2003) explained that prior to the mid-1980s; there has been considerable reduction in tax benefits associated with corporate restructuring. However, the empirical evidence with regard to these benefits implied that they were not a major factor of motivation for the merger activity. Pautler (2003) further stated that the acquirer might preserve the net operating loss and other attributes of tax of the target firm, resulting in the tax liability reduction. If the acquiring firm and the target firm belong to the same line of business with applicability of different income tax rates, the acquirer might get the benefit from these differentials. In comparison to an asset acquisition, a merger does not create any issues of value added tax and business tax.

Reasons of Failure in Corporate Restructuring

Acquirers are generally of much larger size than the target firms and proportionally large size of the acquirer resulting from a merger of the target firm does necessarily indicate that it be a source of significant positive value to the acquirers. The main reason for the significant amount of failures lies in the attempt of the firms to merge their different identities into a single one. Agarwal (2007) observed that each merger differs from another, but they can be differentiated by some general rules that highlight the mistake of the companies and indicate the factors of success. When an acquirer plans to merge or acquire another company, the underlying idea is the corporate match and not a strategic objective. According to KPMG 2003, firms that merge mainly because of the corporate aims and not strategic objectives are more likely to face with the problem of conformity mismatch. Also, firms should focus more on cost reduction instead of focusing on development of the firm as a whole. Moreover, there lies a problem of inefficient communication.

Flawed Strategy and Objective Clarity

The strategic plans play a vital role in corporate restructuring. A business strategy is not enough to meet the expected plans and it might not be suitable for the target company. A good strategic analysis before a merger is important but it does not guarantee a success of a merger. The objective of the corporate restructuring should be unambiguous and it should define that whether the acquisition or merger has a motive of value creation or it is increasing the shares in the market. KPMG (2005) survey found out that the respondents did not have a clear idea about the motive of the merger or acquisition and had different perceptions about it.

Corporate Restructuring and Stock Price

According to Athanasoglou and Asimakopoulos (2009), the ultimate target for the management of the firm is to maximize the value of shareholders for companies having shares. Thomson Financial Securities Data listed on the stock exchange by reflecting it in their stock price. Authors further elaborated that any announcement of a merger or an acquisition deal between banks attracts the investors and shareholders of the bank as it gives them a chance to check the validity of the following two hypotheses: "The information hypothesis": According to this hypothesis, the management team of the acquirer bank wants to proceed with the respective deal because they might be aware of the fact that the value of the target bank is underestimated. "The inefficient management hypothesis": This hypothesis states that target bank is obligated to either make moves to improve the bank's operations in order to make it more efficient and therefore, prevent the merger or acquisition, or to allow the acquirer to acquire the bank. Athanasoglou and Asimakopoulos (2009) further stated that, however, a deal does not necessarily always imply that the aim of the management is to maximize shareholder's wealth. If the utility function of the acquirer is increasing proportionately to the scale of the bank, it is possible acquirer bank will proceed with the deal to derive the benefits without taking into consideration the total cost involved which might be higher than the total worth of the target bank. The announcement of a Merger or an Acquisition deal is expected to lead to one of the following changes:

Shares of the Acquirer Firm

Athanasoglou and Asimakopoulos (2009) analyzed that there is a positive reaction in terms of share prices when a deal involves those banks that offer same services and are active in the same market. A negative reaction is observed when it is perceived that a deal serves only the personal interests of the acquirer management instead of the interests of the stockholders.

Shares of the Target Firm

Authors further observed that a positive reaction is witnessed when investors feel that the share prices of the target bank are undervalued. The same can also happen in a case when management of the target bank is inefficient and therefore, the acquisition will result in attempts to improve the organizational structure of the bank as well as its operations which in turn would lead to improved performance.

Determinants of Enterprise Restructuring

In the last ten years a bulk of analyses of economic transformation in Central and Eastern Europe has investigated the responses of enterprises to the changes in their environment. The review of these contributions allows us to draw out five main determinants of restructuring (without pretension of exhaustivity): competition, budget constraints, ownership, manager turnover and «institutions».

Competition

In the first years of transition, the economists were strongly interested in testing the importance of product market competition on the subsequent performance of enterprises. The neoclassical economic view has suggested that the competitive environment will affect mainly the efficacy of organizational change: greater competition increases pressure to maximize efficiency. It was predicted that the generalized introduction of market forces through price and trade liberalization would help to break the path dependence and result in beneficial changes made by rational actors

(Lipton & Sachs, 1990). At the center of this consensus was a confidence in the ability of economic technocrats to design feasible, if painful, solutions. Organizational reforms departing most decisively from practices of the past, such as industrial sectors' demonopolization through splitting of conglomerates and spin-offs of individual production units, and the entry of new private firms would increase pressure to restructure. The opposite assumption was formulated by evolutionary economists, who argued that enterprise behavior is a product of both present incentives and historical continuity.

According to Murrell (1992) the productivity of an organization depends to no small degree on the ability of that organization to continue its operations within some small neighborhood of its past behavior. Evolutionary economists were therefore concerned that the reforms in transition economies were too preoccupied with removing institutional legacies for the sake of freeing the competitive forces of markets along Western models. They considered the process of destruction of large organizations to be harmful, due to inherent externalities arising from the non-market elements of coordination intrinsic in organizations (routines). Core organizational properties, such as goals, forms of authority and marketing strategy only change gradually.

Budget constraints

The second important factor that was expected to foster restructuring of the existing firms, arising from the literature on transition, is the hardening of the budget constraints. The concept of soft budget constraint was first used by Kornai (1980) to depict ex-post bailouts of loss-making enterprises by the paternalistic state. The key routes by which budget constraints are softened in TEs are twofold. The first is via tax nonpayment, a mechanism that enables firms in financial difficulties to obtain what is in fact an additional government financing. The second is via soft credits extended via the banking system. It is generally assumed that the effect of state budget subsidies on soft budget constraints in transition economies is not as strong as under the centrally planned economy. Budget subsidies consist essentially in price subsidies for a small number of goods and services in the public transport, agricultural and electric power generation sectors, a phenomenon well known in many developed market economies (Schaffer, 1997). As for inter-enterprise arrears, their role in softening budget constraints is still a matter of debate. While Kornai (1993) considers that very large stocks of trade credit and overdue trade credit present in transition economies are an example of weak financial discipline, Schaffer (1997) argue that the fears surrounding this apparent payment indiscipline have been exaggerated because competition and the hardening of budget constraints had encouraged enterprises to introduce cash management techniques expected of a market economy.

Ownership

In the early debates on transition policy, the importance of hard budget constraints as a prerequisite of enterprise restructuring has been emphasized by the supporters of a gradual reform (Roland, 1994; Lucky & Akani, 2019).). On the opposite, the advocates of a big bang reform (Lipton & Sachs, 1991) argued that only private ownership would put in place proper incentives for enterprises to restructure. Privatization was then put forth as another mechanism hypothesized to have a positive impact on firm adjustment and performance. It was expected do so via two causal channels. On the one hand, the introducing of a financial stake for new owners should increase the monitoring of enterprise performance: poor performance endangering the financial investment of the new

owners. On the other hand, passing cash flow and control rights from the state to private owners would dissolve the 'umbilical cord' linking the two, thus hardening budget constraints and reducing managerial discretion to pursue nonprofit maximizing goals. The underlying assumption was that any form of privatization would necessarily be much better than state ownership and that market mechanisms would lead gradually to a more efficient distribution of assets among private owners.

The role of Management in Corporate Restructuring

Manager turnover, or more broadly, new human capital incorporation, is considered to be important for improvement in enterprise performance not only in private but also in state-owned firms. In a survey of Russian shops in the period following privatization, Barberis et al. (1996) show that privatization, and the introduction of high-powered incentives for managers, are not enough to cause shops to undertake major restructuring measures (such as engaging in capital renovation, keeping longer hours, changing suppliers). The replacement of management has more effect than incentives. These findings are confirmed by Claessens & Djankov (1999) in a study of privatized Czech firms. In addition, a large EBRD-World Bank survey (EBRD, 1999) shows that the probability of replacement of the top manager increases when the enterprise faces harder budget constraints and higher product-market competition.

The role of Investors in Corporate Restructuring

Although the beginning of the economic transition coincided with the publication of North's (1990) important book, its central message, about the crucial role of institutions in market economies and the difficult process of their building was not largely discussed by policy makers in corporate restructuring. Liberalization, stabilization and privatization were given the priority. Roland (2000) summarizes the dominant slogan in the early nineties in the following terms: when the emphasis was on 'getting the state out of the economy', it should be a surprise to nobody that 'fixing the law' was a very low priority task and that many legal loopholes were left widely unattended. However, the first disappointments over privatization (asset-stripping practices, continuation of soft budget constraints, lack of restructuring in firms privatized to insiders) led economists to give further thought to the problems of the sequencing and the complementarily of reforms.

Empirical Review

Kumaraswamy, Ebrahim and Nasser (2019) examined the impact of corporate restructuring on firm performance of the GCC firms using profitability, liquidity and leverage measures. The largest mergers and acquisition deals in GCC through 13 years from 2004 to 2017 were selected for this study. Ordinary Least Square Regression method with dummy variables was employed to examine the impact of corporate restructuring. The empirical results showed that profitability indicators return on assets and net profit margin revealed a negative impact of mergers and acquisitions (M&A) on the sample firms, but the results are not statistically significant. The regression outcomes evidenced that M&A deals had a positive but insignificant impact on the leverage position of the GCC firms. In case of firm liquidity, a significant negative effect was experienced in the post M&A periods. The outcomes of this study imply that there is no reason that always M&A deals bring synergic effect on the firm's profitability.

Ismail et al. (2010) found that some measures of corporate performance, such as profitability, suggest statistical significant gains in the years following M&A. Studies conducted by Lau et al. (2008) which compared pre-merger performance with the post merger provided some evidence that corporate restructuring improve the post-merger operating performance. Ramaswamy and Waegelein (2003) tested the long-term post-merger financial performance of merged companies in Hong Kong and concluded that there is a positive significant improvement in the post-merger performance.
Okoye al el., (2024) compared bank performance in the pre- and post-reform periods to determine the usefulness or efficacy of the capital reform in boosting bank performance based on panel analysis of data from five banks. The study covered the period 1996–2016. The generalized method of moments was used to evaluate the parameters of the model. The result of the random effects model shows a weak positive effect of total assets and deposit growth on bank performance in the pre-reform period. However, the post-reform assessment reveals that while profitability is significantly low in large-sized banks, it is higher in smaller banks. Given the above evidence, the study asserts that profit performance of banks is substantially linked to restructuring of the sector.

Gugler et al. (2003) examined and analyzed the effects of corporate restructuring and found that profitability is positive in all five years after corporate restructuring and is significant in every year at 10% level. On country level, the results suggest that the U.S., the United Kingdom, Continental Europe, Australia, New Zealand and Canada have the same pattern regarding the increase in profits and decrease in sales. In Japan, the results were somewhat different as three of the five profit comparisons were negative, while sales were greater than projected in two of the five post- merger years. In contrast to the above, some studies have reported losses after merger event which connote negative effect of merger on performance. Such studies include: Pazarskis et al (2006) reported a decreased profitability of firms due to M&A; Yeh and Hoshino (2002) found insignificant negative change in productivity, significant downward trend in profitability, significant negative effect on the sales growth rate, and downsize in the workforce after corporate restructuring and generally concluded that corporate restructuring have a negative impact on firm performance. Altiol-Yilmaz (2011) confirming negative impact of corporate restructuring on performance found that Return on Asset, Return on Equity and Return on Sales values are significantly lower than pre-acquisition value. Studies such as Hogarty (1978), Ravenscraft and Scherer (1987) and Tambi (2005) also report negative impact of M&A on performance. Other empirical studies have found mixed results.

Kumar (2009) concluded that the post-merger profitability, assets turnover and solvency of the acquiring companies, on average, show no improvement when compared with premerger values. King et al. (2004) showed that M&A do not lead to superior financial performance. They argued that M&A has a modest negative effect on long-term financial performance of acquiring firms.
Cabanda and Pajara-Pascual, (2007) reported that pre-and post-merger values obtained mixed results. Some measures of corporate performance such as total assets turnover, which measures firms' efficiency, suggest statistically significant gains in the long-run analysis, following M&A. Other performance variables such as net income return on asset (ROA), return on sales (ROS),

capital expenditure, capital expenditure/sales (CESA) and capital expenditure/total asset (CETA) did not show significant gains after merger in the short run analysis and thus concluded that merger does not lead to all improved corporate performance both in short-run and long- run period.
Pazarskis et al. (2006) examined empirically the impact of corporate restructuring and acquisitions (M & As) on the operating performance of M & A – involved firms in Greece. Using financial, accounting and confidential questionnaire response data, the post-acquisition performance of fifty Greek companies listed on the Athens Stock Exchange that executed at least one merger or acquisition in the period from 1998 to 2002 is evaluated on the basis of certain non-financial characteristics and financial characteristics (a set of seven selected financial sectors). The study showed strong evidence that the profitability of a firm that performed an M & E is decreased due to the merger/acquisition event. Selvam et al. (2009) conducted a study on the impact of corporate restructuring on the corporate performance of acquirer and target companies in India. A sample of companies which underwent merger in the same industry during the period of 2002-2005 listed on the Bombay Stock Exchange. The study focused on comparing the liquidity performance of the thirteen sample acquirer and target companies before and after the period of corporate restructuring by using ratio analysis and t-test. It was found out that the shareholders of the acquirer companies increased their liquidity performance after the merger event.
Mantravadi and Reddy (2008) evaluated the impact of corporate restructuring on the operating performance of acquiring corporate in different industries, by examining some pre-merger and post-merger financial ratios, with the sample of firms chosen as all corporate restructuring involving public limited and traded companies in India between 1991 and 2003. The results suggest that there are minor variations in terms of impact on operating performance following corporate restructuring, in different industries in India. Specifically, corporate restructuring seem to have had a slightly positive impact on profitability of firms in the banking and finance industry; the pharmaceuticals, textiles and electrical equipment eat sectors saw a marginal negative impact on operating performance in terms of profitability and returns on investment. For the chemicals and Agri-products sectors, corporate restructuring had caused significant decline both in terms of profitability margins and returns on investment and assets. Ullah, Farooq, Ullah and Ahmed (2010) examined whether merger delivers value taking the case of Glaxo Smith/cline Merger. They analyzed the pre and post-merger performance of the firm by applying the net present value approach of valuation. The study found that mega pharmaceutical merger hasn't delivered value. The stock prices underperform both in absolute and relative terms against the index.
Mishra and Chandra (2010) assessed the impact of merger and acquisition on the financial performance of Indian pharmaceutical companies over the period from 2000 – 01 to 2007 – 08. By applying panel data estimation techniques, they found that the profitability of a firm depends directly on its size, selling efforts and exports and imports intensities but inversely on their market share and demand for the products. Their empirical findings suggests that M & A does not have any significant impact on profitability of the firms in the long run possibly due to the resultant X-inefficiency and entry of new firms into the market. Jin, Dehuan, and Zhigang (2004) examined the impact restructuring had on the operational aspects of the publicly traded firms in China. They used changes in revenue, profit margin, return on assets and the total asset turnover ratio before and after the restructuring as proxies for firm performance and conducted tests to determine

whether restructuring resulted in significant changes. Their study showed that there were significant improvements in total revenue, profit margin, and return on assets following restructurings but there was no evidence of any significant impact on asset turnover ratio. They also found evidence of significant market anticipation and over reaction to the restructuring announcements.

Ismail et al. (2010) conducted a study to explore improvements in the corporate performance of firms involved in merger and acquisition. Using a sample of Egyptian companies in the period from 1996 to 2005 in the construction and technology sectors, their results show that merger and acquisition in the construction sector has contributed in improving the profitability of firms while in the technology sector, no improvements were discovered. For both sectors, M & A did not improve efficiency, liquidity, solvency and cash flow positions. King et al. (2004) employed a meta-analysis technique to assess the impact of corporate restructuring and acquisition on firms using the findings of published research on post-acquisition performance. Their study revealed that merger and acquisition does not result to superior financial performance. It further showed that M & A has a moderate unfavorable effect on the long term financial performance of the acquiring firms and no evidence to support and explain variations in performance as a result of corporate restructuring and acquisitions using the factors that were supported by the literature.
Yeh and Hoshino (2002) evaluated the effects of corporate restructuring and acquisitions on firms' operating performance on the basis of its effect on efficiency, profitability, and growth. The study proxy total productivity as an indicator of the firm's efficiency, return on assets and return on equity as measures of profitability, and sales and growth in employment to index for firm's growth rate. Using a sample of 86 Japanese corporate corporate restructuring between 1970 and 1994, it was realized that there was insignificant negative change in productivity, significant decline in profitability, significant adverse effect on sales growth rate, and merger caused downsizing in the workforce.

METHODOLOGY

The type of research design was the causal study that relies on control factors. Causal studies are concerned with learning why, that is, how one variable produces changes in another (Cooper & Schindler, 2003). The researcher analyses the performance for the restructured firm within the period of study. This analysis was suitable as it enables the researcher to critically evaluate the data to find the insight that would otherwise not be discovered if another research design was employed. The population of the study consisted of all the corporate firms listed in the Nigerian stock exchange. However, five (5) blue cheap firms are selected from the population using random sampling techniques. The study used secondary sources of data from the audited annual reports of accounts for the respective firms over the period. Financial data which represent shareholders wealth are from Statement of financial position, Statement of comprehensive Income and Statement of Cash Flow of the respective firms for fourteen (14) years. To establish the impact of corporate restructuring on the overall shareholders wealth of firms in Nigeria, The researcher then conducted a multivariate regression analysis to establish the relationship between the dependent and independent variables, the dependent variables being the shareholders wealth as denoted by **y**

against the independent variables being corporate restructuring proxy by asset restructuring, ownership restructuring and business restructuring.

Analytical Model

The following regression model was applied:

$y1 = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$

Where **y**= Shareholders Wealth proxy by profit after tax

X_1= Asset Restructuring proxy by Changes in capital base

X_2= Ownership Restructuring

X_3= Business Restructuring

β_0 = Constant term

β_1, **β_2** and **β_3**= Beta coefficients,

ϵ= Error term

To establish the strength of the model, the researcher has conducted an ANOVA test.

This will help to establish whether the model is significant in explaining the relationship between corporate restructuring on the shareholders wealth in the selected firm. A significance test at 5% and confidence level shall be conducted at 95% to measure the significance of the factors in explaining the changes in the dependent variables.

RESULTS AND DISCUSSION

Table 1: Co Linearity Statistics and Variance Inflation Factor

VARIABLES	TOLERANCE	VIF
X1	**.958**	**1.044**
X2	**.948**	**1.054**
X3	**.923**	**1.083**

Source: SPSS 22.0

The objective of colinearity statistics and variance inflation factor is to examine the extent to which the variable correlated within the time series of the study. The idea is that the tolerance value of 10% level upper limit and 5% lower limit is accepted. From the table above the tolerance level satisfies the expectation of the results as the coefficient is less than 0.5 (5%) of the conventional value and the variance inflation factors confirm the expectation as the respective coefficient of the variables is less than 10. This revealed an insignificant relationship.

Table 2: Co-Linearity Diagnostic and Durbin Watson Test

Variables	Eigen Value	Condition Index	Constant	X1	X2	X3
1	3.902	1.000	.00	.00	.00	.00
2	.56	8.385	.00	.41	.04	.30
3	.032	11.005	.00	.06	.68	.47
4	.010	19.916	1.00	53	.28	.24

Source: SPSS 22.0

Durbin Watson 2.262

The objective of the above test is to examine the co linearity of the variables in the long-run using the Eigen value and the variance proportion of the variables to the conditions index. From the table above, the Eigen values 3.902 at constant is greater than the condition index of 1.000. This revealed at least one co linearity equation in the model. The Eigen values of the variables is less than the conditional index while the constant values are less than 0.65 conventional level of significance except X3 which is business restructuring, this implies the presence of co linearity problems in the long-run. The coefficient of the Durbin Watson shows that 2.262 is higher than 2.00 but less than 3.00, this also implies the presence of negative serial auto correlation.

Table 3: Analysis of Effect of Corporate Restructuring on Profitability Performance of Quoted Firms in Nigeria

Variable	X1	X2	X3
Standardized β	217.217	.356	240.679
Unstandardized β	.624	.001	.403
Partial correlation	-637	.001	464
Zero-order	-546	-020	282
STD ER	83.142	93.477	145.219
Interval band (lower)	402.468	-207.923	-564.248
Upper bound	-31.965	208.635	82.890
T-statistic	-2.613	.004	1.657
Sig-T Value	.26	.997	.128
Constant coefficient 3580.075, + value 2.513, sigt = 031			

Source: SPSS 22.0

From the above table, the standardized beta coefficient and the unstandardized Beta coefficient explained the relationship and the effect of the independent variable on the dependent the negative Beta coefficient variables on the dependent. The negative Beta coefficient of 217.217 as parameter for X1 which is asset restructuring and 240.679 as parameter for business restructuring shows that an increase of say 1% will lead to increase of 24% and 217% reduction in profit after tax of the firms while the positive coefficient of .356 as parameter for ownership restructuring will add positively by 0.3%. The partial correlation indicates 63.7% from asset restructuring, 0.1% from ownership restructuring and 46.4%, from business restructuring. The T-Statistics and the T-Significant shows that all the independent variables are statistically significant.

Model Summary

R	.674
R^2	.874
Adjusted R^2	.690
F - Ratio	27.772
F – Ratio Sig	.000

The estimated regression results gives the multiple R which defined as the multiple correlation coefficient or relationship between the dependent and the independent variable in the model as 67.4%, this implies strong correlation between the dependent and the independent variables. The R^2 and the adjusted R^2 of 87.4% and 69.0% implies that the independent variables can explain

variation in the dependent variables by 87.4% and 69.0%. The F-ratio of 22.772 and the F-Rate significant implies that the model is significant 5% level of significance.

Discussion of Findings

Maximizing shareholders wealth has been a matter of concern to management of corporate firms. Theories suggest that the operational motive of the business is to add value to the shareholders. This can constrain or become the function of effective management and policies such as corporate restructuring. The perceived value of shareholders has led to various reforms in the internal and the external business environment over the last three decades in Nigeria. For instance, the consolidation reform in the banking sector has been considered as the most proactive measures used by the monetary authority to reposition Nigerian banking industry for effective financial intermediation that will enhance shareholders wealth (Adeyemi, 2012). The objective of this study is to examine the relationship between corporate restructuring and the shareholders wealth of selected firms listed in the Nigerian stock exchange. Secondary data were sourced from financial statement of the quoted firms. Findings reveal that the independent variables in the study have positive and significant effect of the dependent variable. The positive coefficient of .624X1, .001X2 and .403X3 indicates that an increase of 1% will lead to 6.24%, 0.1% and 4.03% increase on the dependent variable which is profit after tax of the firms. The findings confirm the expectation of the results and theories underlying corporate restructuring such as merger and acquisition. It confirms the position of the Nigerian banking industry after the restructuring through merger and acquisition in 2005. It could be recalling that prior to the consolidation; no Nigerian banks were among the first one thousand in the world and the first five hundred in Africa. The total assets and liabilities of Nigerian banks were less than one bank in Malaysia. This finding further enhance the ability of firms to restructure its assets, ownership and business, the findings contrary to the findings of Kumar (2009) which concluded that the post-merger profitability, assets turnover and solvency of the acquiring companies, on average, show no improvement when compared with premerger values and King et al. (2004) showed that M&A do not lead to superior financial performance. They argued that M&A has a modest negative effect on long-term financial performance of acquiring firms.

CONCLUSION AND RECOMMENDATIONS

The objective of this study is to examine the extent to which corporate restructuring affect shareholders wealth of selected firms. Three research questions and three hypotheses were formulated to explore the relationship between different retention rates. Findings reveal that the independent variables in the study have relationship with the dependent variable. All the independent variables have positive and significant relationship with profit after tax. The multiple R reveal 67.4%, the R^2 and the adjusted R^2 reveal 87.4% and 69.0% while the F ratio reveal 22.772 with the significant of .000. From the above the study concludes that corporate restructuring has positive and significant relationship with shareholders wealth of the selected firms.

Recommendations

From the findings, the research makes the following recommendations.

(1) There should be proper management of corporate restructuring to enhance the shareholders wealth of the quoted firms.

(2) The corporate restructuring motive should be integrated with the operational motive of maximizing shareholders wealth.

(3) The management of the firms should adopt tactical and strategies measures of managing the operating environment of the firms to enhance the performance of the firms after corporate restructuring.

(4) The management should avoid conflict of shareholders interest to enhance the operational efficiency of the firms.

(5) Then the management of the firms ensures corporate governance of the firm.

(6) The operating and the investment environment of the firms should be reviewed and examined in relationship with increasing shareholders wealth.

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