Influence of Debt Restructuring Strategy Implementation on Performance of Selected Commercial Banks in Kisumu Kenya

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ABSTRACT

Kenya witnessed the failure of several banks, such as Imperial Bank and Dubai Bank. The study examined the influence of debt restructuring strategy implementation on the performance of selected commercial banks in Kisumu, Kenya. The research was based on risk management theory. The research design used in this study was a descriptive survey. Kisumu City was chosen because it is one of the fastest-growing cities in Kenya, as it is endowed with natural resources and robust industries centered around the processing of agricultural products, whose contribution to the national economy is immense, making it an epicenter for business in East Africa. The research used 34 operational banks in Kisumu City as the target population for a five-year period from 2017 to 2021. The respondents consisted of 102 managers from the selected banks who were chosen via the purposive sampling method. To collect primary data, structured questionnaires were used. Both descriptive (frequencies, percentages, means, and standard deviations) and inferential statistics (Pearson correlation and hierarchical regression analysis at a significance level of 0.05) were employed to analyze the quantitative data. Findings indicated that debtors are free to take out new loans in order to minimize their overall interest burden and that loan maturities may be extended in order to cut monthly payments. The study established that debt restructuring strategies had a significant positive effect on performance, with a correlation coefficient of 0.633 and an R^2 of 0.401. Loan researchers concluded that loaning is considered the main bank operation, with over 70% of bank revenue emanating from loaning activities. The study recommended that commercial bank management should control the volume of credit and incorporate the collection strategy into its credit policy.

Keywords: Commercial Banks, Debt Restructuring, Performance, Strategy Implementation

I. INTRODUCTION

According to Hitt et al. (2017), strategic financial management has been highlighted as a significant instrument to fight the competitive pressure in the market and also as a technique for boosting the performance of these organizations. Financial strategic management practices are an essential element in the performance and management of the banking industry (Alnajjar, 2019). Therefore, banks' management must seek strategic ways of enhancing performance to realise sustained growth and stability in financial institutions. Today, all businesses, including banks, are under constant pressure to develop, implement, and rapidly revise their financial management strategies (Kirkpatrick, 2019). To do this, commercial banks must create and implement sound financial strategy approaches to help them manage their business risk and improve their performance (Devi, 2017).

Financial strategic management Practice is one of the several functional areas of management, but it is the centre of the success of any business (Chandra, 2017). In China, a study by Elliott and Yan (2019) revealed that the financial system has been improved to fuel economic growth and expansion in different sectors. Sound financial strategic management adopted by the national government and the set policies implemented by all sectors of the economy have pushed the country to grow and become the second largest economy in the world. In the USA, McKinney (2017) shares that for effective financial strategic management, there is a need to strengthen public financial management and governance through the development of policies and regulations. This can be done by having a stringent budget, financial reporting, and tracking how the finances are put into use.

Although sub-Saharan Africa has witnessed a substantial improvement in informational efficiency, economic growth, and, in some instances, political stability, managing financial risk for corporations on the continent still remains a high priority (Deloitte, 2019). Despite attempts to formalise and improve policies and performance, progress is often slow in this region and is further hindered by legal, regulatory, and other market factors. According to Golda (2019), careless financial strategic management practices are the leading cause of failure for banks in Sub-Saharan Africa. Zada (2021), in Nigeria, on the significant effect of financial strategic management practices on the profitability of SMEs in Nigeria. They analysed the relationship between financial structure management practices, management of working capital, management of financial reporting and analysis, management capital budgeting, and working capital management with profitability. Finally, they found a positive relationship between the existing practices and the profitability of the SMEs.

The banking sector in Kenya is exposed to various risks that originate from both the internal and external environments. Financial risk threatens their financial viability and long-term sustainability. According to Ongore (2017), poor financial strategic management is attributed to the poor performance of commercial banks in Kenya. The banking sector in Kenya is regulated by the Central Bank of Kenya (CBK, 2021).

In developing economies, such as Kenya, strategic financial management is critical to an organisation, as the impact of financing decisions is related to the organisation's capability to cope with its competitive surroundings. An optimal strategic financial management strategy for an organisation can be termed that which minimises a firm's cost of capital while maximising shareholder wealth (Herranz et al., 2007). From the empirical literature, there is a lack of a satisfactory, comprehensive, and positive explanation for firms' strategic financial management and financial performance. Theoretically, it is still not well understood how the strategic financial management of firms' affects their financial performance and whether the specific industry operated by the firms has a bearing on the association between strategic financial management and performance. This study aims to link the gap with the investigation of debt restructuring strategies on the performance of commercial banks. Kisumu City, Kenya.

1.2 Statement of the Problem

Kenya witnessed the failure of several banks, such as Imperial Bank and Dubai Bank. The collapse of the Continental Bank of Kenya and the Trust Bank of Kenya is largely attributed to ineffective financial strategy implementation (Kithinji, 2017). The rapid non-performing loan growth rates recorded in 2016 dissipated in the second half of 2017 through 2018 (CBK, 2019). This calls upon debt restructuring strategies to mitigate the problem. Past studies have elicited mixed findings: the Girmay (2016) study on debt restructuring effects on the performance of Mekelle City indicated a significant effect, while the Abaniset (2017) study in Western Uganda on financial strategic management practices was found to be insignificant on the performance of banks. Furthermore, most studies examined financial management practices such as Mensa (2016) in Ghana, Saah (2016) in Ghana, Odongo (2018) in Nairobi County, Kenya, and Addo (2017) in Kenya. Owing to its concentration on financial management practices, the current study delved into debt restructuring strategies and the influence of debt restructuring strategies on the performance of commercial banks in Kisumu City, Kenya.

1.3 Objective of the Study

To determine the influence of the influence of debt restructuring strategy on Performance of commercial banks in Kisumu City, Kenya

1.4 Research Hypotheses

$H_{01:}$ Debt restructuring has no significant influence on the Performance of commercial banks in Kisumu City, Kenya.

II. LITERATURE REVIEW

2.1 Theoretical Framework

The study was founded on the risk management theory that was postulated by David (2007). Its tenets were based on risks that emerge in commercial sector financial institutions, hence generating room for mitigating measures. Firms face risks in general in the process of executing roles. Debt restructuring leads to risks, both financial and non-financial. Financial risks could include writing off bad debts and coming up with new payment strategies that would lead to the forfeiture of certain interests. Furthermore, there is a generation of losses due to the loss of certain claims. It also leads to expenses in the effort of aligning with new norms or approaches.

In recent circumstances, there is no doubt that all recorded firms face a huge number of risks, just as leverage risk, market risk, liquidity risk, and credit risk do arise in the banking sector in efforts to align with financial strategic goals. In efforts to generate portfolio efficiency, risks must be managed (Markowitz, 1965). This means that changes in asset allocation cannot be the primary driver of portfolio risk and that returns must instead serve as the portfolio's primary motivation (Clancy et al., 2015). Therefore, this theory was ideal for the study as it delved into the debt restructuring strategy through an analysis of debt restructuring-related risks and their impact on the performance of commercial banks.

2.2 Conceptual Framework

The study revolves around the conceptual framework where debt restructuring strategies serve as the independent variable, and they encompass actions such as postponement of loan repayment, interest rate reduction, and debt refinancing. These strategies are believed to have an impact on the dependent variable, which is performance. Performance, in this context, is gauged through various metrics such as profitability, revenue, operating costs, management efficiency, and growth. The study aims to investigate how these specific debt restructuring actions can influence a company's overall performance, which is assessed by the aforementioned criteria.

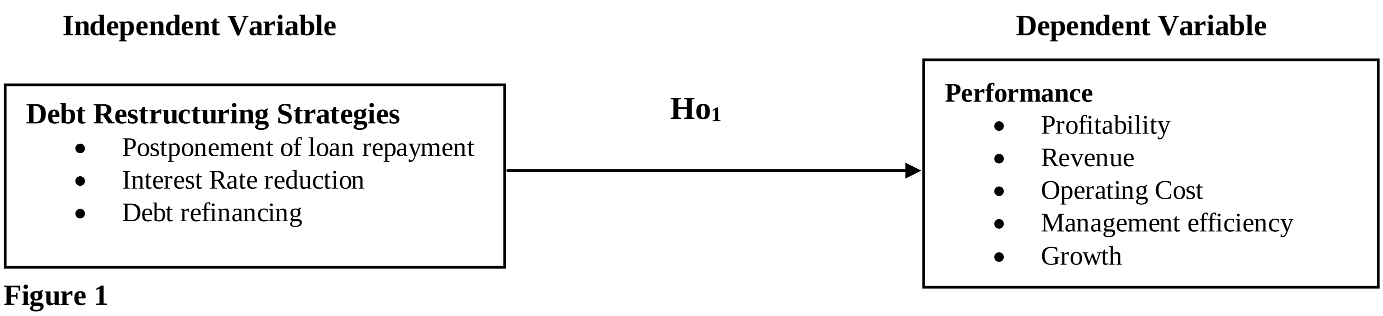

Figure 1

Conceptual Framework

Source: Self Conceptualization (2023)

2.3 Empirical Literature Review

Gupta's (2017) study on credit restructuring and how it works for Indian businesses The author has selected six businesses that have participated in credit restructuring and analysed their financial results for the three years before their participation and for the three years after their participation. The effectiveness of a collection of ten financial parameters as indicators of financial success is assessed. The liquidity, profitability, and solvency situations of the firm are measured using these ratios, and other ratios are used to assess the operational efficiency of the companies. These ratios are taken into account when determining the company's overall efficiency. The t-test was chosen as the methodology for this particular investigation. Findings suggest that credit restructuring does not automatically result in better organisational performance when it is done. Both the mentality of the companies themselves when they undergo credit restructuring and external factors may be to blame for this. Improvements have been seen in the debt-to-equity ratio, current ratio, and interest coverage ratio after the credit restructuring. This lends credence to the idea of corporate debt restructuring, which is done to enhance corporations' capacity to fulfil their financial commitments. Increases in solvency and liquidity ratios indicate that corporations are in a better position to satisfy their debt commitments. According to the author, time is of the utmost importance when evaluating how a company's performance has changed after the implementation of its turnaround plan.

Permana and Adrianto (2020) conducted a study on the debt-to-equity exchange programme's financial sector performance. Information collected between 2012 and 2018 was utilised for the analysis. In this analysis, profitability quotients, activity ratios, and liquidity ratios serve as the primary variables, while time interest earnings serve as the control variables. Multiple regression analysis is used as the analytic technique. Debt restructuring, measured by the debt-to-equity ratio, was shown to significantly affect profitability and activity ratios but to have no influence on debt-to-equity corporate liquidity, contrary to the null hypothesis.

A study by Kaur and Srivastava (2017) examined whether the debt-to-equity system really increases company profits. Between 2003 and 2015, the sample pool included 91 unique businesses that were able to effectively restructure their debts using the approach. The firms' post-restructuring performances were compared to those of the companies before and after the restructuring, as well as to the performances of the companies within the same industry, using the Wilcoxon sign rank test. Both the working margin (as a percentage of total revenue) and the interest coverage ratio have been used as performance indicators. It was shown that the sample firms' overall performance was substantially poorer than that of their industry counterparts even five years after debt restructuring.

The higher asset turnover attests to the validity of Sutarja's (2019) claim that a debt restructuring programme that involves a bt-to-equity e exchange may boost a company's efficacy and efficiency. Similarly, Pondera and Mikael (2019) found that corporate debt restructuring led to more effective use of financial assets and resources. Constrained by efficacy, asset usage improves, leading to higher asset turnover. Further, the current ratio and the quick ratio both show a positive correlation with debt-to-equity swaps, as did other measures of corporate liquidity found by Faruq et al. (2018). Debt restructuring, as Rudiana and Venusita (2017) have shown, also leads to other positive financial outcomes, such as an enhanced liquidity position, efficiency ratio, and corporate profitability. Girmay (2017) found that debt restructuring may be utilised as a tool for evaluating firms; in this case, the company's debt-to-equity exchange led to improved performance and allowed it to continue operations for another term. Based on the description of the research phenomenon and several previous research results, scholars are interested in conducting research that discusses the impact of debt restructuring through debt-to-equity swaps to encourage the growth of the company's financial performance as measured by profits, activity ratios, and the firm's liquidity position.

Karanja (2015) investigated the effect of a reorganisation plan on productivity. The research used a case study approach to look at how reorganising the bank's structure affected the bank's performance. Fifteen individuals at Kenya Commercial Bank (directors, managers, and department heads) were interviewed using the guide. In order to analyse the information gathered, a content analysis was performed. Portfolio restructuring was shown to raise both the return on assets and the return on equity for banks, as well as improve internal efficiency, reduce risk losses, and strengthen decision-making. According to the findings, Kenya Commercial Bank has implemented a number of restructuring measures, including personnel reductions, debt restructuring, and changes to the bank's investment portfolio and financing. Restructuring made it easier to keep track of loans, which contributed to a lower default rate, and the merger of S&L and KCB Bank increased mortgage borrowing and, in turn, bank returns on assets, according to the study's findings.

Coleman and Robb (2012) used the t-test, the Wilcoxon matched pairs signed rank test, and the effect size test to examine how corporate debt restructuring techniques affected the capital structure and profitability of Malaysian businesses. Findings showed that although the strategy significantly increased profitability for the businesses analysed, it had no effect on their capital structures. Rastogi and Mazumdar (2016) examined how news of a company's entry into the debt restructuring process affects the price of its stock, which is a proxy for the value of its shareholders' stake in the business. The study's results suggest that equity investors benefit from the news of a debt restructuring since the disclosure is seen as a precursor to future gains in the stock price. Given that debt restructuring is designed to be beneficial not just to the lender but also to the borrower, it would be fascinating to see the effect that the mechanism has had on banks that take part in it. Mallick (2015) conducted research that investigated the efficiency of the debt-to-equity mechanism from the standpoint of lenders. We show that participation in the programme significantly increases the stability of the banks involved by using a stochastic frontier approach to measure market power and its interacting impact with debt restructuring on bank stability. When applied to the challenge of measuring the effect of market power in combination with debt restructuring on bank stability, stochastic frontier analysis provides the relevant information.

III. METHODOLOGY

A descriptive survey strategy was used for this study. The goal is to gather information for the purpose of making predictions about the connection between variables via document analysis and observational schedules. According to Pandey (2015), survey methodology requires standardised information about variables being studied and normally produces quantitative descriptions of aspects of the population. In addition, Scarpa (2012) notes that quantitative survey methodology also evaluates and assesses how people feel about people's perceptions of policy interventions such as macroprudential regulations. The aim of a survey is to find out what situations, events, attitudes, or opinions are occurring in a population (Stevenson, 2010). Basically, it describes the characteristics of a population, and the one that deals with the whole population is known as a census.

The study targeted 102 managers of Kenyan commercial banks in Kisumu County. There are a total of 34 commercial banks in Kisumu County (Kenya Bankers' Association, 2020). According to Kothari (2004), a sampling frame is a symbolic depiction of the whole population from which a sample is drawn. For the current study, the population consisted of 34 managers in operations, 34 managers in credit, and 34 managers of the branches of the 34 banks in Kisumu, totaling 102 managers. These are listed in Table 1.

Table 1
Staff Establishment in Banks

S. No.	Bank	Managers
1	Branch Managers	34
2	Operational Managers	34
3	Credit managers	34
	TOTAL	**102**

Source: Kenya Banker Association (2021)

According to Cooper and Schinder (2007), a sample is a selection of people from the population that is thought to be representative of the whole population for the purposes of research. Numerous approaches for establishing appropriate sample sizes may be found in the aforementioned sampling method literature. In that instance, a researcher may count people in a small population, utilise the sample sizes of other related studies, or employ algorithms to determine an appropriate sample size. Assuming the sample adequately reflects the population of interest and that sufficient power exists to detect the effects of interest (Dillman, 2000), A census of all 34 commercial banks with 102 managers was used.

The questionnaire was used to gather the main information for the investigation. Written questionnaires are a kind of data collection tool in which respondents are requested to produce written replies to a series of prepared questions. The respondents are literate, so the surveys may be given to them without any help. The survey was concise and well-structured, with the majority of questions based on a Likert scale to guarantee consistency in responses and encourage participation. The questionnaire was broken up into five segments, the first of which gathered information on technical advancements, the second on debt restructuring plans, the third on financial risk management techniques, the fourth on company culture, and the fifth on operational effectiveness. The study employed both descriptive and inferential statistics during data analysis.

IV. FINDINGS & DISCUSSIONS

4.1 Response Rate

The study examined the debt restructuring strategies and performance of commercial banks in Kisumu City, Kenya. The study response was 79 (77.5%), as the study targeted 102 respondents, of whom 79 responded.

4.2 Reliability Testing

Cronbach's alpha values were 0.734 for debt restructuring and 0.919 for performance, hence reliable. High internal consistency across questionnaire questions; the consistency of the questionnaire was well over 0.7. The instrument was thus not revised after being first adopted.

Table 2
Reliability of Research Instruments

Variable	Number of Items	Cronbach Alpha	Reliable
Debt restructuring	7	0.804	Yes
Performance	4	0.919	Yes

4.3 KMO and Bartlett's Test

For debt restructuring, the KMO value was 0.647, and for organisational performance, it was 0.819, which is a high level that is near to 1 and acceptable. Bartlett's sphericity test looks for evidence of a statistically significant correlation between the variables of interest. The fact that the indicators' correlation matrix is not an identity matrix, which would point to a lack of link between them, is strong evidence of the existence of such a relationship. Tabachnick and Fidell (2007) state that only factors with loadings over 0.40 should be included in further analyses, while those with loadings below 0.4 should be disregarded. As a result, the study did not exclude any potential indicators since they were solid.

Table 3
KMO and Bartlett's Test

Variable	(KMO) Measure of Sampling Adequacy	Bartlett's Test of Sphericity		
		Approx. Chi-Square (X^2)	Degrees of freedom	p-value
i. Debt Restructuring	0.647	292.110	21	0.000
ii. Performance	0.819	381.466	12	0.000

4.4. Descriptive statistics for Debt restructuring

A quantitative analysis was performed on the collected data in order to provide descriptive statistics. On the basis of these descriptive data, inferences and generalisations were drawn about the connection between debt restructuring and performance. Seven statements were presented to the respondents, and they were asked to identify their degree of agreement with each on a scale from strongly disagree (1) to strongly agree (5).

Table 4
Descriptive statistics for Debt restructuring

Debt Restructuring Strategy	5	4	3	2	1	Mean	Std Dev
(i) Borrowers are allowed to refinance their existing debt to lower their interest rates	24 (30.4)	32 (40.5)	11 (13.9)	9 (11.4)	3 (3.8)	3.8	1.1
(ii) The borrower's monthly payments may be lowered by extending the loan's maturity date.	30 (38)	21 (26.6)	11 (13.9)	13 (16.5)	4 (5.1)	3.8	1.3
(iii) For a limited time, borrowers may choose to make interest-only payments.	14 (17.7)	25 (31.6)	4 (5.1)	27 (34.2)	9 (11.4)	3.1	1.4
(iv) Borrowers with good repayment records might undergo debt restructuring, which entails either the consolidation of their loans or the extraction of some of their equity.	28 (35.4)	31 (39.2)	7 (8.9)	7 (8.9)	6 (7.6)	3.9	1.2
(v) So long as the bank is aware of the loan's continued repayment plan, it is likely to make reasonable modifications to the loan's conditions in order to better accommodate the customer's capacity to repay.	9 (11.4)	22 (27.8)	16 (20.3)	24 (30.4)	8 (10.1)	3.0	1.2
(vi) Financial strain may be alleviated by debt restructuring by the bank's comprehensive examination of the borrower's risk profile.	19 (24.1)	28 (35.4)	13 (16.5)	16 (20.3)	3 (3.8)	3.6	1.2
(vii) During debt restructuring, bank takes into consideration the availability of personal guarantees, additional collateral, or other protective measures	18 (22.8)	41 (51.9)	9 (11.4)	8 (10.1)	3 (3.8)	3.80	1.0

From table 4, 30.4% (24) of the correspondents stalwartly agreed that borrowers are allowed to refinance their existing debt to lower their interest rates, while 40.5% (32) agreed, 13.9% (11) fairly agreed, and 1.4% (9) disagreed. 3.8% (3) strongly disagreed with the similar declaration. An average of 3.8 and a S.D. of 1.1 implied there was a significant deviation from most respondents who agreed. Similarly, 38% (30) of the respondents strongly agreed that borrowers might lower their monthly payments by restructuring their loans with a longer maturity date, while 26.6% (21) agreed, 13.9% (11) fairly agreed, and 16.5% (13) disagreed. 5.1% (4) strongly disagreed with a similar assertion. An average of 3.8 and a S.D. of 1.3 implied that there was a significant deviation from the majority of respondents who agreed.

Moreover, 17.7% (14) of the respondents stalwartly accepted that Borrowers have the option to switch to interest-only payments for a limited time, while 31.6% (25) agreed, 5.1% (4) fairly agreed, and 34.2% (27) disagreed. 11.4% (9) stalwartly disagreed with the similar assertion. An average of 3.1 and a S.D. of 1.4 implied that there was a significant deviation from most of the respondents who fairly agreed. However, 35.4% (28) of the respondents stalwartly agreed that for debtors who can prove they will repay their loans, debt consolidation or equity extractions may be an option, while 39.2% (31) agreed, 8.9% (7) fairly agreed, and 8.9% (7) disagreed. 7.6% (6) strongly disagreed with the same assertion. An average of 3.9 and a S.D. of 1.2 implied that there was a significant deviation from the majority of respondents who agreed.

Besides, 11.4% (9) of the correspondents stalwartly agreed that as long as the bank is aware of the loan's continued repayment plan, it is likely to make reasonable modifications to the loan's conditions, while 27.8% (22) agreed, 20.3% (16) fairly agreed, and 30.4% (24) disagreed. 10.1% (8) strongly disagreed on the same assertion. An average of 3.0 and a S.D. of 1.2 implied that there was a significant deviation from the majority of respondents who fairly agreed. However, 24.1 (19) of the correspondents stalwartly agreed that for the purpose of relieving financial pressure, debt restructuring involves the bank conducting a comprehensive examination of the borrower's risk profile, while 35.4% (28) agreed, 16.5% (13) fairly agreed, and 20.3% (16) disagreed. 3.8% (3) strongly disagreed with the same assertion. An average of 3.6 and a S.D. of 1.2 implied that there was a significant deviation from most of the respondents who agreed. Lastly, 22.8 (18) of the respondents strongly agreed that personal guarantees, supplementary collateral, and other safeguards are taken into account by the bank throughout the debt restructuring process, while 51.9% (41) agreed, 11.4% (9) fairly agreed, and 10.1% (8) disagreed. 3.8% (3) strongly disagreed with the similar assertion. An average of 3.80 and a S.D. of 1.1 implied that there was a significant deviation from the majority of correspondents who agreed.

4.5 Descriptive statistics for Performance

With regards to the effectiveness of the organisation, respondents were asked to rate their degree of agreement on a scale from 1 (strongly disagree) to 5 (strongly agree). Table 5 displays the outcomes.

Table 5

Descriptive statistics for Performance

Organizational Performance	5	4	3	2	1	Mean	Std Dev
(i) The number of customer complaints have been reducing over the last five years	24 (30.4)	22 (27.8)	16 (20.3)	10 (12.7)	7 (8.9)	3.6	1.3
(ii) Banks has increase its market share through opening of new branches over the last five years	14 (17.7)	20 (25.3)	16 (20.3)	19 (24.1)	10 (12.7)	3.1	1.3
(iii) My bank has increased its number of branches across the country.	17 (21.5)	14 (17.7)	18 (22.8)	24 (30.4)	6 (7.6)	3.2	1.3
(iv) Management efficiency has increased over the last five years	16 (20.3)	31 (39.2)	18 (22.8)	9 (11.4)	5 (6.3)	3.6	1.1

From Table 5, 30.4% (24) of the correspondents strongly agreed that the quantity of customer complaints has been reducing over the last five years, while 27.8% (22) agreed, 20.3% (16) fairly agreed, and 12.7% (10) disagreed. 8.9% (7) strongly disagreed with a similar assertion. An average of 3.6 and a S.D. of 1.3 suggested that there was a significant aberration from the majority of correspondents who agreed. However, 17.7% (14) of the respondents strongly agreed that banks have increased their market share through the opening of new branches over the last five years, while 25.3% (20) agreed, 20.3% (16) fairly agreed, and 24.1% (19) disagreed. 12.7% (10) strongly disagreed with the same declaration. An average of 3.1 and a S.D. of 1.3 suggested that there was a significant deviation from the majority of respondents who fairly agreed.

Moreover, 21.5% (17) of the correspondents stalwartly agreed that their bank has increased its number of branches across the country, while 17.7% (14) agreed, 22.8% (18) fairly agreed, and 30.4% (24) disagreed. 7.6% (6) strongly disagreed with a similar assertion. An average of 3.2 and a S.D. of 1.3 indicate that there was a significant aberration from most of the correspondents who fairly agreed. Lastly, 20.3% (16) of the respondents strongly agreed that management efficiency has increased over the last five years, while 39.2% (31) agreed, 22.8% (18) fairly agreed, and 11.4% (24) disagreed. 6.3% (5) strongly disagreed with a similar assertion. An average of 3.6 and a S.D. of 1.1 suggested that there was a significant aberration among most respondents who agreed.

4.6 Pearson Correlation Analysis

Table 6 displays the results of a Pearson correlation study, which measures the direction (Positive/negative) and strength (Ranges from -1 to +1) of a relationship between two continuous or ratio/scale variables.

Table 6
Pearson Correlation Analysis

		DRS	OP
DRS: Debt restructuring	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	79	
	Sig. (2-tailed)	.000	
	N	79	
OP: Performance	Pearson Correlation	.633**	1
	Sig. (2-tailed)	.000	
	N	79	79

The relationship between debt restructuring and performance is a 0.633** correlation coefficient, suggesting a favourable association between debt restructuring and the performance of commercial banks in Kisumu, Kenya. Jiang et al. (2019) found that the impact of debt restructuring on business investment varies across property rights, industry types, restructuring payment forms and amounts, and debt renegotiation features, and our findings corroborate these findings. Gupta (2017) found, nonetheless, that debt restructuring does not automatically lead to better business results. Both internal and external factors have contributed to this trend among organisations undertaking debt restructuring.

4.7 Influence of Debt restructuring on Performance

Debt restructuring's impact on the profitability of Kenya's commercial banks was analyzed using a regression model. Table 7 displays the outcomes.

Table7
Model Summary for Debt restructuring

Model	R	R^2	Adj R^2	Std. Error of the Estimate	Change Statistics			
					R^2 Change	F Change	Df	Sig. F Change
1	.633[a]	.401	.393	.81034	.401	51.504	1,77	0.000
a. Predictors: (Constant), Debt Restructuring Strategies								

Table 7 shows a somewhat favourable link between debt restructuring and performance, with a correlation (R) value of 0.633 and a significance level of = 0.000. As a consequence, better debt restructuring would boost performance. Restructuring debt accounts for a statistically significant portion (up to 39.3%) of the variance in performance (R^2 = 0.401, P = 0.000). That's evidence that debt restructuring has a major impact on performance.

Table 8
Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.820	1	33.820	51.504	.000[b]
	Residual	50.562	77	.657		
	Total	84.382	78			
a. Dependent Variable: Organizational Performance						
b. Predictors: (Constant), Debt Restructuring						

Table 8 shows that the F test indicates that the model is an excellent fit for explaining the variance in performance, with a value of (1,77) = 51.504, P<0.01. Furthermore, it indicates that debt restructurings are an excellent performance predictor.

Table 9
Regression Coefficient for Debt restructuring

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	.499	.417		1.197	.235
	Debt Restructuring	.821	.114	.633	7.177	.000

a. Dependent Variable: Performance

Table 9 shows that debt restructuring has a value of 0.821 for the unstandardized regression coefficient (β) at a significance level of $p <.001$. According to the results, the value of performance would shift by 0.821 for every unit shift in the debt restructure. Therefore, the following regression equation was developed to quantify the effects of debt restructuring on economic performance in Kenya:

Performance = 0499+0.821 Debt Restructuring

According to the findings of the research, there is a correlation that can be considered statistically significant between debt restructuring and the performance of commercial banks in Kisumu, Kenya. As a result, debt restructuring has had a substantial beneficial impact on the performance of commercial banks in Kenya. The findings are consistent with According to the findings of Permana and Adrianto (2020), debt restructuring, when weighed by the debt-to-equity ratio, has a considerable influence on profitability and activity ratios, but it has no effect on PT XYZ's corporate liquidity. According to the findings of Srivastava and Mushtaq (2011), "there were considerable gains in total revenue, profit margin, and return on assets after loan restructurings." On the other hand, Kaur and Srivastava (2017) tried to assess the CDR system's impact on business profits. The results of this investigation show that the sample businesses' performance remained subpar to that of their sector rivals for at least five years following a debt restructuring.

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusions

Loaning is considered the main bank operation, with over 70% of bank revenue emanating from loaning activities. Non-performing loans are a major concern for commercial banks, and therefore, banks have adopted various strategies to minimise non-performing loans, such as debt restructuring. Commercial banks in Kenya focused on loan terms, which included postponement of loan repayment, interest rate reduction, and debt refinancing. Borrowers have considerable leeway in restructuring their loans, including the option to extend the maturity date to cut monthly responsibilities, switching to interest-only payments for a limited time, and refinancing existing debt to lower interest rates. Consequently, the research found that debt restructuring significantly affected the performance of Kenya's commercial banks. Thus, better debt restructuring should lead to markedly improved performance at Kenya's commercial banks.

5.2 Recommendations

In regard to debt restructuring, the study recommended that commercial bank management should control the volume of credit and the collection strategy incorporated into its credit policy. Loan managers should always monitor all outstanding loans in the portfolio and, where possible, appropriately extend the loan repayment period for clients experiencing difficulties in loan repayment due to changes in the market. Further, during debt restructuring, the management should consider the availability of personal guarantees, additional collateral, or other protective measures during the implementation of the debt restructuring strategy.

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