REVIEWED JOURNAL of INTERNATIONAL Financial Management
[ISSN 2663-127X]
Vol. 3, Iss. 1 (2022), pp 18 - 28, November 5, 2022. www.reviewedjournals.com, ©Reviewed Journals

INFLUENCE OF FINANCIAL RESTRUCTURING ON PERFORMANCE OF NON-FINANCIAL FIRMS LISTED IN NAIROBI SECURITIES EXCHANGE, KENYA

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Accepted: October 26, 2022

ABSTRACT

Non-financial institutions including those listed at the Nairobi securities exchange, Kenya have in the recent past carried out financial restructuring strategies in an attempt to stay afloat in their respective competitive business segments. Corporate failure among companies in Kenya is often associated with the financing decisions of a firm. Numerous strategies for improving the performance of firms have focused on financial restructuring. Some of these restructurings have not turned around the respective firms as per the expectations of stakeholders. The dilemma faced by finance managers is the ability to turn around struggling firms back to profitability. The general objective of this study was to investigate the influence of financial restructuring on the performance of non-financial firms listed in Nairobi Securities Exchange, Kenya. A descriptive research design was adopted for this study. The target population for the study was thirty-nine (39) non-financial firms listed at the Nairobi Securities Exchange, Kenya. Census approach was adopted because the target population is relatively small, consisting of thirty-nine non-financial firms. The sample size consisted of twenty-nine (29) non-financial firms listed at the Nairobi Securities Exchange, Kenya. Secondary data comprised panel data for a ten-year financial period that is from year 2011 to year 2020 as recorded by the Capital Markets Authority; and was collected using a data collection sheet. Data analysis was facilitated by use of STATA software. Correlational research design was used in the analysis. The results of the analyses were presented in tabular and graphical form complemented by relevant explanations and discussions. The study findings indicated that liquidity restructuring; debt restructuring; asset restructuring and interest rate significantly influenced performance of non-financial firms listed in Nairobi Securities Exchange. The findings showed that financial restructuring contributed to 79.2% change in financial performance. This implied that in post restructuring financial restructuring variable notably, current ratio, deb equity ratio and fixed asset ratio had a significant effect on performance of non-financial firms. The study concluded that there is a linear relationship between financial restructuring variables notably, liquidity restructuring measured by current ratio, debt restructuring measured by debt equity ratio and asset restructuring measured by fixed asset ratio and the performance of non-financial firms.

Key Words: *Financial Restructuring, Financial Performance, Liquidity Restructuring*

CITATION: Audi, Z. O., Okirigiti, C. A., & Njuguna, P. M. (2022). Influence of financial restructuring on performance of non-financial firms listed in Nairobi Securities Exchange, Kenya. *Reviewed Journal International of Financial Management*, 3 (1), 18 - 28

INTRODUCTION

Financial restructuring as the reorganizing of a business' assets and liabilities. It involves the re-scheduling of capital, buy-back, corporate debt restructuring, acquisitions, mergers, joint ventures and strategic alliances. It therefore involves changing a firm's capital structure to achieve balanced operational results. Financial restructuring is aimed at bringing balance in debts and equity funds, short term and long-term financing, to achieve reduction in finance charges, to reduce loss of capital, to increase earnings per share, to improve market value of shares, to reduce the control of financiers on the management of company. Financial restructuring process aims at taking sustainable measures that avert the impending indebtedness and that ensure the short-term survival of the business. The medium and long-term goal of financial restructuring should be the re-establishment of a healthy and solid capital structure (Nazir & Alam, 2010). The interest in the area of financial restructuring has increased due to considerable number of corporate failures around the globe in recent years especially since the early 1990s. Notable failures include Global Crossing, Enron, Adelphia, Worldcom, HH Firm, One Tel, Ansert Airlines in 2001 and FIN Corp in 2007. In the United States for example, the near-failure of Bear Stearns and collapse of Lehman Brothers were both characterized by lack of liquidity (thus debt restructuring) that had a greater impact on financially fragile non-financial firms. Therefore, improvement in demand expectations positively affected the performances of U.S. non-financial firms in the early months of recovery. Consequently, it is anticipated that a firm can adjust its value and improve its future prospects and performance by changing the debt-to-equity ratio so as to obtain a targeted capital structure that is optimal (Brealey, Myers & Marcus, 2007).

According to 2017/2018 Global Economic Monitor Report, Africa reports the most positive attitudes towards entrepreneurship and business development. The report states that nearly three-quarters of the African working-age population consider entrepreneurship a good career choice and believe that entrepreneurs are admired in their societies. To transform the African continent, one of the cancers that must be dealt with is the cancer of business failures. If the African continent is going to grow buoyant, then all efforts have to be put in place to reduce the business failures looming on the continent. Even though there is a high rate of business startups in Africa, many of those businesses fail before they reach their fifth anniversary. Malawi, Angola, and Uganda are reported to be among the leading countries with a high rate of business failures in Africa (World Bank, 2019).

Incorporated in 1954, Nairobi Securities Exchange (NSE) is a body corporate established under the Companies act (CAP 486) of the laws of Kenya and comprise of the licensed stock brokers as the shareholders. The NSE being a publicly listed entity has the mandate to facilitate and supervise transactions carried out by investors of listed companies. Formed in 1989, Capital Markets Authority (CMA) has the role of regulating and licensing capital market stakeholders such as stockbrokers, the bourse and the listed entities. As at 31st December 2020, 65 firms were listed in NSE across 13 sectors that included: Agricultural, Automobiles & accessories, Banking, Commercial & services, Construction and allied, Energy & Petroleum, Insurance, Investments, Investment services, Manufacturing & Allied, Telecommunication & Technology, Real estate investment trust and Exchange traded fund (CMA annual report, 2017). Among the listed firms, 17 were within the banking and insurance sectors (financial firms) while 48 were listed within the non-financial sectors. The study is based on non-financial firms since they are not strictly regulated by the Central Bank of Kenya (CBK). This means that non-financial firms are able to adopt any capital structure they wish in financing their operations. This approach prompts non-financial firms to engage in risky borrowing that may lead to financial restructuring (Graham, 2006). The effects of financial restructuring among non-financial firms listed in Kenya is evidenced by the many firms that have been placed under receivership, undertaking financial restructuring or being delisted from the NSE. Such firms include: Lonhro EA Ltd in 2001, Regent Undervalued Assets Ltd in 2001, East African Packaging in 2003, Uchumi Supermarkets in 2006, Kenya Planters Cooperative Union in 2009, among others (CMA statistical bulletins, 2015). From 2001, at least nine (9) firms have undergone financial restructuring, representing 14.5 per cent of firms listed at the NSE. It is

against this background that an investigation on financial restructuring and its effect on the performance of non-financial firms listed at the Nairobi Securities Exchange is to be conducted.

According to Pandey (2010), liquidity can be defined as a measure of the extent to which an entity has cash or assets that can quickly be converted to cash to meet immediate and short-term obligations. Liquidity ratios include current ratio (CR) and quick, or acid test, ratio (QR). Amongst these two, quick ratio is considered as the better indicator. According to Kopp (2019), debt restructuring is a process used by companies to avoid the risk of default on existing debt or to take advantage of lower available interest rates. The debt restructuring process can be carried out by reducing the interest rates on loans, by extending the dates when a company's liabilities are due or both. A debt restructure might include a debt-for-equity swap, when creditors agree to cancel a portion or all of the outstanding debt in exchange for equity in the company. Asset restructuring is defined by Pouraghajan, Malekian, Emamgholipour, Lotfollahpour, and Bagheri (2012), as the manner in which the firm chooses to retain its assets investments. Normally, assets can either be tangible or intangible. Tangible assets are the physical assets such as the property, plant and equipment. Intangible assets on the other hand are non-physical assets and include assets in the class of intellectual property, patents and copyrights. Asset tangibility therefore represents the proportion of fixed assets in the asset investments that is used to measure the asset structure. According to Hoyt (1994), an interest rate is the cost of borrowing money. Firms are therefore not allowed to adjust the rates agreed on at the time of entering into a debt contract. This rule would thus expose the companies to risks associated with changes in interest rates. Schich (2008) however holds the view that business firms may benefit from rising interest rates because they earn margins on the float, that is the period between when orders are placed and when they are actually paid out.

Financial performance measures are intended to assess the efficiency through which organizations turn out resources available to create wealth for the shareholders (Khan, 2004). Therefore, financial performance is the results obtained from revenues and expenses analysis as indicators of financial health status or measure of profitability in an entity. Financial performance measures of a company are used to sustain profitability, grow new and/or existing products, high clientele retention and enhance performance in other areas that create value for shareholders. Some of the common ratios used include: Return on Equity (ROE), Return on Capital Employed (ROCE) and Return on Assets (ROA).

The business environment in Kenya has undergone drastic transformations in the recent past. These changes include continuous economic reforms by the government, liberalization of the economy to foreign direct investments, privatization and public-private partnerships. The changes in turn have led to increased competition therefore organizations are forced to realign their operations and capital structures with the new emerging environment and mitigate the inherent financial risk to stay afloat in business (Nasieku, 2016). Many organizations in Kenya have attempted to undertake financial restructuring without much success namely Pan Paper Mills, Kenya Meat Commission, Uchumi supermarkets, Nakumatt supermarkets, Kenya Airways and Mumias sugar.

Statement of the Problem

Financial restructuring is important especially to an institution experiencing financial distress. Moreover, with today's globalized economy, corporations need to maintain their competitive advantage by constantly monitoring their business environment. One method of keeping abreast with the changing times and increase shareholder value is to attempt to achieve an optimal capital structure through the issuance of new debt or equity, referred to as financial restructuring. In the recent past, the corporate sector has witnessed increased cases of failure among reputed institutions. Locally, numerous corporations have either undertaken financial restructuring with little or no positive outcome or placed under receivership without any signs of revival. Reputed listed institutions such as Uchumi supermarkets, Mumias sugar and Kenya airways have in the recent past attempted various methods of restructuring their operations through issuance of debt or/and equity with a view of improving their performance with varied degrees of success. According to the Capital Markets

Authority's statistical bulletin, nine firms have either undertaken financial restructuring or been delisted, representing 14.5 per cent of listed firms. The foregoing scenario has presented a grave concern both to internal and external stakeholders. Internally within the firms, there have been massive job losses whereas externally, there has been loss of revenue to lenders and the Government at large hence slow growth of the economy. Nevertheless, there is little empirical evidence linking influence of financial restructuring on the performance of non-financial firms listed in Nairobi Securities Exchange, Kenya. Some of these restructurings have not turned around the respective firms as per the expectations of stakeholders. It is on this context, that this study sought to investigate the influence of financial restructuring on the performance of non-financial firms listed in Nairobi Securities Exchange, Kenya.

LITERATURE REVIEW

Liquidity Restructuring and Financial Performance

Kartal Demirgünes (2016) investigated the effect of liquidity on financial performance (in terms of profitability) by using a time-series data of listed retail merchandising firms in Turkey. The findings revealed that the series were co-integrated in the long-run. While long-run parameters estimated indicated a significantly positive relationship between financial performance and liquidity while the causality test did not indicate any direction of causality between the series. This study sought to establish the influence of liquidity restructuring, debt restructuring, asset restructuring, interest rates and financial performance of 39 listed non-financial firms in Kenya using return on assets (ROA) to measure financial performance.

Kong Yusheng, Musah Mohammed & Agyemang Andrew (2019) conducted a study on liquidity and financial performance: a correlational analysis of quoted non-financial firms in Ghana. Findings from the Pearson Product-Moment Correlation Coefficient technique of data analysis, revealed that liquidity had a significant relationship with the firms' financial performance as measured by return on assets (ROA), but insignificant relationship with the firms' financial performance as measured by return on equity (ROE) and return on capital employed (ROCE). This study sought to establish the influence of liquidity restructuring, debt restructuring, asset restructuring, interest rates and financial performance of 39 listed non-financial firms in Kenya using ROA to measure financial performance.

Mugetha (2019) carried out a study on the effect of liquidity on financial performance of 64 listed firms in the Nairobi securities exchange as at 31st December, 2018 and concluded that there was a positive and significant relationship between liquidity and financial performance of financial and non-financial firms. ROE was used to measure performance. This study sought to establish the influence of liquidity restructuring, debt restructuring, asset restructuring, interest rates and financial performance of 39 listed non-financial firms in Kenya using ROA to measure financial performance.

Sanghani (2014) analyzed the effect of liquidity on the financial performance of 41 non-financial companies listed at the Nairobi securities exchange as at 31st December, 2013 and concluded from the regression analysis that there was a strong positive correlation between liquidity and financial performance of non-financial companies listed at the NSE ($r=0.908$, $p=0.014$). ROCE was used to measure performance. This study sought to establish the influence of liquidity restructuring, debt restructuring, asset restructuring, interest rates and financial performance of 39 listed non-financial firms in Kenya using ROA to measure financial performance.

Debt Restructuring and Financial Performance

Gupta (2016) conducted a study on corporate debt restructuring and its impact on financial performance for 6 corporates in India. A set of 10 financial ratios were examined as indicators of financial performance, taken on the basis of assessing the liquidity, profitability, solvency and operational efficiency positions of the company. The study adopted the use of t-test for its methodology. The findings revealed that the performance of the company does not always improve as a result of undergoing debt restructuring. This can be attributed to the individual attitude of companies undergoing debt restructuring as well as external conditions.

Deepika and Shashi (2017) in their study, analyzed the effectiveness of the debt restructuring system in improving the firm performance. The sample consisted of 91 Indian firms that received debt restructuring package under the system from year 2003 to year 2015. The post-restructuring performance of the firms was compared with their pre-restructuring performance and with their industry peers with the help of Wilcoxon sign rank test. The performance was measured with the help of operating margin (EBDITA as a percentage of total income) and interest coverage ratio. The findings of the study revealed that sample firms were not able to improve their performance even up to five years after debt restructuring and they were performing significantly below their industry peers.

Magoro and Abeywardhana (2017) carried out a study to examine how debt capitals of the listed companies operating in the wholesale and retail sector of South Africa affect their financial performance. The study used a panel data sample of 25 South African wholesale and retail sector companies to examine the impact of debt capital on the financial performance of companies over the 2011-2015 period. Fixed-effects (within) regression model was used on the accounting-based-measures of profitability and financial performance. Return on assets (ROA) and return on sales (ROS) were used as proxies for firm performance. The study found that debt capital, in terms of short-term debt and long-term debt, has a negative impact on the financial performance of wholesale and retail sector companies of South Africa.

Makanga (2015) assessed the effect of debt financing on the financial performance of 50 companies listed at the Nairobi Securities Exchange as at 31st December 2014. Three regression models were utilized, with return on asset as the dependent variable and total debt, long term debt and short term debt as the independent variables so as to assess the effects of debt on firm performance. The findings of the research revealed that short-term debt was negatively correlated to return on assets but not significantly. Long-term debt was also negatively correlated to return on assets but less significantly than short term debt. There was a weak negative correlation between return on assets and total debt with a correlation of -0.337.

Asset Restructuring and Financial Performance

Hui, Chen, Hong and Zhou (2019) investigated asset restructuring performance prediction for failure firms in China; and to test the effectiveness of different strategies of assets restructuring by using ten models, including: standalone models of multivariate discriminant analysis (MDA), logistic regression (Logit), probit, case-based reasoning (CBR), support vector machine (SVM), and their bagged ensembles. The study found out that adopting more means of asset restructuring leads to a higher chance for performance improvement and that compared to the other nine models, SVM has the most balanced prediction performance in terms of total accuracy, true positive ratio, and true negative ratio. This meant that predicting a failing event of achieving performance improvement with asset restructuring is more difficult than predicting a successful event, which needs more focus with the state-of-the-art models.

Mawih (2014) conducted a study on the effects of asset structure on the financial performance of some manufacturing companies listed on Muscat Securities Market (MSM) in Sultanate of Oman. The methodology of the study was content analysis of annual reports of a sample of 28 out of 70 (40%) companies for the period 2008-2012. The asset structure was measured by fixed assets turnover and current assets turnover while the financial performance was measured by return on assets (ROA) and return on equity (ROE). The study examined two main hypotheses. The first one examined the effects of total assets turnover on ROA whereas the second one examined the effects of total assets turnover on ROE. The overall result for the study was that the structure of assets did not have a strong impact on profitability in terms of ROE. This result means that if the structure of assets is changing then the ROA will not change

Omondi (2018) examined the effect of asset structure on financial performance of quoted firms in Nairobi Securities Exchange. The firm's financial performance was measured using return on equity and assets while asset structure was measured using fixed asset turnover and current asset turnover. Data was collected from

seventeen listed companies from commercial and service sector and energy and petroleum sector for a period of seven years that is 2011-2017. The research used both inferential and descriptive statistics where inferential statistics consisted of regression and correlation analysis. The results from the analysis indicated that there was a strong association between the asset structure and financial performance of listed firms at NSE (r=0.713). The research findings showed that return on fixed asset and current assets can be applied in making predictions of financial performance of listed firms at NSE.

Mwaniki and Omagwa (2017) analyzed the relationship between asset structure and financial performance of 7 firms quoted under commercial and services sector at the Nairobi Securities Exchange. A census was done on the entire firms listed under this sector. Panel data was used for a five year period, 2010 to 2014. The results of the study indicated that asset structure had a significant statistical effect on the financial performance. In particular, the study found that: Property, Plants and Equipment, and long-term investments and funds had a statistically significant effect on financial performance, while current assets and intangible assets did not have statistical significance on financial performance.

Financial Restructuring, Interest Rates and Financial Performance

Joshi and Desai (2018). Carried out an analysis of financial restructuring and its impact on performance in the restructured energy sector firms in India. The research attempted to analyze whether there had been a significant difference in the operating performance of the firms in the post-restructuring period. Forty three firms who had undergone financial restructuring in the energy sector and related sub-sectors in India were sampled. The study involved a two stage methodology. In the first part, paired sample t - test was used to investigate the significant differences in various financial ratios in the pre and post-restructuring period. In the second part of methodology, the focus was given to check the impact of restructuring on the operating performance of the companies in the post-restructuring period using various techniques like factor analysis, correlation matrix, and multiple regression analysis. The results showed that there was a significant difference in three financial parameters in the pre and post-restructuring period as per the paired t - test. It was also found that there was a significant impact of restructuring on operating performance of firms in all the factors except turnover.

Odalo, Achoki and Njuguna (2016) investigated the influence of interest rate on the financial performance of agricultural firms listed at the Nairobi Securities Exchange. A census approach was adopted and all the seven listed agricultural companies were taken as the population. The respondents' sample was from finance departments at all levels and 220 questionnaires were administered. Secondary data was collected using data collection sheets from the firms as well as from the Nairobi Securities Exchange and CMA records. Panel data methodology was employed using a multivariate regression model to test the hypotheses and link the variables. The findings revealed that interest rate has a positive and significant relationship with ROA, ROE and EPS. In addition, the findings from the interaction of the independent variables and the interest rate revealed that interest rate moderate the effect of financial performance of agricultural firms listed at the Nairobi Securities Exchange.

Njoroge (2013) assessed the relationship between interest rates and financial performance of firms listed at the Nairobi Securities Exchange. The study covered five years from 2008 to 2012 using secondary data obtained from published financial statements of the firms and publications by the Central Bank of Kenya. The causal research design was employed to assess the nature of the relationship between interest rates and financial performance of firms listed at the Nairobi Securities Exchange. Regression analysis was used to assess the nature of the relationship. Results obtained from the study indicated a not significant positive relationship between interest rates and financial performance. On disaggregation and grouping of the firms to their respective industries, it was found that linear regression model can selectively be used to forecast financial performance of firms' at given levels of interest rates for firms where statistically significant relationship was found.

METHODOLOGY

The study employed a descriptive survey research design. The target population for the study was thirty-nine (39) non-financial firms listed at the Nairobi Securities Exchange, Kenya. Census approach was adopted because the target population is relatively small, consisting of thirty-nine non-financial firms. The sample size consisted of twenty-nine (29) non-financial firms listed at the Nairobi Securities Exchange, Kenya. Secondary data comprised panel data for a ten-year financial period that is from year 2011 to year 2020 as recorded by the Capital Markets Authority; and was collected using a data collection sheet. Data analysis was facilitated by use of STATA software. Correlational research design will be used in the analysis. The results of the analyses were presented in tabular and graphical form complemented by relevant explanations and discussions.

RESULTS AND DISCUSSIONS

Effect of Liquidity Restructuring on financial performance of non-financial firms listed in Nairobi Securities Exchange

The study sought to examine the effect of liquidity restructuring on financial performance of non-financial firms listed in Nairobi Securities Exchange. The study findings showed that increase and decrease of current assets and current liabilities led to changes on liquidity ratio which led to variability on financial performance of non-financial firms listed in Nairobi Securities Exchange. The selected firms showed pre-restructuring mean of ROA as measure of financial performance of 6.5888. Liquidity ratio as measured by current ratio averaged at 329.4552 with a standard deviation of 90.41092. The findings showed that post-restructuring mean of financial performance (ROA) was -.07023. Liquidity ratio as measured by current ratio averaged at 63.7584. This shows that non-financial firms decreased the level of assets during restructuring process. This also indicated that after restructuring liquidity decreased across the non-financial firms listed in Nairobi Securities Exchange. This led to a decline in firms financial performance from ROA of 6.588 to .-07023. This was influenced by change of liquidity ratio, which led to declined firms' financial performance.

Effect of Debt Restructuring on financial performance of non-financial firms listed in Nairobi Securities Exchange, Kenya

The study sought to assess the effect of debt restructuring on financial performance of non-financial firms listed in Nairobi Securities Exchange, Kenya. The study findings showed that increase and decrease in total debt and total equity, led to changes in debt equity ratio and this affected financial performance of non-financial firms. The study findings showed that non-financial firms listed in Nairobi Securities Exchange had a pre-restructuring mean ROA as a measure of financial performance of 6.5888. Debt to equity ratio as given by total debt divided by total equity averaged at 62.0161. The findings showed that post-restructuring mean financial performance (ROA) was -.07023. Debt restructuring as measured by debt ratio averaged at 65.9537. This indicated that during restructuring process the non-financial firms increased level of debt and this affected firms' financial performance.

Effect of Asset Structure on financial performance of non-financial firms listed in Nairobi Securities Exchange, Kenya

The study sought to analyze the effect of asset restructuring on financial performance of non-financial firms listed in Nairobi Securities Exchange. The study findings showed that increase and decrease of total fixed assets and total assets, leads to change in fixed asset ratio and this affects performance of non-financial firms listed in Nairobi Securities Exchange. The findings showed that non-financial firms listed in Nairobi Securities Exchange had a restructuring mean ROA as a measure of financial performance of 6.5888. Asset restructuring as measured by fixed asset ratio showed an averaged at 8.9877. The study also revealed that the post-restructuring mean financial performance (ROA) was-.07023. Asset restructuring as measured by fixed asset ratio averaged at 8.9158. This shows that during restructuring, non-financial firms decreased the level of fixed assets and current assets were reduced marginally with financial restructuring.

Moderating Effect of Interest Rates on the relationship between influence of financial restructuring and performance of non-financial firms listed in Nairobi Securities Exchange.

The study sought to establish the moderating effect of interest rate on the relationship between influence of financial restructuring and performance of non-financial firms listed in Nairobi Securities Exchange. The study findings showed that there was a moderating effect of interest rates on financial restructuring and performance of non-financial firms. The study identified that treasury bill rates, central bank policy, inflation, fiscal deficit and government borrowing and foreign exchange rates influenced changes in interest rates which affected financial restructuring and performance of non-financial. The findings showed that before and after restructuring, the interest rates averaged at 15.252. Pre restructuring mean ROA as a measure of financial performance was 6.5888. Asset restructuring measured by fixed asset ratio showed an averaged at 8.9158. The findings showed that post-restructuring mean financial performance (ROA) was -.07023. Asset restructuring as measured by fixed asset ratio averaged at 8.9877. This indicates that, the interest rates had slight moderating effect on influence of financial restructuring on firms financial performance.

CONCLUSIONS AND RECOMMENDATION

The study concluded that financial restructuring influenced the performance of non-financial firms listed in Nairobi Securities Exchange, Kenya. Financial restructuring variables notably, liquidity restructuring measured by current ratio, debt restructuring measured by debt equity ratio and asset restructuring measured by fixed asset ratio influenced the performance of non-financial firms. The study concluded that there is a linear relationship between liquidity restructuring and financial performance of non-financial firms listed in Nairobi Securities Exchange, Kenya. The study findings showed that liquidity restructuring coefficient of 0.365 was found to be positive at significant level of ($P=0.000<0.05$), and this indicates that liquidity restructuring significantly affects employees' performance of non-financial firms. The study therefore rejected the null hypothesis and accepted the alternative hypothesis, H_1: There is a linear relationship between liquidity restructuring and financial performance of non-financial firms listed in Nairobi Securities Exchange, Kenya.

The study then concluded that there is a linear relationship between debt restructuring and financial performance of non-financial firms listed in Nairobi Securities Exchange, Kenya. (X_2) debt restructuring correlation coefficient of 0.120 was found to be positive at significant level of ($P=0.005<0.05$), and this indicates that debt restructuring significantly affects performance of non-financial firms. The study therefore rejected the null hypothesis and accepted the alternative hypothesis, H_1: There is a linear relationship between debt restructuring and financial performance of non-financial firms listed in Nairobi Securities Exchange, Kenya.

The study also drew conclusions that there is a linear relationship between asset restructuring and financial performance of non-financial firms listed in Nairobi Securities Exchange, Kenya. (X_3) asset restructuring coefficient of 0.197 was found to be positive at significant level of ($P=0.000<0.05$), and this indicates that asset restructuring significantly affects employees' performance of non-financial firms. The study therefore rejected the null hypothesis and accepted the alternative hypothesis, H_1: There is a linear relationship between asset restructuring and financial performance of non-financial firms listed in Nairobi Securities Exchange, Kenya.

The study also concluded that there is a linear relationship between the moderating effect of interest rates on the relationship between financial restructuring and performance of non-financial firms listed in Nairobi Securities Exchange, Kenya. (X_4) interest rates coefficient of 0.121 was found to be positive at significant level of ($P=0.001<0.05$), and this indicates that interest rates significantly affect performance of non-financial firms. The study therefore rejected the null hypothesis and accepted the alternative hypothesis, H_1: There is a linear relationship between the moderating effect of interest rates on the relationship between financial restructuring and performance of non-financial firms listed in Nairobi Securities Exchange, Kenya.

From the overall regression model analysis, the findings showed that financial restructuring contributed to 79.2% change in financial performance. This implies that in post restructuring financial restructuring variable notably, current ratio, deb equity ratio and fixed asset ratio had a significant effect on performance of non-financial firms. The study further concluded that liquidity restructuring is the major factors that affects most performance of non-financial firms with a coefficient of 0.365, followed by asset restructuring with a coefficient of 0.197, then interest rates with a coefficient of 0.121 and lastly debt restructuring with a coefficient of 0.120.

The study investigated the influence of financial restructuring on the performance of non-financial firms listed in Nairobi Securities Exchange. The study found out that the firms realized declined profit ROA after restructuring and there was a decline in current ratio, debt ratio and fixed asset ratio. The study recommended that non-financial firms should analyze all factors that affects firms financial performance before undertaking restructuring process.

The study findings showed that liquidity restructuring had a significant effect on the performance of the non-financial firms. The study recommended that non-financial firms should have effective control of their assets and liabilities to reduce their negative influence firms financial performance.

The study findings showed that debt restructuring had a significant effect on the performance of the non-financial firms. The study recommended that non-financial firms should have effective control of their debts to reduce their negative influence firms financial performance.

The study findings also showed that asset restructuring had a significant effect on the performance of the non-financial firms. The study recommended that non-financial firms should have effective control of their total assets both current and fixed assets to reduce their negative influence firm's financial performance.

Suggestion For Further Studies

The study recommends a similar study to be conducted on influence of financial restructuring on the performance of financial firms listed in Nairobi Securities Exchange, Kenya. The study also recommends a similar study to be conducted on influence of financial restructuring on performance of other firms in other sectors and not listed in Nairobi Securities Exchange, Kenya.

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