

ABSTRACT

The purpose of this study was to determine the influence of debt restructuring strategies on the level of non-performing loans in microfinance institutions in Nairobi County. Specifically, the study sought to establish the effect of debt rescheduling, interest rate reduction and haircuts on the level of non-performing loans in MFIs in Nairobi County. Explanatory research design was adopted with the population of study comprising of all 57 MFIs in Nairobi County under umbrella body AMFI. Both primary and secondary data was collected. Primary data was collected with the help of a semi structured questionnaire while secondary data covering a period of five years from 2014-2018 was collected from AMFI published annual supervisory reports and MFIs final financial statements using a data collection sheet. The main respondents were credit managers from all the 57 MFIs. Data was analysed using descriptive statistics (mean and standard deviation), correlation analysis as well as simple and multiple linear regression analysis. The SPSS software was used to analyse the data. Results indicated that debt restructuring strategies were moderately adopted. The results also showed that non-performing loans and debt rescheduling in the MFIs are strongly and negatively correlated ($r=-0.682$), interest rate reduction had a weak negative correlation with non-performing loans ($r=-0.120$) while haircuts had a positive weak correlation with non-performing loans ($r=0.201$). Debt rescheduling and interest rate reductions were found to have a statistical significant influence on NPLs (adjusted $R^2=0.652$; $F=96.550>4.0343$; $\beta=-0.355$; $P\text{-value}=0.0084.0343$; $\beta=-0.294$; $P = 0.0004.0343$; $\beta=0.042$; $P=0.0002.798$; $P=0.000$