FINANCIAL RESTRUCTURING AND PERFORMANCE OF DEPOSIT TAKING SACCOs IN KIAMBU COUNTY, KENYA

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ABSTRACT

Savings and Credit Cooperative Organizations (SACCOs) are critical microfinance institutions that serve as essential pillars of financial inclusion, particularly in developing economies. This study examined the effect of financial restructuring on the financial performance of Deposit-Taking SACCOs (DT-SACCOs) in Kiambu County, Kenya, for the period 2021–2024. The study was anchored on three theoretical frameworks: the Resource-Based View (RBV), the Loanable Funds Theory, and the Financial Intermediation Theory. A causal research design was employed, targeting all 14 licensed DT-SACCOs in Kiambu County. A census approach yielded a sample of 42 management staff comprising branch managers, finance managers, and operations managers. Primary data were collected through structured questionnaires, and a pilot study was conducted in Murang'a County to assess instrument validity and reliability. Secondary data were drawn from audited financial statements and SASRA regulatory reports. Data were analyzed using descriptive statistics and multiple linear regression analysis via SPSS Version 27. Results revealed that deposit restructuring exerted the strongest positive effect on financial performance ($\beta = 0.326$, Beta = 0.337, $p = 0.001$), followed by debt restructuring ($\beta = 0.287$, Beta = 0.301, $p = 0.003$), and equity restructuring ($\beta = 0.268$, Beta = 0.284, $p = 0.004$). The overall regression model was highly significant [$F(3, 36) = 28.346$, $p < 0.001$], with an R^2 of 0.707, indicating that the three restructuring dimensions collectively explained 70.7% of the variance in financial performance. The study concludes that strategic and integrated financial restructuring substantially improves the performance of DT-SACCOs. It recommends that SACCO management adopt comprehensive restructuring frameworks that simultaneously address debt management, deposit mobilization, and equity optimization. Policymakers, particularly SASRA, should develop supportive regulatory guidelines that facilitate member-centered restructuring without compromising institutional stability. Future studies should extend this inquiry to other counties and incorporate governance quality, technology adoption, and competitive strategy as additional determinants of SACCO performance.

Key words: Debt Restructuring, Deposit Restructuring, Equity Restructuring, Financial Performance.

INTRODUCTION

Savings and Credit Cooperative Organizations (SACCOs) occupy a central position in the financial architecture of many developing countries, particularly in sub-Saharan Africa. By providing a mechanism for collective savings and affordable credit, SACCOs address critical gaps left by mainstream commercial banks, especially among low-income and rural populations (Onoja, 2020). Their member-owned, member-governed structure fosters financial discipline and social cohesion, enabling communities to accumulate capital for productive investment. In Kenya, the cooperative movement has evolved into one of the most robust SACCO ecosystems in Africa, with the sector recognized as a key driver of the country's Vision 2030 development agenda (Mutunga & Gatauwa, 2021).

Deposit-taking SACCOs (DT-SACCOs) represent the more regulated tier of Kenya's cooperative sector, authorized under the Sacco Societies Act (2008) to accept member deposits and extend credit through Front Office Service Activity (FOSA) operations. These institutions closely mirror commercial bank operations and are supervised by the Sacco Societies Regulatory Authority (SASRA), which sets minimum capital requirements, governance standards, and risk management frameworks. As of 2019, SASRA had licensed 175 DT-SACCOs nationwide, with total deposits of KSh 442 billion and loan portfolios amounting to KSh 419 billion (SASRA, 2020).

Despite their systemic importance, DT-SACCOs face an array of challenges that threaten their financial sustainability. Rising operational costs, intensified competition from commercial banks and mobile money platforms, increasing loan default rates, and stringent regulatory requirements have collectively pressured their profitability and liquidity. In Kiambu County, one of Kenya's most economically active counties, owing to its proximity to Nairobi and the presence of diverse economic actors including farmers, small and medium enterprises (SMEs), and formal sector workers; fourteen DT-SACCOs operated under SASRA's licensing framework during the study period. Yet, financial performance indicators for these institutions reveal a troubling trajectory, with average ROA declining from 4.0% in 2018 to 2.5% in 2022 and ROI falling from 6.5% to 4.2% over the same period (SASRA, 2022).

Financial restructuring defined as the deliberate modification of a financial institution's debt composition, deposit base, or equity capital structure to enhance solvency, reduce costs, and improve profitability is widely recognized as a fundamental response to institutional distress and operational inefficiency (Ndiema, 2020; Karanja & Mwangi, 2020). For DT-SACCOs, financial restructuring may take three principal forms: debt restructuring (renegotiating loan terms, extending repayment periods, or converting debt to equity), deposit restructuring (revising deposit product offerings, adjusting interest rates, and modifying withdrawal terms), and equity restructuring (issuing new member shares, retaining earnings, or converting liabilities into equity).

Each dimension targets a different aspect of the capital structure, yet all three are expected to collectively improve financial performance when implemented strategically.

Globally, empirical evidence supports the positive relationship between financial restructuring and institutional performance. In the United States, the National Credit Union Administration (NCUA, 2020) reported that credit unions that proactively adjusted their debt and deposit management strategies during the COVID-19 pandemic grew total assets by approximately 10%, reaching nearly $1.6 trillion. In India, the National Cooperative Development Corporation (NCDC, 2021) documented a 15% increase in SACCO savings attributed to targeted deposit restructuring initiatives. In Nigeria, strategic debt restructuring activities resulted in a 15% improvement in loan repayment rates between 2019 and 2020 (CBN, 2020).

Within Kenya, the relationship between financial restructuring and DT-SACCO performance has attracted increasing scholarly attention, yet critical gaps remain. Most existing studies examine restructuring dimensions in isolation, focus on different geographical contexts, or employ methodological approaches that limit generalizability to the DT-SACCO sector in Kiambu County. This study therefore aimed to fill these gaps by empirically examining the combined and individual effects of debt, deposit, and equity restructuring on the financial performance of DT-SACCOs in Kiambu County for the period 2021–2024.

Statement of the Problem

The SASRA Annual Report (2022) presents compelling evidence of financial distress among DT-SACCOs in Kiambu County. The average ROI declined from a high of 6.5% in 2018 to 4.2% in 2022, while the average ROA dropped from 4.0% to 2.5% over the same period both indicators falling significantly below the sector benchmark of 6% for well-performing SACCOs (Mwangi & Wanjiku, 2020). These trends signal deteriorating profitability and asset utilization efficiency, raising concerns about the long-term viability of these institutions.

The situation is further compounded by elevated loan default rates, averaging 14% in Kiambu County against the acceptable industry norm of 10%, and stagnating membership growth, which declined from 8% in 2019 to 3% in 2020 (SASRA, 2020). The contraction in active membership reduces the base for deposit mobilization and loan demand, creating a vicious cycle of reduced income and mounting operational pressure. While some DT-SACCOs have attempted restructuring interventions, the results have been inconsistent, with certain institutions failing to achieve commensurate performance improvements despite undergoing restructuring processes.

A review of existing literature reveals that studies on financial restructuring in SACCOs either focus narrowly on single restructuring dimensions (Smith, 2021; Mwangi & Muiruri, 2023), are conducted in jurisdictions with different regulatory and economic environments (Adeyemi et al., 2022; Wilson & Cooper, 2021), or do not disaggregate findings to the sub-national, county level.

No study has comprehensively examined the simultaneous effects of debt, deposit, and equity restructuring on DT-SACCO performance in Kiambu County. This study therefore addresses this empirical and contextual gap.

General Objective

The general objective of this study was to establish the effect of financial restructuring on the financial performance of DT-SACCOs in Kiambu County, Kenya.

Specific Objectives

i. To examine the effect of debt restructuring on the financial performance of DT-SACCOs in Kiambu County, Kenya.
ii. To assess the effect of deposit restructuring on financial performance of DT-SACCOs in Kiambu County, Kenya.
iii. To determine the effect of equity restructuring on financial performance of DT-SACCOs in Kiambu County, Kenya.

Scope of the Study

The study focused on all 14 licensed DT-SACCOs in Kiambu County, Kenya, covering the period 2021–2024. The three independent variables were debt restructuring, deposit restructuring, and equity restructuring, while the dependent variable was financial performance, operationalized through Return on Assets (ROA) and Return on Investment (ROI). The study population comprised 42 senior management staff specifically branch managers, finance managers, and operations managers drawn from each of the 14 DT-SACCOs. A causal research design was employed, and a multiple regression model was used to examine both the individual and joint effects of the restructuring variables on financial performance.

LITERATURE REVIEW

Theoretical Review

Resource-Based View (RBV)

The Resource-Based View (RBV), originally proposed by Penrose (1959) and later formalized by Barney (1991) and Wernerfelt (1984), posits that a firm's sustained competitive advantage derives from its possession and strategic deployment of resources that are valuable, rare, imperfectly imitable, and non-substitutable (VRIN). In the context of DT-SACCOs, this theoretical perspective shifts the analytical lens from external market conditions to internal resource configurations as the primary driver of institutional performance.

For DT-SACCOs, financial capital, human resource expertise, member trust, relational assets, and organizational capabilities constitute the principal resource categories through which competitive advantage is constructed. Financial restructuring, viewed through the RBV lens, represents a

strategic reallocation and optimization of these resources to achieve superior financial outcomes. For example, debt restructuring reduces the cost of capital, freeing financial resources for productive lending and investment; deposit restructuring enhances liquidity resources and member engagement; and equity restructuring strengthens the capital base, providing a buffer against financial shocks (Mutunga & Gatauwa, 2021).

The RBV also emphasizes that the competitive advantage derived from resource optimization is path-dependent and context-specific. SACCOs that have developed unique capabilities in member relationship management, risk assessment, and product innovation are better positioned to leverage restructuring interventions for sustained performance improvement. This is particularly relevant in Kiambu County, where member trust and community relationships significantly influence deposit mobilization and loan repayment behavior (KUSCCO, 2020). Mugambi and Ngugi (2019) demonstrated that SACCOs that invested in capacity building and technology during restructuring achieved measurable gains in operational efficiency and financial performance, reinforcing the RBV's explanatory power in this context.

Loanable Funds Theory

The Loanable Funds Theory, developed jointly by Robertson and Ohlin in 1934, provides a macroeconomic framework for understanding how interest rates equilibrate the supply and demand for credit in financial markets. According to this theory, the supply of loanable funds originates primarily from savings, while the demand arises from investment spending, consumer borrowing, and government financing needs. The equilibrium interest rate is determined at the intersection of these supply and demand curves, influencing the volume and cost of funds circulating in the financial system (Ackley, 1957; Mishkin, 2019).

Applied to DT-SACCOs, this theory illuminates how financial restructuring shapes the supply and demand dynamics of loanable funds within cooperative institutions. On the supply side, deposit restructuring directly expands the pool of loanable funds by attracting more member savings through competitive interest rates, flexible deposit terms, and diversified product offerings. On the demand side, debt restructuring by making borrowing terms more affordable through reduced interest rates and extended repayment periods stimulates member demand for credit. Equity restructuring bolsters the institution's capital adequacy, enabling it to extend larger loan volumes without breaching regulatory capital thresholds (Maragia & Gatauwa, 2024).

The theory is also relevant to understanding the link between restructuring and depositor confidence. When SACCOs improve financial performance metrics such as ROA and reduce non-performing loan (NPL) ratios through restructuring, they signal financial health to existing and prospective members, encouraging greater deposit inflows. This virtuous cycle of improved financial performance, enhanced depositor confidence, and expanded loanable funds ultimately

reinforces the institution's intermediation capacity and long-term profitability (Omondi & Nyangweso, 2019).

Financial Intermediation Theory

Gurley and Shaw (1960) laid the theoretical foundation for Financial Intermediation Theory, which conceptualizes financial institutions as specialized intermediaries that bridge the gap between economic units with surplus funds (savers) and those with deficits (borrowers). The intermediation process involves not merely the channeling of funds, but also the transformation of financial assets in terms of maturity, risk, denomination, and liquidity; a process that generates value for both depositors and borrowers (Marty, 1961; Tadjeddine, 2020).

DT-SACCOs perform this intermediation function by pooling member deposits which are typically short-term, liquid instruments and transforming them into medium- and long-term loans for productive purposes such as housing, education, business expansion, and agricultural investment. This maturity transformation process generates the interest rate spread that constitutes the primary source of SACCO income. Financial intermediation theory therefore provides a direct theoretical basis for examining how deposit restructuring which optimizes the liability side of the SACCO's balance sheet interacts with lending activities to produce financial performance outcomes (Nyamongo & Omwenga, 2019).

The theory also addresses information asymmetry, a fundamental challenge in financial markets. SACCOs, by virtue of their close member relationships and cooperative governance structures, possess superior information about member creditworthiness and financial needs compared to commercial banks. This informational advantage enables DT-SACCOs to make more accurate credit decisions, reduce adverse selection and moral hazard problems, and maintain lower NPL ratios all of which are enhanced through effective financial restructuring. Mishkin (2016) notes that financial intermediaries that reduce transaction and information costs are better positioned to achieve superior performance outcomes, a proposition directly supported by this study's empirical findings.

EMPIRICAL LITERATURE REVIEW

Debt Restructuring

The relationship between debt restructuring and financial performance has been examined across multiple geographical contexts. Smith (2021) investigated the effect of debt restructuring on SACCO financial performance in California, USA, utilizing a descriptive research design and financial records spanning five years for a randomly selected sample of 50 SACCOs from a population of 200. The findings revealed a statistically significant positive relationship between debt restructuring and liquidity improvement, with restructured SACCOs experiencing reduced default rates and enhanced financial performance. However, the study did not examine the long-

term sustainability of these restructuring benefits, creating a knowledge gap that the present study addresses.

In Kuwait, Al-Kandari and Al-Bahar (2020) employed a mixed-method research design involving both qualitative interviews with SACCO management and quantitative financial record analysis for a purposive sample of 30 SACCOs. The study found that debt restructuring activities including loan refinancing and interest rate reductions improved SACCO revenues. However, economic volatility and regulatory impediments occasionally disrupted restructuring outcomes, underscoring the sensitivity of restructuring effectiveness to contextual factors. Adeyemi, Oladipo, and Ojo (2022), in a longitudinal study of 100 SACCOs in Lagos, Nigeria, demonstrated that debt restructuring minimized non-performing loans and created more sustainable profit margins, though smaller SACCOs derived fewer benefits due to limited access to financial advisory services.

Kamau and Otieno (2023) conducted a cross-sectional study of 250 SACCOs in Nairobi, using a random sample of 75, and found that debt restructuring significantly improved profitability and reduced default risks. Mussa and Mwakyembe (2019) similarly documented positive cash flow effects and reduced capital costs from debt restructuring among large SACCOs in Dar es Salaam, Tanzania, though regulatory delays were identified as a barrier to timely implementation. These findings collectively support a positive relationship between debt restructuring and financial performance, while highlighting the need for context-specific evidence particularly from DT-SACCOs in Kiambu County.

Deposit Restructuring

Wilson and Cooper (2021) examined the impact of deposit restructuring on financial performance for a stratified sample of 40 SACCOs in Ontario, Canada. The study found that adjusting deposit interest rates and offering flexible withdrawal terms increased deposit mobilization, significantly enhancing liquidity ratios and profitability. However, smaller SACCOs were constrained by limited financial resources, reducing their capacity to implement deposit restructuring. Patel and Singh (2020) investigated deposit restructuring strategies among 60 purposively selected Indian SACCOs from a population of 200, finding that flexible deposit schemes and continuously revised products stabilized cash flows. The study identified a gap in understanding how regional economic conditions moderate restructuring outcomes.

Asamoah and Mensah (2022) longitudinally analyzed financial performance indicators over three years for a random sample of 30 Ghanaian SACCOs, demonstrating that deposit restructuring through interest rate adjustments attracted more members and increased profitability, despite regulatory constraints that limited marketing flexibility. Mthethwa and Nkosi (2019) studied five SACCOs in Durban, South Africa, and found that tiered deposit rates based on deposit duration

helped maintain liquidity and reduce withdrawal pressure, while emphasizing the role of member trust in restructuring success.

In the Kenyan context, Mwangi and Muiruri (2023) investigated the effects of deposit restructuring on 50 randomly selected Nairobi SACCOs, finding that flexible deposit products increased both member deposits and liquidity, with members expressing higher satisfaction through access to diverse savings accounts including holiday and emergency savings options. However, the study was geographically restricted to Nairobi and did not examine long-term financial strategy implications, a gap this study addresses by focusing on DT-SACCOs in Kiambu County.

Equity Restructuring

Harrison and Wood (2020) assessed the equity restructuring effects on 30 randomly selected UK SACCOs from a population of 80, using a mixed-method approach. The study found that equity restructuring through new equity issuance and share buybacks strengthened SACCOs' capital bases and improved profitability and sustainability. Nevertheless, smaller SACCOs struggled to attract new equity investment, a challenge also identified in the current study's context. Ahmed, Khan, and Qureshi (2021) studied 50 purposively selected Pakistani SACCOs and found that equity restructuring, particularly the issuance of new shares, improved capital adequacy and liquidity. The study, however, did not account for the effects of economic volatility on equity restructuring outcomes.

In Kenya, Kamau and Mwangi (2023) employed a cross-sectional design for 45 randomly selected Nairobi SACCOs and found that equity restructuring through new share issuance and share premium adjustments improved capital adequacy and profitability. However, the long-term effects on SACCO growth and member participation were not examined, a gap that the current study, with its focus on Kiambu County's DT-SACCOs and its temporal scope of 2021–2024, is designed to partially address.

Conceptual Framework

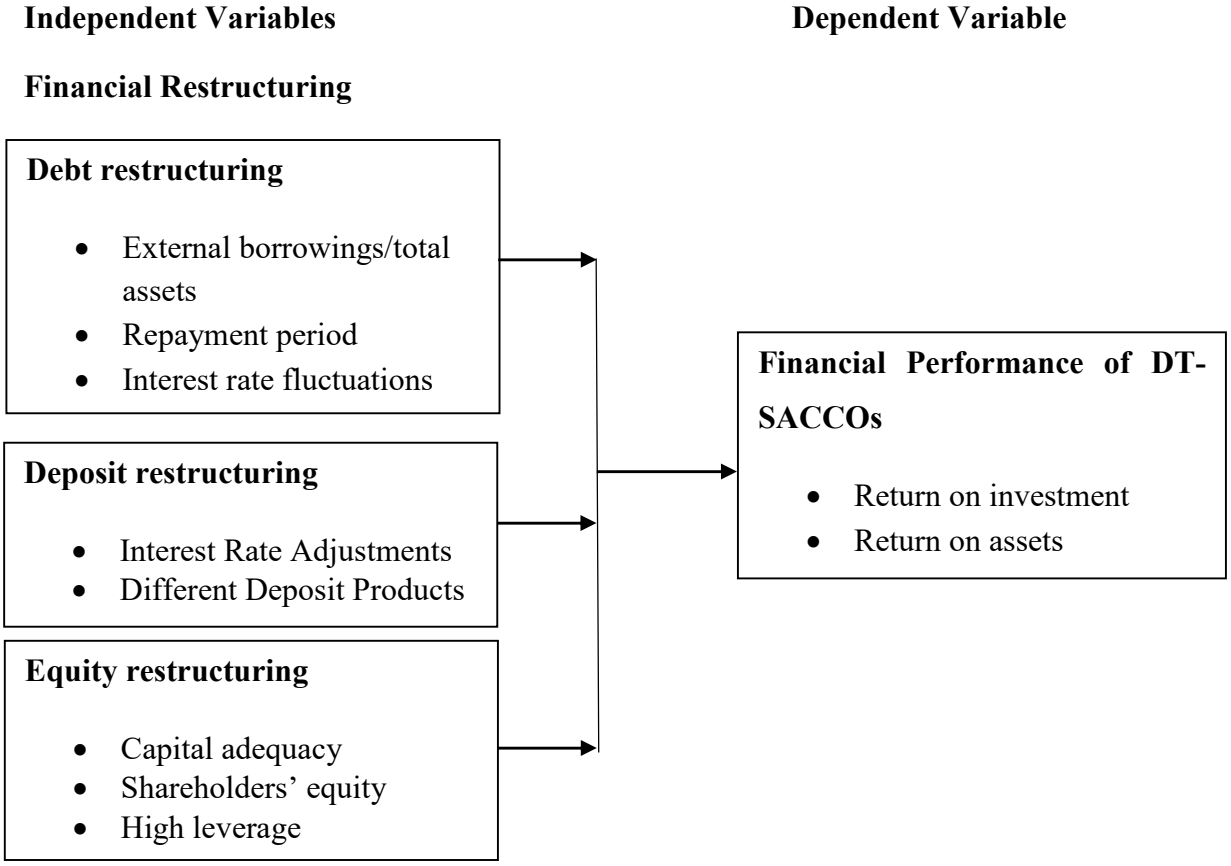

Figure 1: Conceptual Framework
Source: Author (2024)

RESEARCH METHODOLOGY

Research Design

This study adopted a causal research design, which is appropriate for establishing cause-and-effect relationships between variables (Kothari, 2022; Creswell & Creswell, 2022). The causal design enabled the researcher to systematically investigate how variations in financial restructuring practices specifically debt, deposit, and equity restructuring produce corresponding changes in financial performance outcomes.

Target Population

The target population comprised all 14 licensed DT-SACCOs in Kiambu County, Kenya (SASRA, 2019). For each SACCO, three senior management personnel; the branch manager, finance manager, and operations manager were targeted, yielding a total target population of 42 individuals. These officers were selected because they possess direct knowledge of and responsibility for financial restructuring decisions and their institutional outcomes.

Table 1: Target Population Distribution

Group	Frequency	Percentage (%)
Branch Manager	14	33.3
Finance Manager	14	33.3
Operations Manager	14	33.3
Total	**42**	**100.0**

Source: Kiambu County Cooperatives Report (2024)

Sampling Technique and Sample Size

Given the small and clearly defined nature of the target population, a census sampling approach was adopted, ensuring that all 42 management staff across the 14 DT-SACCOs were included in the study (Taherdoost, 2022). Census sampling eliminates sampling error, maximizes data comprehensiveness, and enhances the validity of findings. This approach is consistent with established practice in financial services research involving small, specialized populations (Saunders et al., 2019).

Data Analysis and Presentation

Quantitative data were analyzed using IBM SPSS Statistics Version 27. Descriptive statistics including frequencies, percentages, means, and standard deviations were used to characterize respondent profiles and summarize perceptions of each study variable. Inferential analysis was conducted using multiple linear regression to examine the simultaneous effects of debt restructuring (X_1), deposit restructuring (X_2), and equity restructuring (X_3) on financial performance (Y). The empirical model was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where Y = Financial Performance of DT-SACCOs; β_0 = regression intercept; β_1, β_2, β_3 = regression coefficients for debt, deposit, and equity restructuring respectively; and ε = stochastic error term. The model was evaluated using the coefficient of determination (R^2), adjusted R^2, F-statistic, and individual t-statistics for each predictor.

RESEARCH FINDINGS AND DISCUSSION

Descriptive Statistics

Debt Restructuring and Financial Performance

The study aimed to examine how debt restructuring affects the financial performance of DT-SACCOs in Kiambu County, Kenya. The respondents were asked to express their level of agreement with statements measuring debt restructuring practices.

Table 2: Descriptive Statistics for Debt Restructuring

Statement	n	Mean	Std. Dev.
Debt restructuring helps SACCOs improve cash flow by adjusting repayment schedules.	39	4.08	0.892
SACCOs experience temporary reductions in profits due to restructuring costs.	39	3.72	0.845
Debt restructuring leads to higher debt recovery rates from borrowers.	39	3.95	0.876
Successful restructuring helps SACCOs maintain or improve their credit rating.	39	4.13	0.915
Restructuring debt increases the liquidity available for SACCOs to meet other financial needs.	39	3.87	0.854
Debt restructuring helps SACCOs comply with financial regulations on liquidity and capital.	39	4.05	0.883
Average		**3.97**	**0.878**

Source: Field Data (2025).

The overall average mean score for debt restructuring was 3.97 (SD = 0.878), indicating strong agreement among respondents that debt restructuring positively influences financial performance. The highest-rated item concerned credit rating maintenance through successful restructuring (M = 4.13), reflecting respondents' recognition that well-managed debt restructuring signals institutional credibility and attracts future credit at favorable terms. This is consistent with Hakizakubana Ngoboka and Gatauwa (2020) who established that appropriate debt management practices enable commercial banks to achieve higher credit ratings.

Respondents strongly agreed that debt restructuring improves cash flow through repayment schedule adjustments (M = 4.08), enabling SACCOs to manage operational liquidity more effectively. Regulatory compliance through debt restructuring also attracted high agreement (M = 4.05), highlighting the dual function of restructuring as both an operational and a governance tool. Improved debt recovery rates (M = 3.95) and enhanced liquidity for other financial needs (M = 3.87) were also positively perceived, consistent with findings by Njoroge and Kimani (2024) that favorable restructuring terms reduce non-performing loans. The lowest-rated item temporary profit reduction due to restructuring costs (M = 3.72) was still positively rated, indicating that respondents view short-term costs as acceptable trade-offs for long-term performance benefits, a view supported by Chege and Wanyoike (2021).

Deposit Restructuring and Financial Performance

The study aimed to assess how deposit restructuring influences the financial performance of DT-SACCOs in Kiambu County, Kenya. The respondents were asked to express their level of agreement with statements measuring deposit restructuring practices.

Table 3: Descriptive Statistics for Deposit Restructuring

Statement	n	Mean	Std. Dev.
Deposit restructuring allows SACCOs to adjust deposit terms to better match their liquidity needs.	39	4.15	0.923
Restructuring deposits improves member satisfaction by offering more flexible deposit options.	39	3.92	0.867
Effective deposit restructuring leads to increased savings rates, boosting SACCOs' overall funds.	39	4.03	0.895
Deposit restructuring allows SACCOs to offer better interest rates, attracting more depositors.	39	3.87	0.851
SACCOs improve their liquidity position by restructuring deposits with varying maturity periods.	39	4.10	0.908
Proper deposit restructuring enhances financial stability, enabling SACCOs to meet withdrawal demands.	39	4.18	0.931
Deposit restructuring helps SACCOs manage interest rate risks by adjusting deposit account terms.	39	3.95	0.879
Average		**4.03**	**0.893**

Source: Field Data (2025).

Deposit restructuring recorded the highest average mean score across all restructuring dimensions (M = 4.03, SD = 0.893). The highest-rated item was that proper deposit restructuring enhances financial stability and enables SACCOs to meet member withdrawal demands (M = 4.18), underscoring the primacy of liquidity management in SACCO operations. This finding aligns with Mutua and Njoroge (2022), who found that SACCOs with organized deposit management systems consistently meet withdrawal demands without liquidity crises.

Adjusting deposit terms to match liquidity needs (M = 4.15) and improving liquidity positions through varied maturity structures (M = 4.10) were also highly valued, reflecting an understanding

among respondents that deposit maturity alignment reduces asset-liability mismatches. Kiprotich and Cheruiyot (2023) confirm this mechanism, demonstrating that synchronized deposit maturity profiles reduce funding pressure and strengthen overall institutional stability. The lowest-rated deposit restructuring item attracting more depositors through better interest rates (M = 3.87) suggests that while interest rate competitiveness matters, respondents recognize that factors such as member trust, service quality, and institutional reputation equally drive deposit mobilization, consistent with the findings of Wanjiru and Kabiru (2023).

Equity Restructuring and Financial Performance

The study aimed to determine how equity restructuring affects the financial performance of DT-SACCOs in Kiambu County, Kenya. The respondents were asked to express their level of agreement with statements measuring equity restructuring practices.

Table 4: Descriptive Statistics for Equity Restructuring

Statement	n	Mean	Std. Dev.
SACCOs use equity restructuring to reduce debt levels, lowering interest expenses.	39	3.95	0.881
Equity restructuring helps improve the SACCO's credit rating by enhancing its capital structure.	39	4.08	0.902
Effective equity restructuring increases the SACCO's ability to invest in new products and services.	39	4.13	0.918
Equity restructuring leads to improved profitability by optimizing the SACCO's capital mix.	39	3.90	0.859
Equity restructuring helps SACCOs improve their capital base, strengthening financial stability.	39	4.21	0.945
Equity restructuring helps SACCOs maintain compliance with regulatory capital requirements.	39	4.18	0.928
Equity restructuring allows SACCOs to adjust their ownership structure to attract new investors.	39	3.82	0.834
Average		**4.04**	**0.895**

Source: Field Data (2025). Scale: 1 = Strongly Disagree, 5 = Strongly Agree

Equity restructuring attained an average mean of 4.04 (SD = 0.895), reflecting strong agreement on its role in enhancing institutional financial stability. The item on improving the capital base (M = 4.21) received the highest rating, reflecting the foundational importance of capital adequacy as a buffer against financial shocks and a prerequisite for regulatory compliance. Njihia and Karanja

(2022) corroborate this finding, demonstrating that SACCOs with stronger equity positions demonstrated greater resilience during economic disruptions.

Regulatory capital compliance through equity restructuring (M = 4.18) was the second most agreed-upon item, consistent with SASRA's requirement that DT-SACCOs maintain minimum core capital thresholds. Muchoki and Kibet (2023) confirm that equity restructuring as a regulatory compliance mechanism reduces institutional risk exposure and enhances market credibility. The ability to invest in new products and services (M = 4.13) and improved credit ratings (M = 4.08) were also strongly supported, reflecting equity restructuring's role as a strategic enabler. The lowest-rated item adjusting ownership structure to attract new investors (M = 3.82) suggests some uncertainty about whether equity restructuring is an effective member-acquisition tool, reinforcing findings by Chepkwony and Bett (2023) that product quality and governance are more direct drivers of membership growth.

Financial Performance of DT-SACCOs

The respondents were asked to express their level of agreement with statements measuring financial performance of DT-SACCOs.

Table 5: Descriptive Statistics for Financial Performance

Statement	n	Mean	Std. Dev.
Financial restructuring helps DT-SACCOs improve performance by optimizing debt and equity levels.	39	4.10	0.912
Profitability serves as a crucial measure of the financial success of DT-SACCOs.	39	4.23	0.938
A stable capital base is vital for the long-term financial performance of DT-SACCOs.	39	4.28	0.951
Effective financial restructuring reduces the cost of capital for DT-SACCOs.	39	3.97	0.873
Financial restructuring helps DT-SACCOs recover from periods of financial distress.	39	4.15	0.921
Financial performance improvement through restructuring enhances member confidence and loyalty.	39	4.05	0.895
Average		**4.13**	**0.915**

Source: Field Data (2025).

Financial performance achieved the highest average mean of 4.13 (SD = 0.915) across all study variables. The importance of a stable capital base for long-term financial sustainability (M = 4.28) attracted the strongest consensus, consistent with Kihara and Muturi (2023), who identify capital stability as a fundamental prerequisite for strategic investment and risk management. The centrality of profitability as a performance indicator (M = 4.23) reflects respondents' awareness that sustainable profit generation underpins both member value creation and institutional growth. Financial restructuring as a distress recovery mechanism (M = 4.15) was highly endorsed, reflecting practical experience with the remedial role of restructuring in times of financial difficulty. The integration of debt and equity optimization through restructuring (M = 4.10) and its effect on member confidence and loyalty (M = 4.05) further affirm the strategic and relational dimensions of financial performance. The lowest-rated item reduction in the cost of capital through restructuring (M = 3.97) while still positively rated, suggests that capital cost reduction is perceived as a gradual rather than immediate outcome of restructuring, consistent with Njoroge and Kiprotich (2022).

INFERENTIAL STATISTICS

Model Summary

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.841	0.707	0.682	0.489

Source: Field Data (2025). Predictors: Debt Restructuring, Deposit Restructuring, Equity Restructuring

The model summary reveals a strong multiple correlation coefficient (R = 0.841) between the combined restructuring predictors and financial performance. The coefficient of determination (R^2 = 0.707) indicates that the three financial restructuring dimensions collectively account for 70.7% of the variance in DT-SACCO financial performance. The adjusted R^2 of 0.682 which penalizes for the number of predictors confirms the model's substantial explanatory power after accounting for model complexity. These values exceed the threshold identified by Muchiri and Kamande (2023), who found comparable explanatory power ($R^2 \approx 0.68$) in similar SACCO financial management research in Kenya, validating the model's robustness.

Analysis of Variance (ANOVA)

Table 7: ANOVA Results

Source	Sum of Squares	df	Mean Square	F-Statistic	Sig.
Regression	20.324	3	6.775	28.346	0.000
Residual	8.363	36	0.239	—	—
Total	**28.687**	**39**	**—**	**—**	**—**

Source: Field Data (2025). Dependent Variable: Financial Performance

The ANOVA results confirm the joint statistical significance of the regression model. The F-statistic of 28.346 with a corresponding p-value of 0.000 (well below the 0.05 significance level) indicates that the three restructuring dimensions; debt, deposit, and equity restructuring jointly exert a statistically significant and non-random effect on DT-SACCO financial performance in Kiambu County. The regression sum of squares (20.324) substantially exceeds the residual sum of squares (8.363), yielding a mean square regression of 6.775 that is more than 28 times the mean square error (0.239). This F-ratio strongly confirms the model's overall predictive validity, consistent with Nderitu and Gathogo (2024), who reported a similar F-statistic of 26.89 in their SACCO financial strategy study in Nairobi.

Regression Coefficients

Table 8: Regression Coefficients

Predictor	β (Unstd.)	Std. Error	Beta (Std.)	t-value	Sig.
(Constant)	0.765	0.312	—	2.452	0.019
Debt Restructuring (X_1)	0.287	0.089	0.301	3.225	0.003
Deposit Restructuring (X_2)	0.326	0.094	0.337	3.468	0.001
Equity Restructuring (X_3)	0.268	0.086	0.284	3.116	0.004

Source: Field Data (2025). Dependent Variable: Financial Performance

The regression equation derived from the coefficients table is:

$$Y = 0.765 + 0.287X_1 + 0.326X_2 + 0.268X_3 + \varepsilon$$

The constant term ($\beta_0 = 0.765$, $p = 0.019$) represents the baseline level of financial performance attributable to factors outside the model. Each restructuring predictor contributes positively and significantly to financial performance, as detailed below.

Debt restructuring exerted a statistically significant positive effect on financial performance ($\beta = 0.287$, Beta = 0.301, $t = 3.225$, $p = 0.003$). The unstandardized coefficient ($\beta = 0.287$) indicates that a one-unit increase in debt restructuring practices produces a 0.287-unit improvement in financial performance, holding other variables constant. The standardized beta (0.301) positions debt restructuring as the second-strongest predictor in the model. The results align with Smith (2021) and Kamau and Otieno (2023), who demonstrated that debt restructuring reduces default rates and improves liquidity in comparable cooperative settings. They also corroborate Macharia and Njihia (2022), who found that debt management practices reduced NPL ratios and enhanced financial sustainability in Kenyan SACCOs.

Deposit restructuring emerged as the strongest predictor of financial performance ($\beta = 0.326$, Beta = 0.337, $t = 3.468$, $p = 0.001$). This finding indicates that for every unit improvement in deposit

restructuring practices including product diversification, maturity structure optimization, and interest rate adjustments financial performance improves by 0.326 units. The highest standardized beta (0.337) among all predictors underscores deposit restructuring's dominant role in explaining financial performance variation.

Equity restructuring significantly predicted financial performance ($\beta = 0.268$, Beta = 0.284, $t = 3.116$, $p = 0.004$). The coefficient indicates that a unit increase in equity restructuring activities strengthening the capital base, meeting SASRA capital requirements, and enabling investment in new services generates a 0.268-unit improvement in financial performance. Equity restructurings standardized beta (0.284) positions it as the third-ranked predictor, reflecting an important but comparatively more constrained contribution relative to deposit restructuring. The findings are consistent with the RBV perspective that capital is a valuable and non-substitutable resource whose strategic management through equity restructuring yields durable performance advantages. This aligns with Kamau and Mwangi (2023) and Mwangi and Kiarie (2023), who found that equity optimization raised capital adequacy ratios and created strategic investment capacity for growth-oriented SACCOs.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The study concludes that financial restructuring is a critical determinant of financial performance for DT-SACCOs in Kiambu County. Specifically, debt restructuring enhances performance by improving cash flow management, debt recovery rates, credit rating maintenance, and regulatory compliance. Deposit restructuring as the most influential restructuring dimension drives financial performance through expanded savings mobilization, optimized liquidity management, enhanced member satisfaction, and more effective interest rate risk management. Equity restructuring strengthens institutional resilience by building adequate capital buffers, ensuring regulatory compliance, and enabling strategic investment in member services.

Recommendations

SASRA should develop and regularly update clear, unambiguous guidelines on prudent debt restructuring practices to prevent DT-SACCOs from masking structural weaknesses through superficial renegotiations. These guidelines should specify maximum sustainable debt thresholds, minimum disclosure requirements, and mandatory restructuring timelines. Additionally, SASRA in collaboration with SACCO umbrella bodies such as KUSCCO should establish flexible policy frameworks that facilitate the development of innovative deposit products tailored to diverse member segments without compromising institutional liquidity. Capital adequacy regulations should be calibrated to encourage equity build-up through member capital contributions and retained earnings, while providing transitional relief for smaller SACCOs undertaking equity restructuring.

SACCO management boards should develop comprehensive financial restructuring policies that integrate all three dimensions; debt, deposit, and equity into a coherent institutional strategy. For debt restructuring, this entails establishing proactive portfolio review mechanisms, offering flexible repayment options for financially distressed borrowers, and maintaining transparent communication with lenders and SASRA regulators. For deposit restructuring, SACCOs should invest in market intelligence to continuously identify evolving member savings needs and develop tiered, flexible deposit products offering competitive rates and diverse maturity profiles. For equity restructuring, SACCOs should pursue systematic retained earnings policies, conduct member capital drives, and integrate equity targets into annual strategic planning processes.

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