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Corporate Debt and Preservation of Going Concern Status for Companies Listed in the Nairobi Securities Exchange, Kenya

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Abstract

Going concern is important because it determines an entity's life in the foreseeable future. However, a company under receivership draws concern from the investor as the ability of recovering their investment is questionable. This study aimed to investigate the effect of corporate debt on preservation of going concern status of companies listed in the Nairobi Securities Exchange, Kenya. The study utilized causal research design. Target population was 36 listed companies. Data was analyzed using descriptive and regression statistics. The study found a negative and significant relationship between the cost, size, and duration of corporate debt issued and the Nairobi Securities Exchange firms' ability to continue as a going concern. The study concluded that a rise in market interest rates would make it harder for Nairobi Securities Exchange companies to continue as a going concern. A rise in interest rates would also raise a company's cost of capital, which would reduce its predicted future profitability. Selecting an appropriate debt maturity structure helps NSE-listed companies prevent mismatch by balancing assets and obligations, handle agency-related issues, reduce the negative effects of cost of capital, and communicate the quality of the company's earnings. In order to preserve stability and competitiveness, central banks should take trade dynamics and international economic conditions into account while deciding on the best interest rate policy. When enacting interest rate increases, policymakers should carefully weigh the possible effects and use a comprehensive approach. Policy makers from NSE-listed companies should create guidelines and regulations pertaining to debt management inside their respective firms. As the regulatory body, the CMA should create appropriate debt management guidelines for the listed commercial and service companies.

Keywords: *Corporate debt, cost, size, duration, preservation of going concern status*

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1. Introduction

Globally, the ordinary citizens have varied views on the companies they can trust on issues of going concern to society. In November 2001, an opinion poll conducted by Environics International on behalf of the World Economic Forum (Environics, 2002) indicated that the citizens view the civil society organizations to be most trustworthy compared to the other types of business organizations. The citizens tend to have a general appreciation of the role these companies contribute to the society such as the employment opportunities, however, for profit making companies the public shareholders could be kept in the dark in cases where management can predict the downfall of the entity in a world whee intangible attributes such as reputation and trust are accounting for an increasing proportion of the market value of companies (McKague, 2002).

Yadav and Chakraborty (2016) noted that as a result of the exposure of numerous major financial fraud instances involving high-performing listed companies, investors in India have shifted their cash to more respected accountancy firms and investment institutions. Investors worry about the lack of transparency and the higher risk of financial loss as a result of business bankruptcy cases that cause large losses. The authors state that mismanagement of corporate affairs manifests itself in lack of attention to detail, lack of accountability regarding responsibilities, operations and performance, unprofessionalism on the part of accountants, lack of integrity in internal processes and systems of corporate affairs. , poor management and poor management by independent decision-making by those who run corporate business coupled with macroeconomic and political instability are the main factors contributing to the failure of Indian companies.

Yoshino and Taghizadeh Hesari (2016) state that companies are the backbone of Asian economies. Over 98% of Asian enterprises were small businesses, and two out of every three jobs in the region's private sector were held by small businesses. But businesses contended with issues like restricted access to capital, a dearth of databases, low research expenditures, undeveloped distribution systems, and low levels of financial inclusion. The major issues that enterprises in Asia face, according to the authors, were a lack of funding, a lack of complete databases, poor research expenditures, and insufficient information technology use.

Despite the significance of small enterprises to the Ghanaian economy, according to Ackah and Vuvor (2011), these businesses confront financial challenges that limit their growth and their capacity to support the nation's economy. As a result, the economy has been constrained as was to be expected. High interest rates and condensed loan repayment periods make it challenging for businesses to begin development or expansion initiatives. Another interesting finding regarding the high rate of arrears on contracted loans related to the tight cash flow situation of these companies, particularly due to difficulties in managing receivables.

Businesses in Kenya face many limitations in accessing affordable finance. A World Bank report claimed that fewer than 10% of credit is held by women business owners in particular. The Kenyan government highlighted this issue as the biggest barrier to the expansion of the corporate sector. According to Odinga (2012), the company's ability to get loans and financing has a significant impact on its expansion. Many businesses have failed due to a lack of funding for expansion, and inadequate infrastructure, such as deteriorated road systems, has a detrimental influence on business growth because of supply delays.

1.1 Problem Statement

In Kenya, the business daily in 2019 mentioned that over the past decade, there have been about two companies annually that fall into receivership due to inability to meet their financial obligations. For example, imperial bank was placed under receivership in 2015 and Chase bank in 2016. Corporate failure has long been a subject of scholarly interest. A key concern for stakeholders is why some companies fail while others survive over time. In recent years (2015-2020), there has been a dip in the economy which has constrained the money supply. This has then made investors more cautious about risk and return (Kenyan Economic Update Edition No 21, 2020).

Equity is a safe investment with minimal returns which is derived from dividends while having minimal risks. For debt financing, the risk is high while the return is as well high and sure. Returns on debt financing include interest repayments which are set periodically depending on the type of financing. In an attempt to boost profitability and performance, most businesses increase the amount of debt financing in their capital structure (Braggs, 2011).

In the recent past, given that bank loan facilities are limited, several companies listed in the NSE have ended up providing or issuing corporate debt to the public (Central Bank, 2017). After a few years of floating the corporate bonds, most of the companies are noted to be under financial distress. Institutions such as Britam Holdings Plc, retrenched employees in year 2018 and gave notice to do so again in 2021, Athi-River mining went under receivership in year 2016 while other institutions such as Kengen and Housing finance are having consistent decline in profits and consequently Net Asset Value. These resultant effects are mainly attributed to the high finance costs that come with issuing of corporate debt to the public. To attract investors in buying of the bond, the companies quote high interest rates which are above the market rates in other available financials assets such as property, government debt and money market assets such as fixed or call deposits. Investment in such corporate debt therefore becomes quite attractive (Centum Investments, 2018). For issuing companies, these high financing costs accelerate profitability decline leading to a quick transition from a struggling entity to one experiencing financial distress (Berdiev, 2006).

Previous studies on the topic present several research gaps. Suroto and Kusuma (2017) examined the possible factors of going concern audit opinions and found no significant relationship between leverage and going concern. Muchugia (2013) investigated how debt financing affected the Kenyan commercial banks' profitability. According to the research, there was a negative association between long-term debt and profitability and a favorable correlation between short-term debt and profitability. These studies indicated mixed results, thus presenting an empirical gap. Effiong, Asuquo and Enya (2020) adopted the expo-facto research design and not causal research design as is the case in the current study. This indicated a methodological gap. This study examines the influence of corporate debt on preservation of going concern status for companies listed in NSE, Kenya.

1.2 Research Objectives

i. To determine the relationship between cost of corporate debt issued and the preservation of going concern status of firms at the Nairobi Securities Exchange.

ii. To assess the effect of size of corporate debt issued and the preservation of going concern status of firms at the Nairobi Securities Exchange.

iii. To investigate how the duration of corporate debt issued and the preservation of going concern status of firms at the Nairobi Securities Exchange.

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1.3 Research Hypotheses

H$_{O1}$. Cost of corporate debt issued does not have substantial influence on the preservation of going concern status for companies listed in the NSE.

H$_{O2}$. Size of corporate debt issued does not have substantial influence on the preservation of going concern status for companies listed in the NSE.

H$_{O3}$. Duration of corporate debt issued does not have substantial influence on the preservation of going concern status for firms listed in the NSE.

2. Literature Review

2.1 Theoretical Review

This study was anchored on the Pecking Order Theory. Myers (1984) opines that each organization has a preferred hierarchy when allocating financial resources to operational and strategic projects. A corporation prioritizes its sources of funding, from internal financing to stock, in accordance with the law of least effort. Internal cash flows are preferred as they incur no external costs and avoid public disclosure, which could compromise competitive advantage, especially amid declining Net Asset Value. This aligns with the law of least effort. However, if the internally generated cash flows were fully committed to the recurrent expenditures of the company, then the next best source of financing was external. The level of preference of external financing is debt, convertible securities, preferred stock and ordinary equity (Baker, 2013).

Zurigat (2009) states that there are two main assumptions about financial managers. First, managers know more about a company's future growth opportunities and current earnings than outsiders. Such information is safeguarded and thus use of internal funds prevents management from making the public disclosures on opportunities that would flow as a result of investing. The other assumption was that managers made decisions catering for the interests of the existing shareholders, thus, a project may be foregone even if it has a positive Net Present Value.

However, the theory failed to take into account the impact of taxes, securities underwriting and agency fees, financial difficulties, and investment opportunities available to companies based on their capital structure. It does not put into consideration the challenges that would arise when a company’s management are not proactive and thus immune to market discipline (Donaldson, 2000).

The principle was applicable to this research as the focus is on the use of corporate debt by listed companies. According to the theory, leverage was considered as a second-best source of financing when the internal cashflows as insufficient. The theory, therefore, supported the independent variables including cost, size and duration of corporate debt.

2.2 Empirical Review

2.2.1 Cost of Corporate Debt Issued and Going Concern

The effect of agency costs on company survival as a result of various levels of specialization in the accounting sector is examined by Ismail, Mahmood, and Hussein (2021). It was discovered that the bank's sustainability decreased with increasing agency costs, and that having an accountant with expertise in the banking industry in a climate like Iraq would assist minimize agency costs. However, the study did not focus on companies listed on the NSE. The proposed study attempted to fill the context gap by focusing on NSE listed companies.

Effiong, Asuquo, and Enya (2020) examined the extent to which management's discretionary provisions affect the going concern status of manufacturing companies. The study design from Expofacto was used, and a survey method was used to get the data. The characteristics of the cross-sectional data and the time series are combined in a panel regression model. Empirical findings indicate that discretionary provisions have a considerable impact—both positive and negative—on the profitability and liquidity of the companies under study, which has an impact on manufacturing enterprises' capacity to stay in business. However, the expo facto research design used in this study is not a causal research design. The aim of this research was to close the methodological gap by using a causal research design.

Kirimi et al. (2017) investigated how debt financing affected financial results. In this research, we examine the effects of interest rates, loan terms, debt-to-equity ratios, and interest coverage ratios on the financial performance of savings and loan unions in Kenya. The results showed a significant positive relationship between debt and return on equity (ROE). Interest rate, loan length, and ROE were all negatively correlated, although leverage ratio, interest coverage ratio, and ROE all positively correlated. However, the study did not focus on companies listed at NSE. The current study bridged the contextual gap by focusing on companies listed at NSE.

2.2.2 Size of Corporate Debt Issued and Going Concern

Simorangkir and Angeline (2021) examined the effects of debt ratios, firm size, reputation of the audit firm, and company development on the going concern audit views of consumer goods companies listed between 2016 and 2019 on the Indonesia Stock Exchange. The methodology used in this study is quantitative descriptive. The data analysis method used was logistic regression. Debt ratios, company size, accounting firm reputation, and company growth are partially unaffected by consumer goods companies' going concern opinions. The study, however, adopted logistic regression analysis. Based on data collected in the current study, panel regression analysis was appropriate.

The likelihood of an audit opinion on company continuity is examined by Suroto and Kusuma (2017). Conflict variables can affect going concern audit opinions, according to prior research. Similar findings to other research were found in this investigation. The findings demonstrated that the soundness of a going-concern audit report was not significantly influenced by the magnitude and level of the firm's debt, but rather by the financial health and profitability of the company. The results show that business continuity and debt levels do not significantly relate to one another. By establishing a clear link between debt levels and economic viability, the current study sought to fill the empirical vacuum.

The variables influencing the auditor's assessment of a going concern were evaluated by Averio (2020). The Indonesia Stock Exchange's annual reports and reports from independent audits served as the study's main secondary data sources. Manufacturing companies that were listed between 2015 and 2019 on the Indonesia Stock Exchange comprised the study's sample. A sample of 33 enterprises is created using the target sampling technique. Logistic regression analysis was used to analyze the data. The results showed that leverage positively affects the going concern audit opinion. The geographic location of this study was Indonesia, which represented a different business environment than Kenya. Therefore, it was impractical to extrapolate the results to the local context.

The study by Abadi, Purba, and Fauzia (2019), examined firm size, liquidity ratios, leverage ratios, and perspectives on current audit quality challenges. The data's three-year window is from 2015 to 2017. The conclusions showed that the auditor's report is currently the cause for concern and that the current ratio's measurements of liquidity, debt as defined by the debt-to-equity ratio, and company size are irrelevant. The degree of debt and company continuity were not significantly correlated, according to this study. By elucidating the connection between debt levels and business continuity, this study sought to close the empirical gap.

2.2.3 Duration of Corporate Debt Issued and Going Concern

Muchugia (2013) investigated how debt financing affected the Kenyan commercial banks' profitability. This study, which used a survey method from 43 commercial banks, is descriptive in nature. The association between bank profitability and bank capital was investigated using both multiple linear regression analysis and Pearson correlation analysis. The findings showed a favorable relationship between short-term debt and profitability since it is frequently less expensive and increases in relatively low interest rates lead to increased profitability and efficiency. Profitability and long-term debt were negatively associated. The conflicting conclusions of these investigations about the relationship between the duration of debt and survival have left an empirical gap. This study made an effort to explain how debt maturity and continuous business are related.

Nazir, Azam, and Khalid (2021) analyzed the relationship between the debt loads of listed companies and the PSX's performance during a five-year span. This study looks at 30 Pakistani companies that operate in the cement, sugar, and automotive industries between 2013 and 2017 using cross-sectional sample data and fixed and random variables in common ordinary least squares regression models. The findings demonstrated that debt, both long-term and short-term, significantly and negatively affects a company's profitability. Pakistan, which has a different business climate than Kenya, was the location of the study. This made it impractical to relate the findings to the Kenyan context.

The relationship between debt and corporate success was investigated by Forte and Taveres (2019). Based on a sizable sample of 48,840 manufacturing companies from nine different European nations between 2008 and 2013, the study used a fixed effects model. The findings indicated that a company's performance was impacted by its debt load. The study found mixed findings on the relationship between debt duration and going concern, thus presenting an empirical gap. The research sought to provide clarity on the connection between debt duration and going concern.

3. Methodology

The study utilized causal research design. Target population included 36 public listed companies. A census of all public listed companies was conducted. The primary sources of secondary data for this study were the NSE handbooks, corporate financial reports and the overall performance of public companies listed on the NSE. Data was collected, analyzed, and interpreted with a high level of competence, transparency, and objectivity. In this study, regression and descriptive statistics were used to examine the data.

4. Results and Discussion

4.1 Descriptive Analysis

The study presented the data patterns using the minimum, maximum, mean, and standard deviation, the four conventional measures of descriptive statistics.

Table 1: Descriptive Analysis

	Obs	Mean	Std. Deviation	Minimum	Maximum
Going concern	180	0.077	0.036	0.009	0.170
cost of corporate debt	180	12.210	2.067	8.400	14.400
Size of corporate debt	180	0.676	0.176	0.344	1.081
Duration (years)	180	8.644	4.391	1.000	20.000

The outcomes showed that the mean of going concern for listed firms in the NSE, Kenya between the year 2018 and 2022 was 0.077. For the NSE companies, the maximum going concern was 0.170, whilst the maximum was 0.009. There was a 0.036 standard deviation. This suggests that the ongoing operations of companies listed on the NSE did not deviate from the average. The study findings agreed with Kirimi et al. (2017) whose findings were clear that the going concern of NSE in Kenya were not varied across the firms.

The outcomes showed that the mean of cost of corporate debt for listed firms in the NSE, Kenya between the year 2018 and 2022 was 12.210. For NSE companies, the highest cost of corporate debt was 14.400, whereas the lowest was 8.400. 2.067 was the standard deviation. This suggests that the cost of corporate debt of firms listed in NSE was varied from the mean. The study findings were also in agreement with Averio (2020) who assessed the factors that have an impact on the auditor's evaluation of a going concern in NSE firms and found that the cost of corporate debt was varied across firms.

The mean of size of corporate debt for listed firms in the NSE, Kenya between the year 2018 and 2022 was 0.676. For NSE companies, the largest amount of corporate debt was 1.081, whereas the maximum size was 0.344. There was a 0.176 standard deviation. This means that the size of corporate debt of firms listed in NSE was not varied from the mean. The study findings agreed with Kirimi et al. (2017) whose findings were clear that the size of corporate debt of NSE in Kenya was varied across the firms.

The outcomes showed that the duration of corporate debt for listed firms in the NSE, Kenya between the year 2018 and 2022 was 8.644 years. For NSE companies, the minimum term of corporate debt was one year, whereas the maximum was twenty years. There was a 4.391 standard deviation. This means that the duration of corporate debt of firms listed in NSE was varied from the mean. The study findings also agreed with Effendi (2017) who also indicated that duration of corporate debt was varied across the NSE firms.

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4.2 Hausman Test for Model Specification

The choice of study's most appropriate model is by running panel data regression model through Hausman test. The Hausman test was then performed after the fixed and random effects models had been run. A random effect model is fitted to the null hypothesis; if the p-value above the critical value, the random effect model is suitable; if not, a fixed effects model is applied.

Table 2: Hausman Table

	(b) Fixed	(B) random	(b-B) Difference	Sqrt (diag(V b-V_B)) S.E.
Cost of Corporate Debt	-0.016	-0.015	-0.002	0.001
Size of Corporate Debt	-0.129	-0.110	-0.019	0.010
Duration of Corporate Debt	-0.002	-0.002	0.000	0.000
chi2(3)	4.12			
Prob>chi2	0.2488			

The random effects model was applied, according to the Hausman test. In response, only the results of the random effects model were shown and covered in the following section. The Hausman test revealed a significance level over the 0.05 cutoff with Prob>chi2 = 0.2488. As a result, the null hypothesis (H0) of the researchers is still unverified. This indicates that the Random effects panel data model, which was employed, provides the best fit for the data. Consequently, the outcomes of the random effects panel regression were the only ones presented in the ensuing sections.

4.3 Regression Analysis

Regression analysis was done to determine the relationship between the independent variables (cost of corporate debt issued, size of corporate debt issued, duration of corporate debt) and dependent variable (preservation of going concern status).

Table 3: Random-effects Model

Going concern	Coef.	Std. Err.	Z	P>|z|	[95% Conf.	Interval]
Cost of corporate debt	-0.015	0.002	-8.930	0.000	-0.018	-0.011
Size of corporate debt	-0.110	0.020	-5.600	0.000	-0.148	-0.071
Duration of corporate debt	-0.002	0.001	-2.850	0.004	-0.003	0.000
_cons	0.343	0.031	11.010	0.000	0.282	0.404
R square=0.3809						
waldchi2(3)=87.30						
prob>chi2=0.000						

The results revealed that cost of corporate debt had a negative and substantial effect on preservation of going concern status of firms at NSE (β=-0.015, p=0.000). This means that an increase in cost of corporate debt would decline the preservation of going concern status of firms at NSE by 0.015 units. The findings agreed with Muchugia (2013) who found that relatively low interest rates lead to increased profitability and efficiency. The findings were also in agreement with Averio (2020) who assessed the factors that have an impact on the auditor's evaluation of a going concern in NSE firms and found that the cost of corporate debt affected going concern.

The finding further showed that size of corporate debt had a negative and substantial effect on preservation of going concern status of firms at NSE (β=-0.110, p=0.000). This means that an increase in size of corporate debt would decline the preservation of going concern status of firms at NSE by 0.110 units. The study's conclusions corroborated those of Simorangkir and Angeline (2021), who stated that there is evidence of a negative association between long-term debt and going concern. However, the results of the study did not support the findings of Suroto and Kusuma (2017), who showed that the amount and kind of the firm's debt did not significantly affect the soundness of a going-concern audit report.

The results further showed that duration of corporate debt had a negative and substantial effect on preservation of going concern status of firms at NSE (β=-0.002, p=0.003). This infers that an increase in the duration of corporate debt would decline the preservation of going concern status of firms at NSE by 0.002 units. The outcome agreed with Nazir, Azam, and Khalid (2021) who found that duration of corporate debt issued had a negative and substantial effect on a company's profitability. The study findings also agreed with Effendi (2017) who indicated that duration of corporate debt affected performance of firms. (Effendi missing from the reference list.)

R squared of 0.3809 indicates the variations in cost of corporate debt issued, size of corporate debt issued, duration of corporate debt accounted for 38.09% of variations in preservation of going concern status of firms at the NSE. This was further supported by F statistic of 87.30. The study findings also agreed with Forte and Taveres (2019) that company's level of debt had

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an impact on its output. The findings were also in agreement with Averio (2020) who assessed the factors that have an impact on the auditor's evaluation of a going concern in NSE firms and found that the cost of corporate debt affected going concern.

4.4 Hypothesis Testing Results

The first hypothesis: **H_{01}** Cost of corporate debt issued does not have a substantial effect on the preservation of going concern status for firms listed in NSE. The findings demonstrate, with a P value of 0.000<0.05, that the cost of issued corporate debt significantly impacted the ability of listed NSE companies to maintain their going concern status. As a result, the study rejected the null hypothesis and concluded that the cost of issuing corporate debt has a significant impact on whether or not companies listed on the NSE can continue as a going concern. The study findings agreed with Muchugia (2013) who found that relatively low interest rates lead to increased profitability and efficiency (Muchugia- missing from the reference list)

The second hypothesis: **H_{02}** Size of corporate debt issued does not have substantial effect on the preservation of going concern status for companies listed in NSE. The findings indicate that, for companies listed on the NSE, the amount of corporate debt issued had a substantial impact on the preservation of going concern status, with a P value of 0.000<0.05. As a result, the study rejected the null hypothesis and concluded that the amount of corporate debt issued by companies listed on the NSE significantly affects their ability to continue as a going concern. The output agreed with Simorangkir and Angeline (2021) who indicated that long-term debt and going concern have an adverse relationship. The study findings were however not in agreement with Suroto and Kusuma (2017) who demonstrated that the soundness of a going-concern audit report was not substantially affected by the magnitude and level of the firm's debt.

The third hypothesis: **H_{03}** Duration of corporate debt issued does not have substantial effect on the preservation of going concern status for companies listed in the NSE. With a P value of 0.000<0.05, the findings demonstrate that the length of corporate debt issued has a substantial impact on the continuation of the going concern status for companies listed on the NSE. The study revealed that the length of corporate debt issued has a substantial impact on the preservation of going concern status for companies listed on the NSE, rejecting the null hypothesis in the process. The study's conclusions concurred with those of Nazir, Azam, and Khalid (2021), who discovered that a company's profitability was significantly impacted negatively by the length of corporate debt issued.

5. Conclusion

The study concluded that cost of corporate debt issued had a negative and substantial effect on preservation of going concern status of firms at the NSE. As a result, a rise in market interest rates would make it harder for Nairobi Securities Exchange companies to continue as a going concern. The cost of debt metric helps to clarify the entire cost experienced by a corporation in using certain types of debt financing. Investors can also gain insight into the company's relative risk by using this indicator, as riskier firms generally have higher loan costs.

The study concluded that size of corporate debt issued had a negative and substantial effect on preservation of going concern status of firms at the NSE. A rise in interest rates would also raise a company's cost of capital, which would reduce projected future profitability. Debt-free companies may yield higher returns on their assets. Therefore, a company needs to use less debt in its capital structure in order to increase profitability. This implies that when it comes to investing, a business should use retained earnings before taking on debt.

The study concluded that duration of corporate debt issued had a negative and substantial effect on preservation of going concern status of firms at the NSE. Selecting an appropriate debt maturity structure is very beneficial for NSE companies because it helps them to handle agency-related issues, prevent the negative effects of cost of capital, and communicate the quality and value of their earnings.

6. Recommendations

The cost of corporate debt negatively impacted businesses' ability to operate. Thus, by negotiating lower interest rates while getting funding, repaying current loans sooner, and refinancing company loans, the NSE-listed companies can minimize and control their total debt cost. In order to obtain loans with cheaper interest rates, they should also think about raising their credit scores. In order to preserve stability and competitiveness, central banks should take trade dynamics and international economic conditions into account while deciding on the best interest rate policy. When enacting interest rate increases, policymakers should carefully weigh the possible effects and use a comprehensive approach. Furthermore, it is essential to track and assess the results of these policy choices over time in order to make the required modifications to bring about the intended economic results. This is due to research showing that interest rates negatively impact companies' ability to maintain their going concern status at the Nairobi Securities Exchange.

It is recommended that policy makers from NSE-listed companies create guidelines and regulations pertaining to debt management inside their respective firms. As the regulatory body, the CMA must create appropriate debt management guidelines for the listed commercial and service companies. The decision-makers employed by Kenyan listed companies ought to examine their companies' current debt management procedures. This is because a company's ability to maintain its going concern status at the Nairobi Securities Exchange is negatively impacted by the amount of corporate debt it issues. To increase their capacity to function as a going concern in this circumstance, NSE businesses should mostly rely on internal financial sources.

The study's conclusions showed that a company's ability to maintain its going concern status at the NSE was significantly and negatively impacted by the length of corporate debt it issued. Therefore, NSE-listed companies need to decide on an appropriate time frame for repaying their corporate debt. Long periods of time should be avoided as they may negatively impact their ability to continue as a going concern. In order to prevent businesses from taking on debt capital, which has a detrimental impact on business performance, the Kenyan government should pass legislation addressing the elimination of tax advantages, an increase in interest rates, the control of inflation, and a reduction in credit ratings.

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