
# Credit Management Practices and Financial Performance of Commercial Banks in Rwanda: A Case of Access Bank Plc

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# Credit Management Practices and Financial Performance of Commercial Banks in Rwanda: A Case of Access Bank Plc

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## Abstract

This paper examined the effect of credit management practices on financial performance of commercial banks in Rwanda with reference of Access Bank Plc. The specific objectives are to assess the effect of credit rating on performance of Access Bank Plc, to determine the effect of credit monitoring on performance of Access Bank Plc and to examine the effect of credit recovery on performance of Access Bank Plc. The researcher used liquidity theory of credit and the information theory of credit. The study used descriptive and correlational research design. The target population was 164 employees of Access Bank Plc. The study collected data from a sample size of 116 employees of Access Bank Plc at Head office in Kigali City. It used questionnaire and financial statements of Access Bank Plc to collect data and descriptive statistics and multiple regression model to analyse data. Descriptive statistics such as mean, frequency and standard deviation was used. The multiple regression analysis was use to assess the effects of multiple predictor variables on the dependent measure. Results from the first objective show that that access bank assessment of the capacity to pay loan was strongly agreed by 44.7% was used as a credit rating component at Access Bank Plc. Access Bank has used credit reference report as strongly agreed by 30.1%. Results from the second objective indicated that credit term was adopted as strongly agreed by 54.4%, credit standards as strongly agreed by 36.9 %, 40.8%, credit limits, 30.1% strongly agreed. Results to the third objective show models of loan repayment platform demonstrated that 53.4% of respondents strongly agreed with the statements. Therefore, 44.7 strongly agreed that the Access bank is continually assessment as 33.0%. Results 54.9% strongly agreed with legal enforcements. The study recommended that researcher's asses this factors impact on credit management practices, its execution and financial performance.

**Keywords:** *Credit management, Credit Policies, Credit monitoring, debt recovery, financial performance*

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## 1.0 Introduction

In Rwanda, commercial banks face enormous credit management challenges including many cases of default risks, moral hazard and adverse selection (Mbonigaba, 2019). This is due to the fact that, when borrowers default in servicing their loans or in meeting their loan servicing obligations of the loans awarded to them, the lending institution will not get returns through interested on those loans (BNR, 2020)

According to Central Bank of Rwanda (2021), reported that financial performance of commercial banks in Rwanda is below to their expectations like Access Banks, there is rise and fall in terms of profitability, for example, the return on average assets (ROA) of Access Bank was negative 0.83% in 2016 compared to 1.15% in 2018. The return on equity of Access Bank was also increase in 2016 compared to in 2018 where ROE was negative 6.98% in 2016 compared to 10.2% in 2018 the increase is due to different factor such as management of workers, credit risk management strategies, appropriate utilization of company's resources, high investments, excess spending in non-profitable activities (Access Bank, 2021).

Currently, Access Bank have made more emphasis on credit management practices in all branch in Rwanda in order to address the issue of low or poor financial performance but the extent to which credit management in flouncing its financial performance is unknown. Hence the study seeks to examine how financial performance of Access Bank is affected by credit management practices.

### 1.1 Research Objectives

i. To assess the effect of credit rating on financial performance of Access Bank Plc in Rwanda
ii. To determine the effect of credit policy on financial performance of Access Bank Plc in Rwanda.
iii. To find out the effect of credit monitoring on financial performance of Access Bank Plc in Rwanda.
iv. To examine the effect of credit recovery on financial performance of Access Bank Plc in Rwanda.

## 2.0 Literature review

### 2.1 Review of Empirical Studies

According to Harrington and Niehaus (2019), the basis of credit rating approach is to assist the bank to settle on a choice to accept or dismiss an application. It considers a case by case evaluation while assessing a loan application. It in this way alludes to the utilization of factual models to change patient information into numerical measures that guide credit choices. It is in this manner alluded to as the industrialization of trust. Credit rating assessment has been accepted globally to be a superior method for assessing a trustworthy borrower when contacted with the conventional techniques for hazard appraisal (Ali, & Dhiman, 2019). Rukundo (2018) did a study on the credit management and loan performance in selected commercial banks in Bujumbura, Burundi. The study was aimed at determining the effect credit management on loan performance. The study adopted a descriptive survey design, with the study population comprised of 58

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employees of 3 selected commercial banks. Data was collected using questionnaires and was analyzed using descriptive and regression analysis to determine the effect credit management on loan performance. The findings of the study revealed that the various components of credit management, that is credit standards (average mean 4.73 and standard deviation 0.68), credit policy (average mean 4.71 and standard deviation 0.63), credit terms (average mean 4.57 and standard deviation 0.57) and collection policy (average mean 4.63 and standard deviation 0.61), have a positive and significant effect on loan performance in commercial banks in Bujumbura, Burundi (Rukundo, 2018). The study concluded that having objectives and appropriate parameters for credit standards, enabling banks to adequately assess the credit records, and clear guide lines in the processing and insurance of loans and monitoring their repayment schedules has a direct bearing on the levels of default and repayment. It was also concluded that the policy on loan repayment collections is another key determinant of loan performance, where the rate of asset recovery and transfer of loans is directed related to the level of losses from loan default. The study recommended that Commercial banks should consider having in place effective credit standards, credit policy, credit terms and collection policies or procedures as mechanisms to guide their business, since the effectiveness of credit management is important to the successful management of banking institutions; that Commercial banks should operate their credit businesses based strictly on established lending guidelines that clearly outline the business growth priorities of the senior management, as well as the conditions to satisfy in order to qualify for loan approval; and that there should be prior customer evaluation before loans are granted, and a continuous process of assessment before and during the course of loan repayment (Branzoli & Fringuellotti, 2020).

A credit policy is an institution method for analyzing credit request and its decision criteria for accepting or rejecting application (AL-Khouri, 2018). According to Anthony (2021), credit policy provides a framework for the entire management practices. Arunachalam (2021) analyzed the effect of credit management practices on the performance of commercial banks in the hospitality industry in Nairobi. Descriptive research design was used with a target population of 67 active commercial banks in the hospitality industry based in Nairob. A sample size of 10 commercial banks was selected using systematic random sampling techniques. The questionnaire and the data collection sheer were administered to the SACCO members through drop and pick method. The findings of the study show that commercial banks have heavily relied on particular credit risk technique which are not adequate to mitigate against loan losses in a dynamic and competitive lending environment. Secondly adequate credit risk monitoring and control mechanisms are lacking in majority of Commercial banks which results in late detection and determination of non-performing and defaulted loans. Thirdly, govemance structures that would ensure that the laid down credit risk policies are strictly adhered to, is lacking in majority of commercial banks.

The findings of the study by Banu, et al (2021) on the effect of credit management on the financial performance of microfinance institutions in Kenya; the study sought to determine the effect of credit management on the financial performance of Microfinance institutions in Kenya. The study adopted descriptive survey design. The population of study consisted of 59 MFIs in Kenya that are members of AMFI. A census study was used to carry out the research. Primary data was collected using questionnaires where all the issues on the questionnaire were addressed.

Descriptive statistics were used to analyze data. The study established there was strong relationship between financial performance of MFLs and client appraisal, credit risk control and collection policy. The study established that client appraisal, credit risk control and collection policy significantly influence financial performance of MKLs in Kenya. Collection policy was found to have a higher effect on financial performance and that a stringent policy is more effective in debt recovery than a lenient policy.

According Gul et al (2021), credit monitoring practice is fundamental process employed by financial institutions to alert them of any changes in the credit that has been advanced to members. This practice assists the credit managers to confirm accuracy of any change in the running loans to avoid chances of nonperforming loans. The Credit monitoring practice provides for timely information and such information analyzed by the credit officers to make appropriate information. However, from review of same studies it is noted that credit monitoring is not sure way to certainly monitor credit repayment shortfalls by members. An effective credit monitoring system will include measures to; ensure that the bank understands the current financial condition of borrower or counterparty; ensure that all credit are in compliance with the existing covenant; follow the use customer make of approved credit lines; ensure that projected cash flows on major credits debts servicing requirement; ensure that where applicable, collateral provides adequate coverage relative. The problem of credit risk often begins at the loan origination/application stage and increased further at the loan approval, monitoring and controlling stages, especial when credit risk management guidelines in terms of policy and strategic procedures for credit processing do not exist, are weak or incomplete (Mafumbo, 2020).

The banking industry is most cases has a debts recovery unit which is in charge of following loans before they become delinquent and make attempts to recover the loans (Mafumbo, 2020). The task of recovery entails compiling a list of overdue loans and proactively managing the loans by calling up customers who are defaulting. Mburu (2021) investigated the effects of credit management practices on the financial performance of deposit taking commercial banks in Kisii County. The target population of this study was 120 employees of all the six Deposit Taking Commercial banks in Kisii County. The study used census technique. Primary data were collected using a questionnaire. The data were analyzed by use of descriptive statistics and inferential statistics. The study revealed that loan collection policies, credit risk measures and loan default have significant effect on the performance of deposit taking commercial banks. The study recommended that the commercial banks should uphold monitoring of loans that are in arrear, also penalize clients for late payment and limit access to repeat loans for defaulters, monitor the flow of borrower's business through the SACCO's account, make regular review of the borrower's reports, be supportive to borrowers whenever they are in difficulties, make frequent contact with borrowers and they make on-line Visits.

Rukundo (2018) carried out the effect of credit management on performance of commercial banks in Rwanda, a case study of equity bank Rwanda Ltd. The study adopted a descriptive survey design. The target population of the study consisted of 57 employees of equity bank in credit department. Entire population was used as the sample giving a sample size of size of 57 employees. Purposive sampling technique was used in sampling where the entire population was included in the study. Primary data was collected using questionnaires which were administered to the respondents by the researcher. Descriptive and inferential statistics were used to analyze data. The study found that client appraisal; credit risk control and collection policy had effect on financial performance of equity bank. The study established that there was strong relationship between financial performance of equity bank and client appraisal, credit risk and collection policy significantly influences financial performance of equity bank (Rahman, et al.,2019).Collection policy was found to have a higher effect on financial performance and that a stringent policy is more effective in debt recovery than a lenient policy.

Nsengiyera, et al., (2020) conducted the study on the assessment of loan management on financial performance of banking institutions in Rwanda case study: BK Headquarter. This study examines the effect of loan management on the performance of banking institutions basing on the factors of loan management, challenges faced in loan management, and the level of the financial performance of BK. It was indicated that receivables are increasing year by year; this calls the researcher to assess loan management as on the contrary, BK is opening new branches across the country, and this study seeks to find out to what extent loan management has an effect on the performance of banking institution. The study uses a descriptive research design to establish if there was any relationship between factors of loan management and indicators of financial performance. Both primary and secondary data were applied in the Research and were collected using a research questionnaire. The data collected was interpreted, analyzed and necessary comparisons made using descriptive, correlation statistics with the help of statistical product and service solutions (SPSS) (Kipsang, 2020).

## 2.2 Theoretical Framework

This study is anchored on two theories which are reviewed in this section. These theories include liquidity theory of credit and the information theory of credit. Liquidity Theory of Credit argued that firms are more averse to request exchange credit and more inclined to offer it, a negative connection between a purchaser's entrance to different wellsprings of financing and exchange credit utilizes normal. Kipsang (2020) acquired proof supporting this negative connection. Concurring Mulyungi, and Mulyungi (2020), the utilization of credit rating assessment combined with high liquidity affects the quantities of endorsed advances to private ventures i.e their applications prompts much quicker and viable advance take-up

Asymmetric Information Theory states that in certain situations, where some agent in same trade possesses information while other agents involved in the same trade do not (Okpala, et al., 2019).Information theories of credit allude to the measure of credit to firms and people would be bigger if banks could better predict the likelihood of reimbursement by their potential clients. Along these lines, more monetary foundations think about the record of loan repayment of planned borrowers, the more profound credit markets would be. The information that every party to a credit exchange conveys to the market will have imperative ramifications for the way of credit gets; the capacity of credit markets to match borrowers and loan specialists proficiently and the pretended by the rate of enthusiasm for apportioning credit among borrowers. The lender may try to overcome this problem by carrying out screening of the borrower by looking that the past records such as past credit history and evidence of income/cash flow. Therefore, this theory was significant in this study since it inferred credit monitoring practice due to inability/failure of bank to monitor the performance of loans in banks relevant information on credit applicants leading to the

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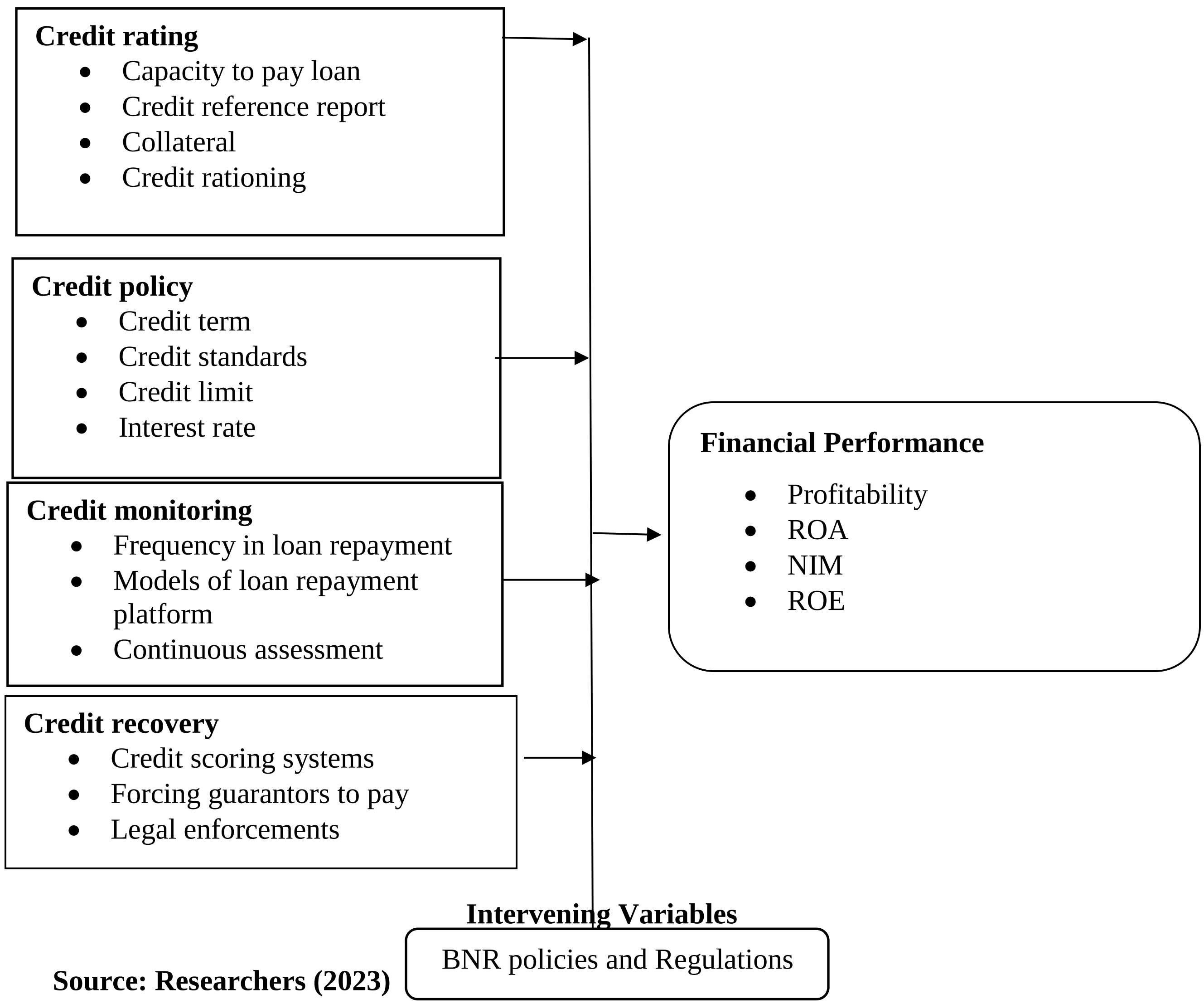
possibility of increase in non-performing loans. The above theory enabled the researcher to establish the conceptual framework as follows:

**Independent Variable** **Dependent Variable**

**Credit management practices**




**Source: Researchers (2023)**

**Figure 1: Conceptual Framework**

The framework below is an instruction of possible underlying loan management influences on performance of commercial banks. The independent variable is loan management practices including credit rating, credit policy. Credit monitoring and credit recovery while dependent variable is performance of banks measured by ROA (Return on Asset), NIM (Net Interest Margin) and ROE (Return on Equity).

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## 3.0 Materials and Methods

The study used causal research design, also known as explanatory research is conducted in order to identify the extent and nature of cause-and-effect relationships. Causal research can be conducted in order to assess impacts of specific changes on existing norms and various process. Therefore, the study used causal research design to find out the effect of credit rating, credit policy monitoring and credit recovery on financial performance of Access Bank by using inferential statistics approach. According to Access Bank Reports (2022), reported that had 164 employees of Access Bank.

## 4.0 Results and discussion

Results of the four specific statistically significance analyses were conducted between credit management practices and financial performance of the target Access Bank in Rwanda. The focus was whether an adopted practices affects the distribution of the performance variables. Before analyzing data for each specific objective of the study, the researcher started with the analysis of information related to the level or situation of financial performance at Access Bank in Rwanda.

### 4.1 Assessing Effect of Credit Rating on Financial Performance of Access Bank Plc in Rwanda

**Table 1: Application of Credit Rating at Access Bank Rwanda PLC.**

| Credit Rating | Strongly Disagree % | Disagree % | Not Sure % | Agree % | Strongly Agree % | Mean | Standard Deviation |
|---|---|---|---|---|---|---|---|
| Capacity to pay loan | 2.9 | 3.9 | 12.6 | 35.9 | 44.7 | 4.1553 | 0.987 |
| Credit reference report | 16.5 | 20.4 | 15.5 | 17.5 | 30.1 | 3.2427 | 1.485 |
| Collateral | 16.5 | 12.6 | 26.2 | 29.1 | 15.5 | 3.1456 | 1.301 |
| Credit rationing | 36.9 | 3.9 | 18.4 | 18.4 | 28.2 | 2.9125 | 1.669 |

**Source: Primary Data (2023)**

Results show that Access Bank assessment of the capacity to pay loan was strongly agreed by 44.7% of respondents with a mean of mean of 4.1553 and standard deviation of 0.987 was used as a credit rating component at Access Bank Plc. In this regards, a discrepancy was found. For moderate responses, Access Bank has used credit reference report as strongly agreed by 30.1% of respondents with a mean of 3.2427) and standard deviation of 1.485, was a component for the application of credit rating at Access Bank Plc. For the collateral requirements in the Access Bank,

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29.1% of respondents with a mean of 3.1456 and standard deviation of 1.301 was applied by Access Bank Plc. Finally, if the access bank is focused on credit rationing was strongly agreed by 28.2% of respondents with a mean of 2.9125 and standard deviation of 1.669. The study determined the effect of credit rating on financial performance of Access Bank in term of ROA, ROE and NIM. The Pearson correlation analysis and inferential statistics were adopted to introduce the relationship between study variables.

**Table 2: Correlation Analysis between Credit Rating and Access Bank Financial Performance.**

| | | Capacity to pay loan | Credit reference report | Collateral | Credit rationing | Return on Assets | Return on Equity | Net Interest Margin |
|---|---|---|---|---|---|---|---|---|
| Capacity to pay loan | Pearson Correlation | 1 | | | | | | |
| | Sig. (2-tailed) | | | | | | | |
| | N | 110 | | | | | | |
| Credit reference report | Pearson Correlation | .669** | 1 | | | | | |
| | Sig. (2-tailed) | .000 | | | | | | |
| | N | 110 | 110 | | | | | |
| Collateral | Pearson Correlation | -.361** | -.521** | 1 | | | | |
| | Sig. (2-tailed) | .000 | .000 | | | | | |
| | N | 110 | 110 | 110 | | | | |
| Credit rationing | Pearson Correlation | -.414** | -.312** | .507** | 1 | | | |
| | Sig. (2-tailed) | .000 | .001 | .000 | | | | |
| | N | 110 | 110 | 110 | 110 | | | |
| Return on Assets | Pearson Correlation | .320** | .408** | -.657** | -.407** | 1 | | |
| | Sig. (2-tailed) | .001 | .000 | .000 | .000 | | | |
| | N | 110 | 110 | 110 | 110 | 110 | | |
| Return on Equity | Pearson Correlation | .317** | .006 | -.510** | -.538** | .394** | 1 | |
| | Sig. (2-tailed) | .001 | .950 | .000 | .000 | .000 | | |
| | N | 110 | 110 | 110 | 110 | 110 | 110 | |
| Net Interest Margin | Pearson Correlation | -.819** | -.716** | .072 | .311** | -.113 | -.034 | 1 |
| | Sig. (2-tailed) | .000 | .000 | .470 | .001 | .254 | .732 | |
| | N | 110 | 110 | 110 | 110 | 110 | 110 | 110 |

**. Correlation is significant at the 0.01 level (2-tailed).

**Source: Primary Data (2023)**

Findings reveal correlation between variables. For Capacity to pay loan, there was a positive significant correlation between capacity to pay loan and return on assets (r=.320**, p-value =0.001), capacity to pay loan and return on equity (r=0.0317, p-value =0.001). Finally, a correlation was found between capacity to pay loan and net interest margin (0.817**, p-value=0.000). For credit reference report, there were positive significant correlation between credit reference report and ROA (r=0.408*, p-value=0.048), credit reference report and NIM (r0.716, p-value=0.000). Contrary to insignificant correlation between credit reference report and ROE (r=0.006, p-value=0.950). Results on collateral indicated significant correlation between collateral and ROA (r=0.657**, p-value=0.000), and ROE (r=0.510, p-value =0.000). However, insignificant relationship was found between collateral and NIM (r=0.072, p-value= 0.470. Results on the correlation between credit rationing and dependent variables, there were significant correlations between credit rationing and ROA increase (r=.407**, p-value=0.000), ROE (r=538, p-value 0.000).

## 4.2 Effect of Credit Policy on Financial Performance of Access Bank Plc in Rwanda.

The second objectives of the study was to determine effect of credit policy on financial performance of Access Bank Plc in Rwanda.

**Table 3: Extent to which Credit Police is applied at Access Bank Plc**

| Credit Policy Applied | Strongly Disagree % | Disagree % | Not Sure % | Agree % | Strongly Agree % | Mean | Std |
|---|---|---|---|---|---|---|---|
| Credit term | 6.8 | 7.8 | 6.8 | 24.3 | 54.4 | 4.1165 | 1.239 |
| Credit standards | 6.8 | 7.8 | 2.9 | 45.6 | 36.9 | 3.98 | 1.154 |
| Credit limit | 10.7 | 8.7 | 1.1 | 38.8 | 40.8 | 3.902 | 1.317 |
| Interest rate | 9.7 | 10.7 | 13.6 | 35.9 | 30.1 | 3.66 | 1.279 |

**Source: Primary Data (2023)**

Results demonstrated that credit term was adopted as strongly agreed by 54.4% of respondents with a mean of 4.1165) and standard deviation of 1.239, credit standards as strongly agreed by 36.9 % of respondents with a moderate mean of 3.980, However, 40.8% of respondents strongly agreed with the fact that Access Bank has credit limits with a mean of 3.902 and standard deviation of 1.317. Finally, 30.1% of respondents strongly agreed with the fact that Access bank had the interest rate with a mean of 3.660 and standard deviation of 1.279.

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**Table 4: Correlation Analysis Credit Policy and Financial Performance in Access Bank Plc.**

| | | Credit Term | Credit Standards | Credit Limits. | Interest Rate | Return on Assets | Return on Equity | Net Interest Margin |
|---|---|---|---|---|---|---|---|---|
| Credit Term | Pearson Correlation | 1 | | | | | | |
| | Sig. (2-tailed) | | | | | | | |
| | N | 103 | | | | | | |
| Credit Standards | Pearson Correlation | .742** | 1 | | | | | |
| | Sig. (2-tailed) | .000 | | | | | | |
| | N | 110 | 110 | | | | | |
| Credit Limits | Pearson Correlation | .235* | .192 | 1 | | | | |
| | Sig. (2-tailed) | .017 | .052 | | | | | |
| | N | 110 | 110 | 110 | | | | |
| Interest Rate | Pearson Correlation | -.253** | -.389** | .637** | 1 | | | |
| | Sig. (2-tailed) | .010 | .000 | .000 | | | | |
| | N | 110 | 110 | 110 | 110 | | | |
| Return on Assets | Pearson Correlation | .424** | .425** | .407** | .038 | 1 | | |
| | Sig. (2-tailed) | .000 | .000 | .000 | .704 | | | |
| | N | 110 | 110 | 110 | 110 | 110 | | |
| Return on Equity | Pearson Correlation | .740** | .514** | .665** | .208* | .394** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | .000 | .035 | .000 | | |
| | N | 110 | 110 | 110 | 110 | 110 | 110 | |
| Net Interest Margin | Pearson Correlation | -.484** | -.608** | .401** | .924** | -.113 | -.034 | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .254 | .732 | |
| | N | 110 | 110 | 110 | 110 | 110 | 110 | 110 |

**. Correlation is significant at the 0.01 level (2-tailed).

**Source: Primary Data (2023)**

As indicated in Table 4, there were significant correlations found between credit term and ROA (r=0.424**, p-value=0.000), credit term and ROE (0.740**, p-value= 0.000), credit term and NIM (0.484**, p-value=0.000). For credit standards and ROA (r=0.425**, p-value=0.000), ROE (r=0.514*, p-value=0.000), and NIM (r=0.608, p-value= 0.000) were positively correlated.There is a significant correlation found between credit limits and ROA (r=-0.407**, p=0.000), ROE (r=0.665**, p-value=0.000), and NIM(r=0.401**, p-value=0.000). Inferential statistics for habits evidenced insignificant correlation between credit rating and ROA(r=0.038, p-value=0.704), but a significant relationship were found between interest rate and ROE (r=0.208**, p-value=0.035), and NIM (r=-0.924, p-value=0.000).

### 4.3 Finding Effect of Credit Monitoring on Financial Performance of Access Bank Plc in Rwanda.

The third objective of the study was to find out effect of credit monitoring on financial performance of Access Bank Plc in Rwanda. The researcher begin with the assessment of how credit monitoring was applied by Access Bank Plc.

**Table 5: Application of Credit Monitoring at Access Bank Plc**

| Credit monitoring | Strongly Disagree % | Disagree % | Not Sure % | Agree % | Strongly Agree % | Mean | Sdv |
|---|---|---|---|---|---|---|---|
| Frequency in loan repayment | 10.7 | 14.6 | 9.7 | 36.9 | 28.2 | 3.372 | 1.325 |
| Models of loan repayment platform | 5.8 | 7.8 | 6.8 | 26.2 | 53.4 | 4.13559 | .632 |
| Continuous assessment | 9.7 | 9.7 | 8.7 | 44.7 | 28.2 | 3.728 | 1.169 |

**Source: Primary Data (2023)**

Results found that Access bank is concentrating on a frequency in loan repayment as agreed by 36.9% of respondents with a mean of 3.372 and standard deviation of 1.325. Results on whether the Access Bank is concentrating on models of loan repayment platform demonstrated that 53.4% of respondents strongly agreed with the statements with a mean of 4.13559 and standard deviation of 1.632. However, 44.7% of respondents with a mean of 3.728 and standard deviation of 1.169 strongly agreed that the Access bank is continually assessment as indicated by 33.0%, with a mean of 3.543 and standard deviation of 1.326.

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**Table 6: Correlation Analysis between Credit Monitoring and Financial Performance of Access Bank Plc**

| | | Frequency in loan repayment | Models of loan repayment platform | Continually assessment | Return on Assets | Return on Equity | Net Interest Margin |
|---|---|---|---|---|---|---|---|
| Frequency in loan repayment | Pearson Correlation | 1 | | | | | |
| | Sig. (2-tailed) | | | | | | |
| | N | 110 | | | | | |
| Models of loan repayment platform | Pearson Correlation | .049 | 1 | | | | |
| | Sig. (2-tailed) | .621 | | | | | |
| | N | 110 | 110 | | | | |
| Continually assessment | Pearson Correlation | .000 | .806** | 1 | | | |
| | Sig. (2-tailed) | .998 | .000 | | | | |
| | N | 110 | 110 | 110 | | | |
| Return on Assets | Pearson Correlation | -.244* | .393** | .127 | 1 | | |
| | Sig. (2-tailed) | .013 | .000 | .203 | | | |
| | N | 110 | 110 | 110 | 110 | 110 | |
| Return on Equity | Pearson Correlation | -.332** | .395** | .253** | .394** | 1 | |
| | Sig. (2-tailed) | .001 | .000 | .010 | .000 | | |
| | N | 110 | 110 | 110 | 110 | 110 | |
| Net Interest Margin | Pearson Correlation | -.270** | -.813** | -.796** | -.113 | -.034 | 1 |
| | Sig. (2-tailed) | .006 | .000 | .000 | .254 | .732 | |
| | N | 110 | 110 | 110 | 110 | 110 | 110 |

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

**Source: Primary Data (2023)**

Results in Table 6 indicated, significant correlations were established between frequency in loan repayment and ROE (r=0.244**, p-value=.013), between frequency in loan repayment and ROA (r= 0.322 *, p-value=.001) and NIM (r=0.270*, p-value=.006). All the correlations were statistically significant if the p value was <0.05 suggesting that a change in between frequency in loan repayment increase ROA. ROE, NIM and vice versa. Results on models of loan repayment

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platform show statistically positive correlations with ROA(r=0.393**, p-value=0.000), ROE (r=0.395**, p-value=0.000), NIM (r=0,813, p-value=0.000). All were statistically correlated significantly. Significant positive correlations were found between acquisition of similar industry and ROE (r=0.253**, p-value=0.010), continually assessment and NIM (r=.796*, p-value=0.000) and not correlation found between continually assessment and ROA (r=-0.127*, p-value=0.203). Finally, the only significant correlations was found between continually assessment and ROA (r=.0.181*, p-value=.0.063), but insignificant relationship was found between continually assessment and ROE (r=0,061*, p-value=.0.543) and NIM (r=-0.44*, p-value=.0.656).

### 4.4 Effect of Credit Recovery on Financial Performance of Access Bank Plc in Rwanda.

The third objective examined effect of credit recovery on financial performance of Access Bank Plc in Rwanda. The credit recovery was measured using credit scoring systems, forcing guarantors to pay, and legal enforcements.

**Table 1: Credit Recovery at Access Bank Plc in Rwanda.**

| Credit Recovery at Access Bank Plc in Rwanda | Strongly Disagree % | Disagree % | Not Sure % | Agree % | Strongly Agree % | Total Mean | Sd |
|---|---|---|---|---|---|---|---|
| Credit scoring systems | 0.0 | 0.0 | 7.7 | 36.4 | 57.7 | 4.500 | .637 |
| Forcing guarantors to pay | 2.7 | 4.9 | 2.7 | 54.9 | 34.6 | 4.131 | .900 |
| Legal enforcements | 6.0 | 6.6 | 7.7 | 19.2 | 60.4 | 4.214 | 1.204 |

**Source: Primary Data (2023)**

Findings on the statement whether credit scoring systems, results indicated 4.500=mean, 0.637=standard deviation, this demonstrated that 57.7% strongly agreed with the statement. Results on whether forcing guarantors to pay, 54.9%, mean of 4.131, standard deviation=0.900 agreed with this statement, 60.4%, mean of 4.214, standard deviation=1.204 strongly agreed with the statement legal enforcements.

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**Table 8: Correlation Analysis between Credit Recovery and Financial Performance of the Access Bank**

| | | Credit scoring systems | Forcing guarantors to pay | Legal enforcements | ROA | ROE | NIM |
|---|---|---|---|---|---|---|---|
| Credit scoring systems | Pearson Correlation | 1 | | | | | |
| | Sig. (2-tailed) | | | | | | |
| | N | 110 | | | | | |
| Credit scoring systems | Pearson Correlation | 0.212 | 1 | | | | |
| | Sig. (2-tailed) | 0.004 | | | | | |
| | N | 110 | 110 | | | | |
| Legal enforcements | Pearson Correlation | 0.263 | 0.203 | 1 | | | |
| | Sig. (2-tailed) | 0.000 | 0.006 | | | | |
| | N | 110 | 110 | 110 | | | |
| ROA | Pearson Correlation | 0.333 | 0.136 | 0.037 | 1 | | |
| | Sig. (2-tailed) | 0.000 | 0.067 | 0.619 | | | |
| | N | 110 | 110 | 110 | 110 | | |
| ROE | Pearson Correlation | 0.044 | -0.012 | 0.016 | -0.043 | 1 | |
| | Sig. (2-tailed) | 0.555 | -0.876 | 0.829 | 0.566 | | |
| | N | 110 | 110 | 110 | 110 | 110 | |
| NIM | Pearson Correlation | -0.024 | 0.017 | 0.163* | -0.068 | -0.040 | 1 |
| | Sig. (2-tailed) | 0.750 | 0.816 | 0.028 | 0.363 | 0.593 | |
| | N | 110 | 110 | 110 | 110 | 110 | 110 |

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

**Source: Primary Data (2023)**

Significant positive correlations were found between credit scoring systems and ROA (r=0.333, p=.0.000). However, credit scoring systems was not statistically significant with NIM (r=0.750, p=0.024), credit scoring systems was not statistically significant with ROE (r=0.750, p=0.024), save withdrawn was statistically significant with ROA (r=0.136, p=0.067), forcing guarantors to pay was not statistically significant with ROE (r=0.012, p=0.876),forcing guarantors to pay was statistically significant with NIM (r=0.017, p=0.816). Legal enforcements was not statistically significant with ROA (r=0.037, p=0.619), legal enforcements was not statistically significant with ROE (r=0.016), p=0.829). Contrary to legal enforcements which was statistically significant with NIM (r=0.163, p=0.028).

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### 4.4 Discussion of the Results

According to Harrington and Niehaus (2019), the basis of credit rating approach is to assist the bank to settle on a choice to accept or dismiss an application. It considers a case by case evaluation while assessing a loan application. The results from Pearson correlation analysis were relevant in comparison with concluding remarks of Ali and Dhiman (2019), it in this way alludes to the utilization of factual models to change patient information into numerical measures that guide credit choices. It is in this manner alluded to as the industrialization of trust. This concurs with Rukundo (2018), credit rating assessment has been accepted globally to be a superior method for assessing a trustworthy borrower when contacted with the conventional techniques for hazard appraisal.

The second objectives of the study was to establish effect of credit policy on financial performance of Access Bank Plc in Rwanda. In Rwandan financial sector. These results relate to some of the previous researches such as the credit policy focuses on capacity to pay loan, credit reference report, collateral, and credit rationing. It concurs with a thesis on the credit policy is an institution method for analyzing credit request and its decision criteria for accepting or rejecting application. The research concur with AL-Khouri (2018) who analyzed the effect of credit management practices on the performance of commercial banks in the hospitality industry in Nairobi. The findings of the study show that commercial banks have heavily relied on the findings of the study by Anthony (2021) on the effect of credit management on the financial performance of microfinance institutions in Kenya; the study sought to determine the effect of credit management on the financial performance of Microfinance institutions in Kenya. The study adopted descriptive survey design. The study established that client appraisal, credit risk control and collection policy significantly influence financial performance of MKLs in Kenya. Collection policy was found to have a higher effect on financial performance and that a stringent policy is more effective in debt recovery than a lenient policy.

The third objective of the study was to establish the effect of credit monitoring on financial performance of Plc in Rwanda. The findings from the present study did not contradict the work of Gul et al (2021), credit monitoring practice is fundamental process employed by financial institutions to alert them of any changes in the credit that has been advanced to members. This practice assists the credit managers to confirm accuracy of any change in the running loans to avoid chances of nonperforming loans. The Credit monitoring practice provides for timely information and such information analyzed by the credit officers to make appropriate information. However, from review of same studies it is noted that credit monitoring is not sure way to certainly monitor credit repayment shortfalls by members. Results were similar with the research done on market development denotes to the request of goods or services enhances by the clients (Kipsang, 2020). An effective credit monitoring system will include measures to; ensure that the bank understands the current financial condition of borrower or counterparty; ensure that all credit are in compliance with the existing covenant; follow the use customer make of approved credit lines; ensure that projected cash flows on major credits debts servicing requirement; ensure that where applicable, collateral provides adequate coverage relative. It obligors' current condition and identity and classify potential problem credits on timely basis.

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The present research concur with findings of Mafumbo (2020) who argued that The task of recovery entails compiling a list of overdue loans and proactively managing the loans by calling up customers who are defaulting. This unit is equally charged with the role of liaising with lawyers to draft demand letters to the loan defaulters and sending the same to the customers who are defaulting (Mburu, 2021). Nsengiyera, et al. (2020) who used census technique. Primary data were collected using a questionnaire. The data were analyzed by use of descriptive statistics and inferential statistics. The study revealed that loan collection policies, credit risk measures and loan default have significant effect on the performance of deposit taking commercial banks. The study recommended that the commercial banks should uphold monitoring of loans that are in arrear, also penalize clients for late payment and limit access to repeat loans for defaulters, monitor the flow of borrower's business through the SACCO's account, make regular review of the borrower's reports, be supportive to borrowers whenever they are in difficulties, make frequent contact with borrowers and they make on-line Visits.

In the same context, Mbonigaba (2019) carried out the effect of credit management on performance of commercial banks in Rwanda, a case study of equity bank Rwanda Ltd. The study adopted a descriptive survey design. The study found that client appraisal; credit risk control and collection policy had effect on financial performance of equity bank. The study established that there was strong relationship between financial performance of equity bank and client appraisal, credit risk and collection policy significantly influences financial performance of equity bank. For Mafumbo (2020) who denoted the loan management on financial performance of banking institutions in Rwanda case study: Bank of Kigali Headquarters. This study examines the effect of loan management on the performance of banking institutions basing on the factors of loan management, challenges faced in loan management, and the level of the financial performance of BK. It was indicated that receivables are increasing year by year; this calls the researcher to assess loan management as on the contrary BK is opening new branches across the country, and this study seeks to find out to what extent loan management has an effect on the performance of banking institution. The present research was relevant since it concurs with findings of Mafumbo (2020) did the study on the loans management and profitability of banks in Rwanda, a case study of Bank Populaire Main Branch. The target population of the study was 283 people. The findings revealed that loan management and financial performance are collected on the rate of 40.2%. The study recommended that BPR and other financial institutions should focus on profitability rations analysis in order to well manage its sustainable performance.

## 5.0 Conclusion

The study concludes that Access Bank Plc in Rwanda has applied different credit management practices and this have enhanced the level of financial performance. To the first research objective, this study concludes that Access Bank Plc applied the credit rating through capacity to pay loan, credit reference report, collateral, and credit rationing. These credit management practices have affected positively the financial performance through return on asset, return on equity and net internet margin. The conclusion drawn from the second research objectives felt that credit policy was applied by Access but and this has affected its financial performance. The credit policy was applied through credit term, credit standards, credit limit, and interest rate. The study found that the relationship were statistically significant, since the p value was $<0.05$.The conclusion drawn from the third research objectives evidenced that credit monitoring was implemented at Access bank and this has affected its financial performance in Rwanda. In this regards, the bank was concentrating on the use of frequency in loan repayment, models of loan repayment platform, and continually assessment. Results indicated, significant correlations were established between credit monitoring in financial performance and vice versa.

## 6.0 Recommendations

All factors of various dimensions should be put into the right perspective, so as to help the general workforce of the bank to understand the credit management practices in place to achieve the objectives of the bank. This will enlighten the employees of the bank to jeer towards delivering services to enhance the general credit management practices of the bank and to raise its performance. Access Bank should continue to exert unreserved efforts to enhance the skill and commitment of the Bank's staff in recognition of the fact that human capital is the most valuable asset of the company. Again, communicating changes helps the company to easily cope up with it. Therefore by using this trend as a benchmarks change in strategies, roles and responsibility should be redefined, well communicated to staff and corrected where mistakes are committed so as to bring it back on board to achieve organizational objectives. Moreover, factors relative to leadership should be well articulated to management and staff of the bank. This will help the employees to know and understand the style of leadership adopted for the operations and governance of the bank to keep them focus in working towards achieving the objectives of the bank. It is also recommended that lines of communication between managerial and non-managerial staff should be improved in order to encourage and support the flow of information and feedback mechanisms. The researcher believes that deeper assessment on uncertainty, technology advancement, information availability and accuracy impact on credit management policies and financial performance. Therefore, it's recommended that researcher's assess factors impact on credit management practices, its execution and financial performance.

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