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Credit Management Strategies and Organization Performance of Private Companies in Rwanda. A Case Study of Highsec

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Abstract: *Credit is one of the numerous components that can be utilized by a firm to impact request for its products. Firms can as it were advantage from credit if the productivity produced from expanded deals surpasses the included costs of receivables. Many studies have been undertaken and have identified numerous problems as being associated with failure due to lack of effective credit management, such as lack of assessment, lack of staff participation in decision-making and many others. Little attention however has been paid to continuing training in credit management, which is the underlying factor to the achievement of any private institution. The general objective of the research is to assess the extent to which credit management contribute on organization performance of private companies in Rwanda based on the experience of High Sec. The study specifically focused on contribution of credit appraisal, credit risk control and lending policy contribute on organization performance of private companies in Rwanda. The research used questionnaire as research instrument to collect information from staff that are at the same time client of the above-mentioned organization. The study adopted a descriptive survey design. The target population of study consisted of 57 employees of High Sec.*

The census method was used to select the sample size that were selected at random from 57 respondents who represented the population under study. The researcher administered questionnaires to the respondents in order to collect primary data. Data was analyzed using descriptive and inferential statistics. The study discovered that credit appraisal, credit risk management, and lending policy all had an impact on High Sec's organizational performance. The study discovered a strong relationship between High Sec organization performance and credit appraisal, credit risk control, and lending policy in Rwanda. The majority of respondents felt that credit evaluation is a realistic technique for credit management, as evidenced by a mean of 1.70 in the survey. Organization performance would be at 0.454 for credit appraisal while the most significant p value was .003. Therefore, an increase in credit appraisal, credit risk monitoring, and lending policy stimulate adequate organization performance by a factor of .883 standardized significances. The study found that credit appraisal, credit risk management, and lending policy all have a significant impact on High Sec's organizational performance. It was revealed that lending policy has a higher impact on organizational performance and that a strict policy is more effective in debt collection than one that is flexible. For efficient debt recovery, High Sec. could enhance their lending strategy by transitioning from a tight to a flexible one, according to the study.

Key Words: *Management Strategies, Performance of Private Companies, Highsec, Rwanda*

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i. Introduction

Credit is one of the numerous components that can be utilized by a firm to impact request for its products. Concurring to Altaf, & Shah, (2018) firms can as it were advantage from credit if the productivity produced from expanded deals surpasses the included costs of receivables. Mwangi, & Muriuki, (2013) characterize credit as a handle whereby ownership of products or administrations is allowed without spot installment upon a legally binding assertion for afterward payment.

High default rates result in reduced cash flows, lower liquidity levels, and financial issues, therefore early detection of possible loan default is crucial. Lower credit exposure, on the other hand, indicates an optimal debtors' level, with fewer chances of default and consequently financial security. According to Scheufler(2012), risk management and cash flow enhancement are extremely difficult in today's trade environment. With the rise in insolvency rates, the

likelihood of misfortune has increased. Financial weights and trade hones are forcing organizations to make smaller payments, while assets for credit administration are being reduced despite rising demand. As a result, credit experts may need to look for opportunities to actualize Demonstrated best practices. Five common pitfalls can be avoided by overhauling your hones. Failure to recognize potential forgeries, underestimating current clients' commitment to terrible obligations, being caught off guard by liquidations, failing to require full use of innovation, and investing excessive time and assets on credit assessments that are unrelated to the reduction of credit defaults are all examples of these pitfalls, according to Scheufler (2012).Credit administration is one of the most important functions in any business and should not be disregarded by any financial institution that deals with credit, regardless of its commercial character. Credit administration refers to how a company manages its credit transactions. Because having 0% credit or default risk is nonsensical, it may be a requirement for any organization engaging with credit exchanges. The financial expenses of preserving receivables increase as the overall amount of receivables and their age increase. If these receivables are not collected on time, a company's cash demands may become urgent, and the financial expense paid is the opportunity fetched. Credit administration has a substantial impact on the success or failure of commercial banks and other budgetary educators, according to Nzotta (2014).
This is usually due to the fact that the quality of loan options, and hence the quality of hazardous resources, has a significant impact on bank dissatisfaction. Credit administration, he adds, is a key predictor of a bank's credit portfolio quality. Credit management begins with the transaction and continues until the entire balance is paid. It, like closing the sale, is an important part of the deal. In fact, a sale isn't considered final until the funds are received.

As a result, goods lending rules must ensure that the borrower can make scheduled interest payments in full and during the given time period to the greatest extent possible; if the client fails, the profit from interest received will be decreased or perhaps wiped out. Debtor management and debt finance are the primary concerns of credit management. Credit management's goals can be summarized as preserving the company's debtor investments and optimizing operational cash flows. For giving credit to consumers, collecting payment, and reducing the risk of non-payment, policies and procedures must be followed. 2013 (Stoner). 2013 (Stoner).

Organizational performance, according to Turyahebya (2013), the ability of an organization to function efficiently, financially, survive, grow, and respond to environmental opportunities and threats is defined as its ability to function efficiently, financially, survive, grow, and respond to environmental opportunities and threats. A company's performance, according to Sollenberg and Anderson (2015), is determined by how well it uses resources to achieve its goals. Many firms' low performance, according to Hitt *et al*. (2017), is due to underperforming assets.Commercial banks make money by charging interest, penalties, and commissions on loans and other financial services.Other financial assets' income, such as investment income, is also included in financial revenue. Various expenses arise as a result of bank financial activity, ranging from normal operating expenses and borrowing charges to reserving for probable loan losses. The practice of collecting and controlling payments from clients is referred to as credit management.

Credit management, according to Myers and Brealey (2012), is a set of approaches and tactics used by a company to ensure that it maintains an ideal level of credit and manages it effectively. Credit analysis, credit rating, and credit allocation are all aspects of financial management. In some competitive markets, companies may be enticed by the prospect of increased business if additional credit is extended, but this practice is risky unless it can be guaranteed that greater revenues from increased sales will outweigh the additional credit costs, or that those expenses can be recovered by raising prices. Most firms may see the losses caused by bad debts, clients moving into liquidation, receivership, or bankruptcy. When bad debt losses are written off, the profit and loss account is dramatically decreased. Late payment interest is less obvious, and as a cost impact, it can go unnoticed.

Because it is incorporated into the overall bank charges for all activities, it is rarely measured independently. Paying bills late saves money on borrowing costs and lowers overall bank interest. Credit managers can calculate this interest cost separately for debtors, with stunning results, because the cost of waiting for payment past the due date is typically ten times that of bad debt losses. Effective receivables management necessitates the creation and documentation of a creditpolicy.Many businesses are experiencing liquidity and working capital issues as a result of lax lending standar ds and inefficient credit procedures. A sound credit policy, is the pattern for how a firm communicates with and treats its most precious asset, its customers, according to Pike and Neale (2009).A credit policy, according to Scheufler (2012), provides a consistent set of goals for the organization and recognizes the credit and collection department as a key contributor to the company's strategies. If the credit policy is properly written, implemented, and understood at all levels of the financial institution, management will be able to maintain suitable criteria for bank loans, avoiding unnecessary risks and accurately assessing company development potential.While falling credit quality is the most common cause of poor organizational performance and condition, a good credit management

strategy is necessary for a financial institution's stability and long-term profitability. According to Gitman and Vandenberg (2010), the chance of bad debts increases as credit requirements are lowered.

Companies must ensure that their receivables management is efficient and effective as a result. Delays in collecting payments from creditors when they are due cause substantial financial problems, increase bad debts, and harm customer relationships. Profitability suffers when payments are paid late, and it suffers even more when payments are not made at all. Furthermore, there have been no definitive outcomes from studies on credit management strategies and loan performance. Oretha (2012), for example, looked at the impact of CRM techniques on the Liberian High Sec's organizational performance in Rwanda, but she did not look into how credit risk management procedures affected loan performance.

Gakure *et al*. (2012) investigated the link between credit management strategies and commercial bank performance in Kenya, however they did not demonstrate how different credit management approaches affect loan performance. Otieno and Nyagol (2016) investigated the impact of credit management on microfinance High Sec organization performance in Rwanda. In terms of data and research design, previous studies used a variety of methodologies. The majority of studies used a descriptive research approach that depended entirely on primary data. Chikamai and Mutua (2018), Makori and Sile (2017), and Muasya (2017) are only a few examples (2013). As a result, research into credit management approaches like debt lending policy, customer appraisal, and lending policy falls short of explaining how credit management tactics work.
The specific objectives that guided this research are:
i)To determine the contribution of credit appraisal on organization performance of private companies in Rwanda
ii) To establish contribution of credit risk control on organization performance of private companies in Rwanda
iii) To find out contribution of lending policy on organization performance of private companies in Rwanda

ii. Theoretical Literature

When a debtor fails to meet their loan repayment requirements, credit risk occurs (Lalon, 2015). It comprises both future and existing earnings risks as a result of the obligator's failure to meet the contract's agreed-upon terms (Kargi, 2011).This requires the bank to implement measures for identifying, monitoring, measuring, and controlling risks associated with credits, as well as providing adequate compensation in the event of risk incurrence (Lalon, 2015).

Bank credit managers must research applicants' credit histories, determine credit limits and payment arrangements, and manage collections for past-due accounts, as well as review and accept or decline applications for bank-issued credit cards. Only those who are believed to be trustworthy and dependable in returning the money should be given credit. Those who refuse to settle their delinquent accounts must face legal consequences. Compiling financial reports on the bank's credit handlings and overseeing other employees are both typical parts of a manager's job.

To protect customers and the bank's interests, managers must guarantee that precautions against credit card fraud are in place. Non-performing loans continue to be the most significant impediment to the financial sector's growth (Doriana, 2015). Commercial banks in Kenya performed poorly, according to the World Bank (2018), with comparatively high non-performing loan rates compared to globally imposed criteria of 14.92 percent and a five-year average of 11.07 percent. Because this is a key source of worry, the study focused on credit management methods and loan performance in a Kenyan commercial Bank. Loan performance accounts for more than ten times a bank's equity and thus accounts for a significant portion of its credit risk (Barth *et al*., 2001).

The loan portfolio refers to the entire amount of money given to different borrowers as various loan products. Individual loans, business loans, wage loans, and group guarantee loans are all viable options. Payment rates, the number of borrowers, the amount of security pledged, and the percentage of arrears recovery are all factors in loan performance (Basel, 2006).The significant quantity of NPLs, according to Ekrami and Rahnama (2009), shows the credit banking system's existing high risk, which raises market and liquidity issues. NPLs are mostly driven by inefficiencies in Rwandan banks' credit management operations (Morton, 2003). According to Weetman (1999), financial reporting is an important aspect of a company's communication with its stakeholders. Communication becomes increasingly crucial, as firms grow larger and more complex. When giving financial data to external stakeholders who aren't involved in the company's day-to-day operations, it's important to strike a cautious balance between removing significant features while keeping the vital core information. The participants in the communication process have a diverse variety of talents and educational backgrounds when it comes to accounting.

Professional investors, individual investors, investment advisers, bankers, employee representatives, customers, suppliers, and journalists, according to Weetman, start with financial statement preparers, who may have special accounting training, and end with professional investors, individual investors, investment advisers, bankers, employee representatives, customers, suppliers, and journalists. The profitability of the financial institutions mostly depends on their lending programs; in summary lending signifies the high pledge moneys of depository monetary organizations and yields the big income from wages possessions (Hubbard, 2010). According to Williams et al. (2003), timeliness gives a company a competitive advantage since it allows it to plan for and manage ongoing business processes and accounting data.

Many organizations operate in a competitive atmosphere that needs fast access to information. Businesses are developing computerized databases that connect to external forecasts from industry groups, suppliers and purchasers, and constituents to address this necessity. Customers always start and end a business, so they must be treated as the King of the market. Customers are responsible for all business enhancements, profit, status, and image of the organization. As a result, all businesses must ensure that all of their customers' expectations are met and that satisfied consumers are identified. Customer satisfaction is a metric that assesses how well requirements and solutions are coordinated and provided in order to meet or exceed customer expectations. Only if the client has a positive overall relationship with the supplier is this possible. In today's competitive business environment, customer happiness is a critical performance indicator and a basic differentiator of corporate strategies. As a result, the higher the level of customer happiness, the higher the business and customer bonding will be.

The higher the level of satisfaction, the stronger the customer's sentimental attachment to the specific brand of product as well as the supplier. This contributes to the formation of a strong and healthy customer-supplier bond. This bonding binds the customer to that specific supplier, making defection extremely unlikely. As a result, customer satisfaction is a critical aspect that every supplier should prioritize in order to establish a reputable position in the global market and increase business and profit. The profitability of banking crises increase if financial risk is not eliminated quickly (Bonin and Huang, 2011).

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iii. Empirical Review

Balgova, Nies, and Plekhanov (2016) investigated the impact of nonperforming loans on economic performance. This research employed a longitudinal design. Reduced non-performing loans have an unquestionably positive medium-term impact on the economy, according to the analysis. The study did not look at the impact of credit management practices on loan performance. The study did, however, establish the negative effects of nonperforming loans on an economy and the importance of managing them. The goal of this study was to see how credit management techniques affect loan performance.

Otieno and Nyagol (2016) investigated CRM strategies and performance. In this study, a descriptive research design was used. Credit management characteristics had a substantial negative association with performance metrics, according to the study's findings. The study looked at loan performance in general, not how credit risk management affected it, therefore the conclusions can only be extended to loan performance. The study did, however, support the importance of credit risk management in terms of performance. The purpose of this research was to see how credit management techniques affect loan performance.

Ho *et al*. (2019) discovered that many bank and financial institution losses result from outright default due to customers' inability to meet obligations in relation to trading, lending, settlement, and other financial institutions in their study of loan risk management strategies of some Malaysian financial institutions. Credit risk arises as a result of a bank's interactions with individuals, financial and corporate institutions, and sovereign entities. Using empirical evidence from Pakistan, Ahmed and Malik (2015) investigated loan performance and CRM. We used multiple regression analysis. Credit assessment and credit conditions had a large beneficial impact on loan performance, according to the study, but lending policy and credit risks had a favorable but small impact. The study was conducted in Pakistan, which has different social and economic structures than Kenya. The current study focused on the specific behaviors that influence commercial bank loan performance in Kenya. Kairaria (2014) investigated the impact of capital adequacy laws on the formation of credit facilities in Kenya. In this study, the causal research design was applied.

The implementation of mandated capital adequacy standards had a negative influence on the banking sector's profitability, according to the report. The impact of capital sufficiency standards on loan performance, which is the subject of the current study, was not examined. Ofonyelu and Alimi (2013) explored the impact of the bank’s risk on borrowers on NPLs. The study employed a descriptive research design. NPLs can be minimized, according to the report, by credit analysis, which entails analytical manipulation. While the study verified the relevance of credit

management in loan management, it failed to record the particular factors influencing loan performance, which is crucial for assessing the impact of loan performance. The current research concentrated on the many aspects of credit management. Gakure *et al.* (2012) investigated the performance of unsecured loans in Rwanda using credit management techniques and High Sec. The descriptive research design was used in the study. Credit management approaches, according to the report, increased the bank's performance. Despite the fact that the study did not look into the various credit management approaches and their influence on loans, it did confirm the relevance of credit management among commercial banks in reaching Rwanda's High Sec objectives. Credit management approaches and how they effect loan performance were the focus of the current investigation.

iv. Critical Review

Based on the analysis of the existing literature and report made on poverty and on poverty reduction strategy the researcher finds that there is still a challenge that requires solutions to eradicate poverty. The challenge consists on the fact that most of researchers who worked on the themes in question explained these topics according to their own conceptions. They tried to define poverty and propose solutions without considering the views or needs of the concerned category of people leaving in poverty situation. In our views, clear definitions of poverty and proper strategy to eradicate it should be based on how the concerned people feel it, how the perceive it. It is in that way that their needs can be identified and satisfied.

v. Theoretical Framework

The theoretical framework adopted for this study 5 C's Model for Credit.

The 5 C's Model for Credit

The concept of the 5 C's guided the investigation. The 5 C's Model for Credit was established to assist financial institutions in developing their credit policies, according to Baiden (2011). The 5 Cs are a set of five fundamental criteria that commercial banks will take into account whenever administering credit, both of which are expected to improve loan performance (Mac Donald *et al*., 2006).

Character, repayment capacity, collateral as a form of security, capital, and the current economic environment are all things to take into account (MacDonald *et al*., 2006; Baiden, 2011).As a result, the 5 C's Model for Credit generates a credit score that lenders can use to assess current and potential borrowers. "The degree to which a borrower is devoted to repaying his or her loan commitments is referred to as character. Capacity refers to a borrower's ability to make regular payments and fully repay the loan obligation without major restraints. Capital, on the other hand, refers to the borrower's financial situation as determined by capital sufficiency and market position (Denis, 2010).In the event of a loan default, collateral serves as a security for the loan. While economic conditions are concerned with the outside environment, over which lenders have no control, they do have an impact on loan recovery (MacDonald *et al*., 2006). The theory is important to the study because it provides a guideline for credit appraisals conducted by Rwanda's High Sec in order to reduce non-performing loans. As a result, credit appraisal is believed to be a critical risk management approach that enables Rwanda's High Sec to lend only to creditworthy customers who can return the loans quickly. Cases of default loan repayment will be minimized if the 5 C's Model for Credit is used, resulting in enhanced bank loan performance.

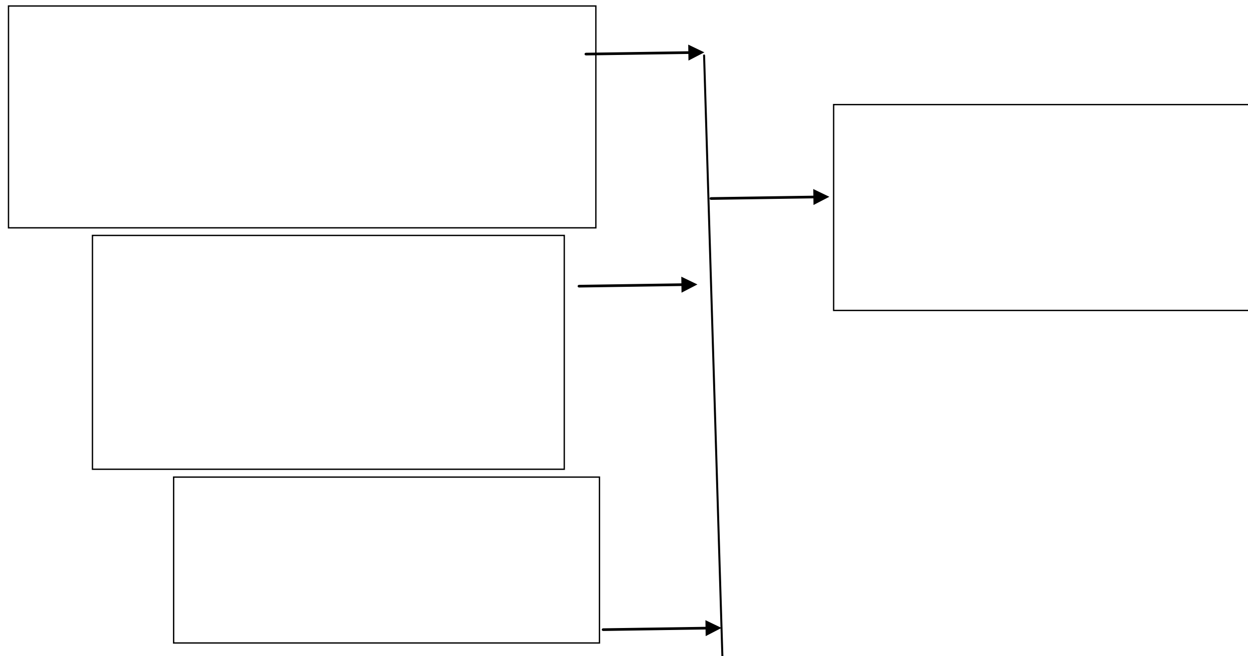
Agency Theory

Referring to this theory, the organization performance can be achieved by good management system establishment like offering incentives to managers. In anticipation of risks, this theory influences behaviors and values of managers in terms of taking risks and evading (Smith and Stulz 2010). This theory clarifies probable disparity of attention amid stakeholder administration plus debit containers because of irregularities in receiving supply, which results in much risk taking (Smith 2010). Therefore, this theory suggests definite evading rules can have significant effect on secure worth (Fiter&Pfleiderer, 2010).

Theory of Information Asymmetric

Richard (2011) explained that it is challenging to categorize the debtors and it causes many complications. This theory indicates that on the marketplace be it the creditors or the debtors, all have to exchange ideas on every article. The side that is not well knowledgeable on every article in the contract is likely going to take a bad decision and as results; this leads to non-performing loans in High Sec in Rwanda .

Conceptual Framework



Source: Researcher (2021)

In order to clearly identify the problem, to frame questions and find suitable literature a conceptual framework is used. It will also help to determine the methods to collect data make analysis. This study contains two variables whereby credit management is the independent variable and organization performance is the dependent variable. Debt lending policy, credit appraisal, and lending policy are all independent factors in the study. The debt lending policy includes collection actions, guarantor payments in the event of a borrower's default, and ongoing loan monitoring and supervision. Funds, collateral features, a CRB credit score, the borrower's assessed character, and ability to pay the debt are all used to conceptualize credit appraisal. Lending policy includes loan limits, credit conditions, and documentation. The study's dependent variable is the organization's performance, which is measured by Return on Asset (ROA) and Net Interest Margin (NIM). In terms of the research model, the empiric one is employed to conduct this study smoothly. Thus, this research is considered as a case study taking into consideration.

vi. Research Materials and Methods

The “design” is the combination or set of methods (methodology) chosen for the empirical part of a study (Bakkabulindi, 2004).This study used a descriptive technique as well as a co-relational design. Non-experimental descriptive studies describe the characteristics of a particular person or group of people. It is concerned with the interaction between variables, hypothesis testing, generalization development, and the application of generally true theories. It also includes past events that may or may not be related to current conditions (Kothari, 2004). In the case of this study, the results of investigation from High Sec will be generalized on any credit facilities as offered to private companies in general.

Target Population

A research population is a large group of people or things that are the focus of a scientific inquiry. A research population is also defined as a well-defined group of individuals or objects that share similar characteristics (Kothari,2004).Concerning this study, the target population is the entire number of employees of High Sec in Rwanda at headquarters who are at the same time clients and credit beneficiaries. The total number is 57 staffs.

Sample design

There is no fixed and inviolate rule on how large a sample should be. Rather the circumstances dictate what number of fraction of the population under study (Ojedokun, & Olwabi 2003). He observes however, that the larger the sample size is the more representative the sample is, although the more costly the study. While there are several

methods of determining appropriate sample size including mathematical ones, in social science researchers can use census method. According to Kothari (2011) census method requires that the entire population be taken into account and as such it is most accurate. Thus, all the 57 people that compose the population will be used as sample.

Data Collection Instruments

During the study, information will be collected from two sources: primary and secondary data. Primary data are data collected in the process of investigation from the field for the first time and not being collected by someone else in the past. It is the original information. But secondary data are data collected from the existing information that were compiled by others. Primary and secondary data were obtained in the study, with primary data collected using a closed-ended questionnaire. The surveys were written in a straightforward and concise manner so that responders could complete them quickly. Questionnaires were used since they are easy to use and capture accurate information. The questions were likewise simple to answer, and the costs of administration were minimal.

Procedures of Data Collection

The questionnaires were collected after respondents' responses for analysis and summary of data collected. In summary, the following procedures must be followed for data collection: Prior to administering the questionnaires. The researcher was given an introduction letter from the School of Business and Public Management in order to obtain permission to conduct the study from the selected Hise Microfinance arm. Following approval, the researcher obtained a list of the targeted respondents from the chosen Hise Microfinance arm in order to calculate the sample size. There were more than enough questionnaires to go around. Respondents were briefed and oriented in order for them to be consistent in their responses to the questionnaires.

During the distribution of questionnaires. Respondents will be asked to complete the questionnaires completely and not leave any questions unanswered. The researcher emphasized the importance of retrieving the questionnaires within a short period, such as three days from the date of distribution. All returned surveys were double-checked after retrieval to ensure that all questions had been addressed. Following that, the surveys were handed out. To make analysis easier, the data was gathered, encoded into a computer, and statistically handled.

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Reliability and Validity of Instruments

However, the researcher considers that there were limitations and delimitations to this research. Those shall be shortcomings, conditions or influences that place restrictions on the methodology. The researcher claims a 5% margin of error at the 0.05 level of significance in light of the following validity risks. Measures were also proposed to mitigate, if not remove, the dangers to the study's findings' validity.The consistency measured reliability after test. Again, before going into data collection, the researcher with the supervisor helps gathered the designed questions and be marked. The Cronbach's Alpha Coefficient was calculated in SPSS version 21.0 to determine how items correlate to one another. The Coefficient must be 0.7 or higher to certify that the instrument is reliable. To improve validity, the questionnaires were checked and accepted by supervisors that are experienced in business studies whose comments were put into consideration by the researcher in revising the instrument.

Data Analysis

Data analysis consists of bringing order, structure, and meaning to the mass of information collected. In this case editing, coding, classifying and tabulation use will be used to process information. Editing is a stage of the writing process in which a writer or editor seeks to enhance a manuscript and, in certain situations, prepare it for publication by correcting errors and improving the clarity, precision, and effectiveness of words and phrases. This step will be addressed in the context of this study to ensure that the data is accurate, consistent, and uniformly entered, as well as with other facts to be acquired.

Coding is an interpretive technique that both organizes the data and provides a means to introduce the interpretations of it into certain quantitative methods. In this study the responses to the questionnaire will be classified into categories based on the specific objectives of the study. Thus objective information will be used to enable the researcher to draw meaningful conclusions. The researcher present the information in an orderly and summarized table where it will be easy to transfer that information for analysis and interpretation. Descriptive and inferential statistics were used to analyze the data. The findings were presented using tables and percentages. The responses were coded in order to categorize them.
To facilitate comparison, responses were summarized in Tables.

Regression model will be as follow:

$Y= ß_0 + ßx_{1,} + ßx_{2} + ßx_3 + \boldsymbol{\alpha}$
Where;
Y= organization performance of private companies in Rwanda
$ß_0$ = Constant

ß= Coefficient of nondependent parameters(regression coefficient
x_1= lending policy
x_2 = credit appraisal
x_3= credit risk control
α= error term

vi. Results

This section portrays the views, feelings and comments from respondents regarding contribution of credit management on organization performance of private companies in Rwanda a case study High Sec. The current section is simply organized into four sub sections.

Response Rate

Table 1.Response Rate

Category	Frequency	Percentage (%)
Response	53	92
Non-response	4	8
Total	57	100

Source: Author (2021)

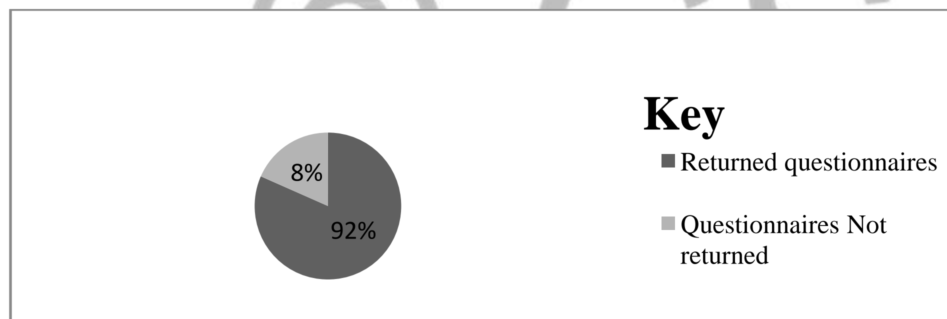

Figure 1 Response Rate

Source: Author (2021)

Table 4.1 and figure 4.1 represent the response rate. Those who responded to the questionnaire stood at 57 who made up 92% of the total sample population targeted and non-response stood at 4 which made up to 8% of total sample population, who never responded, citing several reasons among them being that they were committed with other duties. The response rate of 92% was considered significant enough to provide basis for reliable conclusions.

Demographic Characteristics of Respondents

The population targeted respondent sub-sections below detailed the demographic characteristics:

Distribution of Respondents by Sex

In the current study, both men and women made up the accessible population (sample). In the table three, the researcher highlights their statistics. The following table presents the statistics of both of them.

Table 2: Gender of Respondents

Gender	**Frequency**	**Percent**

Male	24	45.5
Female	29	54.5
Total	53	100.0

Source: primary data, 2021

As the results reveal in the table 4.1 54.5% of respondents were female while 45.5% of them were males. This implies that there is gender balance in the sample selected from High Sec, the large number was female as the results indicated.

Classification of Respondents by Age Groups

In the course of this research study, the researcher considered the distribution of informants according to their age. The table 4.2 gives us the details of age group of respondents.

Table 3: Age Group of Respondents

Age group of respondents	Frequency	Percent
20-30	5	10.9
31-40	29	54.5
41-50	15	27.3
51-60	4	7.3
Total	53	100.0

Source: Primary data, 2021

The Table 3 shows that High Sec there are different categories of age bracket. A large number of employee-respondents (54.5%) range between 31-40 years old, while 27.3% High Sec, a great number of employees seem young.

Classification of Respondents by Experience

Table 4: Experience of Respondents

Experience	Frequency	Percent
0-2 Years	9	18.2
2-4 Years	15	27.3
4 years and above	29	54.5
Total	53	100.0

Source: Primary data, 2021

The Table 4. indicates that at private companies like High Sec, there are different levels of working experience among the respondents. The results reveal that 81.8% of them have two to more than four years of working experience while only 18.2% have less than two years of working experience. From this information, the researcher agrees that they are experienced enough to give the necessary information and are able to lead to the organization performance of High Sec. It is also clear that basing on this experience; they are able to run daily activities professionally.

Classification of Respondents by Educational Level

The researcher wanted to know educational level of High Sec as key respondents in this study and the information gotten is summarized in the following sub section:

Educational Level of Respondents

Table 5: Educational Level of Respondents

Education level	Frequency	Percent
post graduate	10	18.2
Bachelor degree	38	72.7
Diploma	5	9.1
Total	53	100.0

Source: Primary data, 2021

As the Table 5: indicates that at High Sec the highest percentage of employee respondents were educated at Bachelor degree education level with the percentage of 72.7%, and 18.2% with post graduate while few of them 9.1% have Diploma. This implies that as long as Bachelor degree is among the highest education levels, these employees have skills and academic knowledge to get the work performed well and that such respondents provided reliable information on the topic under study. So, the educational level of the respondents is generally reflected as vital since is a factor of working excellence of the High Sec workers which lead to its organization performance. It is also revealed that the information collected was given by that are skillful on the topic under the study.

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4.2 Presentation of Findings

This section presents the findings in accordance with the study's objectives. It demonstrates the findings on the impact of credit management strategies on the organizational performance of Rwandan private companies. The filled questionnaires were checked for completeness and consistency before being processed. The responses were coded in order to categorize them. Descriptive and inferential statistics were used to analyze the data. The findings were presented using tables and percentages.

Credit Appraisal

The first indicator/ sub variable under credit management strategies in this study was credit appraisal analysis. To collect information on this variable, the researchers asked questions to the questionnaires were administered and their answers are in this Table:

Table 6: Credit Appraisal

Statement	SD %	D %	N %	A %	SA %	N	M	Std. D
Credit appraisal is a viable strategy for credit mgt	14.5	9.1	3.6	27.3	45.5	53	3.80	1.46
competent personnel carrying out credit appraisal	9.1	10.0	9.1	36.4	35.5	53	3.60	1.30
appraisal considers character of the Customers seeking credit	12.7	10.9	2.7	50.9	22.7	53	3.93	1.31
Aspects of collateral are considered while Appraising clients	9.1	10.0	4.5	30.9	45.5	53	3.92	1.26

Source: Primary data, 2021

Legend: SD: Strongly Disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly Agree, N: Number of respondents, M: Mean, St. D: Standard Deviation,

The goal of the study was to see how many people agreed or disagreed with the preceding claims about credit appraisal in the High Sec. According to the statistics, the majority of respondents believed that credit evaluation is a

realistic approach for credit management, with a mean of 1.70, and that collateral characteristics are taken into account when assessing clients, with a mean of 1.72. As indicated by a mean of 1.74, loan defaults are caused by a failure to assess the customer's ability to repay. As indicated by a mean of 1.75, credit appraisal considers the character of consumers requesting credit, and the High Sec has competent workers for conducting credit appraisal, as evidenced by a mean of 1.77.

According to table 4.5, many respondents agreed that credit appraisal is a viable strategy for credit management on a mean of 3.80, which is expressed as a high mean, and there is heterogeneity in responses because the standard deviation is 1.46, which is greater than one (SD1). Table 4.5 findings also revealed that many respondents agreed that the customer assessment reflects the clients' behavior when looking for loan services, as evidenced by a high Mean of 3.60 and heterogeneity in responses, as evidenced by a standard deviation of 1.30, which is greater than one (SD>1).

In examining whether aspects of collateral are considered while appraising clients, results in Table 4.5 indicated that many respondents agreed on the statement with a high mean of 3.93 and the standard deviation of 1.31. Majority of respondents said that failure to assess customers' capacity to repay results in loan defaults with a high mean of 3.92 and standard deviation of 1.26. From the findings, it is clear that credit appraisal has a great influence on organization performance of private companies in Rwanda. Results concur with that of Ngare (2018) who found that credit appraisal analysis strategy is very important for private companies to develop their organization performance

Table 7: Correlation of Credit appraisal and organization performance of private companies in Rwanda

		Credit appraisal	**organization performance**
Credit appraisal	Pearson Correlation	1	.021
	Sig. (2-tailed)		.855
	N	53	53
Organization performance	Pearson Correlation	.021	1
	Sig. (2-tailed)	.855	
	N	53	53

Correlation analysis of Credit appraisal and organization performance of private companies was done. Table 4.6 indicate that Credit appraisal is significantly correlated to organization performance of private companies (r=.855, p<0.01). There was strong correlation between Credit appraisal and organization performance of private companies.

Credit Risk Monitoring

The second indicator/ sub variable under credit management strategies in this study was credit risk monitoring. The researcher was interested on knowing the status of credit risk monitoring technique in sampled High Sec branches and its impact on organization performance. To gather information on this variable, the researcher asked questions their answers are below:

Table 7: Credit Risk Monitoring

Statement	**N**	**SD** %	**D** %	**N** %	**A** %	**SA** %	**M**	**Std. D**
Imposing loan size limitations is a viable credit management method.	53	15.5	7.3	3.6	58.2	15.5	3.50	1.28
Credit checks enhances credit management	53	7.3	5.5	4.5	47.3	35.5	3.98	1.13
Flexible payback intervals help you pay back your debt faster.	53	5.3	5.5	5.5	56.4	27.5	4.10	.80
Punishment for delay payment customers enhances payment commitment	53	5.5	4.5	7.3	52.7	30.0	3.97	1.02
credit forms improves credit risk monitoring and mgt	53	7.3	4.5	4.5	47.3	36.4	4.00	1.12
credit Committees reduce default	53	6.4	6.4	0.0	52.7	34.5	4.30	.81

Source: Primary data, 2021

Legend: N: Number of respondents, SD: Strongly Disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly Agree, X: Mean, St. D: Standard Deviation,

The study's purpose was to see how many persons in Rwanda's High Sec. agreed or disagreed with the preceding statement concerning credit risk management. The majority of respondents strongly agreed, as indicated by a mean of 1.28, that interest rates charged in Rwanda's High Sec have an impact on loan performance, and that credit committee involvement in loan choices is crucial in decreasing default/credit risk, as evidenced by a mean of 1.40. Regular credit checks improve credit management, and late payment penalties strengthen customers' commitment to loan repayment, as indicated by a mean of 1.64 in each case. Regular credit checks improve credit management, and late payment penalties strengthen customers' commitment to loan repayment. Using customer credit application forms improves monitoring and credit management.

Flexible payback terms boost loan repayment by a factor of 1.77, and conducting regular credit checks improves credit management by a factor of 1.79.The high mean of 3.50 and variety in responses, as indicated by the standard deviation of 1.28, which is more than one (SD>1), show that establishing loan size limitations is a viable credit management method. These findings indicated that loan officers and recovery officers usually practice imposing loan size to clients as a strategy of managing the credit offered to clients and this impact positively; also many of respondents were in agreement about the items of checking credit regularly improves loan management on high Mean of 3.98 and heterogeneity in responses as the standard deviation is 1.13 which is greater than one (SD>1).

This also implies that credit checks are conducted on a regular basis by loan and recovery officials at High Sec in Rwanda, which has a good impact on their organization's performance. Furthermore, many respondents agreed on the item speedy reimbursement days' recover loan refund on a mean of 4.10 and response homogeneity as the standard deviation of 0.80 is less than one (SD<1) and answer homogeneity as the standard deviation of 0.80 is less than one (SD<1). This implies that loan and recovery officers in High Sec in Rwanda in Rwanda clients flexible repayments periods of the loan taken and this also lead to organization performance of High Sec in Rwanda as clients repay the given loan on time and without any complication. In examining whether a penalty for late payment increases customers' commitment to loan repayment in sampled High Sec in Rwanda branches, findings in Table 4.6 revealed a mean of 3.97, which is a high mean, indicating that many agree with the item and heterogeneity in responses as shown by a standard deviation of 1.02, which is greater than one (SD>1).

When the researcher asked if forms of loan demand help in loan monitoring, statistics in Table 4.6 indicated a high mean of 4.00 and standard deviation of 1.12. These findings revealed that if these customer credit application forms are used well, the organization performance of private companies in Rwanda increases accordingly. The Table 7; also shows that in examining whether credit committees' involvement in loan decision making is essential in reducing default/credit risk, many respondents agreed on the statement, as evidenced by a high mean of 4.30 and homogeneity in responses, as evidenced by a standard deviation of 0.81 being less than one (SD<1). Finally, the researcher wanted to discover if interest rates levied on high-sec loans in Rwanda have an impact on their performance. Many respondents agree with this statement, as demonstrated by a high mean of 3.90 and variability in responses, as evidenced by a standard deviation of 1.16, which is greater than one (SD>1).

Table 8: Correlation analysis Credit risk monitoring and organization performance of private companies Correlations

		Credit risk monitoring	**Organization performance**
Credit risk monitoring	Pearson Correlation	1	.119
	Sig. (2-tailed)		.295
	N	53	53
organization performance	Pearson Correlation	.119	1
	Sig. (2-tailed)	.295	
	N	53	53

Table 8 indicates that Credit risk monitoring significantly correlated to organization performance of private companies (r=-.119 p<0.01). This implies that Credit risk monitoring would result to organization performance of private companies.

Lending policy

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The third indicator/ sub variable under contribution of credit management on organization performance of private companies in Rwanda. The researcher concentrated on knowing the contribution of credit management on organization performance of private companies in Rwanda to gather information on this variable, the researcher asked questions and their answers are below: **Table: 9 Lending Policy**

Statement	N	SD	D	N	A	SA	M	Std. D
	53	F(%)	F(%)	F(%)	F(%)	F(%)		
Collection policies that are available have aided in successful credit management.		10.0	7.3	0.0	44.5	38.1	3.98	.92
formulation of collection policies have been a challenge in credit management	53	8.2	7.4	6.4	51.8	27.3	3.83	1.14
Enforcement of guarantee policies provides chances for loan recovery in case of loan defaults	53	6.4	8.2	4.5	54.5	26.4	3.86	1.09
Staff incentives are beneficial in enhancing delinquent loan recovery.	53	10.0	7.3	4.5	44.5	33.6	3.84	1.25
Regular reviews have been done on collection policies to improve state of credit management	53	9.1	7.3	4.5	45.5	33.6	3.87	1.21
A stringent policy is more effective in debt recovery than a lenient policy	53	9.1	10.0	2.7	43.6	34.5	3.84	1.25

Source: Primary data, 2021

Legend: N: Number of respondents, SD: Strongly Disagree, D: Disagree, N: Neutral, A: Agree, SA: Strongly Agree, X: Mean, St. D: Standard Deviation, SD≤1: Homogeneity SD, SD>1: Heterogeneity SD

It is clear that many participants agreed on sampled High Sec in Rwanda branches that rules help in credit administration on by high mean of 3.98 and homogeneous perception as the standard deviation was 0.92. These findings indicated that loan and recovery officers usually practice the use of the available collection policies to effectively manage credit, this had positive impact on organization performance of private companies in Rwanda; In addition, many respondents agreed on the items that were sampled by High Sec in Rwanda branches; however, the formulation of regulations has been a major issue, as evidenced by the high mean of 3.83 and variability in replies as demonstrated by the standard deviation of 1.14.

Furthermore, a large number of respondents agreed on the item that High Sec in Rwanda application of assurance standards provides for credit recovery in case of loan nonpayment, as evidenced by a high mean of 3.86 and standard deviation of 1.09. This implies that recovery and loan officers respect the enforcement of guarantee policies in case of loan defaults; this help in repayment of the loan defaulted and then lead to the High Sec in organization performance.

In determining whether workers' motivations are active in refining the retrieval of negligent credits in sampled High Sec in Rwanda branches, the findings in Table 4.7 revealed a mean of 3.84, which is a high mean, indicating that many agree with the item and heterogeneity in responses, as shown by a standard deviation of 1.25, which is greater than one (SD>1). When the researchers asked if rules improve credit management well and if A stringent policy is more effective in debt recovery, statistics in Table 4.7indicated a high mean of 3.87and 3.84 respectively and standard deviation of 1.21and 1.25 respectively.
Finally, the Table 9 revealed that many respondents agreed on the item of interest rates charged affect loan performance in Rwanda than a lenient policy, as evidenced by a high mean of 3.71 and heterogeneity responses as the standard deviation is greater than one (SD>1). These findings suggested that the absence or scarcity of these credit management should impede effective High Sec organization performance in Rwanda.

Table 10: Correlation Analysis between Lending policy and Performance

Correlations

		Lending policy	organization performance
lending policy	Pearson Correlation	1	.025
	Sig. (2-tailed)		.824
	N	53	53
organization performance	Pearson Correlation	.025	1
	Sig. (2-tailed)	.824	
	N	53	53

Correlation analysis of lending policy and organization performance of private companies was done. Table 10 indicates that lending policy is significantly correlated to organization performance of private companies (r=.025, p<0.01).There was strong correlation between lending policy and organization performance of private companies.

Organization performance of private companies

Table 11: Return on assets for the years from 2016 to 2020

	Year 2017	Year 2018	Year 2019	Year 2020
Net profit	21500,000	21800,000	23,300,000	27,400,000,000
Average assets	165,000,000	168,600,000	214,000	248,850,00
ROA	$\frac{21,500,000}{165,000,000}$ X100 = 12%	$\frac{21800,000}{168,600,000,000}X100 =$ 12%	$\frac{23,300,000}{214,000,000,000}$ X100 = 10%	$\frac{27,400,000}{248,850,000}$ X100 = 11%

Source: Primary data, 2021

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Referring to the table 4.8, it is noted that in High Sec (private companies), every RWF1 in assets generated 12%, 12%, 12%, 10% and 11% in profits in the years from 2017 to 2020, it is noted that from the year 2014 to 2018 ROA gradually decreased. Therefore, as ROA shows how the market share, customer loyalty, new customer attraction, customer satisfaction, profitability is being maintained by an institution, it is noted that all of these indicators were not positively maintained by High Sec. Hence, this is the symbol that there is a need to improve on credit management strategies on private companies. Under this section, the relationship between credit management and organization performance is explained.

Regression Analysis

The following table 4.9 is about the model summary of the indicators of independent variables (lending policy, credit appraisal, credit risk monitoring) and dependent variable (organization performance)

Table 11: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.723[a]	.523	.509	.46752

a. Predictors: (Constant), lending policy , Credit appraisal, credit risk monitoring

Source: Primary data, 2021

The Table 11 indicates the value of adjusted R Square is .509 and there is variation of .523 on organization performance due to the modification in independent variable (lending policy, credit appraisal, credit risk monitoring).

Table 12: Analysis of variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.97	4	0.224	2.07	.002[a]
	Residual	5..185	49	.108		

Total		14.155	53			

a. Predictors: (Constant), lending policy , credit appraisal, credit risk monitoring

b. Dependent Variable: Organization performance

Source: Primary data, 2021

Designed worth of significance was 14.155 though a mean square at regression level was 2.07 Since the determined value is greater than the critical value. The overhead deliberation display that the overall method was important and that the pointers of autonomous variable and all have impacted positively on organization performance.

Table 13: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.344	.186		1.851	.067
	credit appraisal	.454	.147	.883	3.088	.003
	credit risk monitoring	-.091	.239	-.147	-.381	.074
	Lending policy	-.014	.305	-.025	-.046	.063

a. Dependent Variable: Organization performance

Source: Primary data, 2021

The findings in Table 13 indicate that holding independent variables (lending policy, credit appraisal, credit risk monitoring) affect the organization performance to a constant zero, organization performance would be at 0.454 for credit appraisal while the most significant p value was .003. Therefore, an increase in credit appraisal, credit risk monitoring, and lending policy stimulate adequate organization performance by a factor of .883 standardized significances.

From the findings of Table 13, it is clear that credit appraisal has a great influence on organization performance of private companies in Rwanda; these results concur with that of Ngare (2018) who found that credit appraisal analysis strategy is very important for High Sec in Rwanda to develop their organization performance. It is noted that at any bank, use of prudential credit management has a great positive relationship with its organization performance as it is being indicated by the views of respondents whereby being asked if Credit appraisal technique helps in loan repayment and leads to organization performance in High Sec in Rwanda, many respondents were in agreement with this statement as it is indicated by a high mean and homogeneity in responses.

In addition, respondents were agreeable to the statement stating that it is impossible to have a sound organization performance in a High Sec in without a well loan management by a high mean and homogeneity standard deviation; from the findings also it is clear that loan review and approval techniques helps managers avoid mismanagement errors hence the organization performance of any microfinance increases; also results indicate that loan management output contributes to improved organization performance of High Sec in Rwanda as from information revealed by High Sec in Rwanda staffs indicated that their financial improvement was caused by taking proactive techniques of loan management. This indicate that loan management and organization performance is positively correlated.

These finds indicate that credit management have a great impact on organization performance of any microfinance; it means that when there is good credit management in microfinance, the profitability is also good but if credit management is poor, the profitability is low. The profitability in this case depend on credit managements. These findings concur with that of (Brown bridge, 1998); he saw that the crisis cost in terms of output loss was high. He continued saying that most of the failures in organization is linked to poor prudential loans management in many countries.

ix. Discussion of Findings

The study was guided by the following objectives

To determine contribution of credit appraisal on organization performance of private companies in Rwanda

The majority of respondents strongly agreed that forming collection policies has been a challenge in credit management, as evidenced by a mean of 1.45. HighSec's Rwanda study also found that enforcing guarantee policies provided chances for loan recovery in the event of loan defaults. Staff incentives are effective in improving delinquent loan recovery, and a strict policy is moot, according to the survey.

A mean of 1.77 indicates that regular evaluations of collection policies have been done to improve credit management, and available collection policies have aided in effective credit management, as indicated by a mean of 1.89. Referring to the table 4.11, it is noted that in High Sec (private companies), every RWF1 in assets generated 12%, 12%, 12%, 10% and 11% in profits in the years from 2017 to 2020, it is noted that from the year 2014 to 2018 ROA gradually decreased. Therefore, as ROA shows how the market share, customer loyalty, new customer attraction, customer satisfaction, profitability is being maintained by an institution, it is noted that all of these indicators were not positively maintained by High Sec. Hence, this is the symbol that there is a need to improve on credit management strategies on private companies. Under this section, the relationship between credit management and organization performance is explained.

To establish contribution of credit risk control on organization performance of private companies in Rwanda

The goal of the study was to see how many people agreed or disagreed with the preceding statement about credit risk management in Rwanda's High Sec. The majority of respondents strongly agreed that interest rates charged have an impact on loan performance in Rwanda's High Sec, as evidenced by a mean of 1.28, and that credit committee involvement in loan decisions is critical in reducing default/credit risk, as evidenced by a mean of 1.40, according to the study's findings.As evidenced by a mean of 1.64 in each case, regular credit checks improve credit management, and late payment penalties strengthen customers' commitment to loan repayment. Using customer credit application forms improves monitoring and credit management, as evidenced by a mean of 1.66. Flexible payback terms boost loan repayment by a factor of 1.77, and conducting regular credit checks improves credit management by a factor of 1.79. As indicated by a high mean of 3.50 and heterogeneity in responses, as evidenced by a standard deviation of 1.28, which is larger than one (SD>1), a considerable number of participants felt that establishing loan size limits is a realistic method in credit management.

These findings indicated that loan officers and recovery officers usually practice imposing loan size to clients as a strategy of managing the credit offered to clients and this impact positively; also many of respondents were in agreement about the items of checking credit regularly improves loan management on high Mean of 3.98 and heterogeneity in responses as the standard deviation is 1.13 which is greater than one (SD>1).This also suggests that loan and recovery officers at High Sec in Rwanda conduct credit checks on a regular basis, which has a positive impact on their organization's performance. Furthermore, many respondents agreed on the item springy refund days' recover loan refund on Mean of 4.10 and response homogeneity as the standard deviation of 0.80 is less than one (SD<1).

This implies that loan and recovery officers in High Sec in Rwanda in Rwanda clients flexible repayments periods of the loan taken and this also lead to organization performance of High Sec in Rwanda as clients repay the given loan on time and without any complication. In examining whether a penalty for late payment increases customers' commitment to loan repayment in sampled High Sec in Rwanda branches, findings in Table 4.6 revealed a mean of 3.97, which is a high mean, indicating that many agree with the item and heterogeneity in responses as shown by a standard deviation of 1.02, which is greater than one (SD>1).

When the researcher asked if forms of loan demand help in loan monitoring, statistics in Table 4.6 indicated a high mean of 4.00 and standard deviation of 1.12. These findings revealed that if these customer credit application forms are used well, the organization performance of private companies in Rwanda increases accordingly. Table 4.6 also shows that in examining whether credit committees' involvement in loan decision making is essential in reducing default/credit risk, many respondents agreed on the statement, as evidenced by a high mean of 4.30 and homogeneity in responses, as evidenced by a standard deviation of 0.81 less than one (SD<1).Finally, the researcher wanted to know if Interest rates charged affect performance of loans High Sec in Rwanda. Many respondents agree with this statement, as indicated by the high mean of 3.90 and heterogeneity in replies, as evidenced by a standard deviation of 1.16, which is larger than one (SD>1).

To find out contribution of lending policy on organization performance of private companies in Rwanda

The goal of the study was to see how many people agreed or disagreed with the preceding claims about credit appraisal in the High Sec. According to the statistics, the majority of respondents believed that credit evaluation is a realistic approach for credit management, with a mean of 1.70, and that collateral characteristics are taken into account when assessing clients, with a mean of 1.72. Loan defaults are caused by a failure to assess the customer's ability to repay, as evidenced by a mean of 1.74. As indicated by a mean of 1.75, credit appraisal considers the character of consumers requesting credit, and the High Sec has competent workers for conducting credit appraisal, as evidenced by a mean of 1.77. On a mean of 3.80, which is expressed as a high mean, many respondents agreed that credit evaluation is a realistic method for credit management, according to Table 4.5, and there is heterogeneity

in replies since the standard deviation is 1.46, which is larger than one (SD>1). Many respondents agreed that the customer evaluation accurately reflects their behavior while seeking loan services, as indicated by the high Mean of 3.60 and the wide range of responses, as evidenced by the standard deviation of 1.30, which is greater than one (SD>1).

x. Conclusion

According to the study's findings, credit appraisal, credit risk control, and lending policy all had an impact on the organizational performance of private companies in Rwanda. According to the study's findings, there is a substantial link between private company organizational performance in Rwanda and credit appraisal, credit risk management, and lending policy. According to the findings, a unit rise in credit appraisal leads to an increase in credit management on the organization performance of private companies in Rwanda; this implies that credit appraisal and private company performance in Rwanda have a favorable association. An increase in credit risk management would lead to a rise in private company organization performance in Rwanda, demonstrating a positive association between credit risk control and private company organization performance in Rwanda. Credit assessment, credit risk management, and lending rules all have a substantial impact on the performance of private enterprises in Rwanda.

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