

Assessing the Effect of Loan Management Techniques on Financial Performance of Umurenge Saccos in Kamonyi District, Rwanda

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Abstract: This study examined the effect of loan management techniques on the financial performance of Umurenge SACCOs in Kamonyi District, Rwanda. Specifically, the study examined the effect of loan monitoring, loan appraisal, interest rates, and loan default management on the financial performance of Umurenge SACCOs. The study was guided by Modern Portfolio Theory, Liquidity Preference Theory, and Credit Risk Theory. A descriptive and explanatory research design was adopted. The target population comprised 180 staff from the 15 Umurenge SACCOs operating in Kamonyi District. Since the population was relatively small, a census approach was employed, and all 180 staff constituted the study respondents. Data were collected using structured questionnaires and analyzed using descriptive statistics, Pearson correlation analysis, and multiple regression analysis. Correlation analysis revealed that loan monitoring had a strong positive and significant relationship with financial performance ($r = 0.759$, $p < 0.05$), followed by loan appraisal ($r = 0.630$, $p < 0.05$), interest rates ($r = 0.619$, $p < 0.05$), and loan default management ($r = 0.618$, $p < 0.05$). Regression analysis established that loan monitoring ($\beta = 0.641$, $p < 0.05$) and loan default management ($\beta = 0.377$, $p < 0.05$) had statistically significant positive effects on the financial performance of Umurenge SACCOs, whereas loan appraisal ($\beta = 0.152$, $p > 0.05$) and interest rates ($\beta = -0.193$, $p > 0.05$) had statistically insignificant effects. The regression model explained 69.6% of the variation in the financial performance of Umurenge SACCOs ($R^2 = 0.696$). The study concluded that loan monitoring and loan default management are the key loan management techniques affecting the financial performance of Umurenge SACCOs in Kamonyi District. The study recommends that SACCO management strengthen loan monitoring systems, enhance loan recovery mechanisms, and continuously monitor borrowers to reduce loan default and improve financial performance. It also recommends that policymakers and regulatory authorities support SACCOs through policies and capacity-building programs that promote effective credit risk management and institutional sustainability.

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I. INTRODUCTION

Globally, financial institutions rely on robust loan management systems to ensure stability and growth (Altman & Sabato, 2022). Credit risk assessment, portfolio monitoring, and recovery mechanisms are central to protecting institutional resources and mitigating financial losses. Institutions that adopt effective loan management practices are able to maintain adequate liquidity, reduce exposure to bad debts, and respond efficiently to economic shocks or financial crises. The use of international standards such as the Basel Accords, risk-based lending models, and credit scoring systems ensures that institutions operate under best practices, thereby increasing investor confidence and promoting overall financial system stability. Additionally,

global trends indicate that integrating technology and automated monitoring into loan management enhances efficiency, reduces operational costs, and improves decision-making in lending operations (Saunders & Cornett, 2024).

In developed countries, financial institutions including cooperative banks, credit unions, and commercial banks have institutionalized highly advanced and systematic loan management techniques to maintain portfolio quality and financial stability (Oprah, 2024). Credit appraisal processes are rigorous and multi-layered, often involving detailed analysis of financial statements, historical credit behavior, cash flow projections, and the use of sophisticated credit scoring and automated risk assessment tools. Continuous monitoring of borrower performance is standard practice,

with institutions using early warning systems and predictive analytics to identify potential defaults before they escalate.

Structured recovery strategies, such as automated reminders, renegotiation of loan terms, and legal enforcement mechanisms, are employed to minimize losses from delinquent accounts. Strong regulatory compliance, internal audit systems, and robust governance structures further strengthen these practices, ensuring accountability, transparency, and adherence to prudential standards (White & Wangui, 2022).

In Western Asia countries, financial institutions including cooperative banks, credit unions, and SACCO-like organizations have increasingly adopted structured loan management techniques to enhance financial performance, mitigate credit risks, and ensure institutional sustainability (Al-Smadi, 2023). Countries such as Saudi Arabia, the United Arab Emirates, and Jordan place significant emphasis on rigorous credit appraisal processes, which involve assessing borrowers' financial capacity, repayment history, and risk profile before loan approval.

Continuous monitoring of borrowers' repayment behavior and proactive intervention in cases of delayed payments are standard practices, while formalized recovery procedures including rescheduling of loans, structured repayment plans, and legal recourse mechanisms help minimize losses from defaults. These practices are reinforced by comprehensive national regulatory frameworks that standardize lending policies, promote transparency and accountability, and ensure compliance with financial governance standards. Strong loan management in this region not only helps institutions maintain high-quality loan portfolios and reduce the incidence of non-performing loans, but also supports institutional growth and resilience in economically diverse environments. (Al-Tamimi & Al-Mazrooei, 2024).

In Sub-Saharan African countries, SACCOs and microfinance institutions operate in environments characterized by low financial literacy among members, irregular and unpredictable income patterns, and, in some areas, weak or inconsistent regulatory oversight (Mwangi & Muathe, 2025). These factors increase the risk of loan defaults and create challenges for maintaining portfolio quality and institutional sustainability. Despite these constraints, structured loan management practices including thorough credit appraisal, detailed borrower assessment, continuous monitoring of repayment behavior, and prompt recovery actions are essential for safeguarding institutional resources and ensuring financial stability. Effective loan management enables SACCOs to identify high-risk borrowers, implement targeted interventions, and reduce the likelihood of non-performing loans. Institutions that implement these practices consistently are better able to maintain profitability, protect member savings, and sustain operations over the long term. Moreover, sound loan management strengthens trust between SACCOs and their members, encouraging more consistent savings contributions

and fostering a culture of financial discipline (Olokoyo, 2022).

In Southern African countries, SACCOs and cooperative banks operate within diverse regulatory, economic, and socio-political environments, which influence how loan management practices are implemented and their effectiveness (Ahimbisibwe, 2023). These institutions serve both urban and rural populations, often providing critical financial services in areas where access to formal banking is limited. Effective loan management practices including risk-based credit appraisal, systematic monitoring of borrower performance, and structured recovery processes enable institutions to maintain financial health, ensure portfolio integrity, and reduce the risks associated with delinquent loans. These practices also enhance member confidence by demonstrating institutional reliability and accountability, which encourages increased savings mobilization and promotes a culture of financial discipline among members.

Furthermore, strong loan management enables institutions to respond proactively to economic fluctuations, such as inflation, interest rate changes, or income shocks among members, which could otherwise affect repayment behavior. Through the consistent application of these practices, SACCOs in Southern Africa are able to achieve long-term sustainability, strengthen their role in community development, maintain credibility among stakeholders, and contribute to poverty reduction and local economic growth (Wanyama *et al.*, 2022).

In East African countries, including Uganda, Kenya, and Tanzania, loan management is widely recognized as a key determinant of SACCO performance and overall financial resilience (Sauda, 2022). In these countries, SACCOs operate in competitive and dynamic financial environments, serving members with diverse income levels, business activities, and financial literacy. Effective credit appraisal ensures that loans are extended only to financially capable and reliable members, reducing the likelihood of defaults. Continuous monitoring identifies early signs of repayment risks, allowing timely interventions, such as restructuring of loans or advisory support, to prevent delinquency. Additionally, efficient recovery strategies including formalized collection procedures and member engagement programs help mitigate the negative effects of overdue loans on institutional liquidity.

Strong loan management enables SACCOs to maintain financial stability, reduce non-performing loan ratios, and enhance institutional sustainability, which allows these organizations to expand credit access, support productive activities, foster entrepreneurship, and improve household welfare. By strengthening financial inclusion and empowering members economically, SACCOs in East Africa contribute not only to individual livelihoods but also to regional socio-economic development (Mutua, 2023).

In Rwanda, Umurenge SACCOs play a pivotal role in promoting financial inclusion, particularly in rural and peri-urban areas where traditional banking services are scarce (Nsengiyumva & Harelimana, 2022). These SACCOs

provide members with opportunities to save, access credit, and invest in small businesses, thereby supporting income generation and livelihood improvement. Despite this, challenges such as high loan default rates, weak monitoring systems, and inadequate recovery mechanisms have historically hindered their performance and limited their capacity to provide sustainable financial services. Implementing strong loan management practices including thorough credit appraisal, continuous borrower monitoring, and structured recovery processes has proven critical for improving loan portfolio quality, ensuring timely repayment, and strengthening institutional sustainability.

Beyond financial outcomes, effective loan management builds trust and credibility among members, encourages greater savings mobilization, and enables SACCOs to offer more reliable support for members' economic activities. Ultimately, these practices ensure that Umurenge SACCOs continue to contribute meaningfully to Rwanda's national financial inclusion strategy, support small-scale entrepreneurship, and promote broader socio-economic (Nkundabanyanga & Ahimbisibwe, 2013).

➤ *Statement of the Problem*

Despite these insights, there exists a research gap in understanding how loan management techniques directly influence the financial performance of Umurenge SACCOs in Rwanda (West, 2024). Most studies either focus on microfinance institutions in other countries or examine SACCOs broadly without addressing the unique challenges in Rwanda, such as rural financial inclusion, socio-economic constraints, and regulatory limitations. Furthermore, limited empirical evidence exists on the effectiveness of structured loan management techniques like risk-based credit appraisal, continuous monitoring, and systematic recovery within the Rwandan context. This study seeks to fill this gap by investigating the effect of loan management techniques on financial performance of Umurenge SACCOs in Kamonyi District.

➤ *Research Objectives*

The main objective of this study was to assess the effect of loan management techniques on financial performance of Umurenge SACCOs in Kamonyi District, Rwanda. The study was guided by the following specific objectives:

- To examine the effect of loan monitoring on the financial performance of Umurenge SACCOs in Kamonyi District.
- To assess the effect of loan appraisal on the financial performance of Umurenge SACCOs in Kamonyi District.
- To analyze the effect of interest rates on the financial performance of Umurenge SACCOs in Kamonyi District.
- To examine the effect of loan default on the financial performance of Umurenge SACCOs in Kamonyi District.

➤ *Research Questions*

What is the effect of loan management techniques on the financial performance of Umurenge SACCOs in Kamonyi District? Specific research questions were:

- To what extent does loan appraisal influence the financial performance of Umurenge SACCOs in Kamonyi District?
- How does loan monitoring contribute to the financial performance of Umurenge SACCOs in Kamonyi District?
- What is the effect of interest rate management on the financial performance of Umurenge SACCOs in Kamonyi District?
- Why is effective loan default management necessary for improving the financial performance of Umurenge SACCOs in Kamonyi District?

➤ *Research Hypotheses*

The study was guided by the following null hypotheses:

- H_{01} : Loan monitoring have no significant effect on the financial performance of Umurenge SACCOs in Kamonyi District.
- H_{02} : Loan appraisal has no significant effect on the financial performance of Umurenge SACCOs in Kamonyi District.
- H_{03} : Interest rates have no significant effect on the financial performance of Umurenge SACCOs in Kamonyi District.
- H_{04} : Loan default has no significant effect on the financial performance of Umurenge SAACCOs in Kamonyi District

II. LITERATURE REVIEW

The conceptual review examines the key concepts and variables of the study, including loan management techniques and SACCO financial performance, and explores how these variables relate to each other. It clarifies definitions, dimensions, and operational aspects of each variable, providing a foundation for the empirical and theoretical analysis.

➤ *Loan Management Techniques*

Loan management techniques represent the structured processes and strategies that SACCOs use to administer loans effectively, ensuring efficient disbursement, monitoring, and recovery of borrowed funds (Ongore & Kusa, 2023).

➤ *Loan Appraisal*

Loan appraisal is the structured process through which SACCOs assess a borrower's financial capacity, repayment potential, and overall risk profile before granting a loan (Mutegi & Wekesa, 2022). This process ensures that loans are

allocated to members who have the ability and willingness to repay, minimizing the risk of defaults.

➤ *Interest Rates*

Interest rates represent the cost of borrowing and play a critical role in balancing SACCO sustainability with member affordability (Kibet & Mutai, 2020). They influence borrowing behavior, repayment discipline, and overall institutional performance. When interest rates are set too high, borrowers may struggle to repay, which increases default risk. Conversely, excessively low rates may reduce SACCO profitability and limit resources available for further lending. Properly managed interest rates help SACCOs generate revenue, maintain liquidity, and provide continued access to credit for members (Chege & Wambua, 2024).

➤ *Loan Default*

Loan default refers to the failure of borrowers to meet their loan repayment obligations as agreed, and it remains a major challenge affecting the financial performance and sustainability of Savings and Credit Cooperative Organizations (SACCOs) (Laila, 2023). High levels of loan default reduce the availability of funds for further lending, weaken liquidity, and threaten the long-term viability of SACCOs. When borrowers are unable or unwilling to repay their loans on time, SACCOs experience increased non-performing loans, which negatively affects their operational efficiency and overall financial stability (Kibet & Mutai, 2020).

➤ *Loan Monitoring*

Loan monitoring is a critical component of effective loan management in Savings and Credit Cooperative Societies (SACCOs). It involves the continuous oversight of borrowers' loan utilization, repayment schedules, and overall financial behavior to minimize credit risk and ensure the sustainability of the institution (Kibet & Mutai, 2020).

➤ *Financial Performance of Savings and Credit Cooperatives*

Savings and Credit Cooperatives (SACCOs) financial performance refers to how effectively these institutions achieve their financial and social objectives. Performance is measurable through indicators such as loan recovery rates, portfolio quality, return on assets, operational efficiency, and member satisfaction (Birchall & Ketilson, 2023).

➤ *Modern Portfolio Theory (MPT)*

Modern Portfolio Theory (MPT), developed by Harry Markowitz in 1952, provides a framework for understanding how financial institutions can manage a collection of investments or, in the case of SACCOs, a portfolio of loans to optimize returns while minimizing risk (Wang, 2023). The theory emphasizes diversification, suggesting that by carefully selecting and balancing assets with varying risk profiles, an institution can achieve a more stable and profitable overall portfolio. In the context of SACCOs, MPT is applied to the management of loans extended to small and medium-sized enterprises (SMEs), where the goal is to balance the potential for returns with the inherent risk of default (Kiako, 2022).

The relevance of MPT to this study lies in its applicability to loan appraisal and follow-up processes (Lee, 2020). By assessing the risk associated with individual borrowers and structuring a diversified portfolio, SACCOs can mitigate the impact of potential defaults. Proper loan appraisal considering factors such as borrower creditworthiness, repayment capacity, and business viability ensures that loans are allocated strategically, reducing exposure to high-risk borrowers while supporting those with strong repayment potential. Furthermore, regular monitoring and monitoring of the loan portfolio enable SACCOs to identify early signs of repayment difficulties and take corrective action, thereby protecting overall portfolio performance (Quentis, 2022).

➤ *Liquidity Preference Theory*

Liquidity Preference Theory was first proposed by John Maynard Keynes in 1936 as part of his work on the General theory of employment, interest and money (Omondi & Wanjiku, 2022). Keynes developed this theory to explain why individuals and firms prefer holding money in liquid form rather than investing it in long-term or illiquid assets.

Over time, scholars have extended the theory to modern financial institutions, emphasizing how liquidity preferences influence borrowing, lending, and interest rate determination in both traditional and cooperative financial systems (Kimani, 2023). The theory posits that individuals and firms hold money for three main motives: transactions, to meet day-to-day operational needs; precautionary, to safeguard against unexpected financial shortfalls; and speculative, to take advantage of future investment opportunities (White, 2022). Interest rates are considered the “price” for relinquishing liquidity, meaning that higher rates may discourage holding cash, while lower rates encourage borrowing and investment. By understanding these dynamics, financial institutions can align interest rate policies with the liquidity needs of their clients (Mwangi & Njoroge, 2024).

➤ *Credit Risk Theory*

Credit Risk Theory was first formally developed by Edward Altman in 1968 to explain how lenders can assess and manage the probability of borrower default to protect financial assets (Phianey, 2024). Since its inception, the theory has evolved to include sophisticated models for evaluating creditworthiness, monitoring loan performance, and mitigating potential losses. Modern applications extend beyond banks to include cooperative financial institutions, microfinance organizations, and SACCOs, where assessing borrower risk is critical for portfolio sustainability and institutional growth (Sammy, 2022).

The core principle of Credit Risk Theory is that lenders must systematically evaluate the likelihood that a borrower may fail to meet financial obligations (Kennedy, 2023). This involves analyzing factors such as the borrower's repayment history, cash flow, collateral, business stability, and macroeconomic conditions. By identifying high-risk borrowers, institutions can implement risk-adjusted interest rates, targeted monitoring, and proactive recovery strategies to minimize potential financial losses. The theory highlights

that without proper risk assessment and mitigation, lenders are exposed to higher default rates, which can undermine liquidity, profitability, and institutional sustainability (Willy & Uttey, 2024).

➤ *Conceptual Framework*

The conceptual framework represents the relationship between loan management techniques and the financial

performance of SACCOs, specifically Umurenge SACCOs in Kamonyi District. In this study, loan management techniques are the independent variables, including loan monitoring, loan appraisal, interest rate and loan default management, while SACCO financial performance is the dependent variable.

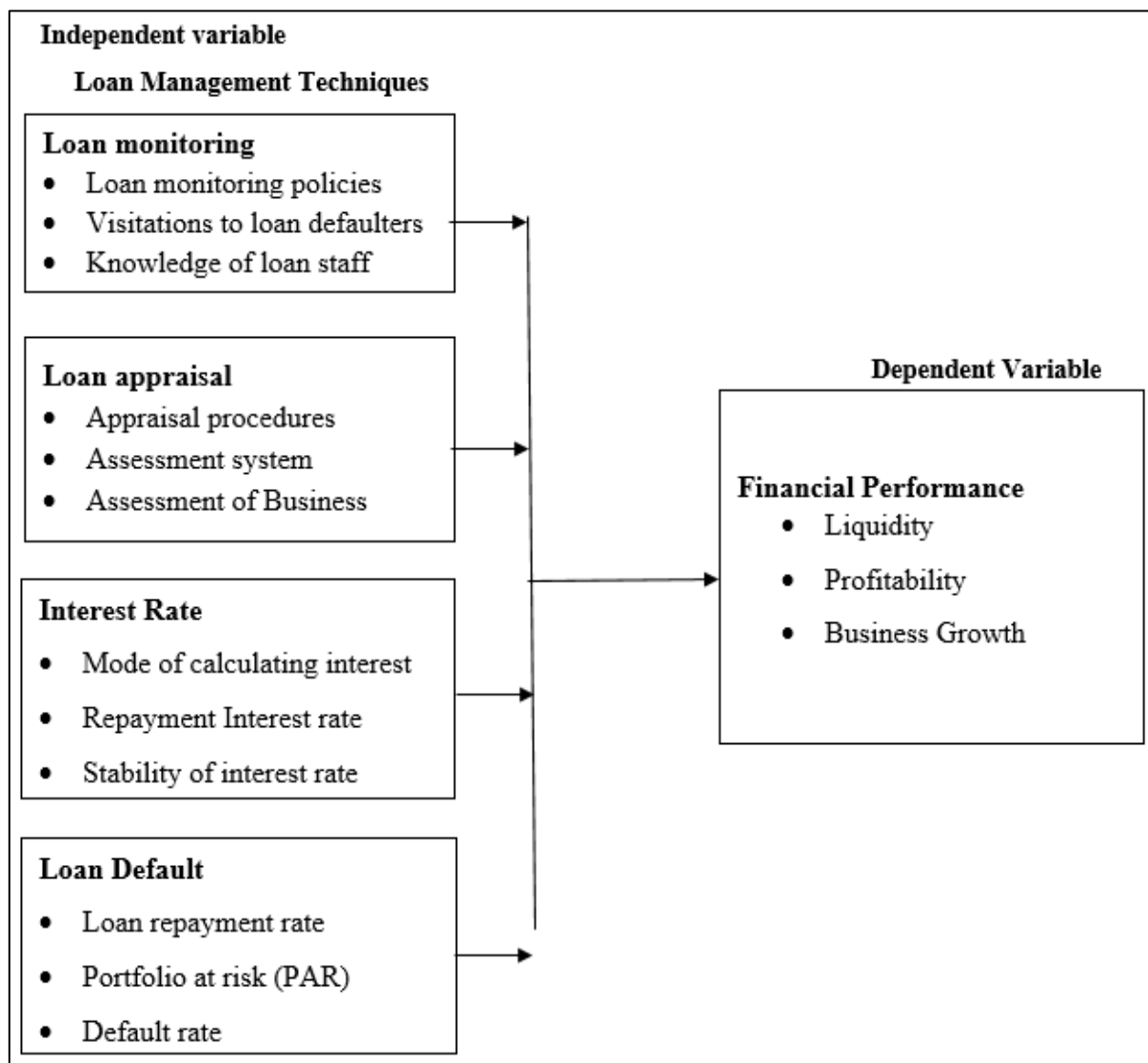


Fig 1 Conceptual Framework
Source: Researcher, 2026

III. RESEARCH METHODOLOGY

➤ *Research Design*

The study adopted both descriptive and explanatory research designs. The descriptive research design was used to describe the existing loan management techniques in Umurenge SACCOs in Kamonyi District, including loan monitoring, loan appraisal, and interest rate management.

➤ *Study Population*

For this study, the target population consists solely of Savings and Credit Cooperatives (SACCOs) operating within Kamonyi District, Rwanda. Kamonyi District comprises 15

administrative sectors, and under the national Umurenge SACCO programme, one SACCO was established in each sector to promote financial inclusion (Kamonyi District Annual Report, 2024). These SACCOs collectively represent the financial cooperative landscape of the district and serve as the complete population from which the study sample was selected. Thus, the target population of this study was 180 respondents.

➤ *Sample Size and Sampling Techniques*

In this study, because the target population is small (Within each stratum, 180), the research adopted a census approach, where all members of the population were included

in the study. A census approach eliminates sampling errors and ensures that the findings reflect the perspectives of the entire population. It also allows for a more accurate assessment of the relationship between loan monitoring, loan appraisal, interest rates, and SACCO financial performance.

➤ Data Collection Instruments

In this study, the questionnaire consisted of closed-ended questions using five points, a Likert scale from strong agree to strong disagree to measure the frequency, effectiveness, and perceived impact of loan management techniques on SACCO financial performance. The questionnaire targeted SACCO managers, loan officers, and other staff, capturing information on operational procedures, challenges, and strategies for managing loans.

➤ Data Processing and Data Analysis

Data processing involves preparing, organizing, and cleaning all collected data to ensure it is accurate, consistent, and ready for analysis. Data analysis involved systematically examining the collected data to interpret the findings and draw valid conclusions about the effect of loan management techniques on the financial performance of Umurenge SACCOs in Kamonyi District, Rwanda. This study employed a quantitative data analysis approach to investigate how loan monitoring, loan appraisal, interest rates, and loan default influenced the financial performance of Umurenge SACCOs. Inferential statistics were used to test the hypothesized relationships between loan management techniques and the financial performance of Umurenge SACCOs. Multiple regression analysis determined the extent to which loan monitoring (X_1), loan appraisal (X_2), interest rates (X_3), and loan default (X_4) influenced the financial performance of Umurenge SACCOs (Y). The regression model used in the study was specified as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y = Financial performance of Umurenge SACCOs (measured by liquidity, profitability, and business growth)

X_1 = Loan monitoring

X_2 = Loan appraisal

X_3 = Interest rates

X_4 = Loan default

β_0 = Constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients of the independent variables

ε = Error term

IV. RESULTS AND DISCUSSIONS OF THE FINDINGS

The findings are presented according to the study objectives, namely loan monitoring, loan appraisal, interest rates, and loan default and their effect on the financial performance of Umurenge SACCOs. The chapter further presents the response rate, demographic characteristics of respondents, descriptive statistics, correlation analysis, multiple regression analysis, and hypothesis testing. The study targeted a total of 180 respondents drawn from Umurenge SACCOs operating in Kamonyi District. Since the target population was relatively small, a census approach was adopted, and all 180 respondents were considered for participation in the study. Structured questionnaires were administered to all respondents. Out of the 180 questionnaires distributed, 174 were successfully completed and returned, representing a response rate of 96.7%. However, 6 questionnaires were not returned, representing 3.3% of the distributed questionnaires.

➤ Demographic Characteristics of Respondents

This section presents the demographic characteristics of respondents who participated in the study. The demographic information collected included sex, age, highest level of education, and years of working experience in Umurenge SACCOs. These characteristics were considered important because they influence respondents' understanding of loan management techniques and the financial performance of Umurenge SACCOs in Kamonyi District.

Table 1 Demographic Characteristics of Respondents

Variable	Sub Variable	Frequency	Percentage (%)
Gender	Male	112	64.4
	Female	62	35.6
	Total	174	100
Age	21–29 Years	36	20.7
	31–39 Years	74	42.5
	41–49 Years	45	25.9
	50 Years and above	19	10.9
	Total	174	100
Highest Level of Education	Secondary Certificate	24	13.8
	Diploma (A1)	58	33.3
	Bachelor's Degree	78	44.8
	Master's Degree	14	8.1
	Total	174	100
Working Experience in SACCO	Less than 2 Years	21	12.1
	2–5 Years	57	32.8

	6–10 Years	68	39.1
	Above 11 Years	28	16.1
	Total	174	100

Source: Field Data, 2026

Table 1 presents the demographic characteristics of respondents who participated in the study. The gender distribution indicates that 112 respondents (64.4%) were male while 62 respondents (35.6%) were female. This finding suggests that male employees constituted the majority of staff working in Umurenge SACCOs in Kamonyi District.

Regarding age, the findings reveal that the majority of respondents, 74 (42.5%), were between 31 and 39 years of age. Respondents aged between 41 and 49 years accounted for 45 (25.9%), while those aged between 21 and 29 years represented 36 (20.7%). Respondents above 50 years were 19 (10.9%). These findings indicate that most respondents were within the active working age and possessed adequate experience to provide reliable information regarding loan management techniques and SACCO financial performance.

Concerning educational qualifications, the findings indicate that the majority of respondents, 78 (44.8%), held Bachelor's Degrees, followed by 58 (33.3%) respondents with Diploma (A1) qualifications. Respondents with Secondary Certificates accounted for 24 (13.8%), while 14 (8.1%)

possessed Master's Degrees. With regard to working experience, the findings show that 68 respondents (39.1%) had worked in Umurenge SACCOs for between 6 and 10 years, followed by 57 respondents (32.8%) with between 2 and 5 years of experience. Respondents with more than 11 years of experience accounted for 28 (16.1%), while those with less than 2 years of experience represented 21 (12.1%).

➤ Presentation of Findings

The results are presented using descriptive statistics, including means and standard deviations, obtained from respondents' perceptions regarding loan management techniques and financial performance.

➤ Descriptive Statistics of Loan Monitoring

A five-point Likert scale was used where 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Neutral (N), 2 = Disagree (D), and 1 = Strongly Disagree (SD). This section addresses the first objective of the study, which was to examine the effect of loan monitoring on the financial performance of Umurenge SACCOs in Kamonyi District, Rwanda.

Table 2 Agreement on Loan Monitoring

Views of Respondents	M	SD
Loan repayments are regularly monitored to ensure borrowers repay according to the agreed schedule.	4.4	0.71
SACCO staff conduct regular follow-up with borrowers to minimize loan default.	4.3	0.76
Field visits are conducted to assess borrowers' loan utilization and business performance.	4.1	0.83
Borrowers receive timely reminders before loan repayment deadlines.	3.9	0.89
Loan monitoring has improved the financial performance of the SACCO.	4.4	0.69
Overall Mean	4.22	0.78

Source: Field Data, 2026- Key: M = Mean, SD = Standard Deviation

Table 2 present overall mean score of 4.22 with a standard deviation of 0.78 indicates that respondents strongly agreed, on average, that loan monitoring is an important factor influencing the financial performance of Umurenge SACCOs.

➤ Loan Appraisal

A five-point Likert scale was used where 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Neutral (N), 2 = Disagree (D), and 1 = Strongly Disagree (SD). This section addresses the second objective of the study, which was to assess the effect of loan appraisal on the financial performance of Umurenge SACCOs in Kamonyi District, Rwanda.

Table 3 Agreement on Loan Appraisal

Views of Respondents	M	SD
Borrowers are thoroughly assessed before loans are approved.	4.5	0.68
Loan applicants' repayment capacity is adequately evaluated before loan approval.	4.4	0.73
SACCOs assess borrowers' business viability before granting loans.	4.2	0.8
Collateral and guarantors are properly verified before loan disbursement.	4.1	0.84
Loan appraisal has improved the financial performance of the SACCO.	4.4	0.71
Overall Mean	4.32	0.75

Source: Field Data, 2026-Key: M = Mean, SD = Standard Deviation

Table 3 presents respondents' perceptions regarding loan appraisal and the financial performance of Umurenge SACCOs in Kamonyi District. The findings indicate that respondents strongly agreed that borrowers were thoroughly

assessed before loans were approved (M = 4.5, SD = 0.68). Similarly, respondents agreed that loan appraisal had improved the financial performance of the SACCO (M = 4.4, SD = 0.71).

➤ *Interest Rates*

A five-point Likert scale was used where 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Neutral (N), 2 = Disagree (D), and 1 = Strongly Disagree (SD). This section addresses the

third objective of the study, which was to analyze the effect of interest rates on the financial performance of Umurenge SACCOs in Kamonyi District, Rwanda.

Table 4 Agreement on Interest Rates

Views of Respondents	M	SD
The interest rates charged by the SACCO are affordable to borrowers.	4.3	0.76
Interest rates are clearly communicated to borrowers before loan approval.	4.4	0.69
The SACCO applies interest rates consistently across borrowers with similar loan conditions.	4.2	0.81
The interest rates encourage timely loan repayment.	4.1	0.85
Interest rate management has improved the financial performance of the SACCO.	4.3	0.74
Overall Mean	4.26	0.77

Source: Field Data, 2026- Key: M = Mean, SD = Standard Deviation

Table 4 presents respondents' perceptions regarding interest rates and the financial performance of Umurenge SACCOs in Kamonyi District. The findings indicate overall mean score of 4.26 and standard deviation of 0.77 indicate that respondents generally agreed that interest rate management positively influenced the financial performance of Umurenge SACCOs.

➤ *Loan Default*

A five-point Likert scale was used where 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Neutral (N), 2 = Disagree (D), and 1 = Strongly Disagree (SD). This section addresses the fourth objective of the study, which was to examine the effect of loan default on the financial performance of Umurenge SACCOs in Kamonyi District, Rwanda.

Table 5 Agreement on Loan Default

Views of Respondents	M	SD
The SACCO has effective mechanisms for managing loan defaults.	4.3	0.73
Loan recovery procedures help reduce non-performing loans.	4.4	0.7
Defaulting borrowers are followed up promptly to recover outstanding loans.	4.2	0.79
Loan default negatively affects the profitability and liquidity of the SACCO.	4.5	0.66
Effective management of loan default has improved the financial performance of the SACCO.	4.3	0.75
Overall Mean	4.26	0.77

Source: Field data, 2026 -Key: M = Mean, SD = Standard Deviation

Table 5 indicate that overall mean score of 4.26 and standard deviation of 0.77 indicate that respondents generally agreed that effective management of loan default positively influenced the financial performance of Umurenge SACCOs.

➤ *Financial Performance of Umurenge SACCOs*

A five-point Likert scale was used where 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Neutral (N), 2 = Disagree (D), and 1 = Strongly Disagree (SD). The analysis was intended to assess the level of financial performance in terms of profitability, liquidity, business growth, loan portfolio quality, and overall financial sustainability.

Table 6 Level of Agreement on Financial Performance of Umurenge SACCOs

Views of Respondents	M	SD
The SACCO has achieved satisfactory profitability over the past five years.	4.3	0.72
The SACCO maintains adequate liquidity to meet its financial obligations.	4.2	0.77
The SACCO has experienced steady business growth in terms of membership and loan portfolio.	4.4	0.69
The SACCO has maintained a good quality loan portfolio with minimal non-performing loans.	4.1	0.81
Overall, the SACCO has achieved good financial performance.	4.3	0.74
Overall Mean	4.26	0.75

Source: Field Data, 2026- Key: M = Mean, SD = Standard Deviation

Table 6 presents respondents' perceptions regarding the financial performance of Umurenge SACCOs in Kamonyi District. The overall mean score of 4.26 and standard deviation of 0.75 indicate that respondents generally agreed that Umurenge SACCOs had achieved satisfactory financial performance. The relatively high mean values across all indicators demonstrate that the SACCOs performed well in terms of profitability, liquidity, business growth, and portfolio quality.

➤ *Correlation Analysis*

Pearson's Correlation Coefficient (r) was used to determine the degree of association between the study variables. Correlation coefficients range from -1 to +1, where values close to +1 indicate a strong positive relationship, values close to -1 indicate a strong negative relationship, and values close to 0 indicate a weak relationship.

Table 7 Correlation Between Loan Management Techniques and Financial Performance

		X1	X2	X3	X4	Y
Loan Monitoring (X ₁)	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	174				
Loan Appraisal (X ₂)	Pearson Correlation	.788**	1			
	Sig. (2-tailed)	.000				
	N	174	174			
Interest Rates (X ₃)	Pearson Correlation	.790**	.981**	1		
	Sig. (2-tailed)	.000	.000			
	N	174	174	174		
Loan Default (X ₄)	Pearson Correlation	.398**	.431**	.413**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	174	174	174	174	
Financial Performance (Y)	Pearson Correlation	.759**	.630**	.619**	.618**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	174	174	174	174	174
**. Correlation is significant at the 0.01 level (2-tailed).						

Table 7 indicate that all the independent variables had positive and statistically significant relationships with financial performance at the 0.01 level of significance ($p = 0.000$). Loan monitoring had the strongest positive relationship with financial performance ($r = 0.759$), followed by loan appraisal ($r = 0.630$), interest rates ($r = 0.619$), and loan default ($r = 0.618$).

The results further reveal positive relationships among the independent variables, with loan appraisal and interest rates exhibiting the highest correlation ($r = 0.981$), while loan monitoring was positively correlated with loan appraisal ($r = 0.788$), interest rates ($r = 0.790$), and loan default ($r = 0.398$). In addition, loan appraisal was positively associated with loan

default ($r = 0.431$), and interest rates had a positive relationship with loan default ($r = 0.413$). Since all the significance values were less than 0.01, the relationships were statistically significant.

➤ Multiple Regression Analysis

Financial performance was considered the dependent variable, while loan monitoring, loan appraisal, interest rates, and loan default constituted the independent variables. The regression analysis was undertaken at a 95% confidence level ($\alpha = 0.05$) using the Enter method in SPSS Version 25. The results of the multiple regression analysis are presented in three parts.

Table 8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.834 ^a	.696	.689	.24153
a. Predictors: (Constant), Loan Monitoring, Loan Appraisal, Interest Rates, Loan Default				
Source: Field Data				

Table 8 presents the results show a strong positive relationship between loan management techniques and the financial performance of Umurenge SACCOs ($R = 0.834$). The coefficient of determination ($R^2 = 0.696$) indicates that loan monitoring, loan appraisal, interest rates, and loan default jointly explain 69.6% of the variation in financial

performance, while the remaining 30.4% is explained by other factors not included in the model. The adjusted R^2 of 0.689 indicates that the model remains stable after adjusting for the number of predictor variables. The standard error of the estimate (0.24153) is low, suggesting that the predicted values are close to the observed values.

Table 9 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.570	4	5.642	96.726	.000 ^b
	Residual	9.859	169	.058		
	Total	32.428	173			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), Loan Monitoring, Loan Appraisal, Interest Rates, Loan Default						

Table 9 presents the ANOVA results for the multiple regression model. The results show that the regression model was statistically significant ($F = 96.726$, $p = 0.000$). Since the significance value (0.000) is less than the 0.05 level of

significance, the null hypothesis that loan management techniques have no significant effect on the financial performance of Umurenge SACCOs is rejected.

Table 10 Coefficient Regression

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.614	.222		2.761	.000
	Loan Monitoring	.618	.067	.641	9.162	.000
	Loan Appraisal	.131	.190	.152	.687	.493
	Interest Rates	-.165	.189	-.193	-.873	.384
	Loan Default	.485	.061	.377	7.957	.000
a. Dependent Variable: Financial Performance						

Table 10 presents the regression coefficients showing the individual effect of loan management techniques on the financial performance of Umurenge SACCOs in Kamonyi District. The results indicate that loan monitoring had a positive and statistically significant effect on financial performance ($B = 0.618$, $\beta = 0.641$, $t = 9.162$, $p = 0.000$). This implies that improving loan monitoring by one unit would increase financial performance by 0.618 units, holding another factors constant. Similarly, loan default management had a positive and statistically significant effect on financial performance ($B = 0.485$, $\beta = 0.377$, $t = 7.957$, $p = 0.000$), indicating that effective management of loan default contributes significantly to improved financial performance. In contrast, loan appraisal had a positive but statistically insignificant effect ($B = 0.131$, $\beta = 0.152$, $t = 0.687$, $p = 0.493$), while interest rates had a negative and statistically insignificant effect on financial performance ($B = -0.165$, $\beta = -0.193$, $t = -0.873$, $p = 0.384$), since their p-values were greater than the 0.05 level of significance.

➤ Hypothesis Testing

Hypothesis testing was conducted to determine whether each loan management technique had a statistically significant effect on the financial performance of Umurenge SACCOs in Kamonyi District. The decision to accept or reject each null hypothesis was based on the significance level (p-value) at a 95% confidence level ($\alpha = 0.05$). A null hypothesis was rejected if the p-value was less than 0.05 and accepted if the p-value was greater than 0.05.

The results of hypothesis testing for the effect of loan management techniques on the financial performance of Umurenge SACCOs in Kamonyi District. The decision to reject or accept each null hypothesis was based on the significance level of 0.05. A null hypothesis was rejected when the p-value was less than 0.05 and accepted when the p-value was greater than 0.05.

The first null hypothesis (H_{01}) stated that loan monitoring has no statistically significant effect on the financial performance of Umurenge SACCOs in Kamonyi District. The results indicate that loan monitoring had a positive and statistically significant effect on financial performance ($\beta = 0.641$, $t = 9.162$, $p = 0.000$). Since the p-value was less than 0.05, the null hypothesis was rejected. The study therefore concludes that loan monitoring significantly influences the financial performance of Umurenge SACCOs. This implies that strengthening loan monitoring practices through regular borrower follow-up and repayment supervision enhances profitability, liquidity, and loan portfolio quality.

The second null hypothesis (H_{02}) stated that loan appraisal has no statistically significant effect on the financial performance of Umurenge SACCOs in Kamonyi District. The findings reveal that loan appraisal had a positive but statistically insignificant effect on financial performance ($\beta = 0.152$, $t = 0.687$, $p = 0.493$). Since the p-value was greater than 0.05, the null hypothesis was accepted. The study therefore concludes that loan appraisal did not have a statistically significant influence on the financial performance of Umurenge SACCOs. This implies that improvements in loan appraisal alone may not result in significant changes in financial performance. The third null hypothesis (H_{03}) stated that interest rates have no statistically significant effect on the financial performance of Umurenge SACCOs in Kamonyi District. The regression results show that interest rates had a negative and statistically insignificant effect on financial performance ($\beta = -0.193$, $t = -0.873$, $p = 0.384$). Since the p-value exceeded 0.05, the null hypothesis was accepted. The study therefore concludes that interest rates did not significantly influence the financial performance of Umurenge SACCOs. This implies that changes in interest rate policies alone were insufficient to produce significant improvements in financial performance during the study period.

The fourth null hypothesis (H_{04}) stated that loan default has no statistically significant effect on the financial performance of Umurenge SACCOs in Kamonyi District. The findings indicate that loan default had a positive and statistically significant effect on financial performance ($\beta = 0.377$, $t = 7.957$, $p = 0.000$). Since the p-value was less than 0.05, the null hypothesis was rejected. The study therefore concludes that effective management of loan default significantly influences the financial performance of Umurenge SACCOs. This implies that strengthening loan recovery mechanisms, reducing non-performing loans, and promptly following up defaulting borrowers contribute to improved profitability, liquidity, and financial sustainability.

In conclusion, all four hypotheses were tested using multiple regression analysis. The findings revealed that loan monitoring and loan default management had positive and statistically significant effects on the financial performance of Umurenge SACCOs; therefore, the first and fourth null hypotheses were rejected. In contrast, loan appraisal and interest rates did not have statistically significant effects on financial performance; consequently, the second and third null hypotheses were accepted. Overall, the study concludes that loan monitoring and loan default management are the key loan management techniques influencing the financial performance of Umurenge SACCOs in Kamonyi District.

Table 11 Summary of Hypothesis Testing

Hypothesis	Beta	t-value	p-value	Decision
H₀₁: Loan monitoring has no significant effect on the financial performance of Umurenge SACCOs in Kamonyi District.	0.641	9.162	0.000	Rejected
H₀₂: Loan appraisal has no significant effect on the financial performance of Umurenge SACCOs in Kamonyi District.	0.152	0.687	0.493	Accepted
H₀₃: Interest rates have no significant effect on the financial performance of Umurenge SACCOs in Kamonyi District.	-0.193	-0.873	0.384	Accepted
H₀₄: Loan default has no significant effect on the financial performance of Umurenge SACCOs in Kamonyi District.	0.377	7.957	0.000	Rejected

Source: *Field Data (2026)*

V. CONCLUSIONS AND RECOMMENDATIONS

➤ Conclusion

The purpose of this study was to examine the effect of loan management techniques on the financial performance of Umurenge SACCOs in Kamonyi District, Rwanda. The study specifically assessed the influence of loan monitoring, loan appraisal, interest rates, and loan default on financial performance. Pearson correlation and multiple regression analyses were conducted to determine the relationship between the independent variables and financial performance. Based on the findings, the study concludes that loan management techniques play an important role in influencing the financial performance of Umurenge SACCOs, although their contribution varies across the different loan management practices.

The first objective was to examine the effect of loan monitoring on the financial performance of Umurenge SACCOs in Kamonyi District. The study concludes that loan monitoring has a positive and statistically significant effect on financial performance. The study further concludes that regular monitoring of borrowers, continuous follow-up of loan repayment, and supervision of loan utilization improve loan recovery, reduce non-performing loans, and enhance profitability, liquidity, and loan portfolio quality.

The second objective was to assess the effect of loan appraisal on the financial performance of Umurenge SACCOs. The study concludes that although loan appraisal positively contributes to prudent lending decisions and credit risk assessment, its effect on financial performance was not statistically significant. The study further concludes that borrower assessment alone is insufficient to improve financial performance unless supported by effective post-disbursement loan management practices.

The third objective was to examine the effect of interest rates on the financial performance of Umurenge SACCOs. The study concludes that interest rates did not have a statistically significant effect on financial performance. Although appropriate interest rates promote borrowing and repayment, they did not independently influence the financial performance of Umurenge SACCOs during the study period.

The fourth objective was to examine the effect of loan default on the financial performance of Umurenge SACCOs. The study concludes that effective loan default management has a positive and statistically significant effect on financial performance. The study further concludes that strengthening loan recovery mechanisms, reducing non-performing loans, and promptly following up defaulting borrowers contribute significantly to improved profitability, liquidity, and financial sustainability.

➤ Recommendations

Based on the findings of this study, the following recommendations are proposed to improve the financial performance of Umurenge SACCOs in Kamonyi District through effective loan management practices:

- Loan monitoring was found to have a significant positive effect on financial performance. Therefore, Umurenge SACCOs should strengthen borrower follow-up, conduct regular monitoring of loan repayment, and enhance post-disbursement supervision to reduce loan default and improve loan recovery.
- Loan default management also had a significant positive effect on financial performance. SACCO management should strengthen loan recovery procedures, establish early warning systems for overdue loans, and improve debt collection strategies to minimize non-performing loans and enhance portfolio quality.
- Although loan appraisal did not have a statistically significant effect, SACCOs should continue conducting comprehensive assessments of borrowers' creditworthiness, repayment capacity, and collateral to reduce lending risks and improve the quality of lending decisions.
- SACCO management should regularly review their interest rate policies to ensure that interest rates remain affordable, competitive, and responsive to market conditions while maintaining institutional profitability and encouraging timely loan repayment.
- The RCA, the National Bank of Rwanda (BNR), and SACCO management should provide continuous training to loan officers on credit risk management, loan monitoring, and loan recovery techniques to improve operational efficiency and strengthen the financial performance of Umurenge SACCOs.

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