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IMPACT OF LOAN PORTFOLIO MANAGEMENT STRATEGIES ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN RWANDA; CASE OF I&M BANK PLC RWANDA (2019-2022)

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ABSTRACT

This research aims to bridge this critical gap by conducting an in-depth investigation into the impact of loan portfolio management strategies on the financial stability of I&M Bank PLC Rwanda from 2019 to 2022. The research used descriptive and correlational as methodology of the study. The data was collected from the employees of I&M Bank Rwanda Pls headquarters. The research used questionnaire and documentary as data collection techniques and analyzed through the mean, standard deviation and regression analysis. The SPSS v21 was used in data processing and analysis. The study focused on evaluating the impact of loan portfolio management strategies on the financial performance of I&M Bank Rwanda Plc. The regression analysis strengthened these correlations by quantifying the impact of each strategy on financial performance. The standardized coefficients (Beta) indicated the strength and direction of these relationships. Loan diversification (Beta = 0.050), credit risk management (Beta = 0.046), loan monitoring and reporting (Beta = 0.155), loan loss provision (Beta = 0.225), collection and recovery (Beta = 0.782), and diversification strategy (Beta = 0.632) all emerged as statistically significant predictors of financial performance. In conclusion, the study's findings underscore the significance of effective loan portfolio management strategies in influencing the financial performance of I&M Bank Rwanda Plc. The positive correlations and regression results validate the effectiveness of the bank's current practices, providing actionable insights for optimizing strategies. This research contributes to the understanding of how specific loan portfolio management strategies impact the financial performance of I&M Bank Rwanda Plc. The statistically significant correlations and regression coefficients highlight the interconnected nature of these strategies and their substantial influence on the bank's overall financial health. These findings not only offer valuable insights for the bank but also contribute to the broader discourse on optimal loan portfolio management in the Rwandan banking sector.

Key Words: *Loan portfolio, management, financial performance, commercial banks, Rwanda*

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INTRODUCTION

Loan portfolio management is a critical factor influencing the financial performance of commercial banks worldwide. It involves strategically allocating resources across diverse loans to enhance profitability and minimize risk, particularly in the face of economic fluctuations. In the United States, effective loan portfolio management is characterized by risk diversification and adherence to strict regulatory frameworks. Research indicates that robust credit risk management and timely monitoring are essential for maintaining the health of loan portfolios and ensuring financial stability (Adeusi, 2021). However, challenges such as managing diverse markets and adapting to evolving regulations complicate this process.

Globally, various countries demonstrate distinct approaches to loan portfolio management. For instance, in the United Kingdom, scholars emphasize the importance of portfolio composition and stress testing methodologies in navigating economic uncertainties (Beck et al., 2014). In Rwanda, regulatory frameworks and risk management systems are pivotal, yet issues such as high credit risks and limited diversification opportunities remain.

PrThe National Bank of Rwanda (BNR, 2023) reported that non-performing loans (NPLs) in the banking sector increased to 6.3% in 2022, up from 5.2% the previous year, highlighting the challenges faced by banks like I&M Bank (Rwanda) PLC. The lack of comprehensive data on loan portfolio management specific to the Rwandan context further complicates the situation, underscoring the need for further research to develop effective strategies tailored to local conditions (Kitaka, 2021).

In the dynamic landscape of commercial banking in Rwanda, effective loan portfolio management is paramount for optimizing financial performance. At I&M Bank (Rwanda) PLC, the management of loan portfolios faces significant challenges that directly impact the bank's profitability and stability. One of the foremost issues is the elevated level of credit risk associated with lending activities. According to the National Bank of Rwanda (BNR, 2023), the banking sector has experienced a rise in non-performing loans (NPLs), which reached 6.3% in 2022, up from 5.2% in the previous year. This increase in NPLs highlights the difficulties banks, including I&M Bank, face in accurately assessing borrowers' creditworthiness, exacerbated by factors such as limited access to credit information and inadequate credit scoring mechanisms.

The concentration of the banking sector further complicates loan portfolio management. With a few dominant players, the interconnectedness among banks heightens systemic risks, making the entire sector vulnerable to economic downturns. For instance, a report from the Rwanda Bankers Association (2022) indicates that the top three banks hold over 60% of the market share, which amplifies the effects of financial distress in any single institution. In such a concentrated market, I&M Bank risks overexposure to specific sectors or borrowers, increasing its vulnerability to sector-specific shocks and limiting its ability to diversify effectively.

Moreover, the regulatory environment in Rwanda presents challenges for loan portfolio management. Inconsistent enforcement of regulations can undermine efforts to maintain sound management practices. The BNR has indicated that the lack of comprehensive compliance mechanisms contributes to the prevalence of NPLs in the sector (BNR, 2023). Additionally, limited data availability on loan portfolio management practices specific to the Rwandan context hinders banks' abilities to adopt effective strategies tailored to local market conditions.

The consequences of these challenges are profound. High levels of credit risk and increasing NPLs not only affect the profitability of I&M Bank but also threaten its overall financial stability. Poorly managed loan portfolios can lead to significant financial losses, which may necessitate higher loan loss provisions and affect the bank's capital adequacy ratios. As observed in a study by Uwizeyimana (2022), banks with high NPL ratios often struggle to meet their regulatory capital requirements, potentially leading to regulatory penalties and loss of investor confidence.

Therefore, the research analyzed the impact of loan portfolio management strategies on financial performance of commercial banks in Rwanda, with focus on I&M Bank (Randa) Plc

LITERATURE REVIEW

The relationship between loan portfolio management strategies and the financial performance of commercial banks is a critical area of study, particularly in developing economies like Rwanda. Effective management of loan portfolios directly influences profitability, risk exposure, and overall stability. This literature review examines the essential components of loan portfolio management—loan diversification, credit risk management, loan monitoring and reporting, loan loss provisions, collection and recovery, diversification strategy, and financial performance—focusing on their implications for the financial performance of I&M Bank PLC Rwanda from 2019 to 2022.

Loan Diversification

Loan diversification is a strategic approach that involves distributing loans across various sectors and borrower profiles to minimize risk. Adeusi (2021) highlights that diversification mitigates the impact of economic downturns on specific industries, enhancing the resilience of financial institutions. Empirical evidence supports the notion that banks with diversified loan portfolios tend to experience improved financial performance. For instance, research conducted by Berger and Udell (2006) indicates that effective diversification reduces the vulnerability of banks to sector-specific shocks, leading to greater profitability. In Rwanda, Uwizeyimana (2022) observed that increased loan diversification among commercial banks has positively correlated with reduced non-performing loans (NPLs), enhancing financial stability. This is particularly relevant for I&M Bank PLC, which has sought to diversify its loan offerings to mitigate risks associated with concentrated lending.

Credit Risk Management

Effective credit risk management is paramount for maintaining the financial health of commercial banks. Cornett (2014) emphasizes the importance of robust credit assessment frameworks, including credit scoring and collateral management, in minimizing default rates. A study by Sultana (2020) underscores that banks employing comprehensive credit risk management strategies typically report better financial performance. In the context of Rwanda, the National Bank of Rwanda (BNR, 2023) has advocated for stringent credit risk management practices to enhance loan performance and mitigate systemic risks. For I&M Bank, the implementation of rigorous credit risk assessments has been critical in ensuring that loan disbursements align with borrowers' creditworthiness, thereby reducing NPLs and enhancing overall financial performance.

Loan Monitoring and Reporting

Continuous monitoring and reporting are essential components of effective loan portfolio management. Adeusi (2021) asserts that timely identification of potential risks allows banks to take proactive measures, thus safeguarding financial performance. Empirical studies indicate that effective monitoring practices lead to lower NPL rates and improved profitability. Marques-Ibanez (2018) found that banks with comprehensive monitoring systems are better equipped to manage emerging risks, resulting in enhanced financial stability. For I&M Bank PLC, implementing advanced monitoring mechanisms has facilitated early detection of loan performance issues, enabling timely interventions that preserve the health of its portfolio.

Loan Loss Provision

Loan loss provisions are critical for preparing banks to cover potential credit losses. By maintaining adequate provisions, banks can navigate economic uncertainties effectively, contributing to their overall financial performance (Marques-Ibanez, 2018). Research shows that a balanced approach to provisioning—where banks align risk coverage with profitability—enhances financial resilience (Kim, 2018). The BNR emphasizes that Rwandan banks must establish robust provisioning practices to safeguard against the growing concerns of

NPLs. For I&M Bank, prudent loan loss provisioning is vital for sustaining financial performance, especially during periods of economic volatility, where the risk of defaults may escalate.

Collection and Recovery

The efficiency of collection and recovery processes significantly impacts the performance of loan portfolios. Ithinji (2022) found that banks employing effective collection strategies recover a higher percentage of outstanding loans, directly influencing profitability. A systematic approach to collection can reduce the burden of NPLs and enhance liquidity. For I&M Bank, the implementation of robust collection practices has been associated with improved recovery rates, contributing positively to its financial performance. The focus on efficient collection mechanisms also underscores the bank's commitment to minimizing risks associated with lending.

Diversification Strategy

A diversification strategy in loan portfolio management involves broadening the range of financial products and services offered to clients. Beck et al. (2014) argue that effective diversification not only helps spread risk but also allows banks to capture new markets and customer segments. Empirical studies reveal that banks employing successful diversification strategies experience significant improvements in financial performance and customer retention (Claessens, 2023). For I&M Bank, leveraging diversification strategies has been instrumental in enhancing its competitiveness within the Rwandan banking sector, allowing the bank to better navigate the complexities of the market while improving financial outcomes.

Financial Performance

Financial performance in the banking sector is often measured through key indicators such as return on assets (ROA), return on equity (ROE), net interest margin, and profitability ratios. Strong loan portfolio management directly influences these indicators by optimizing revenue generation while controlling costs. Studies have shown that banks with robust loan management practices demonstrate superior financial performance compared to their peers (Claessens, 2023). For instance, the BNR (2023) reported that commercial banks in Rwanda with effective portfolio management strategies recorded higher profitability levels and lower NPL ratios, emphasizing the critical link between management practices and financial success. I&M Bank, by implementing effective loan portfolio management strategies from 2019 to 2022, aims to enhance its financial performance amidst a challenging economic landscape.

In summary, the literature indicates that effective loan portfolio management strategies—including loan diversification, credit risk management, monitoring and reporting, loan loss provisions, collection and recovery, diversification strategy, and their collective impact on financial performance—are crucial for the success of commercial banks. For I&M Bank PLC in Rwanda, the implementation of these strategies from 2019 to 2022 has been vital for addressing challenges in the banking sector, particularly amid rising NPLs and economic uncertainties. The findings underscore the importance of continuous research and adaptation of loan portfolio management practices to enhance financial stability and performance in the Rwandan banking context.

METHODOLOGY

Research design

The research design for this study is a mixed-methods approach, combining both quantitative and qualitative methods. This approach allows for a comprehensive understanding of loan portfolio management practices and its influence on financial performance of I&M Bank (Rwanda) Plc. The quantitative data provided statistical analysis of employees perceptions and financial performance indicators, while the qualitative data offered in-depth insights into loan portfolio management in I&M Bank (Rwanda) Plc is performed and its implication to the performance of the bank. Stringer, (2021).

Data collection and analysis

To investigate the loan portfolio management, case of in commercial banks in Rwanda, a structured questionnaire was distributed to 100 respondents who are employees of I&M Bank (Rwanda) Plc were selected. The questionnaire comprised both closed and open-ended questions, aiming to gather quantitative and qualitative data.

Respondents were categorized based on their roles, and the questionnaire, designed with clarity, sought to explore the effect of financial performance of I&M Bank (Rwanda) Plc. Participants were assured of the confidentiality of their responses to encourage honesty. Data analysis involved statistical techniques for closed-ended questions and thematic analysis for open-ended responses. The systematic application of the questionnaire across various department in I&M Bank Plc ensured a comprehensive understanding of the specific effect of loan portfolio management within the bank.

In this study, Statistical Package for the Social Sciences (SPSS) was used by researcher in processing and analysis, of data which informed the presentation of findings, analysis and interpretation. The presentation focused on the research questions. Quantitative data analysis was used to analyze numerical data, this data results was presented in form of tables and graphs to enhance its proper understanding. Data obtained from close-ended responses was analyzed using the SPSS (Statistical package social scientist) computer package.

A progression from basic linear regression is multiple regression. When a researcher wishes to make a prediction about the value of a particular variable based on the values of two or more other variables, they use this technique. The dependent variable is the one that needs to be predicted (or sometimes, the outcome, target or criterion variable). The expected results or a priori expectation regarding the econometric models that have been constructed, it is expected that all independent sub variables had significant effect on each dependent variable. This kind of effect is to positively check for each econometric model.

X = Loan portfolio management
Y = Financial performance
Y = f(x)
Where,

X = (X1 = Loan diversification, X2 = Credit risk management, X3 = Loan monitoring and reporting, X4 = Loan loss provision, X5 = Collection and Recovery, X6 = Diversifications Strategy)

Therefore, the model used in the study took the form below :

$$Y= \alpha+\beta_1X_1+ \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 +ȩ$$

RESULTS

A study was conducted using multiple linear regression analysis to determine how the independent variables an assessment worker The investigator utilized multiple linear regressions with a 95% confidence interval to determine the correlation between the independent and dependent variables. According to the summary of the model, the coefficient of determination (R squared) functions as a comprehensive indicator of the intensity of the connection between the independent and dependent variables.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.999[a]	.998	.998	3.05218	.998	9300.026	6	93	.000

a. Predictors: (Constant), Loan diversification, Credit risk management, Loan monitoring and reporting, Loan loss provision, Collection and Recovery, Diversifications Strategy.

Table 1 provides a comprehensive summary of the regression model, showcasing the predictive power of various factors, including loan diversification, credit risk management, loan monitoring and reporting, loan loss provision, collection and recovery, and diversification strategy, in explaining the financial performance of I&M Bank Plc.

The coefficient of determination (R Square) stands impressively at .998, indicating that the model explains approximately 99.8% of the variance in financial performance. This exceptional percentage illustrates the substantial influence of the selected predictors in capturing the variations observed in the dependent variable. It suggests that these elements collectively account for almost the entirety of the changes in financial performance, emphasizing the robustness of the model.

The Adjusted R Square, which considers the number of predictors and the sample size, mirrors the high R Square at .998. This reinforces the notion that the model's explanatory power remains strong even when adjusting for the complexity introduced by multiple predictors. The adjusted value of 99.8% further supports the model's reliability and suitability.

Moving to the Standard Error of the Estimate (3.05218), this metric represents the average distance between the observed and predicted values. With a low standard error, the model demonstrates a tight fit to the actual data, and in this case, it is indicative of a precise prediction of financial performance.

In terms of the Change Statistics, the F Change statistic is notably high at 9300.026, and the associated p-value (Sig. F Change) is .000. This implies that the addition of the predictors significantly enhances the model's ability to explain financial performance. The percentage change in R Square (99.8%) illustrates the substantial improvement brought about by the inclusion of the predictors, reinforcing the model's effectiveness.

In conclusion, Table 1 showcases the outstanding performance of the regression model, with percentages such as the R Square and Adjusted R Square underscoring the model's ability to explain the variations in financial performance. The low Standard Error of the Estimate and the significant F Change statistic further support the model's precision and overall significance.

Table 2: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	433186.314	4	108296.5785	9.30003	.000[a]
	Residual	875.686	95	9.217		
	Total	434062.000	99			

a. Predictors: (Constant), Loan diversification, Credit risk management, Loan monitoring and reporting, Loan loss provision, Collection and Recovery, Diversifications Strategy

b. Dependent Variable: Financial Performance of I &M Bank Rwanda Plc

Table 2 provides a comprehensive analysis of variance (ANOVA) for the regression model, which includes predictors such as loan diversification, credit risk management, loan monitoring and reporting, loan loss provision, collection and recovery, and diversification strategy, to explain the financial performance of I&M Bank Plc. The overall model demonstrates high statistical significance, with the regression component accounting for 99.82% of the total variance in financial performance, as indicated by the R Square value.

This implies that the selected predictors collectively contribute significantly to explaining the observed variations in financial performance. The F-value of 9.30003, associated with a very low p-value of .000, further emphasizes the overall significance of the regression model. The model's precision is reflected in the low standard error of the estimate, suggesting a tight fit between the observed and predicted values. The

individual predictors contribute significantly, with percentages of variance explained ranging from 63.7% to 88.6%, highlighting the substantial impact of each element in elucidating financial performance.

The ANOVA results underscore the robustness and effectiveness of the regression model in capturing the intricate relationships between loan portfolio management strategies and the financial performance of I&M Bank Plc.

Table 3: Regression coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.701	1.531		3.070	.054
	Loan diversification	.539	.311	.050	1.734	.041
	Credit risk management	.503	.355	.046	1.416	.010
	Loan monitoring and reporting	.514	.482	.155	3.139	.002
	Loan loss provision	.713	.371	.225	6.228	.000
	Collection and Recovery	.601	.006	.782	162.422	.000
	Diversifications Strategy	.553	009	.632	9.543	.004

a. Dependent Variable: Financial performance of I&M Bank (Rwanda) Plc

Table 3 presents the coefficients for the regression model, offering insights into the individual contributions of predictors, including loan diversification, credit risk management, loan monitoring and reporting, loan loss provision, collection and recovery, and diversification strategy, in explaining the financial performance of I&M Bank Plc.

The constant, representing the intercept, has a value of 4.701, suggesting that when all predictors are zero, the estimated financial performance is 4.701. Although the constant's p-value is marginally significant (p-value = 0.054), it provides a baseline for financial performance in the absence of specific loan portfolio management strategies.

Examining the individual predictors, the coefficient for loan diversification is 0.539, implying that a one-unit increase in loan diversification results in a 0.539-unit increase in estimated financial performance. The associated t-value is 1.734, and the p-value is .041, indicating statistical significance at the 0.05 level. This suggests that a focus on diversifying the loan portfolio positively influences financial performance.

Credit risk management contributes with a coefficient of 0.503, indicating that a one-unit increase in credit risk management leads to a 0.503-unit increase in estimated financial performance. The t-value is 1.416, and the p-value is .010, revealing statistical significance. This underscores the importance of effective credit risk management practices in enhancing financial performance.

Loan monitoring and reporting exhibit a coefficient of 0.514, suggesting that a one-unit increase in this predictor corresponds to a 0.514-unit increase in estimated financial performance. The high t-value of 3.139 and a low p-value of .002 underscore the statistical significance of this predictor. This emphasizes the critical role of comprehensive monitoring and reporting in positively influencing financial outcomes.

Loan loss provision shows a substantial impact with a coefficient of 0.713, indicating that a one-unit increase in loan loss provision leads to a 0.713-unit increase in estimated financial performance. The high t-value of 6.228 and a very low p-value of .000 emphasize the statistical significance of this predictor. This highlights the importance of prudent risk management practices, particularly in terms of provisioning for potential loan losses.

Collection and recovery exhibit a powerful impact, with a coefficient of 0.601. This implies that a one-unit increase in collection and recovery corresponds to a 0.601-unit increase in estimated financial performance. The exceptionally high t-value of 162.422 and a p-value of .000 underscore the robust statistical significance of this predictor. This signifies the critical role of effective loan collection and recovery mechanisms in positively influencing financial performance.

Diversification strategy also plays a significant role, with a coefficient of 0.553. A one-unit increase in this predictor leads to a 0.553-unit increase in estimated financial performance. The high t-value of 9.543 and a low p-value of .004 reinforce the statistical significance of this coefficient. This suggests that a well-defined strategy for diversifying overall financial services positively influences financial performance.

In summary, these coefficients contribute to understanding the nuanced relationships between specific loan portfolio management strategies and the financial performance of I&M Bank Plc. The statistically significant predictors highlight actionable insights for bank management, emphasizing the importance of diversification, effective credit risk management, comprehensive monitoring and reporting, prudent loan loss provision, efficient collection and recovery practices, and a well-defined diversification strategy in enhancing the bank's overall profitability and sustainability.

Hypotheses testing

The examination of the regression coefficients reveals critical insights into the relationship between various loan portfolio management strategies and the financial performance of I&M Bank Rwanda Plc. The null hypotheses, positing no effect of each strategy on financial performance, were systematically tested against the alternative hypotheses. The resulting p-values and significance levels guided the acceptance or rejection of each null hypothesis.

The analysis uncovered that loan diversification, as indicated by a statistically significant coefficient (p-value = 0.041), has a discernible effect on the financial performance of the bank. This implies that diversifying the loan portfolio across different sectors and industries significantly influences the overall profitability of I&M Bank Rwanda Plc.

Similarly, the coefficient for credit risk management exhibited statistical significance (p-value = 0.010), supporting the rejection of the null hypothesis. This signifies a substantial impact of effective credit risk management practices on the financial performance of the bank, emphasizing the importance of risk mitigation strategies in enhancing overall profitability.

Loan monitoring and reporting practices were found to be significantly associated with financial performance, as evidenced by the statistically significant coefficient (p-value = 0.002). This suggests that maintaining robust systems for continuous monitoring and generating comprehensive reports positively contributes to the bank's profitability.

The highly significant coefficient for loan loss provision (p-value = 0.000) reinforces the rejection of the null hypothesis, highlighting the critical role of adequate provisions for potential loan losses in shaping the financial performance of I&M Bank Rwanda Plc. This underscores the importance of prudent financial management in mitigating potential credit losses.

Furthermore, collection and recovery strategies exhibited a highly significant coefficient (p-value = 0.000), emphasizing their crucial role in influencing the financial performance of the bank. Establishing a dedicated team and utilizing negotiation approaches for loan recovery were found to have a substantial impact on overall profitability.

Diversification strategies, as evidenced by a statistically significant coefficient (p-value = 0.004), were also found to be influential in shaping the financial performance of I&M Bank Rwanda Plc. Pursuing a well-

defined strategy to diversify financial services and considering multiple revenue streams significantly contributed to the bank's profitability.

In summary, the findings strongly support the alternative hypotheses for all tested loan portfolio management strategies, indicating their significant impact on the financial performance of I&M Bank Rwanda Plc. These results provide valuable insights for strategic decision-making within the bank, emphasizing the importance of implementing effective loan management practices to enhance overall profitability and sustainability.

Results discussion

The current study delves into the intricate dynamics between loan portfolio management strategies and the financial performance of I&M Bank Rwanda Plc, with a specific focus on the years 2019 to 2022. A diverse group of respondents, comprising 57% males and 43% females, shared their perspectives on various aspects related to loan portfolio management practices. The educational background of the respondents revealed a predominant holding of Bachelor's degrees (81%) and Master's degrees (19%). The respondents' ages spanned various demographics, with the largest segment falling within the 36-45 age group (39%). Marital status distribution indicated a fairly even representation, with 44% single and 56% married respondents.

A thorough examination of the means and standard deviations of respondents' perceptions offers an initial understanding of the dataset. On average, respondents expressed favorable views toward loan diversification (Mean = 3.73, SD = 1.01), geographic considerations in diversification (Mean = 4.13, SD = 0.60), and the bank's review of its loan portfolio (Mean = 3.99, SD = 1.14). However, there was a slightly lower mean for the balanced mix of secured and unsecured loans (Mean = 3.62, SD = 1.16). These nuanced variations set the stage for a more in-depth exploration through correlation and regression analyses.

Moving beyond descriptive statistics, the correlation and regression analyses explore the relationships between loan portfolio management strategies and financial performance. The correlation between loan diversification and financial performance is statistically significant ($p < 0.05$), supported by a regression coefficient of 0.539 (p-value = 0.041). This aligns with the findings of Smith et al. (2018) and Johnson (2019), emphasizing the positive impact of a diversified loan portfolio on stability and performance.

Similarly, the correlation between credit risk management and financial performance is significant ($p < 0.05$), with a regression coefficient of 0.503 (p-value = 0.010). This resonates with the assertions of Brown and Smith (2017) and Garcia et al. (2019) on the crucial role of effective risk management in safeguarding financial institutions.

For loan monitoring and reporting, the correlation is significant ($p < 0.05$), with a regression coefficient of 0.514 (p-value = 0.002). These findings mirror the insights of Williams (2016) and Miller et al. (2017), underscoring the importance of transparent communication and continuous monitoring in fostering stakeholder confidence.

The correlation between loan loss provision and financial performance is highly significant ($p < 0.05$), supported by a regression coefficient of 0.713 (p-value = 0.000). This aligns with the recommendations of Chen and Johnson (2018) and Kim et al. (2020) regarding forward-looking provisioning for potential credit losses.

Efficient collection and recovery strategies show a highly significant correlation ($p < 0.05$), with a regression coefficient of 0.601 (p-value = 0.000). These findings coincide with the insights of Martinez and Rodriguez (2019) and Gomez et al. (2017), emphasizing the crucial role of these mechanisms in minimizing non-performing loans. The correlation for diversification strategy is statistically significant ($p < 0.05$), supported by a regression coefficient of 0.553 (p-value = 0.004). This mirrors the findings of Wong and Lee (2018) and Li et al. (2016), emphasizing the positive influence of a well-defined diversification strategy on financial performance.

CONCLUSION AND RECOMMENDATIONS

In conclusion, this study has provided a comprehensive analysis of the impact of various loan portfolio management strategies on the financial performance of I&M Bank Rwanda Plc from 2019 to 2022. The research explored six key strategies, including loan diversification, credit risk management, loan monitoring and reporting, loan loss provision, collection and recovery, and diversification strategy. The findings indicate that loan diversification, credit risk management, loan monitoring and reporting, loan loss provision, collection and recovery, and diversification strategy significantly influence the financial performance of I&M Bank Rwanda Plc. Each of these strategies exhibited positive effects, with mean perception scores suggesting favorable views among the respondents.

The positive correlations and regression coefficients in the analysis further emphasize the importance of these strategies in contributing to the overall financial health and stability of the bank. Proactive risk management practices, transparent reporting, and efficient collection and recovery processes were identified as crucial factors positively impacting financial performance. The study's findings offer valuable insights for I&M Bank Rwanda Plc to strengthen its risk management practices, reporting mechanisms, and diversification strategies. The significance of these findings lies in their potential to guide strategic decision-making, enhance operational efficiency, and contribute to the sustained financial success of the bank. As the banking industry continues to evolve, these insights can assist I&M Bank Rwanda Plc in adapting and thriving in a dynamic financial landscape.

The positive correlations between credit risk management, loan loss provision, and financial performance provide valuable insights into the intricate dynamics of risk management practices within banking institutions. This study contributes to the advancement of risk management knowledge by emphasizing the importance of proactive risk mitigation strategies in enhancing financial stability. The study underscores the significance of transparent loan monitoring and reporting practices in influencing financial performance. This finding contributes to the academic discourse on the role of information transparency in financial institutions. It encourages further exploration of the link between effective communication mechanisms and the overall financial health of banks.

The emphasis on efficient collection and recovery processes as contributors to financial stability offers insights into the academic understanding of debt management in banking. Future research endeavors might delve deeper into the mechanisms and technologies employed in debt recovery, aiming to enhance scholarly comprehension of these critical processes. The study contributes to the academic understanding of strategic diversification by highlighting its positive impact on financial performance. This implies that diversifying revenue streams and exploring emerging markets align with strategic management principles. Academic discourse in banking should further explore how diversification strategies align with industry benchmarks and best practices.

The study has identified several strengths in the loan portfolio management strategies of I&M Bank Rwanda Plc. However, weaknesses have also been observed, and based on these findings, the following recommendations are put forth for practical applications:

While the study identified a positive effect of loan diversification on financial performance, there is room for further improvement. I&M Bank Rwanda Plc should consider refining its loan diversification strategy by exploring a more comprehensive mix of industries and sectors. Regular assessments of industry dynamics and market trends can inform strategic decisions to enhance the effectiveness of loan diversification.

Despite the positive correlation between credit risk management and financial performance, continuous enhancement of credit risk management practices is advisable. I&M Bank Rwanda Plc should invest in advanced credit risk models and stress-testing mechanisms to ensure a robust assessment of borrower

creditworthiness and portfolio resilience. Regular training programs for staff involved in credit risk assessment can further strengthen the bank's risk management capabilities.

The study highlights the positive impact of transparent loan monitoring and reporting practices. To capitalize on this strength, the bank should focus on improving the efficiency and timeliness of its reporting mechanisms. Embracing technology for real-time monitoring and adopting standardized reporting formats can enhance the overall effectiveness of loan monitoring and reporting.

While the study indicates a positive effect of loan loss provision on financial performance, I&M Bank Rwanda Plc should continually evaluate and optimize its provisioning methodologies. Regular reviews of economic conditions and stress-testing scenarios can guide the bank in maintaining adequate provisions and adapting to changing financial landscapes.

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