Website:www.jriiejournal.com ISSN 2520-7504 (Online) Vol.9, Iss.2, 2025 (pp. 605 - 613)

Effect of Debt Recovery Practices on Operational Performance of Bank of Kigali, Rwanda

Mugabekazi Kevine
University of Kigali, Rwanda
https://orcid.org/0009-0008-3168-2151
Email: mkevine25@gmail.com

Abstract: *The general objective of this study was to assess the effect of debt recovery practices on operational performance of Bank of Kigali in Rwanda. The population of this study was 143 people. The study used a census inquiry method instead of sampling, this decision is based on the small size of the target population. The statistical analysis of the collected data was computed by Statistical Package for Social Sciences (SPSS) Version 25. The R value of 0.916 indicates a strong relationship between the predictors and the operational performance of Bank of Kigali. The R Square value of 0.838 indicates that approximately 83.8% of the variability in the operational performance of Bank of Kigali can be explained by the predictors in the model. The unstandardized coefficients for the predictor variables show their effect on the operational performance of Bank of Kigali. Specifically, negotiation in debt recovery has a coefficient of (β= 0.521, t=9.969, p value=0.000), indicating a significant positive effect on operational performance. Engaging debt collection agencies has a coefficient of (β= 0.225, t=5.430, p value=0.000), also showing a significant positive effect. Debt legal action has a coefficient of (β= 0.283, t=6.648, p value=0.000), further indicating a significant positive effect. All these coefficients are statistically significant on operational performance of Bank of Kigali, as indicated by their associated Sig. values below 0.05. The study recommended that Bank of Kigali should enhance training programs for debt recovery officers to further improve their negotiation skills and maintain positive relationships with debtors.*

Keywords: *Debt Recovery Practices, Negotiation, Debt Recovery, Engaging Debt Collection Agencies, Debt Legal Actions, Operational Performance*

How to cite this work (APA):

Mugabekazi, K. (2025). Effect of debt recovery practices on operational performance of Bank of Kigali, Rwanda. *Journal of Research Innovation and Implications in Education, 9*(2), 605 – 613. **https://doi.org/10.59765/438pqd.**

1. Introduction

In Rwanda, if commercial banks want to keep their finances stable and manage their non-performing loans (NPLs), they use a variety of debt recovery strategies. Strategic attempts to recover payments from creditors are a part of professional debt collection in Rwanda. At first, there's a friendly phase that tries to resolve things outside of court. If the disagreement remains unresolved, legal action may be taken, which might incur different expenses. According to research by Kagoyire and Shukla (2019), no economic entity that deals in credit, no matter what kind of business it is, can afford to ignore credit management. Equity bank's financial performance was significantly correlated with debt recovery strategy, according to the research. Equity Bank's financial performance is substantially affected by customer evaluation, credit risk management, and collection strategy, according to the research. Results showed that strict policies were more successful in debt collection than lenient ones, and that debt recovery policies had a greater impact on financial performance. According to the research, in order for Equity Bank to recover debt more effectively, they should adopt a more forgiving collection approach.

Despite the efforts done by Commercial banks in ensuring that all debts are recovered on time, a substantial amount of these debts remain un-recovered.

This problem does not only endanger the achievement of objectives but also threatens the bank's sustainability and operational performance. Therefore, there is a need of an effective debts management where it should be very well managed to minimize potential risks that may affect the bank's performance. All banks operate to maximize profit and become successful in business, this can be achieved if different measures related to risk management are applied successfully (Kaplan, Davenport & Norton, 2004).

According to Bahati and Kamande (2021), As shown in the financial report for the period from July 2017 to June 2018, the provision for bad debts at the National Bank of Rwanda was 17.1 billion in June 2016, 19.7 billion in June 2017, and 23 billion in June 2018. This has a negative impact on profitability and demonstrates the steadily rising risk in the banking sector. For example, in the first half of 2018, banks approved a total of 402.7 billion new debts, which is lower than the total debts approved in 2017 (416.7 billion), and the overall loan rejection rate rose from 16.6% in the first half of 2017 to 20.4% in the first half of 2018. This was mainly caused by an increase in the risk that banks saw as a barrier to lending money and by commercial banks' efforts to recover unpaid debt. There were 13,913,640,000 Rwf in non-performing loans (NPL), 8,438,542,000 Rwf in written-off loans, and 46,115,000 Rwf in fraud cases, according to the 2018 BPR annual report on operation risk. This study aims to determine if the necessary risk management tools are available and, if not, to fill the gap so that BPR's financial performance can be better monitored and controlled.

Banks' operational performance is adversely suffering from the extent of non-performing debts. Debt defaulting has been widely used as a measure of asset quality among lending institutions and is often associated with failures and financial crises in both the developed and developing countries. According to Bizimungu *et al.* (2023), although the banking system in Rwanda is vulnerable to the various risks listed above, the government has taken steps to reduce this risk via the National Bank of Rwanda (NBR). When compared to other institutions, the BK Rubavu branch's loan handling has been outstanding so far. But inadequate customer debt collection means that loan management remains bad at the BK Rubavu office, even if they've been doing very well. This puts the organization at danger of things like a drop in earnings. Problems will arise in the banking sector in the event of a financial crisis if debt collection processes are not adequately supervised. Kusumastuti and Alam (2019) indicate that keeping up with well driven debt recovery practices will result in increased earnings.

This problem does not only endanger the achievement of objectives but also threatens the bank's sustainability and efficiency. Therefore, to fill this gap, the study sought to examine the effect of debt recovery practices on operational performance of Bank of Kigali in Rwanda.

The general objective of this study was to assess the effect of debt recovery practices on operational performance of Bank of Kigali in Rwanda.

Specifically, the study was guided by the following objectives:

1. To assess the effect of negotiation in debt recovery on operational performance of Bank of Kigali
2. To examine the effect of engaging debt collection agencies on operational performance of Bank of Kigali.
3. To identify the effect of debt legal actions on operational performance of Bank of Kigali.

The following null hypotheses were proposed by the researcher:

$H_0$1: Negotiation in debt recovery does not have significant effect on operational performance of Bank of Kigali.

$H_0$2: There is no significant effect of engaging debt collection agencies on operational performance of Bank of Kigali.

$H_0$3: Debt legal actions has no significant effect on operational performance of Bank of Kigali.

2. Literature Review

2.1 Theoretical Review

The following theories were used in the study: Credit market theory, The real bills doctrine or commercial loan theory and the anticipated income theory.

2.1.1 Credit Market Theory

In 1966, Karl Brunner established Credit Market Theory (Otiala & Abiji, 2023). Assuming all other relevant constraints are satisfied, the theory states that the quantity of credit dispersed by the banking sector is solely determined by the lending rate. A fixed supply of credit and a growing demand for one have led to interest rates rising. Any change in the bank's perception of the project's risk level should be reflected in the repayment terms. This premium is meant to reflect the increased likelihood of default. Under this theory, the probability of a borrower defaulting on a loan is proportionate to the interest rate. This theory states that the interest premium is closely related to the borrower's default risk (Pahnecke & Bohoslavsky, 2021).

Credit Market Theory suggests that lending rates play a pivotal role in bank lending dynamics. By understanding how interest rates respond to changes in demand and risk, this theory will provide insights into how debt recovery practices impact the financial performance of commercial banks, particularly Bank of Kigali. It will help illuminate the relationship between borrower-lender dynamics, risk management strategies, and the overall profitability and stability of the bank.

2.1.2 The Real Bills Doctrine or Commercial Loan Theory

Adam Smith proposed the real bills doctrine, often called commercial loan theory, in 1776. It states that commercial banks should only lend money to firms for productive, short-term projects that can be repaid easily (Duncan & Nolan, 2023). Businesses often use self-liquidating loans to finance the production process as well as the storage, shipping, and distribution phases that follow. It states that the debts liquidate when we sell the items at auction. Since they are solely utilized for productive purposes and mature rapidly, short-term liquidity productive loans offer low risk of going bad. Profits from these sources also go to the banks. One advantage of this approach is that it eliminates the possibility of the loan going bad (Afkar, 2018).

This theory directly relates to our study on the impacts of debt recovery practices on Bank of Kigali's financial performance. Understanding this concept helps evaluate the bank's risk management strategies and loan portfolio quality, crucial for assessing its profitability and stability amidst debt recovery challenges.

2.1.3 The Anticipated Income Theory

This idea was proposed by Prochanow in 1944. No matter what sort of business the borrower runs, the anticipated income principle states that the bank should be able to utilize their predicted revenue to repay the loan (Akani & Akani, 2018). The bank has placed limitations on the borrower's capacity to participate in certain financial activities by granting this loan. The loan's approval is contingent upon the bank's evaluation of the collateral as well as the borrower's projected income. This means that the borrower will have to set aside a portion of their future income to repay the bank (Meghana, 2020).

According to the anticipated income theory, financial institutions put their faith in the ability of borrowers to repay loans with their projected future income. Our investigation of the effect of debt recovery practices on the financial performance of Bank of Kigali is relevant to this idea. This idea is important for gauging the profitability and stability of loans since it helps to determine how well the bank's repayment schemes work given the borrowers' expected wages.

2.2 Empirical Review

Dias *et al.* (2019) looked into a Brazilian debt collection negotiation between a farmer and a financial agency. It doesn't matter the size, kind, or nation of the firm; every day, business negotiators confront the difficulty of collecting debt without losing key customers. At present, the Credit Service Protection (Serviço de Proteção ao Crédito - SPC) in Brazil has 62.6 million registered clients with delinquent accounts, which represents over 40% of the Brazilian population aged 18 to 95. A credit cooperative's financial agent and a farmer in Paraná State, Southern Brazil, successfully collected a farmer's debt in this one case study. A variety of research techniques were used, including in-depth interviews, archival research, a descriptive single-case study, and direct engagement. The discussion that took place in Francisco Beltrão, Paraná State, between the financial agent and the farmer is the unit of study. Debt collection negotiators, financial agents, bank managers, mediators, and practitioners may all benefit from the study's important results, which highlighted crucial success elements.

Mbogo et al. (2019) studied how different negotiating tactics affected the efficiency of Kenya's commercial banks. The primary goal of the research was to ascertain whether or not commercial banks in Kenya's performance were affected by their negotiating strategies. Because of the current global environmental dynamics, the financial sector is experiencing reforms to better meet the demands of its customers. Attempts to manage change in regard to performance have been severely impeded by the industry. The goal of developing a negotiation strategy is to provide financial institutions and government planners with tools to better manage and respond to dynamic internal and external environments. Structured questionnaires were sent to workers of commercial banks in order to gather primary data. Standard deviation, mode, median, and mean were the descriptive statistics used to examine the data. A favorable and statistically significant effect of bargaining technique on the performance of Kenyan commercial banks was found in the research. These results suggest that academics should choose and use a suitable negotiating technique to improve the efficiency of commercial banks. An additional investigation into potential variables impacting commercial banks' performance is suggested by the study.

Moma (2019) researched the credit policy's impact on the financial results of Kampala, Uganda's top credit organization's savings and credit cooperative societies. By examining the impact of credit policy on the financial performance of SACCOs in Kampala. The research found that regulated SACCOs had a much higher Return on Assets (ROA) because they used collection policies, took non-performing loans and total loans into account, had a loan—loss provision coverage ratio, and used credit policies. The regression findings show that the regulated SACCOs' ROA increased considerably after using the collection strategy (Default Rate), suggesting that a reduction in the ratio of nonperforming loans to total loans would substantially boost profitability. The statistical software for the social sciences (SPSS) was also used for data analysis and presentation. According to the results, credit policy has a major impact on financial results. Management should address critical concerns about consumer evaluation and assessment in order to recoup wasted funds. Credit rules, processes, and analytical capacities should be established by SACCO's management.

Jalonen & Takala (2018) investigated how debtors feel about the debt collection procedure from an ethical standpoint. Debtors from the database of Suomen Perintätoimisto Oy were surveyed for the study. The database contains 72,738 entities, with an equal number of enterprises and individuals. In order to get a diverse set of debt categories, responses were sought from persons who were responsible for making payments. With responders ranging in age from 24 to 71, 118 out of 157 replies met the criteria for a representative sample. Creditors detailed their interactions with debt collection firms and provided descriptive adjectives. Adjectives and experiences were categorized using content analysis on the raw data. Only 120 of the 343 descriptors were novel, with an emphasis on everyday understanding. The primary function of debt collection agencies is to pursue payment of overdue balances on behalf of their creditors while simultaneously safeguarding their interests. While the creditor is the one who orders the debt collection service, the debtor, who is the one who will be the object of the collector's attention, is also involved in the evaluation process. The interests of the creditor and the debtor are not always aligned, and vice versa.

Akonye *et al.* (2020) studied the performance and allegations of litigation infractions brought against Nigerian deposit money institutions. This research looked at how Deposit Money Banks (DMBs) in Nigeria fared financially due to litigation infraction charges (LICs), which are a result of settling legal breaches of agreed-upon terms and conditions of banking transactions with counterparties. The statistics books of the Nigerian Stock Exchange and the annual reports and financial statements of the eight (8) DMBs that were part of the sample were the sources of secondary data used in this research. Based on the 2014 rating for banks in Nigeria by the Central Bank of Nigeria (CBN), eight (8) Domestic Systemically Important Banks (D-SIBs) were selected using a purposeful sample approach. There are sixteen (16) DMBs in the population, all of which have shares listed on the Nigerian Stock Exchange as of December 31, 2018. Panel Least Square (PLS) regression analysis was used in this research using E-View 9.0 as its statistical software. Regression studies conducted in Nigeria revealed that DMBs' return on equity is significantly impacted negatively by both legal professional charges (LPCs) and court-imposed charges (CICs). According to research, deposit money institutions should never deviate from the parameters of a transaction or the criteria that were previously agreed upon with their clients or business partners.

3. Methodology

This section discusses the study's methodology, outlines the research plan, and describes the research methodology.

3.1 Research Design

Descriptive and correlational research designs were used. Descriptive research design analyzed key aspects of a dataset, assisting in pattern recognition and understanding data trends. Correlational research design examined the relationships between variables to determine their degree of association or independence.

3.2 Study Population

The population of this study was 143 people including Managers, Operations Managers, Supervisors, finance officers, Risk and compliance staff and loan officers of Bank of Kigali.

The study used a census inquiry method instead of sampling. This decision is based on the small size of the target population. Therefore, data were collected from every single individual or unit within the entire target population of 143. By doing so, the researcher obtained highly accurate and comprehensive data, ensuring that the findings are directly applicable and potentially generalizable to the entire population without the need for sampling techniques.

3.3 Research Instruments

Closed-ended questionnaires were utilized in this study to collect data from respondents. This type of questionnaire consists of predefined questions with a limited set of response options, 5-point Likert scales (ranging strongly agree to strongly disagree). With response options, the responders were presented with a number of options from which to choose an answer. For this study, participants were given questionnaires and expected to fill it out independently, before returning it to the researcher through the same method and in the specified time frame.

Documentary technique was used to obtain secondary information about a phenomenon that wishes to study; and the documents targeted were the available reports. Documents included reports, letters, memos, articles, or any written or recorded material.

3.4 Data analysis

The researcher more easily displayed the findings in the form of numbers and statistics, giving the reader a more holistic understanding of the findings. Statistical Package for Social Sciences (SPSS) was used in the study. Quantitative data were employed for analysis of perspectives on each variable, and a Pearson's correlation was performed to examine the nature of the relationships between the report's factors.

Multiple regression analysis was used, and the model was used in the study took the form below:

$Y= \beta_0+\beta_1X_1+ \beta_2X_2+ \beta_3X_3 +ȩ$

Where: Y= Operational Performance
X_1= Negotiation in Debt Recovery
X_2= Engaging Debt Collection Agencies
X_3= Debt Legal Action
β_0= Constant Term
β= Beta Coefficient

3.5 Ethical Considerations

The researcher followed the freedom of expression by respecting the rights and privacy of the respondents. Ethical conduct was a must in regard to each human being involved in the study. For instance, asking permission and informing concerned people of these research objectives were applied. Humble requests of participant's time and willingness to respond, addressing them in appropriate approaches to gain people's respect were practiced. Selecting respondents was conducted freely and fairy with no discrimination based on religion, sex, race, etc. The researcher protected the privacy of the participants and made certain that their participation in the study did not affect their personal or professional lives. All data collected was exploited solely for research.

4. Results and Discussion

This section entails the findings of the study based on the data collected from the field. The analysis focused on the objective of the study to evaluate the effect of debt recovery practices on operational performance of Bank of Kigali in Rwanda.

4.1 Response Rate

The response rate in a questionnaire or survey refers to the percentage of individuals who completed and returned the questionnaire out of the total number of individuals to whom it was administered.

Table 1: Response rate

Questioners	Frequency	Percentage
Returned	133	93
Unreturned	10	7
Total	143	100.0

Source: Field data, 2024.

Study shows that out 143 questionnaires given to the respondent 133 questionnaires were filled and returned, accounting to 93% response rate. According to Eisele *et al*. (2022), a response of 70% and above is adequate, hence 93% response rate was satisfactory for data analysis. This response rate was good enough to make a comprehensive and in-depth analysis of the research objective. The unreturned 10 (7%) were due to the absence of respondents during data collection.

4.2 Inferential Statistics

In order to ascertain the nature of the relationship between the independent and dependent variables of the study and establish the statistical significance of the hypothesized relationships, multiple correlation analysis was used. This was performed using field data and tested at 5% level of significance. The findings of the multiple correlations are summarized in the following tables.

Table 2: Correlations

		Negotiation in Debt Recovery	Debt Collection Agencies	Debt Legal Action	Operational Performance
Negotiation in Debt Recovery	Pearson Correlation	1	.592**	.645**	.856**
	Sig. (2-tailed)		.000	.000	.000
	N	133	133	133	133
Debt Collection Agencies	Pearson Correlation	.592**	1	.457**	.687**
	Sig. (2-tailed)	.000		.000	.000
	N	133	133	133	133
Debt Legal Action	Pearson Correlation	.645**	.457**	1	.752**
	Sig. (2-tailed)	.000	.000		.000
	N	133	133	133	133
Operational Performance	Pearson Correlation	.856**	.687**	.752**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	133	133	133	133

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

Source: Field data, 2024

In Table 2, strong positive correlations are evident between various debt recovery practices and the operational performance of Bank of Kigali. Negotiation in debt recovery exhibits a strong positive correlation of 0.856, highlighting that effective negotiation practices are closely linked to better operational performance at Bank of Kigali. Similarly, debt collection agencies show a strong positive correlation of 0.687, indicating that the engagement of professional debt collection agencies contributes significantly to improved operational performance at Bank of Kigali. Debt legal actions demonstrate a positive correlation of 0.752, emphasizing the importance of legal actions in enhancing the operational performance of Bank of Kigali. These correlations, all statistically significant at the 0.05 level ($p=0.000< 0.05$), collectively indicate that improvements in negotiation in debt recovery, engaging debt collection agencies, and implementing debt legal actions are associated with enhanced overall operational performance of Bank of Kigali.

The findings align with the emphasis of Abbas *et al*. (2019) that effective debt recovery practices are crucial for improving operational performance in financial institutions. This supports the emphasis that negotiation in debt recovery, the engagement of professional debt collection agencies, and the implementation of debt legal actions are all significantly associated with enhanced operational performance. Globally, financial institutions utilize various debt recovery techniques to enhance performance, as indicated by the strong positive correlations. These correlations highlight the importance of swiftly assessing and addressing debt risks, as effective debt recovery strategies contribute to better operational outcomes, similar to the practices observed in institutions like Avant Company in the US. This suggests that maintaining strong debt recovery practices is essential for the operational success of financial institutions worldwide.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.916[a]	.838	.834	.14212

a. Predictors: (Constant), Debt Legal Action, Debt Collection Agencies, Negotiation in Debt Recovery

Source: Field data, 2024.

Table 3 presents the model summary for a regression analysis. The model includes predictors such as Debt Legal Action, Debt Collection Agencies, and Negotiation in Debt Recovery. The R value of 0.916 indicates a strong relationship between the predictors and the operational performance of Bank of Kigali. The R Square value of 0.838 indicates that approximately 83.8% of the variability in the operational performance of Bank of Kigali can be explained by the predictors in the model. The Adjusted R Square value of 0.834 suggests a slight adjustment for the number of predictors in the model, maintaining a good fit. Overall, this model summary indicates a significant effect of debt recovery practices on the operational performance of Bank of Kigali, with a very strong fit to the data.

The findings are consistent with Di Febo and Angelini (2022) emphasizing that robust debt recovery practices are essential for financial institutions to navigate challenges effectively. They underscore the critical role of regulatory compliance and proactive risk management in maintaining financial stability and ensuring sustainable operational performance. This aligns with their assertion that implementing stringent debt legal actions, engaging efficient debt collection agencies, and employing negotiation strategies in debt recovery are vital for optimizing operational outcomes in institutions like Bank of Kigali.

Table 4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.500	3	4.500	222.791	.000[b]
	Residual	2.606	129	.020		
	Total	16.105	132			

a. Dependent Variable: Operational Performance

b. Predictors: (Constant), Debt Legal Action, Debt Collection Agencies, Negotiation in Debt Recovery

Source: Field data, 2024.

Table 4, with an F value of 222.791, indicates the results of an Analysis of Variance (ANOVA) for the regression model. The associated significance level (Sig.), denoted as .000, is less than the typical significance threshold of 0.05. This implies that the overall model, which includes predictors like Debt Legal Action, Debt Collection Agencies, and Negotiation in Debt Recovery, is statistically significant. In simpler terms, there is strong evidence to assume that at least one of the predictors in the model has a significant effect on the dependent variable, Operational Performance of Bank of Kigali. This indicates the importance of these debt recovery practices in influencing the operational performance of Bank of Kigali.

The findings are consistent with Kagoyire and Shukla (2019) emphasizing that effective debt recovery strategies are integral for financial institutions in Rwanda to maintain stability and manage non-performing loans efficiently. Their research underscores the critical role of strategic debt management in enhancing financial performance and operational resilience, highlighting the significance of adopting comprehensive and proactive approaches to debt collection to mitigate risks and ensure regulatory compliance. These findings supported the emphasis that implementing robust debt legal actions, engaging professional debt collection agencies, and employing effective negotiation in debt recovery are crucial strategies in Bank of Kigali to optimize operational performance and ensure sustainable financial health.

Table 5: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.102	.175		-.584	.560
	Negotiation in Debt Recovery	.521	.052	.514	9.969	.000
	Debt Collection Agencies	.225	.041	.240	5.430	.000
	Debt Legal Action	.283	.043	.310	6.648	.000

a. Dependent Variable: Operational Performance

Source: Field data, 2024.

Multiple regression analysis was used and the model was used in the study took the form below:

$Y= \beta_0+\beta_1X_1+ \beta_2X_2+ \beta_3X_3 +ę$

Where: Y= Operational Performance
X_1= Negotiation in Debt Recovery
X_2= Engaging Debt Collection Agencies
X_3= Debt Legal Action
β_0= Constant Term
β= Beta Coefficient –These measures how many standard deviations a dependent variable will change, per standard deviation increase in the independent variable.

In Table 5, the constant term, representing the estimated intercept of the regression model, has an unstandardized coefficient of -0.102 with a standard error of 0.175, and it is not statistically significant with a Sig. value of 0.560. The unstandardized coefficients for the predictor variables show their effect on the operational performance of Bank of Kigali. Specifically, negotiation in debt recovery has a coefficient of (β= 0.521, t=9.969, p value=0.000), indicating a significant positive effect on operational performance. Engaging debt collection agencies has a coefficient of (β= 0.225, t=5.430, p value=0.000), also showing a significant positive effect. Debt legal action has a coefficient of (β= 0.283, t=6.648, p value=0.000), further indicating a significant positive effect. All these coefficients are statistically significant on the operational performance of Bank of Kigali, as indicated by their associated Sig. values below 0.05.

These findings align with Fedaseyeu (2020) emphasized the importance of debt recovery processes in financial institutions. Debt recovery not only aids in recovering unpaid debts but also impacts borrowers' credit scores significantly. The involvement of debt collection agencies signifies documented defaults and ongoing delinquencies, reflecting rigorous debt management practices adopted by institutions like Bank of Kigali.

The results of the hypotheses testing in Table 5 provide significant insights into the effect of debt recovery practices on the operational performance of Bank of Kigali. Each null hypothesis (H01, H02, H03) has been rejected ($p < 0.05$), indicating strong evidence against the idea that these debt recovery practices have no significant effect on the operational performance of Bank of Kigali. Specifically, negotiation in debt recovery, engaging debt collection agencies, and debt legal actions all demonstrate a significant influence on the operational performance of Bank of Kigali. These findings emphasize the critical role of effective debt recovery practices in enhancing the operational performance of Bank of Kigali.

5. Conclusions and Recommendations

5.1 Conclusions

The evaluation of debt recovery strategies at Bank of Kigali highlights a predominantly positive perception among stakeholders. Negotiation in debt recovery, engagement of debt collection agencies, and debt legal actions are perceived to significantly enhance operational performance. These findings show the strategic importance of these practices in strengthening the bank's financial stability and regulatory compliance. The hypotheses testing confirms the significance ($p < 0.05$) of these strategies, rejecting the null hypotheses and affirming their significant impact. This indicates strong positive agreement among respondents regarding the crucial role of effective debt recovery strategies in enhancing operational resilience and overall performance at Bank of Kigali.

5.2. Recommendations

Recommendations are drawn in line with the set objectives of the study as follows:

1. Bank of Kigali should enhance training programs for debt recovery officers to further improve their negotiation skills and maintain positive relationships with debtors.
2. Bank of Kigali should establish stringent evaluation criteria for selecting debt collection agencies, focusing on professionalism, ethical standards, and successful recovery rates.

5.3. Areas for Further research

The researcher identified the following areas that require further study: Future studies are suggested to focus on the effect of integrating AI-driven debt recovery technology on the operational performance of Bank of Kigali and investigate the effectiveness of mobile payment solutions in improving debt recovery rates and operational efficiency at Bank of Kigali.

References

Abbas, F., Iqbal, S., & Aziz, B. (2019). The impact of bank capital, bank liquidity and debt risk on profitability in postcrisis period: A comparative study of US and Asia. *Cogent Economics & Finance.*

Afkar, T. (2018). Influence analysis of non-performing financing by profit-loss sharing financing contract to the profitability of Islamic commercial bank in Indonesia. AKRUAL: *Jurnal Akuntansi*, *10*(1), 1-14.

Akani, H. W., & Akani, V. (2018). Theoretical perspectives of earnings, profitability and asset quality in banking: Descriptive evidence from Nigeria economy. *World Journal of Finance and Investment Research*, *3*(1), 1-24.

Akonye, C., Okaro, S. C., & Okoye, E. I. (2020). Litigation infraction charges and financial performance of deposit money banks in Nigeria. *Accounting and taxation review*, *4*(2), 117-133.

Ali, F. R. (2023). Financial Management Practices and Financial Performance of Table Banking Self-Help Groups in Kenya. *African Journal of Commercial Studies*, *4*(3), 200-206.

Bahati, A., & Kamande, M. (2021). Risk management tools and financial performance of commercial banks in Rwanda: A case study of Banque Populaire du Rwanda Public Limited Company. *Journal of Advance Research in Business Management and Accounting*, *7*(10), 158.

Bizimungu, J., Isaï Kadhafi, M., Byamukama Mpora, E., & Frank, H. (2023). Loan Management and Financial Performance in Financial Institutions: A Case Study of Bank of Kigali Gisenyi Branch (Bk) (2019-2021). *International Journal of Scientific Research and Management*, *11*(02), EM-2023-4620-4625.

Di Febo, E., & Angelini, E. (2022). *The Wavelet Analysis*: The Case of Non-Performing Loans in China. Risks, *10*(2), 32.

Dias, M. D. O., Ribeiro, A. P., & Albergarias, R. (2019). When customers do not pay: A Winning Negotiation Case in Brazil. *Journal of Economics and Business*, 2(2).

Duncan, A., & Nolan, C. (2023). *Adam Smith and the bankers: retrospect and prospect*. National Institute Economic Review, 265, 70-104.

Eisele, G., Vachon, H., Lafit, G., Kuppens, P., Houben, M., Myin-Germeys, I., & Viechtbauer, W. (2022). The effects of sampling frequency and questionnaire length on perceived burden, compliance, and careless responding in experience sampling data in a student population. *Assessment*, *29*(2), 136-151.

Fedaseyeu, V. (2020). Debt collection agencies and the supply of consumer debt. *Journal of Financial Economics*, 138(1), 193-221.

Jalonen, J., & Takala, T. (2018). Debtors' Ethical Perceptions of the Debt Collection Process. *Electronic Journal of Business Ethics and Organization Studies*, 23(1).

Kagoyire, A., & Shukla, J. (2019). Effect of Credit Management on Performance of Commercial Banks in Rwanda (A Case Study of Equity Bank Rwanda Ltd). *International Journal of Business and Management Review*, *4*(4), 1-12.

Kusumastuti, W. I., & Alam, A. (2019). Analysis of Impact of CAR, BOPO, NPF on Profitability of Islamic Banks. *Journal of Islamic Economic Laws*, 2(1), 30-59.

Low, K. C. P., & Low, K. C. P. (2020). *Some Sure-Fire Negotiation Techniques and Tactics.* Successfully Negotiating in Asia: 36 Success Pathways to Arguing Well and Dealing with Various Negotiator Types, 113-140.

Mbogo, D., Wario, G., & Mike, A. I. (2019). Effect Of Negotiation Strategy on the Performance of Commercial Banks in Kenya. *European Journal of Business, Economics and Accountancy* (2056-6018), 7(3).

Moma, J. (2019). *Effects of credit policy on financial performance of savings and credit cooperative societies at premier credit organization in Kampala Uganda* (Doctoral dissertation, Kampala International University, College of Economics and Management).

Otiala, P. B., & Abiji, E. A. (2023). Effect of debt recovery techniques on the performance of the banking sector (a study of selected deposit money banks in Ogoja, cross river state, Nigeria). *Journal of contemporary research* (JOCRES), 2, 2.

Pahnecke, O., & Bohoslavsky, J. P. (2021). *Interest rates and human rights: reinterpreting risk premiums to adjust the financial economy*. Yale J. Int'l L. Online, 46, 1.

Sudborough, C. M. (2023). *Mediating Sovereign Debt Disputes. In Mediating Sovereign Debt Disputes* (pp. 123-153). Cham: Springer International Publishing.

Tajti, T. (2019). *A Holistic Approach to Extra-Judicial Enforcement and Private Debt Collection:* A Comparative Account of Trends, Empirical Evidence, and the Connected Regulatory Challenges–Part One. Pravni zapisi, (2), 275-331.