

CORPORATE REPUTATION, CREDIT RISK MANAGEMENT AND SUSTAINED FINANCIAL PERFORMANCE IN FINANCIAL INSTITUTIONS IN NORTH KIVU

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Abstract

This study draws from the Stakeholders and the Information Asymmetry theories. It sought to establish the relationship between Corporate Reputation, Credit Risk Management and Sustained Financial Performance in financial institutions in North-Kivu. The study adopted a cross sectional and correlation quantitative design using a sample size of 35 institutions including banks and Microfinances; with the Board members, employees, clients and shareholders as the respondents or the unit of inquiry. The data were tested for reliability and validity, analyzed using SPSS version 20 and results presented based on the study objectives. The correlation coefficient analysis revealed significant and positive relationships between Corporate Reputation, Credit Risk Management and Sustained Financial Performance. This implies that, when the institutions are well reputed in their quality of products, services and management and cautiously observe the Credit Risk Management guidelines of the risk strategy such as risk identification, risk assessment, risk response and risk control, then the institutions are bound to experience greater levels of profitability, maintain sufficient liquidity levels and stable solvency ratios. Besides the correlation results, the predictors supported the regression model with an Adjusted R² of 50.3%. However, Credit Risk Management was found to have a more direct effect on Sustained Financial Performance with ($\beta = .654$; $p < .05$). Therefore, in order to increase their financial performance more emphasis should be put on improvement of all the activities related to risk identification, assessment, response and control. Nevertheless, reputation shouldn't be overlook to gain stakeholders confidence and sustain performance for the long run.

Keywords: Corporate Reputation, Credit Risk Management, Sustained Financial Performance, North-Kivu.

1. Introduction

Managers of financial institutions are more concerned with sustaining their financial performance. This refers to the ability of financial institutions to repeat performance through time (Nyamusongoro, 2010). It implies that financial institutions are able to cover all of their costs through interest and other income paid by their clients and provide for their future (Consultative group, 2012, Reid, 2010, Ayayi & Sene, 2010). Kinde (2012) asserted that borrowers need to have access to financial service on long-term basis rather than just a one-time financial support.

Studies have confirmed that good credit risk management is a predictor of financial performance (Kargi, 2011, Fredrick, 2012, Poudel, 2012, Berríos, 2013, Abiola & Olausi, 2014). According to Kargi (2011), Frederick and Poudel (2012), Credit risk management is very essential to optimizing the performance of financial institutions. Berrios (2013) also argues that sound credit management is a prerequisite for a financial institution's stability and continuing profitability. The management of credit risk in banking industry follows the process of risk identification, measurement, assessment, monitoring and control (Berg, 2010, Nutt, 2010; Nadeem & Khalil, 2014). However, the Sustainable Business Model (SBM) requires that organizations develop, not only internal

structural and cultural capabilities to achieve firm-level performance, but also collaborate with key stakeholders to achieve sustainability for the system that an organization is part of (Stubbs & Cocklin, 2008).

It is therefore generally accepted that superior-performing firms have a greater chance of sustaining superior profit outcomes over time if they also possess relatively good reputations, (Tracey, 2014). Reputation plays a crucial role for the survival of any organization and especially for their long-term performance (Husted, Allen & Kock, 2012; Nicolò 2015). This is because organizations are not wholly in control of the information about them that exists outside the firm's boundaries. In fact, financial institutions face an important challenge when it comes to managing their own reputation. According to Baur & Schmitz (2011), Roper & Fill (2012), an organization's reputation is a reflection of how it is regarded by its multiple stakeholders. Its reputational stance can therefore help the organization obtain trust and credibility in society, which will assist in the achievement of its objectives and goals (Baur & Schmitz, 2011; Roper & Fill, 2012).

From this perspective, this dissertation intends to investigate the relationship between corporate reputation, credit risk management and sustained financial performance in financial institutions in North Kivu province. According to IMF Report (2014), the financial system in Congo DRC generally remains vulnerable with a 50% of NPLs, compromising their profitability and liquidity levels. Profitability and profits of banks are fragile and deteriorate, reflecting high operating and foreign exchange costs. Moreover, the Nzoimbengene Audit Report discloses serious decrease of 87% in the net income and a banking rate of less than 6% (Nzoimbengene, 2017).

Particularly in North-Kivu province, since 2011, many changes have taken place in the microfinance sector which seemed to be an adequate solution to the problems of financing the underprivileged population. Among these changes noted is the series of closures or liquidations between 2011 and 2014. The Regulatory and Supervisory Authority liquidated 26 institutions and many others are still facing enormous recovery difficulties as well as insufficient performance levels (IMF Report, 2014; Machozi & Muganza, 2017).

This situation has affected institutions of various sizes and all their adverse consequences remain so inked in the minds of the victims. More than 27% of the victims ratified to have lost their funds in these institutions (Rapport d'activité de la Microfinance, 2012). As a result, savings are predominantly kept outside the banking system due to lack of confidence and fear of losing access to them (IMF Report, 2014); and these resulting into low performance levels. The profitability of the sector is insufficient; only two institutions, which represent 3% of the assets, are accredited to be operationally self-sufficient. The institutions whose profits or equity are negative represent respectively 18% and 9% of the assets of the sector.

This research is therefore set to examine if such irregularities could be attributed to damaged corporate reputation, inappropriate credit risk management practices hence sustained financial performance in North-Kivu financial institutions. Should this situation remain unaddressed, it will likely result into continuous closures of financial institutions in this province and in turn stakeholders will stay reluctant to support services offered by these institutions. This study is therefore set to investigate this situation.

2. Literature review

2.1. Relationship between Corporate Reputation and Sustained Financial Performance

The stakeholder theorists believe that financial performance is determined by the stakeholders' provision of resources to the organization (Frooman, 1999, Neville et al., 2005), which depends on the stakeholder's overall evaluation of the organization's corporate reputation. Several studies have also explored the influence of the overall corporate reputation and various measures of financial performance. However, while some empirical evidence suggests for a positive relationship (Lee & Roh, 2016; Chahal & Kar, 2014; Tracey, 2014; Berríos, 2013; Labie & Mersland, 2012), others conclude on little or no relationship between corporate reputation and future financial performance (Otunga, 2010, Yang, Yaacob & Tech, 2015).

According to Tracey (2014), corporate reputation can be viewed as a critical intangible resource, important to a firm's performance and therefore long-term survival. Basing on a longitudinal approach, he established that all the dimensions of corporate reputation were found to positively related to financial performance in various industries; though, the dimension of service quality and CSR were found to have the strongest positive relationship with

financial performance. Labie and Mersland (2012) brought up governance issues in MFI's industry and mentioned how paying attention to stakeholder expectations may give a broader vision of what can be the most relevant governance mechanisms. According to them, governance of MFIs plays an important role to achieve performance in the microfinance industry.

Similarly, Chahal & Kar (2014) from an exploratory factor analysis about Indian banks, customer orientation and emotional appeal were established to be the two significant dimensions of corporate reputation in relation to business performance. Besides the above findings, Lee & Roh, (2016) pointed out for SME's in China that, the positive association between social responsibility and firm performance appeared to be partially supported because it showed significant impact on market-based performance, but not on accounting-based performance; although innovativeness turned out to have no impact on financial performance in both high- and low-tech firms.

However, Husted, Allen and Koch (2012) established for large Spanish firms that munificence and continuous innovation positively affect social positioning, while social responsibility orientation positively affect social planning. Both social positioning and social planning in turn contribute to corporate ability to create value. These authors shift the conceptual and empirical focus to investigate the conditions under which intentional profit-seeking through corporate social action projects can create economic value for the firm rather than the single financial performance.

An alternative approach to understanding the relation between reputation and performance, however, is to focus on the capacity of firms to sustain above average profitability for extended periods (Berríos, 2013). Scholars of this perspective earlier identified that firms with superior reputations, though along different dimensions, were both able to sustain superior profitability over the long term and recover from positions of inferior performance faster than those without superior reputations (Roberts & Dowling, 2002; Choi & Wang, 2009). Ndofor, Vanevenhoven and Barker (2013) maintain that, all firms, regardless of their reputations, may seem to do well; however, firms with poorer reputations may be the first to have a decline in performance as conditions deteriorate. This suggests that the influence of reputation varies over time and the assumption that a good reputation always directly influences future financial performance limits our understanding of the process or mechanism through which this influence occurs (Helm & Klode, 2011, Tracey, 2014).

2.2. Relationship between Credit Risk Management and Financial Performance

Financial institutions face various risks that can be categorized into three groups; financial (with credit risk being a component), operational and strategic (Cornett & Saunders, 1999). These risks affect differently the performance of financial institutions. Kithinji and Waweru (2007) attest that credit risk is the most expensive risk in financial institutions and its effects is more significant as compared to other risk as it directly threatens the solvency of financial institutions. The theory of asymmetric information maintains that it may be impossible to distinguish good borrowers from bad borrowers which may result in adverse selection and moral hazards problems (Akerlof, 1970, Stiglitz & Weiss, 1981; Auronen, 2003). This calls for a sound credit risk management strategy.

Studies have confirmed that good credit risk management is a predictor of financial performance (Kalu, Shieler & Amu, 2018; Harelimana, 2017; Alshatti, 2015; Yimka, et al., 2015; Abiola & Olausi, 2014; Berríos, 2013; Fredrick, 2012; Poudel, 2012; Kargi, 2011). However, depending on the indicators used, the relationship has been found to be either positive or negative. In fact, scholars who have based on indicators of the risk management procedure including risk identification, appraisal, monitoring, control, mitigation, (Kalu, Shieler and Amu, 2018; Mercylynne & Omagwa, 2017; Zeze, 2012) and ratios related to Gross Loan and Advances (Alshatti, 2015) have mostly concluded on strong positive relationships between credit risk management and financial performance.

Still others suggest that different underlying elements of credit risk management influence performance, in combination with other elements that do not. For instance, studies that have used the CAMEL model have generally come across the consent that Earnings quality positively improves the financial performance of financial institutions (Frederick, 2012). However, they have failed to meet a same consensus as to other indicators of Capital adequacy, Asset quality and Management efficiency. While Capital adequacy is said to enhance the performance

by providing a strong capacity to the institutions (Oludhe, 2011; Abiola, 2014; Iftikhar, 2016), some scholars have surprisingly got negative correlations between the two variables (Frederick, 2012).

However still, many other scholars have concluded on negative relationships between credit risk management and financial performance. Some of them based on the ratio of Non –performing Loan as their indicator (Kargi, 2011; Epure & Lafuente, 2012); although Abiola, (2014) and Alshatti, (2015) surprisingly found out the relationship to be positively explained by the same indicator. The reason provided was that, even though there is huge loan default, non-performing loans are increasing proportionately to profitability. Furthermore, scholars that focused on default rate, bad debts costs and cost per loan asset (Musyoki and Kadubo, 2012); Portfolio at Risk and Loan Loss Provision Ratio parameters (Otieno, Nyagol and Onditi, 2016); less prudent lending, (Berríos, 2013) etc; they have all concluded on negative relationships between credit risk management and financial performance.

Despite the diverse directions of the relationship between credit risk management and financial performance, all the scholars have suggested for a sound credit risk management in the institutions in order to improve on the performance levels. According to Kargi (2011), Fredrick (2012) and Poudel (2012), credit risk management is very essential to optimizing the performance of financial institutions. Berríos (2013) and Gatuhu (2011) also posit that a sound credit management is a prerequisite for a financial institution's stability and continuing profitability, while deteriorating credit quality is the most frequent cause of poor financial performance and condition.

A study held by Kaaya and Pastory (2013), showed that performance of banks can be enhanced if there exist an efficient credit risk management. A number of strategies are developed for credit risk management to minimize or completely mitigate the bad impacts which effect the bank performance arises as result of credit risk. However, a good framework for credit risk management is basic necessity for survival of bank and growth of their profits (Oke, et al, 2012).

Effective credit risk management process allows credit managers to assess clients' potentials before allocating credit to them (Gaitho, 2010), collect reliable information from prospective borrowers (Derban et al., 2005) and quickly determine, by review of portfolio performance records, any activities or conditions that require attention before they become a problem. Indeed, Gaitho (2010) emphasizes that credit risk management should involve among others, frequent contact with borrowers, creating an environment where the lending institution is seen as a solver of problems and trusted adviser; develop the culture of being supportive to borrowers in order to improve the loan portfolio performance in the long run.

Success in credit risk management has a highly visible impact on the results of the firm (Kargi, 2011; Abiola & Olausi, 2014; Musyokil & Kadubo, 2012). The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable boundary, (Musyokil & Kadubo, 2012). Also, it is asserted that good risk management is highly relevant in providing better returns to the shareholders (Akkizidis and Khandelwal, 2007; Al-Tamimi and Al-Mazrooei, 2007).

The efficient management of credit risk is therefore a vital part of the overall risk management system and is crucial to each bank's bottom and eventually the survival of all banking establishments. It is important that credit decisions are made by rigorous analyses of risks involved to avoid harms to bank's profitability.

2.3. Relationship between Corporate Reputation, Credit Risk Management and Sustained Financial Performance

The relationship between corporate reputation and credit risk management can be viewed in two ways: a good credit risk management influences a company's reputation and vice-versa. Our agreement in this study is that corporate reputation of a social responsible company (Vincent, 2012; Tracey, 2014) that has good quality of product, management and that is innovative (Cho & Pucik, 2005) has a positive effect on the way this company manages its creditors to recover credit granted to them.

Although empirical findings agree on the relationship between reputation and sustained financial performance, this has been accepted in a less direct manner, (Ruiz, Gracia, & Revilla, 2016; Gorondutse, Ahmad, & Nasidi, 2014; Yang, Yaacob & Tech, 2015; Tracey, 2014; Otunga, 2010). Gorondutse, Ahmad, & Nasidi (2014) in Nigeria, and Ruiz, Gracia, & Revilla (2016) in Spain and the United Kingdom (UK), found the relevance of bank reputation influence on long term performance through the process of building reliability, trust, and value creation

between banks and their stakeholders. Similarly, Yang, Yaacob & Tech, 2015, did not support the direct relationship between corporate reputation and financial performance for SME's in China; their results provide evidence of the indirect effect via job satisfaction. Otunga (2010) in his cross-sectional analysis found out that this relationship was explained by only 12.9% for companies listed in the Kenyan Stock Exchange.

However this relation was found to be stronger (about 34%) when linked to credit risk management (Bauer & Hann, 2010). This paper reports comprehensive evidence that provide support for the view that the credit standing of borrowing firms is influenced by legal, reputational, and regulatory risks associated with environmental incidents. The fundamental assumption underlying the analysis was that environmental practices, including corporate reputation, affect the solvency of borrowing firms, by determining their exposure to potentially costly legal, reputational, and regulatory risks.

Following the stakeholder theory, Goyal and Yadav also posit that a positive reputation allows the company to gain the trust of stakeholders and, all other conditions being equal, the level of business risk is perceived as lower (Goyal & Yadav, 2014), and stakeholders will provide the human, financial and technical at lower costs (Nicolò, 2015).

In the same way, a good corporate reputation is essential for attracting customers, gaining their confidence and loyalty and thus, minimizes losses associated to loans revenues. Jiru, Jibrel and Tesfaye (2014) argue that, if the depositors or other lenders do not have confidence that the claims can be met, they will stop depositing or lending funds to the bank. For this reason, companies must continually improve their reputation. This is to minimize the risk to weaken and to open the bonds of trust with customers and stakeholders, (Nicolò, 2015).

This effect is also evident in the field of recruitment of human resources: hiring an employee or a manager with an excellent professional reputation, will enhance the company's ability to attract other highly skilled workers (Herr & Ruoff, 2014). The latter will benefit the company by providing capabilities in credit risk management services enabled by their different knowledge.

The corporate reputation can therefore be considered as a "magnet" that attracts human, financial and technical resources, (Nica, 2014). Even customer confidence will grow (Ennew and Sekhon, 2007) and this will enhance the firm's ability to minimize risks associated with credit and create value (Cho & Pucik, 2005).

Wu, (2012) argues that a good corporate reputation is critical because of its potential for value creation and the fact that its intangible character makes replication by competing firms considerably more difficult. With such characteristics, corporate reputation cannot be perfectly imitated by other competitors (Methaq, 2016). However a damaged reputation can severely hurt the bottom line (Joshua, 2015).

Many academics view corporate reputation as a source of competitive advantage, Roksana (2015), attracts investors Sarstedt et al.,(2012) and helps to manage favorable satisfaction and loyalty with customers (Gorondutse et al., 2014). Furthermore, it encourages a positive relationship with employees and enhances employee loyalty by enabling a favorable identity for them, while simultaneously attracting high-quality applicants (Roshana, 2014).

Therefore, financial institutions should aim at maintaining a good corporate reputation in enabling credit risk management as well as enhancing a long time performance.

3. RESEARCH METHODOLOGY

The study adopted a cross sectional survey design (Chua & Bedford, 2015; Sebora, 2017) which is quantitative in nature. Data was collected at one point in time and the relationships between variables are examined as per that time. The study population comprises of 38 financial institutions operating in North Kivu province. A pilot survey found out a population of 10 running banks and 28 microfinances (Machozi & Muganza, 2017). A sample size of 35 was determined basing on the table for determining sample size by Krejcie and Morgan, (1970). The unit of analysis is financial institutions and was selected using a stratified random sampling technique. Specifically the list of financial institutions was first obtained from each territory of the province. These were grouped into Banks and Microfinances and were chosen proportionally from each city until a total of 35 institutions were achieved. Out of the sample size, 28 institutions were reached. The unit of inquiry composed of Board members, credit risk officers, employees, clients, shareholders of these institutions. This was done to reduce gaps within different stakeholders' perceptions (Helm & Klode, 2011) and to avoid biased results. A minimum of 12 respondents were purposively targeted and selected from each institution basing on their knowledge and skills about our research variables.

The research was carried out in the period January – August 2018, and the primary data was collected using the self-administered questionnaires to reduce the level of biasness in the respondents' views. The continuous variables were anchored on a 6 point Likert scale (Babin & Svensson, 2012) ranging from "1: totally disagree" to "6: totally agree. This was to reduce on the level of biasness of the responses. Each institution was accompanied with a cover letter from Makerere University Business School authorizing the study.

Descriptive analysis was used mainly to summarize the data collected and a computer programme SPSS Version 20 was then run to analyze the content of the responses. The data from part one of the questionnaires was presented using statistical measures frequency tables and percentages. The Pearson Correlation coefficient analysis was performed on the data from part two of the questionnaire, using SPSS 20 to establish the relationship that exists between the variables under study. Moreover, the Regression Model was performed to assess the prediction level of the independent variables to the dependent variable.

4. RESULTS AND DISCUSSION

4.1. Distribution by Respondent characteristics

Results that follow show the background characteristics of the respondents that were involved in the study. 384 questionnaires were administered to respondents in 35 financial institutions in North Kivu. Overall 216 responded to the questionnaires which represented a response rate of 82%. This information is reflected in the table 1 below.

Table 1. Distribution by respondents' characteristics

Background information	characteristics	Frequency	Percent	Valid Percent	Cumulative Percent
Distribution by city	BENI	68	21.5	21.5	21.5
	BUTEMBO	108	34.2	34.2	55.7
	GOMA	140	44.3	44.3	100.0
	Total	316	100.0	100.0	
Distribution by type of institution	Bank	106	33.5	33.5	33.5
	Microfinance	210	66.5	66.5	100.0
	Total	316	100.0	100.0	
Distribution by number of years in the institution	Below 5 years	98	31.0	31.0	31.0
	5-10 year	160	50.6	50.6	81.6
	Above 10 years	58	18.4	18.4	100.0
	Total	316	100.0	100.0	
Distribution by Gender	M	204	64.6	64.6	64.6
	F	112	35.4	35.4	100.0
	Total	316	100.0	100.0	
Distribution by profession	Employee (Internal)	132	41.8	41.8	41.8
	Shareholder (Internal)	8	2.5	2.5	44.3
	Employee (external)	46	14.6	14.6	58.9
	Self-employed (Ext.)	108	34.2	34.2	93.0
	Student (External)	22	7.0	7.0	100.0
	Total	316	100.0	100.0	
Distribution by academic qualification	Primary	48	15.2	15.2	15.2
	A level diploma	82	25.9	25.9	41.1
	Undergraduate	113	35.8	35.8	76.9
	Postgraduate	73	23.1	23.1	100.0
	Total	316	316	100.0	

Source: Primary data

Results in the table 1 below indicate that the respondents' characteristics including the gender, profession and qualification, were all representative in the sample distribution, though in various proportions. This helps reducing the biasness of our results. The distribution by type of institution shows that the banking industry in North-Kivu is highly composed of microfinance institutions. Also, the majority of the respondents are above 5 years in their institutions indicating that the majority of our respondents have experience about the sector. Furthermore, all internal and external stakeholders were representatively assessed in the study. This helps reducing the gap in their various perceptions about the research questions (Helm & Klode, 2011). Finally, the majority of the respondents have university levels representing about 58.9% and about 25.9% have the A level certificate. This signifies that the majority of our respondents could self-understand the questionnaire content.

4.2. Descriptive statistic of the study variables

Descriptive statistics are used to describe the basic features of the data in a study (William & Trochim, 2006). The table below describes the statistics of our variables related to their average scores in the scale 6 and how respondents' opinions divert from their means.

Table 2: Descriptive statistics

	Min	Max	Mean	% Score	Std. Deviation	CV
Sustained Financial Performance	3.33	5.05	4.4114	68.23%	.46746	.1060
Credit Risk Management	3.56	4.89	4.3625	67.25%	.37768	.0866
Corporate Reputation	4.14	5.07	4.7693	75.39%	.17514	.0367

Source: Primary data

Table 2 indicates that the scores or levels of our variables are all above average (68.23%; 67.25% and 75.39% respectively for Sustained Financial Performance, Credit Risk Management and Corporate Reputation). This surprisingly shows good signs to the North-Kivu financial institutions as compared to the years 2009-2014 where the sector would experience decreasing performances resulting into closures of more than 26 institutions (Machosi & Muganza, 2017). Although these indicators appear to have improved, Nzoimbengene (2017) in his Audit Report attributed such enhancement to the depreciation of the Congolese currency CDF vs. the USD, the latter being the mostly used currency in the daily operations of these institutions. Furthermore, coefficients of variation are lower than 30% showing the homogeneity among the different respondents' perceptions.

4.3. Correlation Analysis and Regression Model

Pearson (r) Correlation coefficient was computed given the interval nature of the data and the need to test the direction and strength of relationships that exist among the study variables. The results are presented in the table 3 below:

Table 3: Correlation Matrix

	(1)	(2)	(3)
Corporate Reputation (1)	1.000		
Credit Risk Management (2)	.268	1.000	
Sustained Financial Performance (3)	.377*	.708**	1.000
** . Correlation is significant at the 0.01 level (2-tailed).			
* . Correlation is significant at the 0.05 level (2-tailed).			

Source: Primary data

The results in table 3 above reveal that there is a significant positive relationship between corporate reputation and sustained financial performance ($r=.377^*$; $p\text{-value} < .05$). This implies that, when the institutions improve on their quality of products and services; empower their staff to acquire sufficient management aptitudes and continuously innovate to fit the changing environment, they are bound to gain stakeholder loyalty and sustain their

performance in the long run. Moreover, credit risk management is significantly and positively related to sustained financial performance ($r=.708^{**}$, $p\text{-value}<.01$). This suggests that, when financial institutions cautiously observe credit risk management guidelines of the risk strategy such as risk identification, risk assessment, risk response and risk control, then they are bound to experience greater levels of profitability, maintain adequate liquidity levels and stable solvency ratios. However, corporate reputation is found to insignificantly relate to credit risk management ($r=.268$) indicating that, embracing corporate reputation attributes in an organization is not comprehensive to improve credit risk management practices. Other variables should as well be taken into consideration to strengthen the relationship.

4.4. Regression Models

In order to assess the degree/level to which the predictors of corporate reputation and credit risk management explain the dependent variable i.e. sustained financial performance, the regression model was generated. These are exhibited the table 4:

Table 4: Global Regression Model

Model		Unstandardized Coefficients		Standardized	T	Sig.	Dependent Variable Financial performance	
		B	Std. Error	Beta			R Square	Adjusted R Square
	(Constant)	-1.689	1.751		-965	.344	R Square	.540
	Credit Risk Management	.810	.174	.654	4.647	.000	Adjusted R Square	.503
	Corporate Reputation	.538	.376	.202	1.432	.165	Std. Error of the Estimate	.329
Predictors: (Constant), Corporate Reputation, Credit Risk Management								
Dependent Variable: Sustained Financial Performance								

Source: Primary data

The results in table 4 above exhibit that the predictors can explain up to 50.3% of the variance in sustained financial performance (Adjusted R Square=.503); the remaining 49.7% are attributed to other factors not included in the model. These results show that compliance to credit risk management practices emerges as the most powerful variable at predicting the sustained financial performance (Beta=.654; Sig. = .000), followed by corporate reputation (B=.202; Sig.165).

5. DISCUSSION

5.1. Relationship between Corporate Reputation and Sustained Financial Performance

The results in table 4.3 above reveal that there is a significant positive relationship between corporate reputation and sustained financial performance ($r=.377^{*}$; $p\text{-value}<.05$). This implies that, when the institutions improve on their quality of products and services; empower their staff to acquire sufficient management aptitudes and continuously innovate to fit the changing environment, they are bound to gain stakeholder loyalty and sustain their performance in the long run. This falls in line with the Stakeholder theory and the Sustained Business Model requiring that organizations strive for key stakeholders' satisfaction to achieve firm-level performance and collaborate with them to achieve sustainability for the whole system that they are part of. Although weakly linked, the results also support the statement that a good reputation positively influences future financial performance, (Lee & Roh, 2016; Chahal & Kar, 2014; Tracey, 2014; Berríos, 2013; Labie & Mersland, 2012, Otunga, 2010).

The results are not surprising compared to scholars who came across weak even no relationships between corporate reputation and financial performance. For instance, Otunga (2010) found out that, for companies listed in the Kenyan Stock Exchange, corporate reputation gap weakly influenced the variation in company performance in terms of Sales Revenue. Furthermore, Yang, Yaacob and Tech (2015) used SME's in Hebei China and found out a positive but insignificant relationship between corporate reputation and financial performance. Since their p-value was greater than the recommended significance level, they ended up concluding that there is no relationship between corporate reputation and financial performance. They went ahead by providing the likely reasons of such results basing on the aspects of cost and return, the reputation view as well as the small size of the investigated firms. In fact, firm size does matter when investigating both Corporate reputation and Financial Performance issues (Golebiewska, 2014; Lee & Hall, 2008).

Unlike this study, scholars who concluded on stronger relationships between corporate reputation and financial performance mostly based on managers' perspectives and large organizations like those listed in the Fortune AMAC (Brown & Perry, 1994; Roberts & Dowling, 2002). However, identical to this study, scholars who focus on the reputation gap (Otunga, 2010) and base on SMEs (Yaacob & Tech, 2015) generally conclude on lesser or no relationship between the two variables.

Besides the above reasons, the aspect of cost and return in SME's, as discussed by Yang, Yaacob and Tech, (2015) is attributed to weak implications between corporate reputation and financial performance. In fact, the expenditure to enhance Corporate Reputation may reduce the investment in other functions in small enterprises due to the financial limitation. Furthermore, the return of high Corporate Reputation cannot cover the expenditure for Corporate Reputation and the loss in other areas.

Nevertheless, due to the significant and positive relationship demonstrated in this study, it is worth advocating for financial institutions in North Kivu not to overlook their reputations in their target to achieve long term financial performance. However, more emphasis should be placed on credit risk management as seen in the following relationship.

5.2. Relationship between Credit Risk Management and Sustained Financial Performance

Objective three was to establish the relationship between Credit Risk Management and Sustained Financial Performance. The results in table 3 reveal that there is a significant positive relationship between credit risk management and sustained financial performance ($r=.708^{**}$, $p\text{-value}<.01$). This implies that, when financial institutions cautiously observe credit risk management guidelines of the risk strategy such as risk identification, risk assessment, risk response and risk control, then they are bound to experience greater levels of profitability, maintain adequate liquidity levels and stable solvency ratios.

Moreover, credit risk management, as displayed in the regression model, was found to be a strong predictor of sustained financial performance. This shows that, if financial institutions focus on credit risk management practices, they will be able to boost their financial performance levels and sustain them for a long run. This supports the literature by Kalu, Shieler and Amu, (2018); Harelimana (2017); Alshatti, (2015); Abiola and Olausi, (2014); Fredrick, (2012); Yimka, et al., (2015).

The credit risk process of the risk management strategy can be taken as the most powerful tool in predicting greater financial performance levels as supported by scholars of this perspective. This is because its impacts have been judged stronger compared to studies that rely other indicators. However, even though findings that based on indicators like the ratio of Non –performing Loan, less prudent lending, default rate, bad debts costs and cost per loan asset have concluded on negative effects, all the scholars have suggested for a sound credit risk management in the institutions in order to improve on the performance levels.

In fact, credit risk management initiatives arise from the evidence that financial institutions are exposed to the risk of default or delay in payment of borrower of loans. As Alshatti (2015) debates, minimum levels of credit risks result into improvement of the profit margins that the institutions should be receiving and enhance the abilities to answer liquidity requirements. These in turn provide for a financial institution's stability and continuing profitability (Berríos, 2013); without compromising considerable levels of debt to equity ratios in the capital structure.

Overall, basing on the findings of this study, it is worth advocating for financial institutions to consistently identify probabilities of credit risk that will occur and assess its likely impacts on loan- performance. This would help them reduce the rate of non-performing loans. In addition, they should put in place control measures to prevent or minimize the undesirable effects of the risks. This would be achieved either by securitization or by diversification of their loan portfolio, or assurance of the loans by third parties (Gaitho, 2010; Derban et al., 2005). These should not stop them following up the collection procedure of their loans from borrowers to ensure that liquidity levels and performance are well maintained. However, credit risk management practices are not always stress-free if borrowers are reluctant to support them. This evidence is developed in the next relationship.

6. Conclusion and recommendations

This study draws from the Stakeholders and the Information Asymmetry theories. It sought to establish the relationship between Corporate Reputation, Credit Risk Management and Sustained Financial Performance in financial institutions in North-Kivu. The study adopted a cross sectional and correlation quantitative design using a sample size of 35 institutions including banks and Microfinances; with the Board members, employees, clients and shareholders as the respondents or the unit of inquiry. The data were tested for reliability and validity, analyzed using SPSS version 20 and results presented based on the study objectives. The correlation coefficient analysis revealed significant and positive relationships between Corporate Reputation, Credit Risk Management and Sustained Financial Performance. This implies that, when the institutions are well reputed in their quality of products, services and management and cautiously observe the Credit Risk Management guidelines of the risk strategy such as risk identification, risk assessment, risk response and risk control, then the institutions are bound to experience greater levels of profitability, maintain sufficient liquidity levels and stable solvency ratios. Besides the correlation results, the predictors supported the regression model with an Adjusted R² of 50.3%. However, Credit Risk Management was found to have a more direct effect on Sustained Financial Performance with ($\beta = .654$; $p < .05$). Therefore, in order to increase their financial performance more emphasis should be put on improvement of all the activities related to risk management activities. This could be achieved by putting in place mechanisms that promote customer appraisal for credit worthiness; enhance suitable assessment of potential effect of credit risks on financial performance; diversify loan portfolio and securitize loans to minimize probable losses; putting in place internal controls and proper collection procedures to ensure profitability and liquidity levels are maintained at considerable levels. Financial institutions need as well experienced and professional staff to manage credit risks. This calls for transparency in recruitments which should also be based on merit. Once the institution has the right staffs in the credit and risk management unit, it can be assured of gaining a competitive edge in the industry through maintaining minimum levels of credit risk and reducing the rate of non-performing loans and in turn enhance high levels of profitability and liquidity in the institutions while maintaining stable solvency ratios.

On the other hand, although not strongly related to Sustained performance, reputation shouldn't be overlook to gain stakeholders confidence and sustain performance for the long run. Managers therefore need to periodically collect information about reputational threats across the organization, analyze that information in sophisticated ways, and address problems by taking actions to mitigate them. This can involve developing associations with new kinds of partners and coordinating responses from a number of parties, including governments, civil-society groups, and consumers. All this requires significant coordination and an ability to act quickly. Financial institutions should also strive to continuously improve on their quality of products and services; continuously empower their staff to acquire sufficient management aptitudes and continuously innovate to fit the changing environment and gain high competitive advantages. These would help their stakeholders willingly support their credit risk management strategies in terms of flawless identification of potentials risky areas and put in place measures to prevent or reduce its related consequences.

The government should also design measures directed towards increasing the reputation of the financial institutions in North-Kivu. For instance, institutions should prove having quality products and services and quality credit risk managers. This will help preventing institutions from liquidation risks and clients from potential losses

of their funds. And in turn, financial institutions will help boosting the economic development of the province and the country in general. In a similar way, the Central Bank of DRC should review the existing financial institution regulation framework towards designing measures that enhance better credit risk management practices for a more financially and resiliently sustained banking industry. This would be achieved by developing risk management guidelines that financial institutions should adhere to, to ensure risks are maintained at their lowest level.

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