Perceptions of debt recovery practices within selected microfinance institutions in north Kivu province, DRC

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Abstract
This study examines the perceptions of debt recovery practices by loan officers and borrowers at certain microfinance institutions in North Kivu, DRC. It analyzes how borrowers perceive these practices based on the age of their loans (performing and non-performing), as well as the perceptions of loan officers and the overall perception. Thanks to Daniel Schwartz's formula, 384 respondents were selected, 336 borrowers, and 48 loan officers. Loan officers (6 by MFI) collected debts, while borrowers (42 by MFI) were randomly picked by repayment status. The MFIs selected were FINCA DRC, Akiba Yetu, Hekima, Coopec Le Tresor, Le Palmier, La Semence, Coopec Agropas-Le Grenier, and COOPEC.A thorough questionnaire included monitoring (3 items), communication (4 items), restructuring (3 items), and enforcing debt recovery (4 items). The internal consistency was high (Cronbach's alpha = 0.863 to 0.944; composite reliability = 0.916 to 0.951), and the convergent validity was also high (AVE = 0.586 to 0.795). Descriptive statistics, structural equation modeling, and independent-sample t-tests were all used in the statistical study. Loan officers like debt recovery practices (4.42), while borrowers hate them (2.85). Communication and reorganization are different, but monitoring and enforcement are the same. Structural equation modeling demonstrates that communication enhances perceptions to the greatest extent. These findings show that MFI of North Kivu Province require recovery plans that are flexible, open, and focused on the borrower in order to build confidence, get people to pay back their loans, and include everyone in the economy.

Keywords: Microfinance institutions, Debt recovery practices, Borrower perceptions, Loan officers, Loan repayment, North Kivu, DRC

Introduction
According to Wajid Khan et al. (2017), microfinance institutions have emerged as crucial tools for achieving financial inclusion in emerging countries, notably in Sub-Saharan

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Africa. This phenomenon has occurred over the course of the previous three decades. Microfinance services have seen tremendous expansion in the Democratic Republic of the Congo, which is one of the biggest nations in the world in terms of both territory and population (BCC, 2021-2022). This growth has been particularly noticeable in the province of North Kivu. In North Kivu, the historical growth of microfinance illustrates both the sector's ability to assist unbanked communities and the continuing obstacles of functioning in environments that are defined by institutional weakness and security problems. Both of these challenges are reflected in the sector's success. Amicable recovery and legal recovery are the two primary methods that are often used in the process of loan recovery processes that are carried out by microfinance institutions. Amicable recovery is reaching out to customers who are having trouble making their payments in order to find solutions while maintaining the business connection. Legal recovery, on the other hand, is executed in the event that this approach is unsuccessful and might result in the seizure of collateral according to a court order.

The number of days that are past due is a factor that determines the method that is taken. The first delays, which may last anywhere from one to thirty days, are controlled by on-site inspections and phone calls made by loan officers and managers. Additional written warnings are issued between 31 and 90 days after the first warning, with the participation of higher-level management. Beyond 90 days, specialized actors, including debt collectors and legal professionals, intervene. Finally, after 360 days of delay, the procedure culminates in the actual seizure of the debtor's assets (Innocent & Thakia, 2023).

Before the due date, it is therefore important to encourage borrowers to repay their debts on time. This phase is called "pre-reminder." It must not give the client the impression that there is a lack of confidence in their ability to pay on time. The loan officer or debt collector may call or write to the client, taking the opportunity to remind them of the terms of their debt repayment (Maruf, Kowsar, Mohiuddin, & Mohna, 2024). The transition from pre-reminder to amicable debt recovery, and then from amicable to legal debt recovery, is accompanied by a gradual intensification of collection pressure, reflecting a rise in the level of demands and firmness applied to borrowers. As the payment lag worsens, the loan organization takes more action. The first step in ending the issue is to discuss it and raise awareness of it. Harder measures like government warnings, fines, and in the worst situations, legal action, follow. In addition to helping clients get their lives back on track, this increase aims to maintain high loan quality and reduce the bank's risk of losing money. Bad things like trust being betrayed or loans not being able to get funds should not occur as long as the client-business connection remains healthy.

Statement of the problem

MFIs in the Democratic Republic of the Congo and elsewhere in the globe have had a difficult time getting their loans repaid. During the year 2024, Naz, Lutfullah, Pervaiz, and Ahmad came to the conclusion that high loan default rates have always been detrimental to the long-term health of a great number of institutions located in Sub-Saharan Africa. About fifteen percent to fifty percent of the time, they looked at stuff, and they failed. The existence of poverty programs in the past demonstrates that this is really the case. Due to the fact that North Kivu has been experiencing long-term turmoil and difficulties in managing credit portfolios, it is particularly challenging to collect debts in that region. This is because of the way things operate there. A study of the actions of institutions and the perspectives of users is required for this (Ganzallah & Wekesa, 2023).

When it comes to the effectiveness of debt repayment, two crucial aspects are the manner in which institutions carry out their operations and the attitudes that individuals have about those procedures. When customers and workers of MFIs discuss debt recovery practices, they discuss how fair, successful, culturally acceptable, and rational the procedures are. They also discuss how effective the methods are. This has an effect on how individuals who owe money behave because they believe that the techniques of collection are either helpful (which makes people eager to work with and understand) or harsh (which breaks relationships and makes people push back), and this perception influences how we behave. According to Carey Mulindi, Rose Auma, and Hillary Busolo (2025), the way in which staff members see things has an effect on how successfully and often they follow through with their duties.

Still, microfinance institutions in North Kivu have a difficult time maintaining a healthy loan portfolio, despite the fact that it is of utmost importance for them to be able to retrieve their money. It has been shown in this region that more than twenty to thirty percent of the loans that are being given out by a variety of organizations are not being repaid. This has a negative impact on their finances and makes it more difficult for them to assist a greater number of individuals with their money. Despite the fact that a significant number of individuals do not repay their debts, this is not the sole reason why so many people are unsuccessful (BCC, 2020). Several factors come into play, including those related to the institution (insufficient or lack of follow-up with financed clients, poorly reviewed loan files, staff violations of credit disbursement policies and procedures, agent fraud); those related to the borrower (poor business management, failure to reinvest the loan in the business, bad faith); and external factors (natural disasters such as floods, droughts, locust plagues, earthquakes, illness of the debtor or their relatives, or the death of a relative of the client or the client themselves) (Azokly, 2010)

Research Objective

The main objective of this research is to analyze the perceptions of borrowers and staff of microfinance institutions in North Kivu province, DRC, regarding debt recovery practices.

The specific objectives were as follows:

1) To assess borrowers' perceptions of MFI debt recovery practices.
2) To evaluate loan officers' perceptions of debt recovery practices.

Significance of the Study

There are significant gaps in our understanding of the impact that views of debt recovery have on the effectiveness of microfinance in situations that are unstable and precarious, and the objective of this study is to fill those gaps. The findings have repercussions for a diverse group of stakeholders, consisting of the following names:

The findings of the study indicate that recovery techniques are able to cultivate favorable borrower attitudes and better results, which in turn makes it possible to improve procedures and build policies that are more efficient. The research provides this data in respect to the management of microfinance institutions. It may be beneficial to gain an understanding of the perspectives of microfinance institutions regarding the challenges and impediments encountered by borrowers and the barriers to recovery in order to facilitate policy reforms that balance the sustainability of institutions and the vulnerability of borrowers. The debtors and the community will both benefit from this; it will be advantageous for both.

The research on perception-results correlations serves as a source of inspiration for the regulatory frameworks and rules that are proposed with the intention of protecting borrowers and ensuring the profitability of institutions. The decision-makers and regulators will find this information to be helpful. It is of the utmost importance to acknowledge that the inquiry makes a contribution to having a better understanding of the microfinance operating models that are the most successful in situations that are unstable and uncertain. The receivers of this email are going to be investors and collaborators in the development process.

In the interest of the academic community, this study makes a contribution to the development of the microfinance literature by delivering a context-specific examination of debt recovery actions in challenging situations.

Scope of the Study

This study analyzes the debt recovery practices applied by selected microfinance institutions in North Kivu province, Democratic Republic of Congo, as well as their perceptions by both borrowers and loan officers, from 2021 to 2025. It was conducted with eight MFIs, including FINCA DRC, AKIBA YETU, and HEKIMA in Goma; COOPEC LE TRESOR and COOPEC LE PALMIER in Beni; and COOPEC LA SEMENCE, COOPEC AGROPAS-LE GRENIER, and COOPEC-SODAC in Butembo. This study is supported by agency theory, relationship banking theory, social capital theory, and transaction cost theory, considering all aspects of debt recovery: preventative strategies, monitoring systems, communication approaches, negotiation/restructuring mechanisms, and enforcement measures.

Literature Review

Theoretical literature review

The viability of microfinance is contingent upon the efficient recovery of debt. When banks are capable of collecting their debts, they are able to maintain their banking services and boost their profits. Grameen Bank was one of the earliest examples of microfinance. In order to achieve high repayment rates, the initial conceptions concentrated on cooperative financing and social responsibility, particularly for low-income consumers who lacked collateral (Ariefah, 2025). As numerous cases have illustrated over the years, debt recovery is a difficult endeavor. A limited number of microfinance institutions have experienced default rates that have exceeded their projections.

Microfinance debt recovery practices have witnessed a transformation due to a variety of factors. Adapting to new environments and learning from one's mistakes are two examples. Technical advancements, exhaustive monitoring, coordinated collection systems, and well-defined credit assessment criteria have all contributed to the enhancement of informal social accountability mechanisms (Nininahazwe Pacifique & Mutembei Christopher, 2023).

Structured collection strategies, which begin with polite reminders and progress to more frequent communication and negotiation, are more effective than haphazard or confrontational strategies. Gradual follow-up is required by these methodologies. Consumer reminder communications, including SMS, phone calls, and in-person visits, have the potential to significantly reduce delinquency when used in conjunction with consistent monitoring (2021). This bundle has the potential to substantially decrease delinquency.

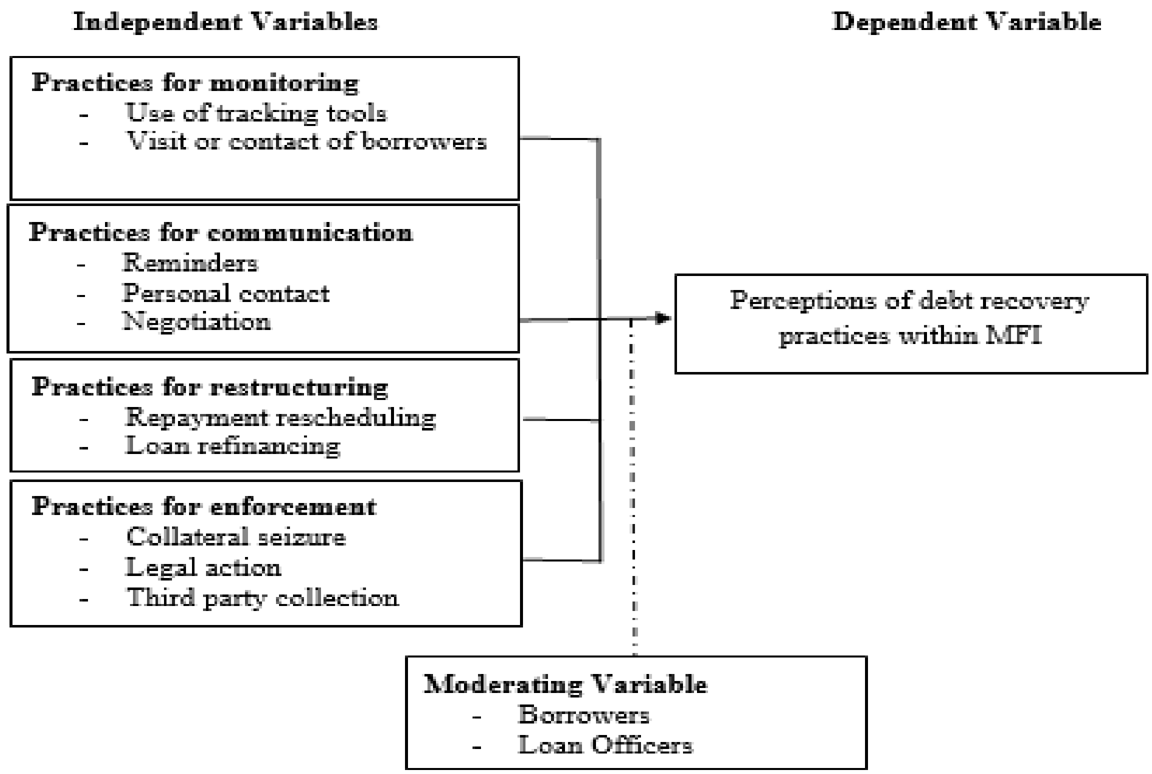
1) Proactive Monitoring
   Systematic loan monitoring post disbursement, including regular client contact, financial performance review, and early identification of repayment difficulties, enables timely intervention before loans become severely delinquent (Nyutu, Kung'u, & Gakobo, 2024)(Nyutu, 2024). Monitoring focusing on both loan performance and borrower business circumstances enables appropriate interventions, including problem identification and restructuring (Nininahazwe Pacifique & Mutembei Christopher, 2023).

2) Communication and Relationship Based Approaches
   The quality and manner of communication have a significant impact on repayment. Carey Mulindi, Rose Auma, and Hillary Busolo (2025) discovered that debtors who receive loan conditions and repayment expectations that are expeditious, civil, and comprehensible experienced higher repaying rates. Top-down communication systems are less effective in establishing trust and accountability than transactional and participatory models, which involve borrowers providing feedback. Relationship banking prioritizes the establishment of a personal connection between loan officers and borrowers, the frequency of in-person interactions, and the comprehension of borrower circumstances in order to foster voluntary compliance and confidence (Carey Mulindi, Rose Auma, Hillary Busolo, 2025). Institutional support is necessary to mitigate the risks of informality and inconsistency associated with relationship methods.

3) Loan Restructuring
   It is possible to prevent permanent defaults and maintain creditor relationships through restructuring, which involves extending maturity, reducing payment amounts, and implementing grace periods (Harun, 2019). Portfolio quality is enhanced by repayment periods that are contingent upon the cash flow patterns of the creditor, as opposed to inflexible schedules (Wulandari, 2024).

4) Enforcement Mechanisms
   Collateral seizure, wage withholding, and legal action are the final incentives for retribution when more gentle methods are unsuccessful. In addition to potentially increasing borrower defaults, enforcement-focused strategies may also have the potential to damage borrower relationships and foster negative perceptions. Nadebu, P. Caleb, and R. K. Mule (2023) have suggested that excessive enforcement may result in the alienation of debtors and the reduction of the incentive to repay.

Figure 1 Conceptual Framework



Source: Nininahazwe Pacifique & Mutembei Christopher (2023); Carey Mulindi, Rose Auma, Hillary Busolo (2025); Harun (2019); Wulandari (2024); Nadebu, P. Caleb, and R. K. Mule (2023) modified the research (2026).

This framework identifies four main groups of independent variables: monitoring, communication, restructuring, and enforcement practices. The dependent variable is the perception of debt recovery practices within MFIs. This variable reflects how borrowers and loan officers interpret, evaluate, and react to the recovery strategies applied.

Research Hypotheses

H1: Good borrowers perceive their MFIs' debt recovery practices as fair and culturally appropriate, while bad borrowers perceive them as coercive or inappropriate.

H2: Loan officers perceive their MFIs' debt recovery practices as fair and culturally appropriate.

Empirical literature review

The impartiality of recovery practices is a critical determinant of creditors' repayment behavior. Borrowers who perceive these practices as fair and rational are more likely to voluntarily consent to them, while those who perceive them as unjust or coercive may engage in strategic default or refrain from conducting future borrowing (Miled & Landolsi, 2023). Proportionate enforcement measures, transparent communication of loan terms, and the acknowledgment of borrowers' financial challenges are all inextricably linked to these perceptions of fairness.

Culturally inappropriate recovery practices are less likely to enhance repayment outcomes and cultivate favorable perceptions than those that adhere to local cultural norms (Carey Mulindi, Rose Auma, Hillary Busolo, 2025). In environments where social repute and community standing are effective motivators, mechanisms such as group accountability and public awareness of delinquency may be culturally acceptable and effective, while excessively severe enforcement measures may be perceived as inappropriate (Ariefah, 2025).

Additionally, borrowers' perceptions of the impact of recovery practices on their relationship with lenders significantly influence their ongoing engagement with microfinance institutions (Carey Mulindi, Rose Auma, Hillary Busolo, 2025). Borrowers who engage in communication-based recovery strategies and receive assistance during financial hardship generally report stronger relationships and superior long-term repayment performance compared to those who are exclusively subjected to enforcement measures.

The current research also underscores the concerns of borrowers regarding over-indebtedness, multiple borrowing, high interest rates, and aggressive collection practices (Muthui & Namusonge, 2024). When recovery practices are perceived as financially exploitative, such as through excessively high interest rates, concealed charges, or disproportionate penalties, borrowers may intentionally avoid repayment or disengage entirely from microfinance services. Although research has established a correlation between repayment outcomes and perceptions of recovery practices, these relationships are still complex and are influenced by a variety of moderating factors (Duwal & Thapa, 2025).

In general, debtors who perceive recovery practices as equitable, culturally appropriate, and responsive to their financial obstacles are more likely to repay than those who perceive them as coercive or unjust (Miled & Landolsi, 2023). Nevertheless, positive perceptions are insufficient in isolation; they must be implemented in conjunction with effective institutional practices, as advantageous borrower sentiment without operational competence does not necessarily lead to improved outcomes. In situations where borrowers face significant capacity constraints, relationship-oriented strategies that emphasize communication, negotiation, and flexible loan restructuring are more likely to produce superior long-term outcomes than enforcement-driven strategies (Carey Mulindi, Rose Auma, Hillary Busolo, 2025).

MFI staff competencies, including negotiation, communication, problem-solving, and comprehension of borrowers' circumstances, influence credit recovery operations (Nyutu, 2024). Those who employ collection techniques with cultural sensitivity and flexibility are more successful than those who rigorously adhere to them without considering the circumstances of the debtors. This is due to the fact that highly trained staff are more effective.

Additionally, MFI staff report that borrowers experience income volatility and genuine repayment challenges, as well as insufficient institutional resources allocated to collection activities, weak internal control and monitoring systems, limited financial literacy among borrowers, and broader contextual factors such as economic downturns and security disruptions that impede borrowers' repayment capacity.

Empirical research indicates that staff members' assessments of the efficacy of rehabilitation strategies range. Nininahazwe and Mutembei (2023) have reiterated that the most effective methods for preventing delinquency are monitoring and follow-up. Borrower education and training raise awareness but have little effect on repayment performance. Institutional support for collection activities, including technological systems, clear policies, and strong managerial commitment, also affects staff capacity and motivation to implement recovery practices (Moreno-Menéndez, et al., 2026).

Methodology

This study employs quantitative survey assessment for the perception of debt recovery practices within selected microfinance institutions in North Kivu province, DRC.

The target population comprises:

- Borrowers of 8 selected MFIs operating in North Kivu Province such as "FINCA DRC, AKIBA YETU, HEKIMA, COOPEC LE TRESOR, COOPEC LE PALMIER, COOPEC LA SEMENCE, COOPEC AGROPAS-LE GRENIER and COOPEC-SODAC";
- loan officers of these selected MFIs.

Using Daniel Schwartz's formula, 384 individuals was selected, including 336 borrowers, 42 in each of the 8 selected MFIs in North Kivu province, and 48 credit agents, 6 in each of the 8 selected MFIs in North Kivu province.

$$n = \frac{Z^2 \pi.(1-\pi)}{\varepsilon^2}$$

Avec: n = required sample size ; Z = 95% confidence level (typical value of 1.96) ; π=50% or 0.5, which is the probability of having the highest variance and ε = 5% margin of error (typical value of 0.05). Based on this data, our sample size is:

$$n = \frac{1.96^2 * 0.5 * (1-0,5)}{0.05^2} = \frac{0.9604}{0.0025} = 384.16 \approx 384$$

This study utilized a questionnaire, which was preferred for its ability to collect a wide range of views, opinions, and perceptions. It consisted of two main sections:

a) **Sociodemographic characteristics:** This section was collected basic demographic data from the participants (MFI, borrowers and staff), such as age, gender, education level, occupation, income and nationality.

b) Likert scale

1) **Perceptions of debt recovery practices among borrowers and staff:** The scale included items assessing the four dimensions that follow: practices for monitoring, practices for communication, practices for restructuring and practices for enforcement. Participants (borrowers and loan officers) were asked to rate their perceptions of debt recovery practices within 8 selected microfinance institutions in North Kivu province, DRC on a five-point Likert scale, ranging from "strongly disagree" to "strongly agree."
2) **Actual repayment outcomes:** Participants (borrowers and loan officers) were asked to rate their level of MFI actual repayment outcomes on a five-point Likert scale, ranging from "strongly disagree" to "strongly agree."

The data collection instrument (measurement scale) was developed based on existing literature, consultations with stakeholders, and preliminary qualitative research. Preliminary testing with a small sample of 15 respondents from the TUJENGE PAMOJA MFI, including 3 loan officers and 12 borrowers, identified ambiguous wording, cultural inadequacies, and cognitive load issues.

Table 3 Reliability, average variance extracted and composite reliability

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Communication	0.907	0.907	0.935	0.781
Enforcement	0.911	0.927	0.937	0.788
Monitoring	0.873	0.898	0.921	0.795
Restructuring	0.863	0.871	0.916	0.785
Perceptions of Debt Recovery Practices within MFI	0.944	0.950	0.951	0.586

Sources: Primary Data, 2026

The results of the reliability and convergent validity tests of the ideas about how MFIs recover bills can be seen in Table 3. The test includes Average Variance Extracted (AVE), Cronbach's alpha, and composite reliability (rho_a and rho_c). These are all common ways to see if a measurement scale is correct and consistent.

To begin, Cronbach's alpha is used to show that the internal consistency is stable. Cronbach's alpha should have a number of 0.7. You can see that all of the groups being tested have numbers that are well above 0.7 in Table 4. Some of these are Communication (0.907), Enforcement (0.911), Monitoring (0.873), Restructuring (0.863), and How People See MFI's Debt Recovery Practices (0.944). In other words, all of the measuring tools are correct and always measure the same structures.

Also, the combined reliability (rho_a and rho_c) backs up the reliability of the forms. Most of the time, a number above 0.7 is thought to be enough for combined reliability. The rho_a and rho_c numbers for all the things in this study are higher than this level. The rho_c numbers are mostly between 0.916 and 0.951, which indicates that there is a high amount of internal consistency and that the markers accurately reflect their hidden variables.

It is also possible to check for convergent validity with the Average Variance Extracted (AVE). Fornell and Larcker said in 1981 that AVE should be higher than 0.5 to show that an idea explains more than half of the differences in its marks. The average value (AVE) for Communication (0.781), Enforcement (0.788), Monitoring (0.795), Restructuring (0.785), and Perceptions of Debt Recovery Practices (0.586) is higher than what that number should be. To put it another way, this shows that the ideas are true.

The groups in Table 4 all meet the requirements for Cronbach's alpha (> 0.7), composite reliability (> 0.7), and AVE (> 0.5). It's clear from these numbers that the measuring model is correct and stable. It shows that the items strongly agree with each other and that the groups are good enough to do more statistical work on.

Results

Table 4 Descriptive statistics of items relating to debt recovery practices according to the perceptions of credit agents and borrowers

Items on debt recovery practices	loan officers		Borrower		Total	
	Mean	Std.	Mean	Std.	Mean	Std.
The MFI performs a follow-up regular repayment of borrowers after disbursement of the loan.	4.44	0.50	3.00	0.89	3.18	0.98
Credit agents visit or contact quickly the customers in case of late payment.	4.33	0.48	2.99	0.94	3.16	1.00
The MFI uses tools reliable (reports, systems) computerized dashboards) to monitor loans in suffering.	4.44	0.50	3.21	0.81	3.37	0.88
Practices for monitoring	4.40	0.40	3.07	0.76	3.23	0.85
Refund conditions are clearly explained to customers before granting of credit.	4.77	0.42	3.10	0.99	3.31	1.09
The MFI maintains regular communication with borrowers concerning their repayment obligations.	4.48	0.50	2.91	0.92	3.10	1.02
Payment reminders (calls, SMS, visits) are carried out on time by the MFI.	4.33	0.48	2.78	0.85	2.97	0.96
Credit agents adopt respectful and professional communication with customers who are late.	4.40	0.49	2.83	1.04	3.03	1.11
Practices for communication	4.49	0.36	2.91	0.80	3.10	0.92
The MFI offers rescheduling options when borrowers encounter difficulties real.	4.75	0.44	2.88	1.06	3.12	1.18
Restructuring decisions are taken on the basis of an objective analysis of the client's financial situation.	4.73	0.45	2.74	0.86	2.98	1.05
The news repayment terms after restructuring are clearly defined and understood by the borrower.	4.75	0.44	3.04	0.86	3.26	0.99
Practices for restructuring	4.74	0.34	2.89	0.77	3.12	0.95
The MFI applies late payment penalties in accordance with internal policies.	4.00	0	2.37	0.82	2.58	0.94
Guarantees or deposits are used when the loans become seriously in default.	4.00	0	2.14	0.86	2.38	1.01
The MFI follows procedures legal or administrative in cases of non- reimbursement prolonged.	4.10	0.31	2.63	0.87	2.81	0.95
Recovery actions are applied in a fair and transparent for all customers.	4.13	0.33	3.04	0.85	3.18	0.88
Practices for enforcement	4.06	0.16	2.55	0.72	2.74	0.84
Perceptions of debt recovery practices	4.42	0.22	2.85	0.60	3.05	0.77

Sources: Primary Data, 2026

Table 4 shows that there are big discrepancies in how loan officers and clients view the ways that microfinance institutions collect loans. In short, the statistics show that loan officers think debt recovery practices are quite effective (overall mean = 4.42), whereas clients think they are less effective (overall mean = 2.85). The global debt recovery practices are only fairly competent, according to the average mean score of 3.05. Overall, it seems like there are big disparities in how people view things and maybe even problems with how things are done. Loan officers say that monitoring processes are working very well (mean = 4.40).

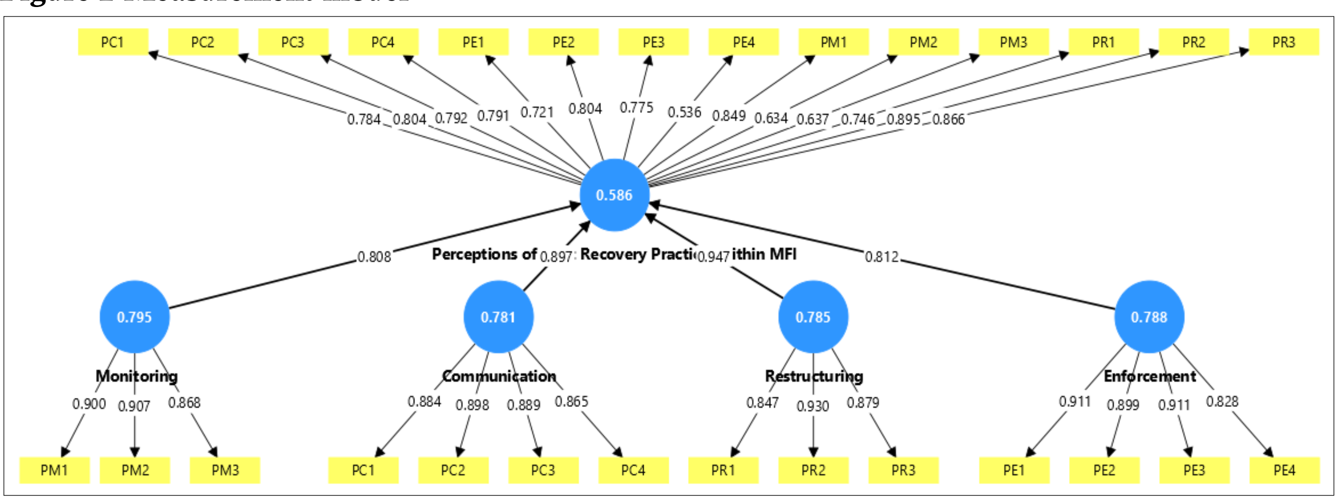
Table 5 Descriptive statistics of debt recovery practices according to the age of loans granted

Debt recovery practices	Repayment status distribution	N	Mean	Std. Deviation
Practices for monitoring	Performing loan (on-time repayment)	280	3.24	0.88501
	Loan in arrears (1-30 days overdue)	104	3.22	0.75415
	Total	**384**	**3.23**	**0.85**
Practices for communication	Performing loan (on-time repayment)	280	3.17	0.87270
	Loan in arrears (1-30 days overdue)	104	2.94	1.03635
	Total	**384**	**3.10**	**0.92**
Practices for restructuring	Performing loan (on-time repayment)	280	3.18	0.94393
	Loan in arrears (1-30 days overdue)	104	2.95	0.95956
	Total	**384**	**3.12**	**0.95**
Practices for enforcement	Performing loan (on-time repayment)	280	2.74	0.85924
	Loan in arrears (1-30 days overdue)	104	2.72	0.79061
	Total	**384**	**2.74**	**0.84**
Perceptions of debt recovery practices	Performing loan (on-time repayment)	280	3.08	0.76472
	Loan in arrears (1-30 days overdue)	104	2.96	0.77785
	Total	**384**	**3.05**	**0.77**

Sources: Primary Data, 2026

Table 5 shows the descriptive statistics of debt recovery practices based on the state of loan repayments. Overall, the results show that the debt recovery practices of the MFIs that were examined are relatively good, with mean scores typically above 3. However, there are notable differences between loans that are functioning well and those that are in arrears. Specifically, monitoring techniques had the highest overall mean (3.23), which means that MFIs do a good job of keeping track on loan payments. Both performing loans (mean = 3.24) and loans in arrears (mean = 3.22) have relatively similar ratings, which means that monitoring is consistent no matter what the loan situation is. This means that MFIs have set up follow-up systems that work rather well for borrowers. The overall mean for communication methods is a little lower (3.10), and there is a clear difference between performing loans.

Figure 2 Measurement model



Sources: Primary Data, 2026

The findings shown in this figure show that all of the indicators' outer loading values that are linked to the constructions are over the required level of 0.7. This shows that each indicator makes a substantial contribution to its corresponding latent construct and proves that the measurement model is strong. The Average Variation Extracted (AVE) values for all constructs also surpass the minimum permitted threshold of 0.5. This means that the constructs account for a large part of the variation in their indicators. This strongly shows that convergent validity exists. Both Cronbach's alpha and Composite dependability (CR) ratings support the dependability of the constructs. All of these values reach or surpass the suggested level of 0.7. This shows that the items used to assess each construct are quite consistent with each other. The results from this figure show that the measurement model meets the standards for both reliability and convergent validity. This means that the constructs are assessed properly and may be used for further structural model research.

Table 6 Independent-samples T-Test between performing loans (good borrowers) and loans in delinquency (poor borrowers)

		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference
Practices for monitoring	Equal variances assumed	2.283	0.132	0.185	382	0.853	0.01813
	Equal variances not assumed			0.199	214.593	0.842	0.01813
Practices for communication	Equal variances assumed	4.441	0.036	2.204	382	0.028	0.23276
	Equal variances not assumed			2.038	160.297	0.043	0.23276
Practices for restructuring	Equal variances assumed	0.549	0.459	2.155	382	0.032	0.23462
	Equal variances not assumed			2.139	181.683	0.034	0.23462
Practices for enforcement	Equal variances assumed	2.575	0.109	0.274	382	0.784	0.02651
	Equal variances not assumed			0.285	199.055	0.776	0.02651
Perceptions of debt recovery practices	Equal variances assumed	0.571	0.451	1.451	382	0.148	0.12800
	Equal variances not assumed			1.440	181.589	0.152	0.12800

Sources: Primary Data, 2026

This table displays the outcomes of an independent-samples t-test that evaluates the mean differences in debt recovery methods between two groups: performing loans (good borrowers) and loans in delinquency (poor borrowers). The interpretation relies on Levene's test for equal variances and a significance level of p-value < 0.05.

The Levene's test tries to determine whether you can assume that the variances are equal. The p-values for practices like monitoring (p = 0.132), restructuring (p = 0.459), enforcement (p = 0.109), and perceptions (p = 0.451) are all more than 0.05, which suggests that equal variances may be assumed. The p-value for communication (p = 0.036) is still less than 0.05, which suggests that we cannot assume that the variances are the same. So, you should look at the second line of results.

In regard to the t-test results:

1) The two groups' monitoring actions are not significantly different (t = 0.185, p = 0.853). This shows that the monitoring processes are always employed, no matter how the loan is being paid back.
2) There is a statistically significant difference in how people communicate (t = 2.038, p = 0.043). People speak about performing loans and loans in arrears in different ways, with a mean difference of 0.23276. It means that one group is better at communicating or puts more value on communication than the other.
3) There is also a large variation in the ways that restructuring works (t = 2.155, p = 0.032). This means that restructuring strategies are not always used the same way and rely on the state of the loan, with a mean difference of 0.23462. The enforcement strategies are not significantly different (t = 0.274, p = 0.784), which suggests that both groups utilize the same methods to enforce the rules.
4) There is no significant difference between the two groups in how they feel about debt recovery strategies (t = 1.451, p = 0.148). This implies that their hopes do not change much, no matter how well their loans are doing.

The results show that the main big differences between performing loans (i.e., creditworthy borrowers) and loans that are behind on payments (i.e., uncreditworthy borrowers) are in how they communicate and how they restructure. The numbers reveal that monitoring, enforcement, and overall perceptions are still very much the same. These results show that MFIs should work on enhancing communication and restructuring methods for borrowers who do not pay their bills on time. These are the areas where there are large differences and space for improvement.

Discussions on Findings

The research demonstrates that borrowers' sentiments regarding strategies for repaying their obligations are generally rather unfavorable (mean = 2.85). It is consistent with research that has demonstrated the sensitivity of consumer views to issues of cultural morality, openness, and fairness. Miled and Landolsi (2023) discovered that debtors are more inclined to withdraw funds from institutions or refuse to pay if they perceive the methods of debt recovery as unjust or coercive. Therefore, the poll's negative opinion ratings indicate that certain consumers believe that MFI policies are not sufficiently equitable or beneficial.

Nininahazwe and Mutembei's (2023) research demonstrates that monitoring and follow-up are critical strategies for preventing children from becoming involved in criminal activities. These findings are consistent with the significantly higher rating of monitoring measures (mean = 3.07). This low number suggests that watching is not the best way to change people's views one-on-one, so it may be necessary to include other useful strategies, such as reform and debate. This ranking shows that tracking is not very effective, even if users believe it is very important.

Since talk may change the way creditors feel, it is not a wonder that communication methods got a lower grade (mean = 2.91). In the long run, Carey Mulindi and coworkers (2025) say that rehabilitation programs that stress conversation may lead to more trust and success. We can only imagine that MFIs and borrowers do not talk to each other clearly, often, or the way the borrower wants because the study is not very good. Because of this, fewer people know about the important loan terms, and buyer trust goes down. It is also important to note that reworking methods get an average grade of 2.89. This supports the idea that people who want to get the most out of their efforts to pay off their debt should choose strategies that are both borrower-centered and open. Carey Mulindi and his colleagues did study in 2025 that suggests there may be a link between better views, higher payback rates, and people rethinking their choices for getting financial help. Anyway, the study's results suggest that these strategies might not be working as well as they could because they are not getting enough internal contact or exposure.

The data show that customers are less happy when repair methods are rude or forceful. The fact that the policing methods got the lowest score (2.55 out of 5) is also proof. Many people avoid microfinance companies or stop giving money to them because of the hard fines and ways they collect payments, which Muthui and Namusonge (2024) say are unfair and take advantage of people. In Ariefah (2025), the significance of employing discipline methods that are generally permissible and the possibility of debtors refusing to pay are both underscored. The study's findings indicate that creditors' obligations continue to be the most challenging aspect of debt recovery for borrowers.

Duwal (2025) also asserts that the borrower's financial circumstance and capacity to repay the loan influence their perspectives. This assertion is consistent with the distinctions observed between individuals who are performing and those who are not, particularly in the areas of conversation and the revision of plans. Recovery programs are more likely to be viewed negatively by individuals who are experiencing financial difficulties, particularly if the programs fail to adequately address their issues.

They support the more general empirical conclusion that social and helpful methods have the most significant impact on the way borrowers feel, rather than forceful ones, after examining all of the results together. Microfinance institutions that provide culturally sensitive strategies, open communication, and flexible revising options are significantly more likely to have borrowers who are satisfied with the recovery operations and who fulfill their repayment obligations.

Hypothesis H1 is supported by empirical evidence regarding the user's cognitive processes. The theory is robustly supported by the data, as customers who are more adept at repaying their debts are more inclined to endorse debt recovery methods, particularly those that entail engaging in dialogue with the delinquent and renegotiating the debt. Conversely, this optimistic perspective is inadequate in various respects, as evidenced by emotions of mild to somewhat pessimistic nature (mean = 2.85). Some individuals believe that certain aspects of the operation of MFIs are culturally permissible and equitable for all remaining loans, which partially supports Hypothesis 1 (H1). In contrast, individuals who are experiencing difficulties with their loans frequently perceive the actions taken to collect on them as unreasonable and unjust, particularly when the process is unclear or inflexible. Additionally, the substantial disparity between the perspectives of successful and non-performing loans corroborates the notion that Hypothesis 1 is only partially accurate. The monitoring and revising processes are generally well-received by performance borrowers. However, non-performing borrowers are more dissatisfied than performance borrowers, particularly in terms of communication and discipline initiatives. Hypothesis 1 may be partially and potentially supported by the distinction between these two concepts. This implies that the borrower's circumstances influence opinions.

The findings suggest that loan officers consider debt recovery practices to be a highly effective and satisfactory implementation (mean = 4.42), which is consistent with empirical literature that underscores the importance of staff confidence in institutional procedures. Nyutu (2024) argues that the professional experience, training, and understanding of institutional policies of MFI personnel often result in a favorable perspective on recovery practices.

The loan officers' conviction that they are implementing client-centered and adaptable strategies is suggested by the high ratings for communication (mean = 4.49) and restructuring practices (mean = 4.74). This is in accordance with the literature, which suggests that personnel who are well-trained and who employ negotiation and problem-solving strategies are more likely to rate their interventions as appropriate and effective. Monitoring is one of the most effective ways to keep a check on loan performance, according to Nininahazwe and Mutembei (2023), who came to this result after conducting an overall evaluation of monitoring techniques (mean = 4.40). According to Moreno Menéndez et al. (2025), the supply of institutional instruments such as digital systems and reports might be a significant determinant in the degree to which loan officers trust tracking systems.

The staff still has a positive opinion of the techniques of policing, despite the fact that they received significantly lower marks (mean = 4.06). Despite the fact that clients have a poor opinion of control measures, loan officers tend to see them as essential in order to prevent individuals from falling into financial difficulties. This is consistent with the findings of previous research, which also states that control measures are required.

Nevertheless, there is a significant disparity between the feelings that loan officers (mean = 4.42) and clients (mean = 2.85) have toward the situation. This lends credence to a significant issue that has been discovered via empirical research: there is a disconnect between the way in which institutions operate and the way in which consumers feel about them. As stated by Moreno Menéndez et al. (2025), it may be more difficult to adhere to rules when there are internal issues such as inadequate communication lines, a lack of resources, and difficulties that occur in the real world. It is possible that even the most meticulously prepared procedures may not have the intended impact on the client level due to this reason.

The fact that this disparity exists lends more credence to the notion that perceived fairness or acceptability is not necessarily synonymous with technical speed. The officials may believe that they are adhering to processes that are fair and professional; yet, the way in which borrowers feel about these procedures is contingent upon their personal circumstances, social background, and the experiences that they have personally gone through.

In the majority of cases, the data concerning loan agents provide support for hypothesis H2. The high mean score (mean = 4.42) across all dimensions, particularly reworking and communication, demonstrates that loan officers always believe that debt recovery techniques are fair, proper, and well put into place. This is especially true for reworking and communication. Despite the fact that borrowers are dissatisfied, this indicates that participants in the establishment continue to have a positive image of the way they do business. We are completely in favor of Hypothesis 2 since it is evident that loan officers believe that the methods that MFIs employ to recover debt are fair and appropriate for the culture. On the other hand, the fact that loan officers and borrowers have two quite different perspectives on the matter shows that this evidence is based on ratings from inside the institution rather than approval from customers outside the organization. This demonstrates that microfinance institutions have an issue with the way that they see things.

Conclusions and implications

The objective of this study was to analyze the perceptions of borrowers and staff of microfinance institutions in North Kivu province, DRC, regarding debt recovery practices. This analysis was structured around two specific objectives: (i) assessing the perceptions of debt recovery practices by loan officers and (ii) assessing the perceptions of debt recovery practices by borrowers.

The findings demonstrated that:

1) borrowers are only moderately satisfied with debt recovery practices (mean = 2.85). Borrowers generally prioritize practices that prioritize communication, flexibility, and support, while they express dissatisfaction with coercive enforcement measures. The perception of monitoring practices is relatively more favorable, suggesting that follow-up mechanisms are acknowledged; however, they are insufficient to ensure positive borrower experiences. The enforcement practices are the most

negatively perceived aspect, indicating that they are frequently associated with pressure rather than support. The results of this study confirm that the degree of impartiality, transparency, and cultural appropriateness that recovery approaches incorporate has a significant impact on borrower perceptions.

2) loan officers are exceedingly content with debt recovery practices (mean = 4.42). loan officers evaluate the alignment and efficacy of communication, restructuring, and monitoring practices with institutional objectives. The preservation of repayment discipline is still considered necessary and appropriate, despite the slightly lower rating of enforcement mechanisms. This positive internal assessment demonstrates the institutional confidence in the existing procedures and staff competencies.

However, the most noteworthy finding of this investigation is the substantial discrepancy in perceptions between loan officers and consumers. This discrepancy suggests that borrowers may not always share the same understanding of what is considered effective and equitable within MFIs. Divergences in perspective, financial pressures, borrower vulnerability, and institutional priorities may account for this discrepancy. It also implies that technical efficacy may not necessarily be consistent with perceived equity or acceptability at the client level.

From a hypothesis perspective, the results partially support H1, as only specific consumer groups, particularly those who are performing, perceive specific aspects of debt recovery practices as fair and appropriate. In contrast, non-performing debtors consistently demonstrate more pessimistic attitudes, particularly in relation to enforcement. In contrast, loan officers consistently and unquestionably support H2, which they regard as effective, culturally appropriate, and equitable in debt recovery practices.

These findings show that:

1) For MFI Management:
Develop debt recovery approaches grounded in stakeholder perception assessment and local context understanding Invest in staff training emphasizing communication skills, cultural sensitivity, and flexibility in collection procedures Establish monitoring systems tracking borrower perceptions alongside repayment outcomes Implement regular policy review processes incorporating feedback from borrowers and staff
2) For Regulators and Policymakers:
Develop regulatory frameworks encouraging relationship-oriented collection approaches while maintaining institutional accountability Support development of credit information systems reducing information asymmetry and enabling better client screening Provide capacity building resources for MFI staff in evidence-based debt recovery practice
3) For Development Partners:
Support MFI operational research examining perception outcome relationships in specific contexts Facilitate knowledge sharing of effective debt recovery approaches adapted to fragile, insecure operating environments Provide technical assistance in developing context appropriate recovery procedures.

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