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Asset Quality and the Financial Performance of Commercial Banks in DRC

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ABSTRACT: *This study aimed at assessing the impact of asset quality management on the financial performance of commercial banks in DR Congo from 2010 to 2020. This study had one specific objective which was to assess the relationship between the NPL and the performance of commercial banks in DR Congo. After analysis made by SPSS; After analysis the table n°3 shows that the asset quality as assessed by the NPLR has a negative impact on financial profitability because the return on assets decreases by 0.190 monetary units for every unit rise in nonperforming loans* ***(Y=-0****,190****x1+1,351*** *). In actuality, a non-performing loan is a loss, and the higher it is, the less profitable it is. Since the sig value is 0.00, or less than 5%, the negative link between the two variables is statistically significant. Moreover, the NPLR had a negative impact on financial profitability (ROE), as the return on assets decreases by 1.717 units of money for every unit of money that the nonperforming loan increases* ***(Y= -1,717****x****1+13,157)*** *. In actuality, a non-performing loan is a loss, and the higher it is, the less profitable it is. Since the sig value is 0.00, or less than 5%, the negative link between the NPL and ROE is statistically significant.*
KEYWORDS *:* asset quality, financial performance, commercial banks, DRC

INTRODUCTION

Adam Smith (1776) believed that an invisible hand controls the economy, guiding each economic actor—most notably businesses—in the pursuit of their unique value-creation interests. They are also guided by this invisible hand to advance the goals of the entire society. You'll concur with us, then, that a company that works against the interests of its shareholders or generates less value for them is a severe problem that has to be handled because it has an impact on an entire sector or an entire economy.

In reality, banks play a significant role in all economic and financial activities, including the usage of bank draughts and bank cheques in contemporary society as well as accepting money on a variety of deposit account types, lending money by demand draught, making secured and unsecured loans, providing transaction accounts, cash management services, and providing equity financing. The production of credit to grant loans and assist deficit units of the economy is one of the main activities of the banking sector worldwide, and in particular in the Democratic Republic of the Congo. The primary source of income for banks is the generation of credit, but this activity carries significant risks for both the lender and the borrower. In the course of their business, banks are exposed to a variety of hazards, and most of these risks may be divided into three groups: financial, operational, and environmental risks (Greuning & Bratanovic, 2009). The risk of a trading partner failing to fulfil their obligation under the contract on the due date or at any time thereafter can seriously jeopardise a bank's ability to conduct business, which, in the opinion of some economists and historians, could result in a crisis similar to the one that caused the Great Depression.

In contrast, a bank with a high credit risk also has a high bankruptcy risk, which endangers the depositors. The majority of bank authorities and banking regulators are quite concerned about credit risk, one of the risks that banks confront. This is due to the risk of credit, which has a high probability of causing bank failure. Responsible risk management is necessary while creating credit.

Compared to any other risk associated with the banking industry, credit risk is the most serious and expensive risk that financial institutions face. It also has the most impact on performance because it directly jeopardises the institution's ability to remain solvent

A non -performing loan is loan in which the borrower is in default and has not paid the monthly principal and interest repayments for a specified period. Non-performing loans occur when borrowers run out of money to make repayments or get into situations that make it difficult for them to continue making repayments towards the loan. Non-performing loans ratio (NPLR) reflects the bank's credit quality and is considered as an indicator of credit risk management. NPLR, in particular, indicates how banks manage their credit risk because it defines the proportion of loan losses amount in relation to total loan amount (Hosna et al, 2009). Gizaw, Kebede and Selvaraj (2015) assert that non-performing loan ratio (NPLR) is the major indicator of commercial banks' credit risk.

Now is there a relationship between the assat quality and the financial performance of commercial banks in DRC.

Theoretical Review

Efficiency Structure Theory

Demsetz's 1973 Efficiency Structure Theory can be considered an alternate theory. According to this hypothesis, a firm's efficiency will directly affect the market structure and its performance. High-level management and cutting-edge production technologies are more likely to have reduced production costs and larger profits in a business. The Scale-efficiency and X-efficiency hypotheses are two approaches to the efficiency structure, according to Athanasoglou et al. (2006).

According to Athanasoglou et al. (2006), companies that use the X-efficiency strategy tend to be more efficient, which lowers manufacturing costs and, as a result, increases profit. Such businesses are more likely to increase their market shares, as seen by increasing levels of market concentration, although

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there is no causal link between concentration and profitability. This method of determining production scale placed more emphasis on economies of scale than on variations in production technology or management. Due to economies of scale, production costs per unit are cheaper, allowing larger companies to generate better revenues and margins. This profitability, according to Athanasoglou et al, enables big businesses to take market share.

Bashir (2006) asserts that the efficiency structure theory is highly relevant to this investigation of corporate financing, particularly in light of the recent financial crisis. Business managers are forced to devise various strategies for managing internally generated cash in order to increase their chances of making a profit and satisfying the expectations of their existing shareholders because of the tightening financial market, which has made bank loans too expensive to obtain and the general public reluctant to invest in the shares of listed companies.

A lot of attention is being paid to the concept of liquidity management globally as a result of the current financial and economic turmoil. Due to this, business owners and managers have developed a plan for coping with daily tasks in order to meet expectations for the profitability of the company and the generation of shareholder wealth (Don, 2009).

Since the majority of the indices used to measure corporate liquidity tend to be a function of working capital components, working capital management is an issue for liquidity management. Working capital plays a role in today's businesses' profitability. Therefore, managing liquidity is essential to fulfilling and maintaining a company's day-to-day operations for a smooth operation and to meet stakeholders' expectations (Eljelly, 2004). The success and operation of a firm are significantly influenced by liquidity.

Portfolio Theory

In his article "Portfolio Selection," Harry Markowitz made a postulation of the portfolio theory (published in 1952 by the Journal of Finance). This theory holds that reward and risk go hand in hand. He can create portfolios for risk-averse investors that maximise projected return while taking into account the level of market risk. The idea is that by investing in more than one stock, a person can profit greatly from diversification, particularly in terms of reducing investment risk. In portfolio theory, it's important to consider the predicted risk and return of a variety of equities rather than just one. In respect to bank performance studies, portfolio theory gives additional meaning to combinations of investments (Nzongang & Atemnkeng, 2011).

A portfolio balance model is created by diversifying the assets, which offers each asset the ideal holding. This results in a wealth owner's portfolio, which serves as a policy decision-making function that may be established by return rates on all assets held in the portfolio, the size of the portfolio, and the risks associated with each financial asset. Therefore, portfolio compositions and diversity in commercial banks are outcomes of decisions made by the bank's leadership. Additionally, the capacity to optimise earnings depends on liabilities established by the management and production costs of each asset and feasible collection of assets (Nzongang & Atemnkeng, 2011).

It was stressed by Osayameh (1986), Orji (1989), and Omolumo (1993) that when loans are not repaid, as is frequently the case, banks have difficulties because such debts are occasionally written off as bad. Any lending bank's balance sheet is thought to provide confirmation of this. In light of Orji's (1989) further explanation of the importance of repayment capacity in lending decisions, one could wonder why bad debt does happen. Orji and Osayameh (1986) cite a number of causes, including non-compliance with a loan policy analysis of financial data, poor judgement, the lack of a loan policy established by the banks, a lack of knowledge of customers' activities, insufficient project monitoring, etc.

The study's use of portfolio theory demonstrates that there is no connection between bank efficiency and asset quality. The rationale is that neither loan nor credit personnel nor operating workers are involved in the administration of operations, including both the selection and supervision of borrowers. However, those banks that are on the verge of failing have a high non-performing loan percentage and a low cost effectiveness. According to some scholars (DeYoung and Whalen, 1994; Wheelock and Wilson, 1995), the difference between high competent banks (the most efficient banks) and liquidated institutions is substantial. According to other academics like Kwan and Eisenbeis (1994), banks with non-bankruptcy issues exhibit a negative correlation with non-performing loans as well as efficiency.

Evalde (2016) did a research on the relationship between credit risk and commercial banks performance at Bank of Kigali in Rwanda, the result that indicate that credit risk management measured by the Non-performing loan Ration(NPLR) had a positive high correlation on the performance of BK.From the sample size of 28 Empoyees from loan recovry and finance depoartement. This indicate that the more the credit risk is well managed, the more the bank is performent.

Empirical Review

Telceke.N (2017) histudy investigated whether non-performing loans effect the bank's profitability in Turkey. The study applies a panel regression method to the quarterly data set including 1809 observation belongs to 55 Banks in Turkey during the period from 1 st quarter of 2005 to 3 rd quarter of 2016. It is found that there is a significant, negative relationship between non-performing loans and bank profitability which is measured by return on equity and return on asset. The higher non-performing loans, the lower asset quality, leads to the lower return on equity and return on asset, and the lower non-performing loans, the higher asset quality, leads to the higher return on equity and return on asset.

NZOKA.F.K (2015), the objective of his study was to determine the effects of assets quality on the financial performance of commercial Banks in Kenya, between the years 2010 to 2014. The Asset quality also referred to as loan quality has been defined as the overall risk attached to the various assets held by an individual or institution. It measures how well a financial institution predicts the credit risk of their assets and how well they manage them. On the other hand, financial performance is a measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. The study adopted a descriptive design in its methodology and the researcher chose to study commercial banks due to availability of needed data and convenience. All the 43 commercial banks in Kenya were targeted for this study. Secondary data was obtained from annual Central bank of Kenya Banks supervision reports. SPSS version 20.0 was used for data analysis. The t-test with a 5% level of significance was used in the study and the correlation coefficient (r), coefficient of determination and analysis of variance (ANOVA) were calculated. The analysis showed that all the asset quality factors had a fairly statistical significant impact on financial performance. This was due to the fact that assets quality cannot solely determine the financial performance of commercial banks, unless other factors such as capital adequacy, management efficiency, earnings performance and liquidity are considered. The relationship between asset quality and financial performance was confirmed to be negative. Based on the findings, the study recommended that for high assets quality levels to be achieved, improved investment assets levels and the low rate of Non Performing Assets are to be realized through credit risk identification, measurement, monitoring and controlling. Further research on the factors influencing the asset quality of commercial bank in the country could add great value to the performance of local banks and academic literature.

Wambugu J.W and Mungal.J (2019),Their study found that the management of commercial banks' loan quality, capital adequacy levels, and liquidity levels accounts for the majority of their financial performance. On the other hand, a portion of the bank's financial performance can be attributed to how the banks manage their liabilities. The findings suggest that the management of the banks' liquidity levels, loan quality, management of their liabilities, and management of their capital adequacy levels are accountable for the financial performance of the banks. A cording to them Commercial banks should expand consumer loans in order to increase net Interest Income. When making financial decisions, banks should adhere to capital adequacy regulations.

According to Copisarow (2015), financial performance gauges how effectively a company has leveraged its current assets to produce income. This serves as a 20-year total.

A measurement of the company's financial health over a specific time period. It can be used to compare similar enterprises within the same industry, aggregate industries or sectors, or conduct trend research for a specific firm.

According to Richardson (2012), a firm's financial performance has a significant role in defining its ability to generate revenue, its potential for expansion, and its overall financial health. The majority of studies on the financial performance of commercial banks have separated the determinants into two categories: internal variables, which represent the firm's internal environment, and external factors, which represent the firm's external environment. Financial statement variables and non-financial statement variables are the two kinds of internal factors of profitability that fall within the control of the bank management. Any decisions made about financial statement variables, which are found on items in the income statement and balance sheet, have an impact on product development. Bank product managers are involved in the development of new products, which also involves defining marketing requirements and scanning the environment for new opportunities. Among the internal factors that management can control are bank-specific financial ratios, which show the effectiveness of a bank's cost, liquidity, asset quality, and capital adequacy (Richardson, 2012).

Since the bank's loans are a vital asset that generate a sizable portion of the bank's income, Athanasoglou et al. (2015) contend that a rise in asset base relative to the bank's age is crucial. The primary source of income for commercial banks is a loan. Bank profitability is a result of the lending portfolio. The viability of a bank is positively impacted by the quality of its loan portfolio.

According to Dang (2011), losses from past-due loans pose the greatest risk to banks. Thus, non-performing loan ratios serve as the greatest proxies for determining the quality of an asset. Commercial banks are under significant pressure to keep the total amount of non-performing loans at reasonable levels. This is because a high percentage of non-performing loans has a negative impact on the bank's profitability (Sangmi & Nazir, 2010).

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One of the primary causes of the Asian Financial Crisis, Yin's ignorance of loan quality resulted in a decline in bank asset quality (2012). Taiwan belonged to the division of fragile financial systems, according to Tsai (2013), who based his study on Standard and Poor's (S&P) 1994 global credit rating reports, which include the financial systems of 61 countries. In order to ensure that the banking industry develops properly, banks that operate in countries with underdeveloped banking systems should place more emphasis on controlling asset quality.

Management of asset quality in banks is one of the main management issues, claims Streeter (2010). Based on questionnaires sent to American Bankers Association Board members in American banks in 2001, the survey's findings demonstrated that management of asset quality is a crucial issue for bankers in practise. Similar to this, CEOs like Gene Miller, the CEO of America Corp., regard asset quality as the second-most important management concern and established a team to address the growing risk of defective assets in particular.

Non-performing loans (NPLs) have a negative correlation with bank profitability (Achou and Tenguh, 2015). Therefore, banks must manage credit risk effectively and protect their assets in order to protect the interests of their investors. Similar to this, banks need to make enough money from lending and fiduciary activities to continue operating. This aids in covering their financing and operating expenditures and also enables them reinvest retained earnings to support ongoing operations. This promotes not just survival but also expansion and prosperity (Aboagye and Otieku, 2010).

Sile N.K and al (2019), the bank's asset is a bank specific variable that affects the financial performance of a bank. The bank asset includes among others current assets, credit portfolio, fixed assets, and other investments. Often a growing asset size is related to the age of the bank More often than not the loan of a bank is the major asset that generates the major share of the banks income. Loan is the major asset of commercial banks from which they generate income. The quality of loan portfolio determines the profitability of banks. The highest risk facing a bank is the losses derived from delinquent loans. Thus, nonperforming loan ratios are the best proxies for asset quality. It is the major concern of all commercial banks to keep the amount of nonperforming loans to low level. This is so because high nonperforming loan affects the profitability of the bank. This study examined and evaluated banks asset quality and financial performance in Kenya using secondary data obtained from the annual reports and accounts of the 11 banks in Kenya listed in Nairobi securities exchange based on annual reports with a sample interval of six year period from 2012 to 2017. The study adopted the use of ratios as a measure of bank financial performance and asset quality since it is a verifiable means for gauging the firms' level of activities while the data were analyzed using the Pearson correlation and regression tool of the SPSS 23.0 .The findings revealed that asset quality had a statistically significant relationship and influence on bank financial performance. Based on the findings the study recommends policies that would encourage revenue diversification, minimize credit risk, and encourage banks to minimize their liquidity holdings. Further research on factors influencing the liquidity of commercials banks in the country could add value to the profitability of banks and academic literature.

Velliscig G and al(2021),Based on a sample of 63 listed European banks, this paper investigates the relationship of capital and asset quality, in terms of provisioning and coverage policies, with bank risk and performance during the period 2005Q1-2018Q4. Our results point out diferent relationships between risk-based and non-risk-based measures of capital with bank risk and performance profles. In particular, the information content of the leverage ratio appears to be merely related to the bank dimensional feature, whereas the total capital ratio shows a positive and statistically signifcant relationship with bank stability and is also negatively related to insolvency risk, thereby suggesting a crucial role for capital for the overall bank resilience. In addition, more capitalized banks are associated

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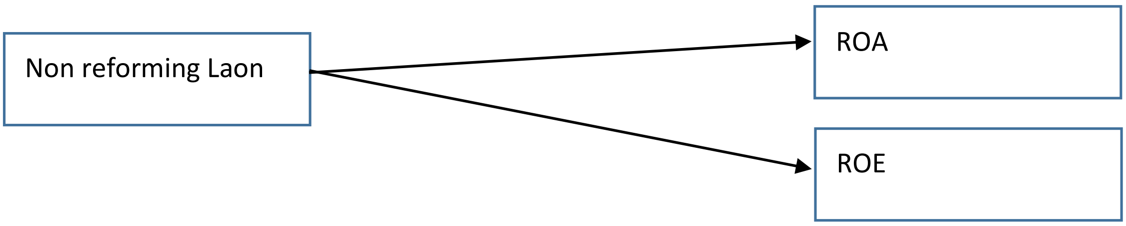
with higher bank performance. Regarding asset quality, hefty coverage and provisioning policies are generally associated with both lower bank resilience and performance. These results are relevant for disentangling the implications that the regulatory overhaul set out to address the NPLs issue is having on banking activity.

Conceptual framework

The literatures review show that various researches have been done on the impact of asset quality on the financial performance of the commercial banks. But very few researches have been done in DR Congo. In addition, there are no direct researches in this area and there are also the rooms for the further improvements, investigation and research in this aspect

Figure N° 1: variables

ID: Asset Quality **DV: Financial**



Source: Author's self-conceptualization.

RESESEARCH METHODOLOGY

Over view
This chapter has shown the research strategies, target population survey, data collection instruments, validity and reliability of the research intruments, data procedures, variable and measurement procedure; method of data, date collection procedures, data analysis, ethical considerations and limitation of the study as well as the findings.

Research strategies
Descriptive design has been used in this work to describe the profitability and the credit risk by using the second data collected without manipulation.

Method of data collection
The data collection tools which has been be used in this research are here below:

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Record sheet: secondary data have been collected from balance sheets and financial statement of firms and commercial banks (Raw bank, Trust merchant bank as well as Commercial bank of Congo).

Observation guide or check list: the research has required a keen observation on the three biggest Bank ok DRC: Rawbank, Commercial bank of Congo (BCBC) and Trust merchant bank TMB

Data processing and analysis

Data of this current research have collected from the report writing and certified by the central bank of Congo. Some elements has help us to collect data: Paper, tablet, telephone, and computer.
The statistical tools that will be used to analyze our data in other to respond to our objectives are:
1) Views to assess the relationship between our Independent variable (credit risk management) and our Dependent variable (financial performance) of commercial banks .Through this we have built such auto regression model:

Y=a1x1+b

Where:
Y= Financial performance measured by the return on asset and return on equity.
X_1= Asset quality measured by the Non-performing loan
b = constant).

Variables and Hypothese

Dependent variables

Profitability of a bank is crucial for stakeholders, investors, and the economy at large. The efficiency with which banks use their resources to accomplish their goals determines how profitable they are. Resources such as cash, people, equipment, capabilities, and skills need to be assessed and evaluated in a systematic manner to determine whether the company's goals have been met (Amelia, 2002). Cost-to-income ratio, return on asset (ROA), return on equity (ROE), interest rate spread, etc. are all indications of a bank's profitability. In this study, our focus on bank profitability will be on ROA and ROE. These are the most long-term efficiency metrics, and they are also appropriate for demonstrating how well and efficiently a bank makes use of all of the resources at its disposal. The success of the market expressly for the banking business and its role as an engine of financial development is ultimately driven by bank profitability, which not only serves to increase an organization's market value but also to guide development of the financial sector. Pertaining to this work.

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Dependent Variable

Asset Quality

According to Frost (2004), the asset quality indicators emphasize the usage of the allowance for loan losses reserve and the non-performing loans ratios (NPLs), which serve as proxies for asset quality. Loans can be divided into five categories according to the conventional classification system: standard, special mention, substandard, dubious, and loss. Poor asset quality is the primary factor in the majority of bank failures, claims Grier (2007). The danger of loan losses resulting from the outstanding loans is the biggest threat a bank faces (Chowdhury, 2013). The ratio of NPLs to total loans demonstrates the direct connection between the two. It shows how much of the loan portfolio is non-performing. A lower ratio suggests that the loan portfolio is of higher quality.

Telceke.N(2017) ,Liaquat Ali and Sania dhiman(2019)Kodithuwakku (2015),Rasikal D.G (2016),Ka()2015),kolapo et al(2012),and Jackson.E.Aand Tanuke.E(2022),discovered that non-performing loans had a negative effect on profitability and the main cause of the banking system's fragility. according to Mensah E. O (2017) , Brayyauld M and Sayyad(2015) the NPL has no impact on the profitability of banks. However, Evalde.(2016) did a study in Rwanda at of Kigali and he asserted that there is a positive relationship between the NPL and the financial performance. Despite contradicting evidence on the topic, the theory and the vast bulk of empirical research predict a negative correlation between non-performing loans and banks' performance.

H1: Non-Performing Loan Ratio (NPLR) has negative and significant related to bank performance

RESEARCH FINDINGS AND DISCUSION OF RESULTS

6.1 Relationship between the NPL and the ROA

Table1: Model Summary of Asset quality and ROA

Modèle	R	R-deux	R-deux ajusté	Erreur standard de l'estimation
1	,962a	,924	,916	,07305

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Prédicteurs : (Constante), AQ

This table depicting regression analysis results reveal that 91.6 percent (adjusted R square = 0.915) likelihood is present for DR Congo commercial banks that the profitability of the banks (ROA) would be affected by the asset quality. From 2010 to 2020, it can be analyzed that the NPL had a significant impact on the Return on asset.

Table 2 ANOVA of Asset quality Management and ROE

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	49,048	4	12,262	41,075	,000b
	Residual	1,791	6	,299		
	Total	50,839	10			

a. Dependent Variable: ROE

b. Predictors: (Constant), BS, AQ, CROD, CARThe findings of empirical research also support the existence of a link between credit risk and the profitability (ROE) of the nation's commercial and investment banks. It may be due to more effective and updated credit risk management practices. Any type of significant relationship between the elements of credit risk management and the financial performance (ROE) of the banks is confirmed by the results of the Anova test, which are presented in this table with F = 41 and a p value of 0.00 less than alpha = 0.05.

Table3.Coefficients of Asset quality and ROA

Modèle		Coefficients non standardisés		Coefficients standardisés	t	Sig.
		B	Erreur standard	Bêta		
1	(Constante)	1,351	,039		34,784	,000
	AQ	-,190	,018	-,962	-10,497	,000

Variable dépendante : ROA

This table shows there is a negative relationship between the asset quality (meseaged by the NPL) and the Return on asset. , because when the nonperforming loan increase a monetary unit the return on asset decrease 0.190 monetary unity. In fact the no performing loan is a loss and the more it's high the lesser is the profitability. The negative relationship between the two variable is statistically significant since sig value is 0.00 which is lesser than 5%.Then the regression equation became **Y=-0**,190**x1+1,351**

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Relationship between the NPL and the ROE

Table4 Model Summary of Asset quality and ROE

Modèle	R	R-deux	R-deux ajusté	Erreur standard de l'estimation
1	,973a	,946	,940	,55072

a. Prédicteurs : (Constante), AQ

According to this table showing the findings of the regression analysis, there is a 94 percent (adjusted R square = 0.94) possibility that the profitability of the commercial banks in the Democratic Republic of the Congo will be impacted by the asset quality. Analysis shows that, between 2010 and 2020, NPL significantly impacted the banks' Return on Equity.

Table5. ANOVA of Asset Quality and ROE

Modèle		Somme des carrés	Ddl	Carré moyen	F	Sig.
1	Régression	48,109	1	48,109	158,623	,000b
	Résidu	2,730	9	,303		
	Total	50,839	10			

a. Variable dépendante : ROE

Prédicteurs : (Constante), AQ

The findings of empirical research also support the existence of a link between Asset quality and the profitability (ROE) of the commercial banks. It may be due to more effective and updated Asset practices. Any type of significant relationship between the elements of credit risk management and the financial performance (ROE) of the banks is confirmed by the results of the Anova test, which are presented in this table with F = 158,623 and a p value of 0.00 less than alpha = 0.05.

Table6.Coefficients between the asset quality and the ROE

Modèle		Coefficients non standardisés		Coefficients standardisés		
		B	Erreur standard	Bêta	T	Sig.
1	(Constante)	13,157	,293		44,918	,000
	AQ	-1,717	,136	-,973	-12,595	,000

a. Variable dépendante : ROE

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From the above table, we can see that the asset quality as assessed by the NPLR has a negative impact on financial profitability (ROE), as the return on Equity decreases by 1.717 units of money for every unit of money that the nonperforming loan increases. In actuality, a non-performing loan is a loss, and the higher it is, the less profitable it is. Since the sig value is 0.00, or less than 5%, the negative link between the NPL and ROE is statistically significant. Here is the regression equation **Y= -** 1,717x**1+13,157**

SUMMARY AND DISCUSSION OF FINDINGS

The above table n°3 shows that the asset quality as assessed by the NPLR has a negative impact on financial profitability because the return on assets decreases by 0.190 monetary units for every unit rise in nonperforming loans (**Y=-0**,190**x1+1,351**). In actuality, a non-performing loan is a loss, and the higher it is, the less profitable it is. Since the sig value is 0.00, or less than 5%, the negative link between the two variables is statistically significant. Moreover, the NPLR had a negative impact on financial profitability (ROE), as the return on assets decreases by 1.717 units of money for every unit of money that the nonperforming loan increases (**Y= -1,717**x**1+13,157)** . In actuality, a non-performing loan is a loss, and the higher it is, the less profitable it is. Since the sig value is 0.00, or less than 5%, the negative link between the NPL and ROE is statistically significant. The findings meet findings of Liaquat Ali and Sania dhiman(2019)Kodithuwakku (2015),Rasikal D.G (2016),Ka()2015),kolapo et al(2012),and Jackson.E.Aand Tanuke.E(2022),who discovered that non-performing loans had a negative effect on profitability and the main cause of the banking system's fragility. However our findings disagree with Mensah E. O. (2017), Brayyauld M, and Sayyad (2015), who assert that the NPLs have little bearing on a bank's profitability moreover Evalde. (2016) conducted in Rwanda at the University of Kigali a research, and he claimed that there is a positive correlation between the NPL and financial performance. This lead us to confirm our second hypothesis which stipulate that "Non-Performing Loan Ratio (NPLR) has negative and significant relationship on bank performance"

CONCLUSION

The general objective of this study was to assess the impact of Asset quality management on the financial performance of commercial banks in DR Congo. This study had one specific objective which was : To assess the relationship between the NPL and the performance of commercial banks in DR Congo.

Descriptive design has been used in this work to describe the profitability and the Asset quality by using the second data collected without manipulation. The data collection tools which had been used

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in this research are here below: Record sheet with secondary data have been collected from balance sheets and financial statement of firms and commercial banks. Observation guide or check list: the research has required a keen observation on the three biggest Bank ok DRC: Rawbank, Commercial bank of Congo (BCBC) and Trust merchant bank TMB

Data of this current research have been collected from the report writing and certified by the central bank of Congo. Some elements will help us to collect data: Paper, tablet, telephone, and computer.
After analysis the table n°3 shows that the asset quality as assessed by the NPLR has a negative impact on financial profitability because the return on assets decreases by 0.190 monetary units for every unit rise in nonperforming loans (**Y=-0**,190**x1+1,351**). In actuality, a non-performing loan is a loss, and the higher it is, the less profitable it is. Since the sig value is 0.00, or less than 5%, the negative link between the two variables is statistically significant. Moreover, the NPLR had a negative impact on financial profitability (ROE), as the return on assets decreases by 1.717 units of money for every unit of money that the nonperforming loan increases (**Y= -1,717**x**1+13,157)** . In actuality, a non-performing loan is a loss, and the higher it is, the less profitable it is. Since the sig value is 0.00, or less than 5%, the negative link between the NPL and ROE is statistically significant. The findings meet findings of Liaquat Ali and Sania dhiman(2019)Kodithuwakku (2015),Rasikal D.G (2016),Ka()2015),kolapo et al(2012),and Jackson.E.Aand Tanuke.E(2022),who discovered that non-performing loans had a negative effect on profitability and the main cause of the banking system's fragility. However our findings disagree with Mensah E. O. (2017), Brayyauld M, and Sayyad (2015), who assert that the NPLs have little bearing on a bank's profitability moreover Evalde. (2016) conducted in Rwanda at the University of Kigali a research, and he claimed that there is a positive correlation between the NPL and financial performance. This lead us to confirm our second hypothesis which stipulate that "Non-Performing Loan Ratio (NPLR) has negative and significant relationship on bank performance"

The study recommends that the finance managers should pay attention to the quality of their clients as there is a negative relationship between the NPL and the financial performance of banks moreover they could manage with a great tension the asset.

To Further Researcher to enrich us by conducting the same topic using all the 18 commercial banks in DRC, using other variables or primary date. Because this research is the result of a human effort, it is crucial that other researchers contribute to it.

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