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SCHOOL OF ECONOMICS AND BUSINESS STUDIES  
DEPARTMENT OF ACCOUNTING  
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ACADEMIC YEAR 2023-2024

EFFECT OF DIVERSIFICATION STRATEGIES AND PERFORMANCE OF COMMERCIAL  
BANKS IN RWANDA

CASE OF STUDY: CASE OF ACCESS BANK RAWNDA PLC (2020-2023)

A dissertation Submitted in Partial Fulfillment of the requirements for the award of  
Bachelor's Degree in Accounting.

By:

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Kigali, August 2024

#### DECLARATION

I hereby declare to the best of my knowledge that, this dissertation titled "Effect of  
Diversification Strategies and Performance of Commercial Banks in Rwanda Case of  
Access Bank Rwanda PLC (2020-2023)" is my original work and where other works has

been used, referencing has been indicated in bibliography.

UMUHOZA DESANGE

Signature.....

Date...../...../2024

APPROVAL

This is to certify that this work titled “Effect of Diversification Strategies and Performance of Commercial Banks in Rwanda Case of Access Bank Rwanda PLC (2020-2023)” has been conducted and submitted by UMUHOZA DESANGE with my approval for examination as a university supervisor.

Name of supervisor: DDUMBA ARAFAT YASSER

Signature.....

Date ...../...../2024

DEDICATION

UMUHOZA DESANGE

## ACKNOWLEDGEMENTS

First and foremost, I would like to acknowledge the Almighty God who unceasingly provides me strength to go and makes everything happen. Had it not been the special grace from the merciful God, we would not have been able to become whom I am today. So, praises and Glory to Him from the deepest bottom of my heart forever and ever.

I would like first of all to extend my gratitude to the mind behind the establishment of a great institution of high learning ULK, especially Professor Dr. RWIGAMBA Balinda the founder of ULK.

My heartfelt gratitude goes to lecturers of Kigali Independent University ULK who made me reach this level, especially in the Department of Accounting.

My sincere heart appreciation goes to our supervisor DDUMBA ARAFAT YASSER for the guidance and encouragement up to this stage of submission.

I will never be able to thank enough my families without your supports in every step of my studies this work of my degree would never have been completed.

Fellow students for moral, academic support and encouragement, to my respondents of

this study, please thank you for the cooperation during our interactions with you, sincere appreciation to all relatives and friends.

May God bless you all!

UMUHOZA DESANGE

#### LIST OF ABBREVIATIONS, ACCRONYMS AND SYMBOLS

CR	: Current Ratio
Dr	: Doctor
EPS	: Earnings Per Share
AMA	: American Marketing Association
CPA	: Cost-Per-Action
BCR	: Banque Commerciale du Rwanda
KPI	: Key Performance Indicators
PLC	: Public Limited Company
CRM	: customer relationship strategies
LTD	: Limited
ROA	: Return on Assets
ROE	: Return on Equity
ROI	: Return on Investment
ULK	: Université Libre de Kigali
USP	: Unique Selling Proposition
www	: World Wide Web

#### ABSTRACT

The research focuses on Effect of Diversification Strategies and Performance of Commercial Banks in Rwanda Case of Access Bank Rwanda PLC (2020-2023)" This study was specifically to analyze the effectiveness of diversification strategies used by ACCESS

BANK PLC. Second specific was to determine contribution of diversification strategies to the performance of ACCESS BANK PLC. The theoretical foundation for this work is provided by these theories. 45 as sample size who make up the marketing team, accounting team, and financial department from the study's population. Both qualitative and quantitative methods will be used in the investigation. The major technique of data gathering was a self-administered questionnaire. Nevertheless, data gathered through questionnaires will be supplemented, verified, and strengthened by interview and content analysis. The researcher was able to identify questions that require modification and those that are vague from this pilot study. Researcher will present the analyzed data in form of tables. Table 4.5 .indicates that (66.6%) of respondents strongly agreed, (28.8%) of respondents agreed and (2.2%) of respondents disagreed that The ACCESS BANK RWANDA PLC s' diversity via agency banking enables them to reach out to rural areas and (80%) of the majority of total respondents strongly agreed, (20%) of respondents agreed that Diversification through agents banking services help ACCESS BANK RWANDA PLC to serve it customer 24hour/7days The table 4.13 shows the Return on Assets ratio during the covered period. From 2020 up to 2023.The ratio of Return on Assets are 1.46%; 1.12%; 2.48% and 20.13% respectively. The table 4.14 shows that from 2020 up to 2023, the ratios of Return on Equity are as follow: 10%; 8%,17% and 20% respectively. This means that there is a significant relationship between diversification strategies and Performance of ACCESS BANK RWANDA PLC. Therefore, it is through this the second specific objective of this study was analysed and of course the above results allowed researchers to confirm the second hypothesis stipulating that “diversification strategies has positive effects on the finance performance of ACCESS BANK RWANDA PLC”.

Key terms: Diversification strategies and financial performance

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## CHAPTER ONE: INTRODUCTION TO THE STUDY

### 1.0. 7 Introduction

This chapter presents the background of the study on the role of electronic banking system to the performance of commercial bank in Rwanda and details background of the study, problem statement, objectives of the study, the research questions, the hypotheses, the scope of the study, significance of the study and the structure of the study

#### 1.1. BACKGROUND OF THE STUDY

Performance measures the bank's policy and operations in monetary terms and demonstrates the firm's overall financial health over time Muthii, (2021). Toutou (2020) defined financial performance as a broad measure of a bank's ability to create revenue from its capital. Suka (2010) examined financial performance as a subjective measure of how successfully a firm employs its principal mode of business assets to create income. Denis (2017) discovered that regionally targeted bank acquisitions throughout the United States led to enhanced profitability. Although Rumble (2021) shown that shifting to quasi-interest earnings provided no extra variety benefit. As a result, there was a paucity of scientific proof on the effects of diversity on financial results for banks. Yet most African commercial financial institutions have not varied their assets within the marketplace. Diversified can be described as the process of gathering up different resources with different degrees of uncertainty in order to reduce the overall risk related to a business's investment. In the field of banking. Considering the vital function they serve in the economy, diversify is typically employed to minimize risk and enhance productivity. Deployment of financial assets through the transfer of cash through savers to financials, According to Ongore Kusa (2019), diversifying lowers the likelihood of bank collapse by mitigating systemic risk. Commercial banks have welcomed diversifying 6 in a variety of ways, including by introducing new services such as wireless banking, independent bank

confidence, anonymous banking, and incorporating microfinance into their banking system (Ndungu, 2019).

Bank' worldwide competitiveness stems from the diversification policies they adopt and execute. Among the several methods of variation in use are network diversity, location diversification, investment diversification, and pride diversification. Entering a new market segment is a component of geographic diversity, increasing the company's financial assets is a component of investment diversification, and establishing new distribution channels is a component of product variety (Adamu, 2020).

Ellerton (2021) asserts that there have been significant recent changes in the main activities that make up the financial services industry, and that traditional financial services are extending into the new technology related to investment banking. Financial institutions have historically made money by providing traditional services like checking accounts and letters of credit, but they are now pursuing new, less traditional revenue streams like selling insurance and mutual company stock and mortgage securitization (DeYoung, 2019).

Similar studies abound, including one by John on the impact of diversity on the financial success of commercial banks in Rwanda. His research showed that diversity has [4 a crucial role in](#) risk management and, as a result, in the overall success of business banks.

The risk of a commercial bank collapsing is reduced through diversification by reducing systemic risks. Kenya's commercial banks are growing their businesses by offering innovative services such cellular banking, brokerage banking, financial institution assurance, anonymous banking, and integrating MFIs into their financial network (John, 2019).

Among of the pioneering and significant research on diversifying on institutions' credit holdings was conducted by Green, R. (2020). They looked at Italian banks and discovered that diversifying in both industries and sectors lowers bank profitability while resulting in risky lending. Busch and Kick (2019) looked at the German banking business's diversification of revenue. Goetz (2019) investigates the relationship between a bank's diversity and its willingness to take risks of rival, pseudo-diversified banks. These

outcomes demonstrated that, even if rival banks are not diversifying their operations, a bank's diversification affects the risk-taking behavior of opponents (Fang, 2022). It was found that bank efficiency is adversely correlated with loan diversity and favorably correlated to diversity of assets.

Because of this background, the researcher was motivated to dig deeper and ascertain how Rwandan commercial banks' performance was affected by their diversification strategy.

## 1.2. Problem Statement

Financial-industry experts also agree that over-diversification buying more and more mutual funds, index funds, or exchange-traded funds can amplify risk, stunt returns, and increase transaction costs and taxes. One of the main reasons that diversification fails is because businesses do not have the right strategy in place," Shipilov (2018) said. <sup>3</sup> "They must think carefully about what distinct resources or capabilities they can move between different markets to give them a competitive advantage. The basic concept of diversification is captured in the saying "Don't put all your eggs in one basket." But what if an investor has too many eggs in too many baskets?

There have been extensive studies conducted in the area of banking sector in the world and Rwanda has not been left out. For instance, Fang, (2020) in their investigation on German banks found out that diversification tended to be coupled with reductions in bank revenues, even when the risk was controlled. In their report, only few cases like high risky banks and industrial diversification showed a positively statistically significant relationship between diversification and bank revenues. Fang et al., (2021) further on their analysis on the diversification of loan portfolios by German banks, found that most of the banks had increased loan portfolio diversifications significantly. David and Dionne (2019) studied how big banks in Sweden managed their loan portfolios, investigating their loan portfolio diversification strategies. Another study by Warucu (2020) showed that for banks to outdo each other, the key strategies they have been using is focus and product differentiation. In his conclusion, he suggested that strict observance of standards need to be executed to

ensure that money legalizing is controlled.

According to BNR (2022), most banks have not been achieving the targeted performance despite their diversification strategies into the market and have continued to register low performance in terms of profits growth. On the same note, there is limited literature on whether these strategies are effective and whether they will be sustainable in the long run. Thus, the effect of diversification strategies in the banking sector is still wanting and thus the research gap. The study thus sought to establish the effects of diversification strategies on the financial performance of Commercial Banks in Rwanda.

However, diversification strategies has manifold advantages as cited above and the performance have been affected due the covid19 prevention measures and recognized trend of, profitability from 2020 to 2022 were 19.4%; 24%; 26.2%; 24.2% respectively, for net profit margin, 2.2%; 2.8%; 3.4%, 14.8%;13,7% for the Return on Assets and 14.8%; 20%; 9.4%; 21.1%; 22;2% for **2 the return on equity.**

The current study fills in the gaps by analyzing the effect of diversification approaches on organizational efficiency, particularly among Commercial Banks in Rwanda, using the case of ACCESS BANK PLC.

### 1.3 Research objectives

The following general and specific objectives, which the researcher used to perform this study, are:

#### 1.3.1. General research Objectives

Investigation of the effects of diversification strategies on the financial performance of Commercial Banks in Rwanda.

#### 1.3.2. Specific Objectives

1. To analyze the effectiveness of diversification strategies used by ACCESS BANK PLC.
2. To determine contribution of diversification strategies to the performance of ACCESS BANK PLC.

### 1.4. Hypothesis

As defined by Bailey (2019), a hypothesis is a response proposition that should first be

stated as anticipated answer to research question and then tested through analysis in the field of the study.

hypotheses are relative answers which lead work and analysis of data\ and they have deeply by the work. Based on the various findings, researcher came out with the following proposed answers:

H1: Diversification strategies in ACCESS BANK PLC are effective.

H2: Diversification strategies contribute to the performance of ACCESS BANK PLC

### 1.5. Scope of the study

In this part researcher highlight scope in concept, domain scope, the area scope and the period scope.

#### 1.5.1. Geographical scope

The research carried out in ACCESS BANK PLC headquarter located in Kigali City, Nyarugenge District. The researcher choose Equity Bank Rwanda PLC as case study because it facilitated them to get information related diversification strategies easily

#### 1.5.2 Time Scope

The study took a time frame of four year from 2020-2023 the researcher choose this period because is where the researchers was able to obtain the updated data.

#### 1.5.2 Context scope

The present research is specifically oriented on the field of marketing on one hand. But on the other side the study it reflects to the domain of financial analysis whereby assessing the financial performance of ACCESS BANK PLC the period ranged from 2020-2023.

### 1.6. 4 Significance of the study

The findings and recommendations was lead many Rwandan banks to the successes through the adaptation of proper diversification strategies Therefore, the study presente personal interest, Academic scientific and academic interest as well as social interests.

#### 1.6.1. Personal Interest

This study was enabled the researcher to obtain a bachelors' degree in Accounting at the Kigali Independent University ULK Moreover, the study would improve upon the



researcher's skills and competencies in banking services and how they relate to **1** the **performance of commercial** bank.

#### 1.6.2. Academic and Scientific interests

This research helped the researcher to fulfill the partial requirement for the award of bachelor's degree in accounting also, this work is very important to students and lectures in business field for references or further research. The ULK library will be benefit from this study for further references.

#### 1.6.3 Social interest

As the study emphasizes on diversification strategies and it effects on the selected **1** **commercial banks in Rwanda, the** managers of unselected banks but in the same sector also was benefit from this study as they aquired some experience on what others banks do in the field of diversification to ensure better performance. Also suggestion that researcher provided in this study helped managers of ACCESS BANK PLC to find out where to reinforce and what to maintain in this career of marketing.

#### 1.7. Structure **4** of the study

**The** report of this study divided into four chapters. The first chapter is made of general introduction. It outlines ground **of the study, statement of the problem,** objectives of the stud, Research questions, Hypothesis and justification/choice **of the study and** scope of the study.

The second chapter presents the literature review. The third chapter related with the methodology of the study, third chapter show the methodological approach that have been followed in order to address research objectives as well as data analysis and interpretation methods. The fourth chapter shows findings and interpretation of findings that have been collected from my research field. Final, this study ended by general conclusion and suggestion

## CHAPTER TWO: REVIEW OF RELATED LITERATURE

### 2.0. Introduction

This chapter examines the literature in relation to the study's goals. It largely concentrated on three key ideas. It first clarified the study's main ideas, then it reviewed the theoretical literature, and last it reviewed the empirical data on the variables being investigated.

### 2.1. Conceptual review

Under this section researcher described the key concept and useful information related to the topic.

#### 2.1.1. Diversification Strategies

Diversification by definition is an exercise of expanding business in term of various assets that has different rate of risks with the main purpose of minimizing the risks that would attack the business while keeping target to one unique product. Banking sector also like other business sector adopt diversification strategy to ensure that it most largest assets source which is deposit from customer would not be affected by risk and all these are done to stimulate and keep up the overall bank's performance (Ongore,2022)

In banking institution diversification was designed as most important strategy of fighting against risks associated with the business of commercial banks on one hand. But on the other side this was designed to boost the completion of banks to ensure performance.

These would be achieved through the invention of new services and products that helped the organization to attract new customers as well as keeping the existing one. in today's banks' business mainly is oriented in digital banking to facilitate easy services delivery and it brought the bank to the overall success

2019).

#### 2.1.2. Performance

Franco (2020) asserted that performance is the accomplishment of a given task measured against present known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfilment of an obligation, in a manner that

releases the performer from all liabilities under the contract. Performance audit is concerned with the audit of economy, efficiency and effectiveness.

Turyahebya (2021) defines financial performance as the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats.

Performance as a contextual concept associated with the phenomenon being studied. 2

In the context of organizational financial performance, performance is a measure of the change of the financial state of an organization, or the effective customer services and financial performance of commercial bank.

### 2.1.3. Commercial bank

A commercial bank is a for-profit financial institution that generates revenue by holding deposits from and making loans to customers, offering various financial services to consumers and earning interest on investments made (usually securities) on deposits. A commercial bank's customers can enjoy the same services as that of a retail bank, such as savings and checking accounts, certificates of deposits, loans and mortgages, and credit, debit and prepaid cards. The main difference, however, is that a commercial bank typically will focus on commercial clients and short-term loans, or lines of credit, for businesses.

A commercial bank could be a single, local bank, a branch of a national or state bank, or a credit union, and offers careers that are similar to those at any other bank. Commercial banks, unlike investment banks, typically loan money to customers using only their own pool of funds and investment income, rather than drawing on outside funds in packaging loans Woeful.H, (2021).

## 2.2. Theoretical review

This section present the theories reflect to the variables understudy. Therefore, this study mainly used transaction and The stakeholder Theory.

### 2. 2.1. Transaction cost theory

William (2016) assumes that the superlative institution framework is the one that execute economic productivity by optimizing the costs of interchange. He further more mentioned that this theory support the overall financial system of the firms. This theory is helpful in the

management of company's transaction.

Without transaction cost theory, whatever company targeted to acquire in terms of profit would be worn out and this can happen to any kind of organizational regardless it sector of activities (Cetckovic, 2018).

Market transaction cost theory necessitate business prosperity expenses balanced with circumstances of the effort involved, there may be a condition by which it bring advantage to organizational business as it encourage market solidity (Clement, 2020).

### 2.2.3. The stakeholder Theory

Freeman (2019) developed the stakeholder theory, which supported the relationship between board categories of people and a certain business's success. The overall target of this theory is to inform the management to always think twice on the decision they intend to make to ensure that the advantaged the interests of different important party of the business including customers shareholders and government.

This theory is like doctrine of ensuring both the internal stakeholders and external one interests, with the main purpose of ensuring that both them will gain from the decision made within the organization. Therefore, this directly reflects to diversification as the diversification on one side look **2 on how the company** can meet customers' needs first than competitors. However on the other side this would be intended to maximize the overall profit of the business(Freeman, 2020) This theory comes from this principle pointed that the business would not perform whenever it doesn't consider all its stockholders in its daily operations since each party plays a considerable role in the functioning of the business. Shareholders finance investments, customers help business to meets its objectives where by consuming the products, suppliers help the business to perform it production process and the government comes to regulate business environment.(Reuter,2019)

### 2.3. Review on effectiveness of Diversification Strategies

Diversification by definition is an exercise of expanding business in term of various assets that has different rate of risks with the main purpose of minimizing the risks that would

attack the business while keeping target to one unique product. Banking sector also like other business sector adopt diversification strategy to ensure that its most largest assets source which is deposit from customer would not be affected by risk and all these are done to stimulate and keep up the overall bank's performance Ongore (2022).

In banking institution diversification was designed as most important strategy of fighting against risks associated with the business of commercial banks on one hand. But on the other side this was designed to boost the completion of banks to ensure performance. These would be achieved through the invention of new services and products that helped the organization to attract new customers as well as keeping the existing one. In today's banks' business mainly is oriented in digital banking to facilitate easy services delivery and it brought the bank to the overall success (2019).

### 2.3.1 Channel diversification

As an important strategy for both bank managers and regulators, diversification has stimulated a broad and continuing stream of research. A summary of research findings covering different diversification channels, bank types, performance measures, and time periods are provided by Stiroh (2021). One stream of research relates diversification to benefits derived from production theory, suggesting that diversification enhances performance by exploiting potential <sup>2</sup> economies of scale and scope. For example, Diamond (2019), argue that commercial banks can facilitate the efficient provision of a variety of financial services using client information gained through the lending process. Eckles (2022) suggest that geographic diversification through branching can reduce average production costs as output expands.

<sup>3</sup> On the other hand, diversification could intensify agency conflicts between bank insiders and their shareholders. For example, Aron (2018), indicate that diversification may make it more difficult to design efficient managerial incentive contracts that align the incentives of outside investors with management. In their view, management will continue to diversify as long as the short-run marginal benefits exceed the marginal costs of doing

so. In terms of international diversification, Goldstein and Pauzner (2021) argue that global contagion during a financial crisis occurs because investment portfolios are often poorly “diversified” across the same countries. Thus, countries that share the same group of investors often contribute to the rapid transmission of negative shocks from one part of the globe to another.

### 2.3.2. Product diversification

Perhaps the most important decisions made by top managers concerns how to improve and measure financial performance among various business opportunities. In companies with multiple divisions, managers have the ability to shift capital between business units in order to fund the best opportunities, thus creating internal capital markets Santalo (2019). To continue growing at the maturity stage, the firms might try to expand internationally into less mature markets. In case they would not, firms might need to diversify into different industries, Mishra (2020). Entering unrelated areas or industries is referred to as the conglomerate product diversification through which corporations aim to reduce the overall risk exposure and expand growth opportunities. Related product diversification, **3** on the other hand, refers to expanding beyond the existing product lines and/or market of the current industry Mishra (2022). Moreover, product diversification feeds on itself. It creates a cadre of aggressive general managers, each running his or her own division, who push for further product diversification and further growth. Thus, most of the giant corporations not only were able to reach their status by diversifying but also feel great pressures to continue doing so Mishra (2021).

The relationship between product diversification and financial performance has been **6** one of the most debated topics in the field of financial performance and finance Santalo (2019). Product diversification issue has been studied mostly in various developed countries Rumelt, (2016) but limited evidence is available in emerging markets. Diversified firms have business operations in more than one industry (Hitt et al, 2022). According to Gourlay et al, (2015) Economies of scope will occur if: there are increasing returns (or indivisibilities) to scale **1** in the use of one or more essential factors of production,

transaction costs prevent an efficient market in the relevant factors, forcing integration, and there are limits on obtaining increased factor utilization by expanding the output of any single end-product. Surprisingly, the causal direction in the product diversification-financial performance linkage has been assumed but not tested (Syed, 2019).

In addition, studies on product diversification have given much attention to the developed world creating a dearth gap in the existing literature **1 on the effect of** product diversification on financial. With exception of Campa, (2022) who found that, non-diversified firms perform better than diversified firms in the emerging Kenyan economy. **3**

**On the other hand,** the statistical tests applied in the studies may not apply to emerging economies corroborate that diversified firms are more risky than non-diversified ones. by asking a question initially posed by Rumelt (2021): **1 as such this study** tend to fill the

literature gap by assessing the effects of product diversification strategy **on financial performance of a** firm. Researchers remained divided on the product diversification effect

in the first decade of the 21st century. Servaes (2020) used a sample of over 1,000 firms from five emerging economies to study whether a diversified firm's shares were traded at a premium or a discount and found that the diversified firms' shares were traded on a discount of 7% as compared to undiversified firms' shares. Grant et al (2022)

### 2.3.3. Investment diversification

This section presents previous empirical evidences which are related with the effect of investment diversification on financial performance in different countries and sector. The study analyzed 40 commercial banks' data. Financial performance was measured using Return on Assets and Return on Equity with location diversification being assessed using the Herfindahl Index (HI). Geographical diversification was measured using Herfindahl Index which involved squaring market share and summing market share of each bank in each market. **1 The study found that** diversifying credit portfolios influenced the risk level of banks with losses in one sector or one location being compensated from the gains obtained from the other sectors or locations. Maina (2020) investigated the product diversification effect **on financial performance of** microfinance companies. Main aims **of this**

study was to identify the types of diversification in the Rwandan microfinance market and how they relate to performance.

The study adopted a descriptive survey design using secondary data obtained from financial records of Microfinance institutions and Central Bank of Rwanda. Major research findings indicated that the diversification indicator, ROA indicator and ROE indicator were on a growth pace from 2008 to 2012. However the study failed to identify the nature of product diversification whether horizontal, vertical or corporate since each one of them has its own 1 impact on the financial performance. Kamwaro (2019) examined the relationship between investment portfolio choice and profitability of investment companies listed in the Nairobi securities exchange. This study took a descriptive research design approach. The study entailed a census of all the investment companies listed in the Nairobi Securities Exchange. There are five investment companies listed in Nairobi Securities Exchange. The study covered a period of three years starting in the year 2012 to year 2014.

#### 2.4. Reviews on Financial Performance

Performance would be measured how better shareholders' investment was used to generate income within a certain period. To understand this well financial analyst use some known ratios such as profitability ratios Brigham ,2019)

Morton (2017) is also in agreement with Drucke (2016), contention that performance should be measured in terms of customer satisfaction. Morton argues that in order to be able to perform, organization should critically look at their customers and know best they are satisfying their needs. He adds that organizations should continuously improve on their services through innovations and great value. Kloot (2017), adds that in order to assess performance, organizations should be examined in terms of quality of services, flexibility, utilization and innovations.

##### 2.4.1. Profitability Measure

James Clausen (2021), Stated the ratio of profit examination of the financial statements and ratio analysis of the balance sheet are used to gauge the success of an organization.



**The income statement and** balance sheet learn ratio analyses, he claimed. The balance sheet and income statement are two essential documents that present the business's wealth and revenue. In regard to earnings relative to earnings, the evaluation demonstrates the way the business is performing. James Clausen (2018) also demonstrates how effectively the properties are producing income. James Clausen (2019), explains that the earnings statement, which is calculated by deducting expenditures from the overall profit (sales minus cost of products sold), displays the business's net profit. Additionally, the financial statement also includes a valuation of both assets and debts. Simply said, the balancing sheet's primary purpose is to display the business's wealth by deducting obligations against assets. According to James Clausen (2019), there exists a significant correlation among resources and income and the balance sheet does not reflect profits. The financial resources of the company are typically heavily financed by the organization's operator.

A good performing banking industry is vital in sustaining the stability of the bank's sector. A low level of profitability deteriorates the capacity of Banks to absorb negative shocks, which subsequently affect solvency and liquidity (Yenesew, 2017). However, a high level of profitability leads the lenders to recover full cost and building institutions that can sustain themselves for a considerable period without continued reliance on government subsidies or donor funds. Moreover, a bank's profitability is based on the extent to which service users directly pay the full cost of providing services (Adhikary, 2021). Therefore, operational efficiency, capital levels, liquidity risk, credit risk, and size are some of the major factors that influence the profitability of banking institutions.

Cohen (2019) In order to evaluate and indicate **the performance of a** company, the economic analysts refer to some indicators, such as growth of sales / sales volume, the effectiveness of competition, the result or income of the company; the effectiveness of the system as a whole etc.

Therefore, for assessing well the performance of any institution the following measures are commonly used:

#### 2.4.2. Net profit margin or rate of return on sales

According to Cohen (2016) commercial viability relates to the pricing policy applied by the company and the margin it takes on goods and services. It is expressed by the ratio of the net profit on sales

Gross profit mark up, **5 margin and net profit margin** show how well a business is doing in terms of profit earned from trading and the whole business activity.

This is a ratio that expresses the Co's net margin or simply the index of profitability of the company.

#### 2.4.3. Total Asset Turnover or Profitability

It is obtained by comparing the total assets of the company and the result expressing all company's activities. According to BERNARD and COLL, asset turnover is calculated as follow:

#### 2.4.4. Return On Equity (ROE)

This involves **1 the relationship between the** net result for the period on the equity the shareholders have invested in the co. it expresses the ratio between net income and shareholders' equity this ratio is referred to as **2 return on equity is** a tool of financial analysis that interests most shareholders. It measures what their investment gives back to them.

#### 2.5. Critical Review and Research Gap identification

Perplexity was found in the study that examined the link between different diversification strategy and banks risks. For example the research conducted by Barton, (2019) and other done by Montgomery, (2019) was not able to clarify the relationship between these variable. Instead of finding relation they found some risks in diversified business. Lubatkin, (2018) in study adopted a comparative study and compare unrelated and related mergers business and found that these cause high risk instead of mitigating them. As conclusion

therefore, they mentioned that only conglomerate diversification is able to reduce business risks. Kahloul and Hallara (2016) carried out an investigation on how diversification risk and performance were related. Sixty nine (69) large firms in France were target for this study and <sup>1</sup> the study period was from 1995 to 2005.

The methodology was centered on both univariate and multivariate analysis. Sample included all 69 nonfinancial firms selected based on size, total period and industrial activity. The data collected was cross sectional and time series hence regression analysis technique was employed to analyses panel data. The resulting findings nullified the diversification-performance relationship. The finding further revealed that total risk was linearly unrelated with diversification. However, specifically, ownership structure has the potential of intervening on the association between performance and diversification as well as that of diversification and risk. There is a possibility that ownership nature can be relevant in having a detailed knowledge of diversification, risk and performance relationships. Turkmen and Yigit (2021) explored diversification in banking and its effect on banks' performance using evidence from Turkey.

It was also noted that numerous studies had been conducted on this topic, both internationally and regionally, but that few had focused on Rwandan cases, such as Kabandana's (2018) study of the impact of diversification strategy on the performance of manufacturing firms in Rwanda with <sup>1</sup> a case study of Inyange Ltd. Florence's (2019) research on the impact of company diversification on Rwandan businesses' financial success is not the only one and their ability to diversify their product lines and operate well in business was restricted. As a result, none of them <sup>1</sup> investigated the impact of investment and channel diversity on the performance of commercial banks in Rwanda.

However, the current study discovers the gape by examining all of the effects.

## 2.6. Conceptual Framework

Hereafter researcher presents the picture of the correspondence between the two variable understudies which are IV on one side and DV on the other side.

Figure2. 1. Conceptual Framework

Independents variable

Dependent variable

Source: Researcher's design, (2024)

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.0. Introduction

The research design is provided in this chapter as well as data collection tools and methodology research used in analysis of collected information. Furthermore the chapter highlights the population understudy, sample and techniques used to select. On the other side researcher present validity and reliability test in this study. After that time, limitations of the research and ethical issues will be discussed.

### 3.1. Research Design

Research design is “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings (Obasi, 2018). In the same time Saunders et al (2022) argued that research design is a framework that is used by researchers to collect and analyse data. This research adopted descriptive; explanatory and exploratory research design. Descriptive approach helped researchers to describe the variables and determine frequency with which something occurs or relationship between the variables of

this study. Explanatory design will help researcher to explain the relationship between customer services and performance of Equity Bank. And exploratory designs helped to gather preliminary information that helps to define problems and recommend solution.

### 3.2. Population of the study

According to (Copper ,2020). a population is the group of all items of interest to a statistics practitioner. He asserts that, it is frequently very large, in fact, be infinitely large.

Considering the population as a group of people or object to whom the researcher want conduct a research, the population to be consult in this study will marketing team, accounting and financial department whose total number is 45 persons.

### 3.3. Sample size and sampling techniques

A sample is a set of entities drawn from a population with the aim of estimating characteristic of the population (Schindler, 2020). Cooper and Schindler (2019) explain that the basic idea of

sampling is selecting some of the elements in a population, so that the same conclusions can be drawn about the entire population. This results in reduced cost and greater accuracy of results.

During the present research, researcher need to have a small number of respondents who provide data in need for the success of the work. Since the population is only composed by 45 staffs in charge of marketing, accounting and financial department, researcher decide to adopt Census sampling technique and consider all them as <sup>3</sup> it is easy to cover the whole population.

### 3.4. Sources of data

Under this section researcher presents source of data that they used for the <sup>1</sup> objective of this study and Researcher used both primary sources and secondary sources of data in this study. Empirical data were collected from different sources to ensure their reliability and validity.

### 3.4.1. Primary data

Primary data is an original and unique data, which is directly collected by the researcher from a source such as observations, surveys, questionnaires, case studies and interviews according to his requirements (Boslogh, 2016) Therefore, for the present study researcher will be collected primary data through structured interviews and questionnaires.

#### 3.4.1.2. Secondary data

In simple terms, secondary data is every dataset not obtained by the author, or “the analysis of data gathered by someone else to be more specific. Secondary data may include data that has been previously gathered and is under consideration to be reused for new questions, for which the data gathered was not originally intended (Vartanian, 2017).

Therefore, in this study secondary data obtained through documentary review where researcher find the data in various books to support the empirical review, and in the document of the bank understudy such as in its financial report in the cover period.

### 3.5. Data collection instrument

This project will mix both first hand and second hand data. The first-hand information will be retrieved through questionnaire and second hand will be collected from published documents such as books, journals and report including financial reports of ACCESS BANK PLC within the covered period.

#### 3.5.1. Questionnaire

Questionnaire is a set of questions that formulated on a well-defined case within the main purpose of finding out the information from targeted population on the matter of the concern. Is a list of statement on which researcher wish to gather the perception of respondents (Yates,2018) For the case of this study researcher distributed self-administrated questionnaire to all selected respondents with the main purpose of collecting the primary data on the case understudy.

#### 3.5.2. Documentary technique

This is data collection technique based on reading books, report and documents which have information related to the topic Kothari (2019).For this case researcher will review the

information from the banks documents, books, journals and reports with the main purpose of finding the secondary data to support the findings and theoretical review of this study.

### 3.6. Validity and reliability tests

#### 3.6.1. Reliability

Authenticity assesses the precision of the study's findings seem or if the study actually evaluates what it set out to assess. Consequently, a test experiment is being conducted with 10% of the participants in the sample in order to guarantee the validity of the current investigation. The investigation will ultimately be capable to identify queries that require modification along with those that are vague <sup>6</sup> based on the results of this initial investigation.

#### 3.6.2. Validity of the instrument

Drost (2017) defines dependability as "random error in measurement." The accuracy or precision of the measuring device is indicated by its reliability. The researcher employed the test-retest reliability technique, in which a pilot test of questionnaires was administered to BPR's staff in order to assess the appropriateness of responses provided by respondents before distributing the questionnaire to the general population. This allowed the researcher to correct any flaws or anomalies that arose during the research process. The researcher also conducted a pre-test by asking the same question in different ways or repeating it at a later stage in the questionnaire to test for consistency in response. The test revealed consistency in response and strengthened the researcher's confidence in the instrument.

### 3.7. Methods of data analysis and processing

The study adopted <sup>6</sup> both qualitative and quantitative methods. In explaining qualitative findings, researchers employed content analysis. The effects of diversification strategies <sup>1</sup> on the financial performance of ACCESS BANK PLC will be measured in terms of percentage according to response from selected sample size. Researcher also will be used the necessary tables and narrative models to present the results that researcher obtained from the data analysis. Furthermore each question that researcher will be used in the

questionnaire or interview is structure **6** in such a way that it provides the underlying information, thereby answering a particular research item so as to meet a defined objective. Researcher process collect quantitative data by using the statistical package for social sciences (SPSS) vision 20.0 as it has extensive analytical capacity. The researcher also will be used multiple correlation and regression when they are two or more than two independent variables, the analysis concerning relationship is known as multiple correlations and the equation describing such relationship as the multiple regression equation.

Researcher analyzed data after editing, coding and tabulation. This analysis was based on percentages that researcher will be obtained to show **1** the relationship between the study variables. The researcher will summarize the information according to the objectives **6** of the study. For this research to be successful; the researcher will be use the analytical method. This helped to separate different parts that make a whole data in order to realize a crucial study of each one aside.

According to John, (2020). this method allows to analyze systematically all information as well as data gathered. This method is used to analyze data collection and other information pertaining to the research; it will be enabled the researcher to analyze information and data that they collected case by case. It helped to analyze statistics and other data that give the idea.

### 3.8. Limitations

The following limitations encountered during the process of data collection:

Availability of respondents was a constraint because some time some of them were busy and refuse to respond. Also the process of distributing questionnaire is very tiresome and expensive to the researchers. Biased respondents also would be another limitation to the researchers. This is because some respondents in the interview can give wrong information or even refuse to give any information. On the other side researcher is require to have bank's stamp on each questionnaire, however the bank officers refused to put the



stamp on any questionnaire because the questionnaires were addressed to customers while customers doesn't have stamp.

### 3.10. Ethical considerations

In order to carry out studies on the institutions under study ethically, researchers must first seek for permission to do so, protect the privacy of research respondents, and not hurt those who are participating. The investigator guarantees that the study's efficacy and honesty be upheld for the benefit of those who view it and any parties who might benefit from it. The study's respondents agree to take part as well. On the reverse hand, and the investigator will provide each responder with a letter outlining the purpose <sup>4</sup> of the study. The communication also reassured participants of the privacy of the data and ensure their privacy.

## CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION

### 4.0. Introduction

This chapter demonstrates the analysis, interpretation, and interpretation of study research data. Tables, frequencies, and percentages were utilized to present the findings. The presentation was in line with the research objectives, which were to assess ACCESS BANK RWANDA PLC activities in diversification strategies, to evaluate ACCESS BANK RWANDA PLC 's performance measures, and to determine the extent to which diversification strategies contributes to ACCESS BANK RWANDA PLC performance.

#### 4.1. Profile of ACCESS BANK

Access Bank (Rwanda) PLC is reputed as one of the fastest growing banks in Rwanda, having demonstrated consistent growth in its financial performance over the past years. The Bank is a subsidiary of Access Bank PLC, one of Africa's largest retail banks by retail customer base.

Access Bank Rwanda leverages on its international network within the Access Bank Group spanning three continents, 12 countries with subsidiaries in Sub-Saharan Africa (Congo DR, Ghana, Gambia, Nigeria, Rwanda, Sierra Leone and Zambia) and the United Kingdom (with a branch in Dubai, UAE) and representative offices in China, Lebanon and India. Access Bank’s growing profile in the Rwandan and African markets is underscored by its commitment towards sustainable business practices. The Bank strives to deliver sustainable economic growth that is profitable, environmentally responsible and socially relevant, helping customers to access more and achieve their dreams. In Rwanda, the Bank provides a range of universal banking services that can be accessed by nearly the entire population. Currently, the Bank operates from 8 Branches across the country.

4.1. Identification of the respondents

This sub-section comprises the profile of respondents; according to their gender, age group, marital status, education level, occupation and experience.

4.1.1. Identification according to gender

The research further investigated the respondents’ gender. The reason was to find out if both sexes hold same views or different ones on diversification strategies and the performance of ACCESS BANK RWANDA PLC This is presented statistically below;

Table 4.1: Education level of ACCESS BANK RWANDA PLC s’ employees

Gender
Frequency
Percentage
Cumulative Percentage
Male

30
66.6
57.14
Female
15
33.4
100.0
Total
45
100.0

Sources: Primary data, (2024)

Table 4.1 shows that out of 30 respondents (66.6%) respondents were male while (33.4%) were female. It shows that the sample represents all kinds of gender. It constitutes an advantage in the sense that the researchers is capable to get information from the two sexes easily on the issue concerning diversification and performance of ACCESS BANK RWANDA PLC use male than female because male are stable at work place than female.

#### 4.1.2. Identification of respondents by age

In relation to age group of respondents, answers were presented in the table 4.2 below:

Table 4.2: Identification of respondents by age

Age group
Frequency
Percent
Cumulative Percent

21-30 years
-------------

14
----

31.1
31.1
31-40 years
25
55.5
86.6
41 years and above
6
13.4
100.0
Total
45
100.0

Source: Primary data, 2024

Table 4.2 it was well indicated that (55.5%) were in the range between 31-40 years old, other (31.1%) were in the range between 21-30 years, years finally the few number represented (13.4%) of respondents were in the range between 41 years and above.

Respondents in this study are less aged; they still have energy to work, to study, to be trained and to make research so as to become more competent. This <sup>1</sup> is an indication that respondents were well distributed in terms of age and this implies that a significant proportion of respondents are in their middle aged group and have fresh mind hence are able to easily cooperate and provide adequate and accurate information related to assess diversification strategies contributes to the performance of ACCESS BANK RWANDA PLC .

#### 4.1.3. Identification of the respondents by education level

The level of education is a key fact in the research, it enables the respondents to disclosure the information with the researcher and the level of education facilitates the

respondents to understand the designed questionnaire for the research. Concerning education level, answers are indicated in the table 4.3 below:

Table 4.3: Education levels of respondent

Education level	Frequency	Percent	Cumulative Percent
Diploma	10	22.2	22.2
Bachelors' degree	27	60	82.2
Masters' degree	8	17.8	100.0
Total	45	100.0	

Source: Primary data, 2024

Table 4.3 indicates that out of 10 respondents (22.2%) have diploma level, (60%) of

respondents finished bachelor's degree (17.8%) of respondents completed masters. This situation indicates that respondents are educated and are able to give enough information related to research purpose. This 1 is an indication that majority of the employee engaged in this research had bachelor degree certificates as their highest level of education. These findings also demonstrate that sampled respondents have adequate qualification in terms of education levels and imply that most of the respondents have adequate knowledge and skills on diversification strategies and what it takes to empower someone within working environment.

4.1.4. Working experience of the respondents

Experience is the knowledge or mastery of an event or subject gained through involvement in or exposure to it. The concept of experience generally refers to know-how or procedural knowledge, rather than propositional knowledge: on-the-job training rather than book-learning. Concerning working experience at ACCESS BANK RWANDA PLC, answers are indicated in the table 4.4 below:

Table 4.4: Working experience

Frequency
Percent
Cumulative Percent
3-4 years
9
20.1
20.1
5-6 years
25

55.5  
66.6  
7 years and above  
11  
24.4  
100  
Total  
45  
100.0

Source: Primary data, 2024

Table 4.4, the researcher has found that out of 9 respondents (20.1%) as the majority of experienced workers were between 3-4 years, followed by (55.5%) of respondents who have an experience varying between 5-6years, another respondent (24.4%) was from 7 years and above. In conclusion therefore, majority of the respondents from the selected department served BPR have an experience between 5-6 years which proves this experience sustains performance, moreover no financial budget for new employee's recruitment. And credibility of information they provide because they real know this institution as they served it from the long time ago.

#### 4.2. Diversification strategies adopted by ACCESS BANK RWANDA PLC

**1** The study aimed at establishing the diversification strategies adopted by ACCESS BANK RWANDA PLC. This section presents the findings on these practices and enabled to achieve the specific objective one and presents the answers to the first research question of this study.

Table 4.5: Perception of respondent on Channel diversification in headquarters in ACCESS BANK RWANDA PLC

Statements

Strongly agree

Agree

Disagree

Total

Mean

SD

F

%

F

%

F

%

Total

%

Diversification through agents banking services help ACCESS BANK to serve it customer

24hour/7days

36

80

9

20

0

0

45

100



4.2360

.35504

ACCESS BANK RWANDA PLC merging help the bank to expand it channel and stay strong at Rwandan market

40

88.9

4

8.9

1

2.2

45

100

4.4547

.45835

Sales points help Bank to approach its customers across the country and record high profit

39

86.7

6

13.3

0

0

45

100

4.2850

.45504

Channel diversification helps Access Bank to keep up its brand image

42

93.3

3

6.7

0

0

45

100

4.5270

.48159

Source: Primary data, 2024

Table 4.5 .indicates that (66.6%) of respondents strongly agreed, (28.8%) of respondents agreed and (2.2%) of respondents disagreed that The ACCESS BANK RWANDA PLC s' diversity via agency banking enables them to reach out to rural areas and (80%) of the majority of total respondents strongly agreed, (20%) of respondents agreed that Diversification through agents banking services help ACCESS BANK RWANDA PLC to serve it customer 24hour/7days while (88.9%) of respondents agreed, (8.9%) of respondents agreed and (2.2%) of respondents disagreed that ACCESS BANK RWANDA PLC merging help the bank to expand it channel and stay strong at Rwandan market (86.7%) of the majority of total respondents strongly agreed, (13.3%) of respondents agreed that Sales points help ACCESS BANK RWANDA PLC to approach its customers across the country and record high profit while (93.3%) of the majority of total respondents strongly agreed, (6.7%) of respondents agreed Channel diversification helps BPR to keep up its brand image

As a result, the outcomes of this investigation indicate Channel diversification allows ACCESS BANK RWANDA PLC to create a cohesive brand experience and establish a robust online presence. This builds brand equity, increases customer trust, and fosters loyalty. Channel diversification enables to allocate marketing budget more effectively.

Table 4.6: Perception of respondent on Product diversification in headquarters in ACCESS

BANK RWANDA PLC

Statements

Strongly agree

Agree

Disagree

Total

Mean

SD

F

%

F

%

F

%

Total

%

ACCESS BANK products reserved to diaspora help the banks to record high profits

35

77.8

9

20

1

2.2

45

100

4.3560

.38239

Financial security enables greater standing and competitive edge

41

91.1

4

8.9

0

0

45

100

4.1250

.53582

ACCESS BANK Products reserved to cooperatives help the banks to record high profits

39

86.6

6

13.3

0

0

45

100

4.3240

.32280

Electronic banking helped ACCESS BANK maintain customer satisfaction

37

82.2

7

15.5

1

2.2

35

100

4.2230

.45835

Financial security enhance better efficiency in delivering services

30

66.6

13

28.8

2

4.4

45

100

.46503

Source: Primary data, 2024

Table 4.6 show that (77.8%) of the majority of total respondents strongly agreed, (20%) of respondents agreed that ACCESS BANK RWANDA PLC products reserved to diaspora help the banks to record high profits while (2.2%) of respondents disagreed that statement. (91.1%) of respondents strongly agreed, (8.9%) of respondents agreed that Financial security enables greater standing and competitive edge, while (86.6%) of respondents strongly agreed,(13.3%) of respondents agreed that ACCESS BANK

RWANDA PLC Products reserved to cooperatives help the banks to record high profits and (82.2%) of respondents strongly agreed, (15.5%) of respondents agreed that diversification strategies electronic banking helped ACCESS BANK RWANDA PLC to maintain customer satisfaction last statement shows that (66.6%) of the majority of total respondents strongly agreed, (28.8%) of respondents agreed that Financial security enhance better efficiency in delivering services only (4.4%) of respondents disagreed that statement Product diversification aims to reduce reliance on a single market by entering new sectors, enhancing business resilience against market fluctuations. Advantages include risk reduction, market expansion, increased company valuation, innovation, competitive edge, resource optimization, and international expansion

This indicates that Diversification product in ACCESS BANK RWANDA PLC helps businesses increase their reach and this in turn sparks a growth of their customer base, leading to an increase in market share. This strategy can be achieved by expanding the range of existing products and services or through the launch of new product lines.

Table 4.7: Perception of respondent on Investment Diversification in headquarters of ACCESS BANK RWANDA PLC s

Statements

Strongly agree

Agree

Disagree

Total

Mean

Standard dev

F

%

F

%

F

F

%

Investment in corporate bonds corporate bonds enhance both ACCESS BANK's profit and cost efficiency

39

86.7

6

13.3

0

0

45

100

4.2570

ACCESS BANK investment internet banking promote the banks operating income

40

88.9

4

8.9

1

2.2

45

100

4.3260

ACCESS BANK investment in agent banking help the bank to reach customers in remote

areas and improve the profitability

37

82.2

7

15.5

1

2.2

45

100

4.5447

Exchange rate volatility affect **1** the financial performance of ACCESS BANK

35

77.8

9

20

1

2.2

45

100

4.8250

Interest rate volatility positively affect the financial performance of ACCESS BANK

36

80

9

20

0

0

45



Source: Primary data, 2024

The results presented in the table 4.7 mentioned that the majority of respondents representing (86.7%) of the total respondents strongly agreed, (13.3%) of respondents agreed that Investment in corporate bonds enhance both ACCESS BANK RWANDA PLC's profit and cost efficiency and (88.9%) of the majority of total respondents strongly agreed, (8.9%) of respondents agreed that ACCESS BANK RWANDA PLC investment internet banking promote the banks operating income only (2.2%) of respondents disagreed that statement. While (82.2%) of the total respondents strongly agreed, (15.5%) of respondents agreed that ACCESS BANK RWANDA PLC investment in agent banking help the bank to reach customers in remote areas and improve the profitability and (77.8%) of the total respondents strongly agreed, (20%) of respondents agreed that Exchange rate volatility affect <sup>1</sup> the financial performance of BPR only (2.2%) of respondents disagreed that statement (80%) of the total respondents strongly agreed, (20%) of respondents agreed that Interest rate volatility positively affect the financial performance of ACCESS BANK RWANDA PLC

This indicates that Investment diversification is that it helps you avoid putting all your eggs in one basket. Imagine that you invest all your money in one company or one sector. If that company or sector performs poorly or faces a crisis, your portfolio will suffer a huge loss.

<sup>3</sup> On the other hand, if you invest in a range of different companies and sectors, the poor performance of one investment can be offset by the better performance of another, leading to a more stable and consistent return

#### 4.3 Performance of ACCESS BANK RWANDA PLC within the period of 2020-2023.

The second <sup>1</sup> objective of this study was to assess the performance of ACCESS BANK RWANDA PLC within the covered period. And this was assessed due to some Known indicators such as trend in deposit; in net fees and commission receive by this bank; in net interest income; in operating income; in net income as well as on equities. It is also

assessed due profitability ratios and results **6** are presented in the table below.

4.3.1.Trend of deposit

Deposit is the total amount of funds invested on the deposit account in a bank and reimbursable to the beneficiaries of this account upon the request. Deposits are the most important source for ACCESS BANK RWANDA PLC as well as in other banks since they ensure stability and liquidity of its performance; they illustrate the trust that the clients have in their bank and relevant financial services available to them. In this point, the researcher present the increase of client's deposit within the period of our study.

Table 4.8: Trend of deposits of Access Bank Rwanda PLC (amount in 000'Rwf)

Years	Deposit	Variation	Percentages (%)
2020	119,946,548	-	-
2021	127,734,131	7,787,583	6.09
2022	156,904,569	29,170,438	18.59
2023	194,087,774	37,183,205	

19.15

Source: Financial statements of Access Bank Rwanda PLC from 2020 up to 2023

Results presented in the table 4.8 demonstrate that ACCESS BANK RWANDA PLC recognized a continuous increase in deposit amount where it increased by 6.09% in 2021; by 18.59% in 2022 and by 19.15% in 2023. And as we all know deposit in banking sector are encouraged by different factors such as effective customer care services, Therefore, these allow researcher to conclude that customer care services has a positive effect on the trend of deposit in the bank understudy.

#### 4.3.2. Trend of loan granted

The effective provision of property or purchasing power against promise of payment within a certain time, usually with compensation of the service provided and the risk involved.

Under these conditions, the loans must meet a counter to know the viability of the lending institution and profitability of the project for which it was granted.

Table 1: Trend of loans of Access Bank Rwanda PLC (amount in 000'Rwf)

Years

Loans

Variation

Percentages (%)

2020

31,484,473

-

-

2021

31,994,114

509,641

1.59

2022

41,729,370

9,735,256

23.32

2023

62,315,574

20,586,204

33.03

Source: Financial statements of Access Bank Rwanda PLC from 2020 up to 2023

Information gathered in the table 4.9 shows that credit granted by ACCESS BANK RWANDA PLC with the period of our study had been increased by 1.59% in 2021; by 23.32% in 2022 and by 33.03% in 2023. Normally the increase in amount of credit granted by any bank has a greatest indicator of its performance since loans had been found as the major source of bank's revenue. And of course this would not happen accidentally but through different factors such as the ways by which the bank effectively serve its customers which in turn encourage them to stay and consume banks products including loans. Therefore, diversification strategies were found to be the boosting factors to this.

#### 4.3.4 Trend of equities

The equities of any company come from the social capital, the reserves and net income. The equities show the financial means of the company without considering the external resources like loans and others. And the evolutions of the **2 equity is an important** indicators of its performance. Therefore, this section presents its evolution and links it with risks management.

Table 4.10: Trend of equity of Access Bank Rwanda PLC (amount in 000'Rwf)

Years

Equity

Variation

Percentages (%)

2020

20,863,994

-  
 -  
 2021  
 22,659,229  
 1,795,235  
 8  
 2022  
 27,387,180  
 4,727,951  
 17.26  
 2023  
 33,366,882  
 5,979,702  
 18

Source: Financial statements of Access Bank Rwanda PLC from 2020 up to 2023

Through the data collected on table 4.10 from ACCESS BANK RWANDA PLC's financial statement, the equities increased by 8% in 2021; by 17.26% in 2022 and by 18% in 2023. The equities of ACCESS BANK RWANDA PLC come from the social capital, the reserves and net income. The equities show the financial means of the institution without considering the external resources like loans and others. And the evolution of the equity of this bank proves its profitability and well standing in investment position. Therefore, this continuous evolution of equity in ACCESS BANK RWANDA PLC has a strong relation with the effective customer services delivered by ACCESS BANK RWANDA PLC.

#### 4.3.5 Net income

The **2 net income is the** final results after all the assets and liabilities have been balanced. The net result is the main indicator of performance. Therefore, in below table researchers intend to assess its evolution in ACCESS BANK RWANDA PLC.

Table 4.11: Trend of interest incomes of Access Bank Rwanda PLC

Years

Interest incomes

Variation

Percentages

2020

7,314,756

-

-

2021

9,365,527

2,050,771

22

2022

12,249,419

2,883,892

23.54

2023

15,963,687

3,714,268

23.26

Source: Financial statements of Access Bank Rwanda PLC from 2020 up to 2023

The table 4.11 shows that from 2020 to 2023 net income of ACCESS BANK RWANDA

PLC increased by 22%; 15.1% and by 23.54% respectively from 2020 up to

2023. According to the above table the net result of ACCESS BANK RWANDA PLC was

increase during the covered period from 2020 to 2023 The net income shows how Equity

Bank Rwanda minimizes the charges because the net income of company necessitates the

level of cost engaged. But the main factor here is the effective customer services which in

turn push customer to depose, asking for credit, withdraw money as well as consuming the

other services and products produced by this bank which in turn lead the bank to a considerable net income. but all come from how customers appreciate the services delivered by ACCESS BANK RWANDA PLC Therefore, it is from these researcher confirmed that diversification strategies contributes a lot to the performance of Bank of Kigali PLC.

#### 4.4. Ratios analysis

The profitability ratio is considered as a measure of profitability, which is a way to measure performance. Common profitability ratios used in analyzing ACCESS BANK RWANDA PLC performance include Net Profit Ratio, return on assets, and return on equity. The tables below illustrate the financial performance Analysis (Profitability analysis of ACCESS BANK RWANDA PLC

The study sought to determine the profitability ratio in order to know the degree of performance in term of profitability during the period of 2020-2023. Profitability ratios indicate the ability of the BK to earn a profit. It **2** is a measure of profitability, which is a way to measure a company's performance. Secondary data was used **1** for the period of ended 31 December 2022 for analyzing the financial performance ratios of the ACCESS BANK RWANDA PLC. The main financial performance ratio used by bank **5** is Gross profit margin, net profit margin and Return on assets and return on equity. The results were summarized in the tables below:

##### 4.4.1 Net Profit Margin Ratio

Net profit margin is a financial ratio that measures the efficiency of a bank's use of its assets in generating sales net operating income or sales income to the financial institutions an interest rate is the rate at which interest is paid by borrowers for the use of money that they borrow from a lender. Specifically, the interest rate is a percent of principal paid at some rate. For example, a small business borrows capital from banking institutions to buy new assets for its business, and in return the lender receives interest at a predetermined interest rate for deferring the use of funds and instead lending it to the borrower. **8**  
Interest rates are normally expressed as a percentage (Damiano, B& Massimo. M, 2018).

5 Net Profit Margin =

Table 4.12: Net profit margin ratio of Access Bank Rwanda PLC ( in 000'Rwf)

Years

2020

2021

2022

2023

Net income (1)

2,142,726

1,765,017

4,690,390

6,717,917

Operating income (2)

10,641,194

11,799,141

15,508,161

19,542,160

Net profit margin (1/2)\*100

20.13

15

30.24

34.37

Source: Financial statements of Access Bank Rwanda PLC from 2020 up to 2023

From 2020 up to 2023 the ratios of net profit margin 20.13%; 15%; 30.24% and 34.37% respectively. Therefore, these results show that ACCESS BANK RWANDA PLC is profitable. And this bank does not reach on this Net Interest Margin accidentally, but they tried their best by just using and allocating their resource appropriately without forgetting how they minimize interest expenses. Normally, was due to the good net income of the



bank understudy, and as we all know net income comes after deducting all expenses from bank's revenue. This means that on one side this is due to the effective expenses management, but on the other side this is due to the considerable effort made in sales. And sales in banking sector influenced by various factors but diversification strategies are the leading factor among others because it influences consumers to consume more due to how it made every transaction easy.

4.4.2. Return on Assets Ratio

Thus, it is the most stringent and excessive test of return to shareholders. If a bank has no debt, the return on assets and return on equity figures will be the same.

Return on Assets =

Table4.13: Return on Assets ratio of Access Bank Rwanda PLC (amount in 000'Rwf)

Years	
2020	
2021	
2022	
2023	
Net income (1)	
	2,142,726
	1,765,017
	4,690,390
	6,717,917
Total assets (2)	
	146,247,660
	156,333,372
	188,585,532
	33,366,882
Return on assets (1/2)*100	
	1.46

1.12

2.48

20.13

Source: Financial statements of Access Bank Rwanda PLC from 2020 up to 2023

The table 4.13 shows the Return on Assets ratio during the covered period. From 2020 up to 2023. The ratio of Return on Assets are 1.46%; 1.12%; 2.48% and 20.13% respectively.

This means that, in 2020 for 100 RWF of invested they got 2.95RWF; in 2021 for 100 RWF of invested they got 2.95RWF; in 2022 it got 3.22RWF and in 2022 got 3.52Rwfs. The above result, show that ACCESS BANK RWANDA PLC, is profitable during the covered period. Because the standard ratio of **1 Return on Assets is 1%**. The above result, show that ACCESS BANK RWANDA PLC, is profitable during the covered period. Because the standard ratio of **Return on Assets is 1%** and looking on the result above ACCESS BANK RWANDA PLC has around three time every year except in the last two years where it has more than two time. And there is no doubt this results would not been attained if doesn't serve it customers effectively

#### 4.4.3. **2 Return on Equity (ROE)**

**Is a measure of how well a company** used reinvested earning to generate additional earnings; equal to fiscal year's after tax, the below table shows the ratio of return on equity during our period of study.

It measures a firm's efficiency at generating profits from every unit of shareholders' **equity (also known as** net assets or assets minus liabilities). ROE shows **how well a company uses** investment funds to generate earnings growth. The formula:

Return on Equity =

Table4.14: **Return on equity ratio** of Access Bank Rwanda PLC (amount in 000'Rwf)

Years

2020

2021

2022

2023

Net income (1)

2,142,726

1,765,017

4,690,390

6,717,917

Total Equity (2)

20,863,994

22,659,229

27,387,180

33,366,882

Return Equity (1/2)\*100

10%

8%

17%

20%

Source: Financial statements of Access Bank Rwanda PLC from 2020 up to 2023

The table 4.14 shows that from 2020 up to 2023, the ratios of Return on Equity are as follow: 10%; 8%,17% and 20% respectively. Normally the above ratios indicate that within this period bank's stockholders were in period of happiness since the average of income generated by their equity shows that for each 100 Rwf the investors gain at least 18.04Rwf. And this was attained because of the effort made by the bank in serving its customers effectively.

#### 4.5 The relationship between diversification strategies and performance of ACCESS BANK RWANDA PLC.

The overall purpose <sup>1</sup> of this study was to assess the relationship between customer care services and financial performance of ACCESS BANK RWANDA PLC within the period of this study and researchers assessed this and results are presented below.

Table 4.15: Model summary

Model

R

R square

Adjusted R Square

St Error of estimates

1

7862a

.6185

.5473

1.14405

a.Predictors: (Constant), Channel Diversification, Product Diversification, Investment Diversification

This table 4.15 provides R and R<sup>2</sup>.The R value is 0.7862 which represents the high correlation. It indicates a high degree of correlation. The R<sup>2</sup> value how much of the dependent variable (financial performance) can be explained by the independent variable (diversification strategies). In this findings the independent variables studied explain only 61.85% on the relationship **1 between financial performance and** diversification strategies at ACCESS BANK RWANDA PLC represented by R<sup>2</sup>. This means that the other variables not studied in this research contributed 38.15% and thus further research should be conducted to investigate these other factors affecting financial performance in ACCESS BANK RWANDA PLC .

Table4.16: ANOVA

Model

Sum of Squares

Df

Mean Square

F	Sig.
Regression	
1.256	
2	
.419	
2.511	.171b
Residual	
4.758	
43	
.231	
Total	
6.014	
45	

Dependent Variable: performance of ACCESS BANK RWANDA PLC

Predictors: (Constant), (Constant), Channel Diversification, Product Diversification, Investment Diversification

From the ANOVA statistics in table 4.16, the processed data, which are the population parameters, had a significance level of 1.71 which shows that the data was ideal for making a conclusion on the population's parameter. The F calculated at 5% Level of significance was 4.758. Since F calculated is 4.758 greater than the F critical (value = 2.511, this shows that the overall model was significant i.e. there is a significant relationship between diversification strategies and financial performance of ACCESS BANK RWANDA PLC.

Table 4.17: Correlations

Correlations

Diversification  
Performance of Access Bank Rwanda PLC

	Pearson Correlation
1	
.894	
Diversification	
Sig. (2-tailed)	
.000	
N	
45	
45	
Performance of Access Bank Rwanda PLC	
Pearson Correlation	
Sig. (2-tailed)	
N	
.894	
45	
1	
45	

Source: primary data 2024

Table 4.17 is giving the relationship between diversification strategies and Performance of ACCESS BANK RWANDA PLC whereby the respondents N is 45 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .894\*\* and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers concludes that variables are correlated and the hypothesis is confirmed. This means **1 that there is a significant relationship between** diversification strategies and Performance of ACCESS BANK RWANDA PLC

Partial conclusion

The effects of diversification strategies **on the Performance of** ACCESS BANK RWANDA PLC and correlation matrix shows that independent variable has positive high correlation to dependent variable equal to .894\*\* and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers concludes that variables are correlated and the hypotheses are confirmed. This means **1 that there is a significant relationship between** diversification strategies and Performance of ACCESS BANK RWANDA PLC. Therefore, it is through this the second specific **objective of this study was** analysed and of course the above results allowed researchers to confirm the second hypothesis stipulating that “diversification strategies has positive effects on the finance performance of ACCESS BANK RWANDA PLC”.

## CONCLUSION AND RECOMMENDATIONS

This chapter presents conclusions drawn **4 from the research findings** and recommendations to concerned parties as well as for future research.

Summary of Findings

The research focuses **1 on the effect of** diversification strategies **on the financial performance of Commercial Banks in Rwanda..** A case of ACCESS BANK PLC. The study was specifically to This study was specifically to analyze the effectiveness of

diversification strategies used by ACCESS BANK PLC. Second specific was to determine contribution of diversification strategies to the performance of ACCESS BANK PLC.

Effectiveness of diversification strategies used by ACCESS BANK PLC.

Researcher will present the analyzed data in form of tables. Table 4.6 show that (77.8%) of the majority of total respondents strongly agreed, (20%) of respondents agreed that BPR products reserved to diaspora help the banks to record high profits while (2.2%) of respondents disagreed that statement. (91.1%) of respondents strongly agreed, (8.9%) of respondents agreed that Financial security enables greater standing and competitive edge, while (86.6%) of respondents strongly agreed,(13.3%) of respondents agreed that BPR Products reserved to cooperatives help the banks to record high profits and (82.2%) of respondents strongly agreed, (15.5%) of respondents agreed that diversification strategies ectronic banking helped BPR Headquarters to maintain customer satisfaction last statement shows that (66.6%) of the majority of total respondents strongly agreed, (28.8%) of respondents agreed that Financial security enhance better efficiency in delivering services only (4.4%) of respondents disagreed that statement Product diversification aims to reduce reliance on a single market by entering new sectors, enhancing business resilience against market fluctuations. Advantages include risk reduction, market expansion, increased company valuation, innovation, competitive edge, resource optimization, and international expansion

This indicates that Diversification product in ACCESS BANK RWANDA PLC helps businesses increase their reach and this in turn sparks a growth of their customer base, leading to an increase in market share. This strategy can be achieved by expanding the range of existing products and services or through the launch of new product lines.

Diversification strategies to the performance of BPR Headquarters

The table 4.13 shows the Return on Assets ratio during the covered period. From 2020 up to 2023.The ratio of Return on Assets are 1.46%; 1.12%; 2.48% and 20.13% respectively.



This means that, in 2020 for 100 RWF of invested they got 2.95RWF; in 2021 for 100 RWF of invested they got 2.95RWF; in 2022 it got 3.22RWF and in 2022 got 3.52Rwfs. The above result, show that ACCESS BANK RWANDA PLC, is profitable during the covered period. Because the standard ratio of **1 Return on Assets is 1%**. The above result, show that ACCESS BANK RWANDA PLC, is profitable during the covered period. Because the standard ratio of **Return on Assets is 1%** and looking on the result above ACCESS BANK RWANDA PLC has around three time every year except in the last two years where it has more than two time. And there is no doubt this results would not been attained if doesn't serve it customers effectively

The table 4.14 shows that from 2020 up to 2023, the ratios of Return on Equity are as follow: 10%; 8%,17% and 20% respectively. Normally the above ratios indicate that within this period bank's stockholders were in period of happiness since the average of income generated by their equity shows that for each 100 Rwf the investors gain at least 18.04Rwf. And this was attained because of the effort made by the bank in serving its customers effectively. 4.5 The relationship between diversification strategies and performance of ACCESS BANK RWANDA PLC.

The overall purpose **1 of this study was to assess the** relationship between customer care services **and financial performance of** ACCESS BANK RWANDA PLC within the period of this study and researchers assessed this and results are presented below.

Conclusion **4 of the study**

**The** study concluded that channel diversification allows ACCESS BANK RWANDA PLC to create a cohesive brand experience and establish a robust online presence. This builds brand equity, increases customer trust, and fosters loyalty and enables to allocate marketing budget more effectively. Therefore, null hypothesis which was saying there is no significant relationship between effective diversification strategies and financial performance is rejected in favorable of alternative hypothesis which says that there is significant relationship between diversification strategies and financial performance.

Recommendations of the study

Considering the findings of this study and the weaknesses identified and it was recommended as following:

To ACCESS BANK RWANDA PLC

ACCESS BANK RWANDA PLC should put in place solid measures to run the diversification strategies in order to enhance positive performance <sup>1</sup> in the bank. The management in the financial institutions should spearhead in application of procedures which are applied in the management of the bank. ACCESS BANK RWANDA PLC should advertise by focusing on needs of market in order to attain its target

ACCESS BANK RWANDA PLC should use new technology in monitoring and evaluating of procedures which are applied in diversification strategies. BPR Headquarter needs to ensure that the online tools adopted create the most interest and brand awareness among its consumers BPR Headquarter should improve the quality of its products and services in order to not be challenged with the competitors

Suggestion for further researches

Despite the results of this study, the study was undertaken to highlight the effects of diversification strategies on the performance, but these findings identified that there are other factors with also affect the performance. Hence, further studies should be undertaken to identify other factors that affect performance of financial institutions. Finally, further studies could be undertaken to highlight the role of diversification strategies increasing performance of financial Institutions.

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## APPENDICES

### QUESTIONNAIRE ADDRESSED TO STAFF OF ACCESS BANK PLC

Dear respondents,

Data collected in this survey is intended for academic purposes only and will be used in partial fulfillment of research project to The effect of Diversification Strategies and **1** *Performance of Commercial Banks in Rwanda* Case of study: ACCESS BANK PLC (2020-2023) All information gathered will be handled with the strictest of confidentiality.

There are 2 sections.

### Section One: General Information

Please tick the most appropriate

#### 1. Gender:

Male [ ]

Female [ ]

#### 2. Age group:

21-30 years [ ]

31-40 years [ ]

41 years and above [ ]

#### 3. Education level

Diploma [ ]

University [ ]

Masters' degree [ ]

#### 4. Experience

3-4 years [ ]

5-6 years [ ]

7 years and above [ ]

### Section B: QUESTIONS RELATED TO THE EFFECTIVENESS OF DIVERSIFICATION STRATEGIES

5. At which level you confer with this assertion concerning diversification in ACCESS BANK PLC? By just utilizing flake between five and one. Please choose your right response among the provided choice. 5. SA4. A 3. N 2. D 1. SD

Channel diversification

SA

A

N

D

SD

When contrasted with rivals, network diversity via the establishment of additional locations enabled BPR headquarters access customers quicker.

Creating additional offices as part of ACCESS BANK PLC 's expansion plan helps the company's headquarters serve customers to their highest level of enjoyment.

The ACCESS BANK PLC s' diversity via agency banking enables them to reach out to rural areas.

Diversification through agents banking services help ACCESS BANK PLC to serve it customer 24hour/7days



ACCESS BANK PLC merging help the bank to expand it channel and stay strong at Rwandan market

Sales points help ACCESS BANK PLC to approach its customers across the country and record high profit

Channel diversification helps ACCESS BANK PLC to keep up its brand image

6. At which level you confer with this assertion concerning the impact of product diversification ACCESS BANK PLC? By just utilizing flake betweenfive and one. Please choose your right response among the provided choice. 5. SA4. A 3. N 2. D 1. SD

Products diversification

SA

A

N

D

SD

Financial security enhance better efficiency in delivering services

Financial security enables greater standing and competitive edge

Financial security help the assessment of risk with the organization

Electronic banking helped ACCESS BANK PLC to maintain customer satisfaction

Electronic banking services helped Equity Bank Rwanda PLC to reduce operational costs

ACCESS BANK PLC Products reserved to cooperatives help the banks to record high profits

ACCESS BANK PLC products reserved to diaspora help the banks to record high profits

7. At which level you confer with this assertion concerning investment in ACCESS BANK PLC? By just utilizing flake between five and one. Please choose your right response among the provided choice. 5. SA4. A 3. N 2. D 1. SD

Investment diversification

SA

A

N

D

SD

ACCESS BANK PLC investment in security offered the highest return

Investment in corporate bonds corporate bonds enhance both ACCESS BANK PLC profit and cost efficiency

Acquisitions in common shares and holdings in equity of other businesses have a substantial impact on the success of ACCESS BANK PLC.

Equity Bank Rwanda PLC investment internet banking promote the banks operating income

ACCESS BANK PLC investment in agent banking help the bank to reach customers in remote areas and improve the profitability

Interest rate volatility positively affect <sup>1</sup> the financial performance of ACCESS BANK PLC

Exchange rate volatility affect the financial performance of ACCESS BANK PLC

Thanks for your cooperation

xiii

b

b

## Sources

1	<a href="https://www.researchgate.net/publication/343489057_Performance_of_Commercial_Banks_in_Rwanda">https://www.researchgate.net/publication/343489057_Performance_of_Commercial_Banks_in_Rwanda</a> INTERNET 3%
2	<a href="https://www.strike.money/fundamental-analysis/roe">https://www.strike.money/fundamental-analysis/roe</a> INTERNET 1%
3	<a href="https://www.europeanceo.com/finance/why-diversifying-your-business-doesnt-always-bring-success/">https://www.europeanceo.com/finance/why-diversifying-your-business-doesnt-always-bring-success/</a> INTERNET <1%
4	<a href="https://statanalytica.com/blog/what-is-the-significance-of-the-study/">https://statanalytica.com/blog/what-is-the-significance-of-the-study/</a> INTERNET <1%
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