FINANCIAL MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF FINANCIAL INSTITUTIONS IN RWANDA

A CASE STUDY OF BANK OF KIGALI PLC (2019-2022)

BY

UMURERWA DIANE DANIELLA

ROLL NUMBER 202111175

Thesis Submitted in Partial Fulfilment for the Degree of Master in Finance

KIGALI INDEPENDENT UNIVERSITY

NOVEMBER 2023

DECLARATION

This is a pronouncement by the candidate that: This thesis titled ***"The Financial management practices and financial performance of financial institutions in Rwanda with a case of Bank of Kigali Plc"*** is my original work, it has never been submitted before for any other degree award to any other University.

Student's Name: **UMURERWA Diane Daniella**

Signature:……………………………

Date……………………………

APPROVAL

This thesis titled ***"The Financial management practices and financial performance of financial institutions in Rwanda with a case of Bank of Kigali Plc"*** has been done under my (our) supervision and submitted for examination with my (our) approval

Supervisor's Name's: Dr. TWESIGE Daniel, PhD

Signature: …………………………………….

Date: …………………………………………...

COPYRIGHT RESERVED

Copyright Reserved by the author. The text is Copyright © year of 2023, **UMURERWA Diane Daniella**.

All rights Reserved. No part of this thesis reproduced or transmitted without prior written permission of the author.

DEDICATION

Dear Parents;

To my brothers;

To my friends and colleagues;

I dedicate this fruitful work.

ACKNOWLEDGEMENT

I would like to thanks Almighty God for his mercy, grace and love; sincere appreciation goes to Prof Balinda RWIGAMBA president of Kigali Independent University, Also, my scientific supervisor Dr. TWESIGE Daniel, PhD, advice and criticism made this research possible. School of Graduate Studies with the knowledge and opportunity to undertake this dissertation. This entails recognition of colleagues, individuals, Sponsors and institutions that supported the research.

I would also like to thank the Kigali Independent University management team for their tireless efforts to provide quality education. Many thanks to my family, students and friends who unknowingly contributed to this work.

UMURERWA Diane Daniella

TABLE OF CONTENTS

DECLARATION i

APPROVAL BY SUPERVISOR(S) ii

COPYRIGHT RESERVED iii

DEDICATION iv

ACKNOWLEDGEMENT v

TABLE OF CONTENTS vi

LIST OF TABLE ix

LIST OF ILLUSTRATIONS OR FIGURES x

ABBREVIATIONS AND ACRONYMS xi

ABSTRACT xii

CHAPTER ONE 1

INTRODUCTION TO THE STUDY 1

1.0 Introduction 1

1.1 Background of the Study 1

1.2. Problem Statement 3

1.3. Research Objectives 5

1.3.1. General Objective 5

2.0 Introduction 9

2.1 Conceptual Review 9

2.1.5 Performance of financial institutions 16

2.2.6 Measuring the profitability 17

2.2.4 Modern Portfolio Theory 22

2.3.1 Research Gap 25

CHAPTER THREE 29

RESEARCH METHODOLOGY 29

3.0 Introduction 29

3.1 Research Design........29
3.2 The Population of the study........30
3.3 Sampling........30
3.3.1 Sample Size........30
3.4.2 Sampling techniques........31
3.4 Data Collection Methods and Tools........31
3.4.1 Research Tools........31
3.5 Validity and Reliability Test........32
3.6 Data processing........33
3.6.1 Coding........33
3.6.2 Editing........34
3.6.3 Tabular Presentation........34
3.8 Limitations........35
3.9. Ethical consideration........36
CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION........37
4.0 Introduction........37
4.1. Characteristics of Respondents........37
4.1.1 Gender of the respondents........37
4.1.2 Age of respondents........38
4.2 Presentation of Findings Related to the Research Objectives of the Study........40
4.2.2 Perceptions of the Respondents on financial reporting for financial performance of Bank of Kigali Plc........43
4.2.3 Perceptions of the Respondents on assets management for financial performance of Bank of Kigali Plc........45
4.3.1. Multiple linear regression analysis........53
CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS........58
5.0 Introduction........58
5.1 Conclusion........58

5.2 Recommendations 59

REFERENCES 61

APPENDICES 68

RESEARCH QUESTIONNAIRES .... a

Appendix II: .... e

LIST OF TABLES

Table 4. 1: Gender of the respondents 37
Table 4. 2: Shows the age of the respondents 38
Table 4. 3: Shows level of education level of respondents 38
Table 4. 4: Shows the occupation of respondents 39
Table 4. 5. Shows working experience in Bank of Kigali Plc 40
Table 4. 6: Shows perceptions of respondents on financial management plans on financial performance of Bank of Kigali Plc 41
Table 4. 7: Perceptions of respondents on *decision making* for financial performance of Bank of Kigali Plc 43
Table 4. 8: Perceptions of respondents on assets management for financial performance of Bank of Kigali Plc 45
Table 4. 9: Perceptions of Respondents on working capital management for financial performance of Bank of Kigali Plc 47
Table 4. 10: Loan to deposit ratio 49
Table 4. 11: Return on Assets 50
Table 4. 12: Return on Equity 51
Table 4. 13. Correlations between financial management practices and financial performance of financial institutions 52
Table 4. 14: Model Summary on financial management practices 53
Table 4. 15: ANOVA Test on financial management practices 53
Table 4. 16: Regression coefficients on financial management practices 54

LIST OF FIGURES

Figure 2. 1: Conceptual framework 28

ABBREVIATIONS AND ACRONYMS

AIS - Accounting Information Systems

EU : European Union

GDP : Gross Domestic Product

RoR : Republic of Rwanda

SD : Standard Deviation

VSE : Very Small Extent

ME : Moderate Extent

SE : Small Extent

LE : Large Extent

ROA : Return of Assets

CBD : Central Business District

WC - Working Capital

ABSTRACT

The purpose of this study is to find out the effect of financial management practices and financial performance of financial institutions in Rwanda. The specific objectives: to determine the effect of financial management plans on financial performance of Bank of Kigali Plc; to examine the effect of decision making on financial performance of Bank of Kigali Plc; to find out the effect of assets management on financial performance of Bank of Kigali Plc and to establish the effect of working capital management on financial performance of Bank of Kigali Plc. This study was designed as descriptive study for Bank of Kigali Plc using the survey method; a case study was described the analysis of financial management practices and financial performance of financial institutions in Rwanda, the researcher acquired knowledge regarding the subject under topic. It is a qualitative analysis that involves careful observation of a situation. All the respondents from the population of Bank of Kigali Plc to respond to research questionnaires. The researcher was used questionnaires to collect data. As far as this study is concerned, the population was comprised by people of Bank of Kigali Plc; targeting 174 people. To describe target population of a study as the point of focus from which a generalization was made regarding the research findings. Thus, a sample size of 174 people as respondents was considered as the representatives of the total population. The researcher used primary and secondary data to get all information needed in this study, the quantitative data was analyzed using descriptive and inferential statistics after running the data collected through the Statistical Package for Social Sciences (SPSS). It also improves the institution's ability to plan future financial trends, thereby managing its operations. The study found that financial institutions effectively received dividend payments. The study therefore concludes that dividend payments among financial institutions are significant in promoting the financial performance of institutional banks in Kigali. By continuously focusing on annual dividends and effectively paying dividends to shareholders, companies are able to strengthen confidence and encourage investors to invest more in financing the company's operations. Finally, the study concludes that financial management practices are an important driver of improving the financial performance of MFIs. Microfinance institutions raise funds by effectively managing fixed assets and managing cash. Through ongoing and effective asset management, financial institutions are able to maintain liquidity levels and thereby manage their financial performance. The study recommends the management of Rwandan financial institutions to improve their efficiency and financial performance by applying effective working capital management tools. Management should adopt appropriate cash management and accounts payable management to ensure that the institution is able to finance its operations without financial constraints. Financial institutions are regulated by the Central Bank of Rwanda, and one of the institution's key policy requirements is to provide audited accounts annually. Therefore, the management of financial institutions should adhere to effective financial reporting and adhere to timeliness, accuracy, relevance and accountability to ensure that financial institutions comply with regulations. They must also make proper use of financial statements to effectively forecast financial trends and plan ahead.

CHAPTER ONE
INTRODUCTION TO THE STUDY

1.0 Introduction

This report is composed by background of the study, statement of the Problem, research questions or hypotheses, general objective, specific objectives, scope, significance, methodology and structure of the study.

1.1 Background of the Study

Globally, financial management practices are focused on improving financial performance. A financial institution with a sound financial management system is effective and efficient. The integration of financial management practices ensures the timely coordination of various activities in the company and the elimination of deficiencies, thereby improving financial performance (Brigham & Ehrhardt, 2013). Economic management is the main path of national development. Businesses, regardless of size, need good financial management practices to succeed (Norton, 2017). Effective financial management is a tool that provides direction for future activities makes adjustments when necessary and helps companies find the best approach in difficult times. Therefore, business success is the result of effective financial management practices (Regina, 2016). Financial management practices play a key role in increasing corporate market value, driving growth and productivity, and ultimately leading to overall financial performance (Sunday & Solomon, 2015).

Financial Management practice is termed as a discipline that deals with how organizations make decisions relating to various financial aspects and the instruments used (Lasher, 2018). According to Brinckmann et al. (2020), financial management practice is the process of acquiring financial resources and measures to enhance the financial performance in firms. Byoun (2019) defined financial management practices as all aspects dealing with money circulations and money control in all business transactions.

It relates to the arrangements and optimal use of financial resources for current and future opportunities in order to improve financial operations.

The practice of financial management is known as a discipline that deals with how organizations make decisions related to various aspects of finance and the tools used (Lasher, 2018). According to Brinkman et al. (2020), the practice of financial management is the process by which financial institutions obtain financial resources and measures to improve financial performance. Byoun (2019) defines the practice of financial management as all aspects of business transactions related to the circulation and control of money. It involves the planning and optimal use of financial resources in relation to current and future opportunities to improve financial operations. Typical financial management practices used by financial institutions include: cash management, capital budgeting decision making, financial analysis and forecasting, and portfolio management (Marembo, 2018).

Working capital management involves managing the organization's assets and liabilities to ensure that the organization has the liquidity it needs. The practice of financial analysis and forecasting requires detailed recording and tracking of all business transactions. Financing decision-making practices include how a company plans and manages finances; Risk management, on the other hand, ensures the stability of the organization even in conditions of financial uncertainty. These practices should not operate as a separate entity, but should all be integrated to have a positive impact on financial results. Financial management practices are measured by cash management practices, budgeting practices, and financing decisions (Byoun, 2019).

The importance of financial management practices for organizations is very important because most of the problems faced by institutions can be eliminated through proper financial management practices (Uluyol, 2013). In particular, working capital ensures the fulfillment of the company's daily financial obligations.

Budgeting and accounting ensure transparency and accountability of organizational transactions. Capital structure management ensures proper coordination of all financial practices in the institution, while risk management ensures the company's preparedness in case of adverse events. All of these, if properly integrated into a company's operations, are designed to improve its financial performance.

Financial management Practice is one of the several functional areas of management, but it is the center of the success of any business. Inefficient financial management practices, combined with the uncertainty of the business environment, often leads business enterprises to serious problems (Chandra, 2017). The growing importance of this issue raises interesting questions on whether companies are improving their abilities to have effective financial management and implementing changes that will enable them to analyze results, interpret, forecast future performance and improve their business decisions (Barker 2017).

However, during the implementation of these financial management practices, there may be additional costs that may burden the firm, resulting in lower profits (Abanis et al., 2013). This may lead many business leaders to shy away from this financial management practice. Other variables such as firm size, risk appetite, capital intensity, leverage, and industry factors also have a moderating effect on how financial management practices affect organizations. Therefore, they should be taken into account when formulating an organization's financial management practices (Moore & Reichert, 2014). Despite the assumption that financial management practices contribute to financial performance, companies continue to underperform.

1.2. Problem Statement

The importance of financial management practices in coordinating the functions of the banking sector is recognized in both developing and developed countries.

Through financial management practices, managers are able to understand the current financial position of a particular bank and its ability to meet future financial obligations (World Bank, 2014). This not only ensures proper management of funds but also creates a conducive environment for advance planning. Thus, financial management practices become a tool for organizations to maintain profits while ensuring that they do not become bankrupt or insolvent (Harash et al., 2014).

The banking sector has performed relatively poorly compared to other sectors of the economy, as evidenced by slow growth. This is mainly due to financial mismanagement. As a result, most companies are unable to service their debts and have gained a competitive advantage. In addition, poor financial management practices create an environment prone to fraud and low transparency, which reduces profits. Abanisetal (2013) conducted a study on the impact of financial management practices in Uganda and concluded that financial management practices significantly affect financial performance. The study established that financial innovations influenced performance of the firms. Olouch, (2016) confirmed that risk management practices have a significant positive effect on the financial performance. Kimani (2017) concluded that financial management practices had insignificant effect on the financial performance.

Mensa (2012) studied the financial management practices adopted by Ghanaian companies and found the existence of a positive relationship. Saah (2015) concluded that financial management practices have little impact on financial performance. Ngugi (2015) conducted a study to determine the impact of financial innovation on the performance of financial institutions. Research shows that financial innovation affects the performance of financial institutions. Olouch (2016) confirms that risk management practices have a significant positive impact on financial performance. Kimani (2017) concluded that financial management practices have little impact on financial performance.

It is observed that there is poor working capital management, financial reporting, assets management and financial management plans thus hamper financial performance of banking sector. Judging from the reviewed literature, the background of the study is a developed market, the sample size is limited and the study period is short. Therefore, the present research is necessary to address the aforementioned gaps in order to conduct this study to answer this research problem. Many scholars did on this study with intention of solving issues related with poor financial management practices that affect financial performance of financial sectors and the problem persist. It is in that regard that this research was undertaken to find out the effect of financial management practices and financial performance of financial institutions in Rwanda focusing on Bank of Kigali Plc as case study.

1.3. Research Objectives

The objective of the study was categorized as general and specific objectives as shown below:

1.3.1. General Objective

The general objective of this study is to assess the effect of financial management practices and financial performance of financial institutions in Rwanda.

1.3.2. Specific Objectives

The specific objectives were the following:

i. To determine the effect of financial management plans on financial performance of Bank of Kigali Plc;

ii. To examine the effect of decision making on financial performance of Bank of Kigali Plc;

iii. To find out the effect of assets management on financial performance of Bank of Kigali Plc;

iv. To establish the effect of working capital management on financial performance of Bank of Kigali Plc.

1.4 Research Questions

This research answered the following questions:

i. What is the effect of financial management plans on financial performance of Bank of Kigali Plc?

ii. What is the effect of decision making on financial performance of Bank of Kigali Plc?

iii. What is the effect of assets management on financial performance of Bank of Kigali Plc?

iv. What is the effect of working capital management on financial performance of Bank of Kigali Plc?

1.5 Scope of the study

1.5.1 Time scope

Researchers was emphasize on the records of four years from 2019 up to 2022 because they are current years and it is easier to the employees of Bank of Kigali Plc to find the related data more easily and also I took this period of time because of using current situation information's.

1.5.2 Geographical scope

This study was conducted at Bank of Kigali Plc as case study. This bank is operating in whole country and researcher used Bank of Kigali Plc Headquarters which located at Nyarugenge sector, Nyarugenge district in Kigali city and this geographical location is easy for me.

1.5.3 Content scope

The study was on the effect of financial management practices and financial performance of financial institutions in Rwanda. This study focuses highly on Bank of Kigali Plc as one strong financial institution in Rwanda, operating in the country and which has for a long time in operation.

This research provided the insight on financial management practices of Bank of Kigali for financial performance. Meanwhile, they was advised and recommended about what is to be done to acquire the desired level of financial performance.

1.6 Significance of the study

This study will be great importance to the Researcher, University, Bank of Kigali Plc and other researchers from Government of Rwanda.

1.6.1 To the Researchers and ULK as a University

Study will serve as tool of reference to future research and advanced studies and to the community by taking into account the findings and the results and recommendations that contributes to the thinking of the community.

This research report would be available in University's library, which will be used by other researchers who would be interested in this area of research. This study will improve the researcher's knowledge on the effect of financial management practices and financial performance of financial institutions in Rwanda, as researcher, I am motivated to work on this as module learnt in class that emphasize financial management practices for financial performance for certain institutions through different activities after achieving this will act as an important requirement for award of Master's Degree in Finance and Accounting.

1.6.2 To the Bank of Kigali Plc

The recommendation from the study will use to guide Bank of Kigali Plc on the weaknesses related with financial management practices so that they can improve accordingly. The study will be expected to benefit greatly for different private institutions and government bodies for getting profitability.

1.6.3 To the government and general public

This study will help the people to know about important role played by financial management practices for financial performance of financial institutions.

The research findings will inspire the government and shade light on how to make relevant policies regulated with financial management practices to achieve financial institution's objectives.

1.7 Structure of the dissertation

Dissertation was organized and presented in five chapters. Chapter one was consisted of general introduction of the study, Background of the study, problem statement, objectives of the study, research questions, scope of the study, significance of the study and Organization of the study. Chapter two presents were composed by introduction, conceptual review, theoretical review, review of related literature, conceptual frame work. Chapter three deals with an introduction of research methodology, research design, population and sample size, sample techniques, measurement of variables, instrument, primary data, secondary data and limitations of the study. The chapter four: Presentation of findings, this research was ended with chapter five with general conclusion and suggestions from the findings.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses and reviews similar or related researches and literature published by other authors' articles, books, journals, reports and previous dissertations related to the topic in question and its variables in order to give an insight into the study as well as expressing the need for this study.

2.1 Conceptual Review

Financial Management practice is termed as a discipline that deals with how organizations make decisions relating to various financial aspects and the instruments used (Lasher, 2018). According to Brinckmann et al. (2020), financial management practice is the process of acquiring financial resources and measures to enhance the financial performance in firms. Byoun (2019) defined financial management practices as all aspects dealing with money circulations and money control in all business transactions. It relates to the arrangements and optimal use of financial resources for current and future opportunities in order to improve financial operations.

Typical financial management practices employed by organizations include; cash management, capital budgeting decisions, financial analysis and forecasting and portfolio management (Marembo, 2018). Working capital management constitutes managing the assets and liabilities in an organization to ensure that an organization has the required liquidity. Financial analysis and forecasting practices entails detailed documentation and tracking of all the business transactions. Financing decisions practices involves how entities plan and manage the finances; risk management on the other hand ensures that the organization remains stable even when faced with financial uncertainties.

These practices do not work as separate entities and ought to be all integrated so as to have a positive influence on the financial performance. Financial management practices were measured by cash management practices, budgeting practices and financing decisions (Byoun, 2019).

2.1.1 Financial management plans

Financial management plan is one phrase that may be used to refer to the process of managing the financial resources of an organization, as stated by Mange (2013). This term is one of many that can be used. This process includes accounting, financial reporting, forecasting, and budgeting, in addition to capital budgeting decisions, which include selecting whether to lease or purchase assets, as well as deciding whether to issue debt or equity. In short, this process includes everything from accounting to financial reporting to budgeting. These many decisions are all a part of the process of capital budgeting. The process of capital budgeting will serve as the backdrop for every one of these decisions to be made (Fekete, *et al., 2010*). In addition to this, he stated that the financial management framework is composed of the processes, systems, internal controls, and practices that are associated with the manner in which the division manages its revenues, costs, assets, liabilities, and potential outcomes. He said this was the case because the framework is made up of the processes, systems, and practices that are associated with the manner in which the division manages its financial information. This statement was made in the context of his outlining what the framework for financial management is. He said that the structure for effective financial management is comprised of each and every one of these component sections (Fekete, *et al., 2010*).

According to Marembo (2018), the components of efficient financial management practices include the management of capital structure, accounting processes, cash budgeting, working capital management, management of non-current assets, and risk management methods.

In addition, effective financial management practices include the utilization of cash flow forecasting. In addition, effective approaches for financial management and administration include cash budgeting. The implementation of a cash budget is another one of the effective strategies of financial management that should be used by firms. Hanafi and Abdul (2015) offer a detailed explanation that the aim of making choices about one's financial resources is to acquire cash at the lowest feasible cost. This idea is presented as the motivation for making decisions regarding one's financial resources. This is the end goal of the process of making choices about one's financial resources.

They refer to this as the reason why one should give serious consideration to the decisions that will have an effect on one's financial resources. It is possible to make money for either a short or a long length of time, and the many sorts of financing that are available correlate to these two unique time periods. Long-term finance refers to funding for a period of time that is at least three years in the future, while short-term financing refers to funding for a period of time that is less than one year in the future. According to Cui, De Jong, and Ponds (2014), in order to make a financial option, one must first identify when, where, and how much money a firm needs in order to carry out its operations and earn a profit. This is necessary in order to make an informed decision. In order to choose the right path of action, it is vital to do this first. The method of financing that was selected is favorable because it reveals the extent to which the total assets backed by the loan have an effect on the financial performance of the firm. This is an important piece of information. This is helpful since the option of financing provides benefits. The relevance of this piece of information should not be overlooked by those who are investors.

2.1.2 Decision making

Strategic decision-making processes (SDMPs) play a key role in the success of an organization and are influenced by various factors which make it a complex process.

This study aims to explore and critically analyse the nature of the SDMP in Libyan Commercial Banks and the impact of environmental and contextual aspects on that process. Many studies stress the importance of DM and the DMP inside organizations. In the context of this study, the meaning of SD is concerned with the activities that form the process of making a decision, and is not concerned with the actual implementation of that decision. This includes activities which contribute to making a decision, which are called the pre-decision processes‖: identifying a decision, gathering and sorting information, and alternative generation, followed by making the decision. The process of activating a decision, the implementation stage, is called the post-decision-making process‖ (Miller, 2016). The literature on management has emphasized the importance of SD in organizations, whether in large or small, private or public, as SD is a central and crucial task of managers (Butler, 2017). SDs are the responsibility of top management and they mostly concern the relationship between an organization and its environment (Nataraajan et al, 2017). Managers may be risk averse or risk accepting and they may have different attitudes to opportunities based on their sensitivity to threats in the environment (Heavey et al., 2009). Risk, and its associated cost, has an influence on SDM (Wilson et al, 2015, p.700). Banking industry evidence suggests that environmental uncertainty has a 2 significant influence on information and decision processes in banking (Leblebici and Salancik, 2016).

2.1.3 Assets management

Asset management is the practice of increasing total wealth over time by acquiring, maintaining, and trading investments that have the potential to grow in value. Asset management professionals perform this service for others. They may also be called portfolio managers or financial advisors.

2.1.3.1 Concept of Fixed Asset.

Manasseh, (2016), defines assets as items that are owned by the business and used in course of its normal activities, rather than being held or produced for sale, those assets that are used, or more accurately, used up in production are classified as current assets. Examples of non-current assets are land and buildings, Office equipment, Plant and machine1y, Vehicles and other intangible assets. While some assets, such as land and building, can expect to hold or even increase their value, others will need to replace in the future. Not only you will need to plan for this expenditure (preparing cash flow statement may help you to do so), but you will need to bear in mind that this type of assets are subjected to depreciation (Manasseh, 2016).

There are two types of non-current assets; Tangible Assets and Intangible Assets. An intangible asset is an asset with no physical fo1m includes patents, trademarks, copyrights and royalties Nkoba, (2017), defines assets are those held with intension of being utilize in the process or earning revenue rather than for the purpose of sale in the ordinary course of business, such as Plant machine1y, Office equipment, Motor vehicle, furniture and fixture. These assets current repeated at the costs less depreciation. Saleemi, (2019), defines that assets are those assets held for the purpose of providing a service for the business which owns it. It is usually held for the relative long period, Examples of assets are land building, machinery, furniture, and equipment.

Tangible Fixed assets: It includes plant and machinery, fixture and fitting equipment's, Land and building. Tangible fixed assets denote that have physical substance. This category is further grouped in to: Fixed estates subject to depreciations, which include all the tangible assets excluding land, they have limited useful life. Land, this is not subjects to depreciations has unlimited te1m of existence. Intangible Assets**,** include patents, copy right, trademark, goodwill, and leasehold.

Intangible assets are those assets, which are in operation of the business but have no physical substance and are assets excluding accounts receivable**,** Investments Assets, these regarded to be pe1manent in nature. They include investment in subsidiaiy companies and trade investments. The cost of assets under historical cost convention is its purchase price or its productions cost in current in b1inging the assets to working conditions, for its intended use at its intended location.

2.1.3.2 Asset Performance Management

Asset performance refers to a business's ability to take productive resources and manage them within its operations to produce subsequent returns. Asset performance is typically used to compare one company's performance over time or against its competition. Asset performance management is a systematic process of deploying, operating, maintaining, upgrading, and disposing of assets cost-effectively. The term is most commonly used in the financial sector to describe people and companies that manage investments on behalf of others. The objective of Asset Performance Management (APM) is to deliver comprehensive, real-time views of your organization‘s infrastructure performance, so that you have the ability to drive forward-looking decisions.

2.1.3.3 Asset Liability Management

Asset liability management, ALM, is defined by different scholars like Gup and Brooks (2013), Charumathi (2008) defined ALM as a dynamic process of planning, organizing, coordinating, and controlling the assets and liabilities; their mixes, volume, maturities, yield, and costs in order to achieve a specified net interest income . In other words, it deals with the optimal investment of assets in view of meeting current goals and future liabilities. It is related to the management of the risks associated with liquidity mismatch, interest rates and foreign exchange movements.

Therefore, ALM is concerned with an attempt to match assets and liabilities in terms of maturity and interest rate sensitivity to minimize interest rate and liquidity risks (Zawalinska, 2019). It is therefore appropriate for institutions (banks, finance companies, leasing companies, insurance companies, and others) to focus on asset-liability management when they face financial risks of different types. Asset liability management includes not only a formalization of this understanding, but also a way to quantify and manage these risks. Further, even in the absence of a formal asset liability management program, the understanding of these concepts is of value to an institution as it provides a truer picture of the risk/reward trade-off in which the institution is engaged (Fabozzi and Kanishi, 2018).

2.1.4 Working capital management

Working capital management refers to the monitoring of the capital available for working and short term finances (Garrison, 2009). It entails the management of the corporate funds so as to increase the interest earned through the maximization of investments and reduction of the interests. This aims to ensure that the organization is able to effectively continue with its operations while having sufficient flow of cash for both short term and future operation expenses. Effective cash management thus ensures the timely provision of cash resources necessary to support the company's operations.

Hamza *et al*, (2015) investigated the cash management practices and performance of financial institutions in Rwanda. The study employed the descriptive cross sectional survey that allowed the collection of primary quantitative data by the use of structure questionnaires. The study found that the cash management efficiency had a positive impact in ensuring that the financial institutions were successful. The study was however compared in an international setting and thus cannot be compared locally. The current study addressed this through providing local empirical evidence from financial institutions.

Oluoch, (2016) conducted a study on the impact of cash management practice on the returns of the financial institutions. The study was guided mainly by the liquidity theories and hold that the cash management practices have a positive influence on the performance. The study took place in financial institutions with the data being collected using questionnaires to the sampled respondents. Both descriptive and inferential statistics were used in the data analysis. The study found out that the cash management practices had a significant positive impact on the performance. This study ascertained the same positive relationship on the financial institutions.

2.1.5 Performance of financial institutions

There are different views on what performance is. It can be regarded as simply the record of the achieved outcomes. On an individual basis, it is a record of the person's accomplishment. Kane (2006) argues that "performance is something that the person leaves behind and that exists a part from the purpose". Bernadine et al (2005) said that: "Performance should be defined as the outcome of work because they provide the strongest linkage to the strategic goals of organization, customer satisfaction and economic contribution". Therefore, performance is the end result of activity. Which measures to select to assess performance depends on organizational unit to be appraised and the objectives to be achieved. The following are the key indicators of performances.

To observe how working capital management can affect organizational performance, one needs to take a look at a company's cash flows. As Shin and Soenen (2008) state in their study, a longer cash conversion cycle might indicate that a company's sales are rising and that the company can compete by having lax credit policies or high inventories. In the same perspective, a higher cash conversion cycle can actually hurt a company's profitability and sales volume by increasing the time that cash is tied to non-interest bearing accounts such accounts receivable.

By shortening the cash conversion cycle, the company's cash flows will have a higher net present value because cash is received quicker. In addition, according to Dong (2010) firms' profitability and liquidity are affected by working capital. Dong (2010) also disclosed that there exists a negative relationship between profitability, conversion cycle and related elements which denote that decrease in the profitability occur due to increase in cash conversion cycle. It is also found that if the number of days of account receivable and inventories are diminished then the profitability will increase. In the same perspective, Bloomberg (2007) had proved that a negative relationship exists between dimensions of working capital component namely, current ratio current asset to total asset ratio current liabilities to total asset ratio and debt to asset ratio in effect to the firm's performance. Smith (2008) was one of the first to study the trade-off between liquidity and profitability in working capital management. This, however, can according to Shin and Soenen (2008) have a negative impact on company decisions, as a shorter cash conversion cycle can contribute to both a better liquidity and higher profitability. So instead of having to make a decision between liquidity and profitability, a company must usually optimize the link between sales and finance. As stated earlier, many companies use long credit periods or high inventories as to enhance sales (Shin & Soenen, 2008) but a lower cash conversion cycle leads to higher NPV of cash flows. This is thus, de facto, a trade-off between sales flexibility and financial policies.

2.2.6 Measuring the profitability

The main objective of business is to earn a satisfactory return on the funds invested in it. Financial analysis helps in ascertaining whether adequate profits are being earned on the capital invested in the business or not. It also helps in knowing the capacity to pay the interest and dividend, (Aryeetey, 2015).

It measure the result of business operations or overall performance and effectiveness of the firm. Some of the most popular profitability ratios are as under: Return on Assets (ROA) is a type of return on investment (ROI) metric that measures the profitability of a business in relation to its total assets. This ratio indicates how well a company is performing by comparing the profit (net income) it's generating to the capital it's invested in assets.

The higher the return, the more productive and efficient management is in utilizing economic resources. Below you will find a breakdown of the ROA formula and calculation.

The ROA formula is:

ROA = Net Income / Average Assets

or

ROA = Net Income / End of Period Assets

Where:

Net Income is equal to net earnings or net income in the year (annual period), Average Assets is equal to ending assets beginning assets divided by 2.

Return on Equity (ROE)

Return on Equity (ROE) is the measure of a company's annual return (net income) divided by the value of its total shareholders' equity, expressed as a percentage (e.g., 12%). Alternatively, ROE can also be derived by dividing the firm's dividend growth rate by its earnings retention rate (1 – dividend payout ratio). Return on Equity is a two-part ratio in its derivation because it brings together the income statement and the balance sheet, where net income or profit is compared to the shareholders' equity. The number represents the total return on equity capital and shows the firm's ability to turn equity investments into profits. To put it another way, it measures the profits made for each dollar from shareholders' equity.

Return on Equity Formula

The following is the ROE equation:

ROE = Net Income / Shareholders' Equity

ROE provides a simple metric for evaluating investment returns. By comparing a company's ROE to the industry's average, something may be pinpointed about the company's competitive advantage. ROE may also provide insight into how the company management is using financing from equity to grow the business.

A sustainable and increasing ROE over time can mean a company is good at generating shareholder value because it knows how to reinvest its earnings wisely, so as to increase productivity and profits. In contrast, a declining ROE can mean that management is making poor decisions on reinvesting capital in unproductive assets.

Liquidity ratios

Banks must be capable of meeting their obligations when they fall due. If the depositors or other lenders do not have confidence that the claims can be met, they will stop depositing or lending funds to the bank. The acquisition of deposits and other funds is a necessary condition for the expansion of loans and investments beyond the amount permitted by the use of equity only. Maintaining adequate liquidity is a key constraint on the bank's profit-making capacity. Theability to meet liquidity may be provided by:

(i) Holding adequate cash or liquid assets;

(ii) Securing an appropriately matching future stream of cash flows from maturing assets; and/or (iii) Maintaining a diversified deposit base in terms of both maturities and range of parties, bank and non-bank, which may provide the ability to raise new deposits at reasonable cost.

Liquidity ratios provide the primary means of judging a bank's liquidity position.

Norms for liquidity ratios of business firms are possible because their liabilities are predictable due to their fixed maturities. For banks, there are no universally recognized liquidity ratios as a large percentage of their liabilities (e.g. deposits) are due on demand. Nevertheless the following ratios can be used as partial indicators.

Return on Loans

Loans are the important earning asset for the bank. The ratio of interest and fees earned on loans to total loans is a significant measure of management's ability to price its loan and to achieve an optimum loan mix.

Interests and fees earned on loans

= -- X 100

Total loans

Earning Assets to Total Assets Ratio: This consists of earning assets (interest-bearing

investments, loans and advances) divided by total assets. It will reveal the extent to which bank's assets are put into productive use. Investment in equipment and buildings may not directly generate income but they are important for the bank's operations.

Earnings assets

= --------------------- X 100

Total assets

Loan Loss Provisions to Total Loans Ratio: This ratio will give useful insight into the quality of a bank's loan portfolio.

Loan loss provisions

= ------------------------- X 100

Total loan

2.2. Theoretical Review

2.2.1 Cash Conversion Cycle Theory

According to Gitman (2014), the higher the cash conversion cycle, the better the financial performance. The cash conversion cycle is important for any business unit because the business unit may know the amount of cash it needs. The theory of cash conversion cycle mainly refers to the period of time required for an organization to obtain the raw materials and cash inflows to operate efficiently. Each element of the business should examine its own cash conversion cycle, which will allow for improvements as it affects financial performance. A shorter cycle indicates that the company needs a lot of assets to operate. A short cash conversion cycle indicates that the business needs a lot of assets to operate.

A longer exchange cycle indicates higher business development, which means higher future profits and higher economic performance (Gitman, 2014).

2.2.2 The Contingency Theory

Pike (2016) developed the Contingency theory aimed at explaining various financial management concepts. The theory holds that there are various contextual factors that determine how an organization operates. This entails the ordinary investment outcomes history, professional competency degree and capital budgeting control policy. While the contextual factors describe why accounting systems vary based on the particular organization, the theory makes the assumption that organizations do not have similar accounting systems and thus attain different financial performances. This may be explained by the different contextual factors surrounding firms. Therefore, resource allocation to financial management practices should be made while giving consideration to these factors (Pike, 2016).

The theory's proposition to the study is that there are certain financial management practices that may work well with certain firms but not with others. This is due to the difference in the corporate settings and external factors. This thus implies that there are no standard financial management practices to be applied by the companies. Therefore, appropriate financial management practices should be chosen after evaluating the particular business setting to ensure it’s appropriate in achieving its intended purpose. A positive influence on the companies' financial performance will only be attained when a balance is met between the corporate setting and the financial system operations (Pike, 2016).

2.2.3 Trade-off Theory

The trade-off theory was proposed by Zechner (2019). The theory states that achieving an optimal level of liquidity is the main goal of any organization. This is mainly because the company is able to balance the cost of holding cash with the benefits it generates later. The theory states that a firm's financial policy is more complex when there is external financing,

which involves asset management and liability provisions. Therefore, a company can make a profit by weighing the cost of borrowing against making a profit.

In this case, borrowing costs include bankruptcy costs and interest payments. In theory, debt financing has advantages such as bringing discipline to businesses and deducting taxes. From the company's debts, it can increase net profit flow, cash flow and thus be a source of working capital. However, this theory is criticized by other researchers who argue that debt should not be used indefinitely as it can increase the chances of bankruptcy (Baxter, 2017). Therefore, the importance of the theory to this study is that it directly links the firm's financing practices, financial structures such as budgeting and working capital management, to debt financing. The theory lays the groundwork for further understanding of the impact of financing practices, such as debt financing, on the performance of financial institutions. According to this theory, the performance of financial institutions in Bank of Kigali Plc will largely depend on their financing practices and the efficiency and reliability of their funding sources.

2.2.4 Modern Portfolio Theory

The modern portfolio theory was developed by Harry Markowitz to explain uncertain futures. The theory draws a line between portfolio risk and the risk of the whole portfolio (Amenc and Le Sourd, 2013). Therefore, the efficiency of the portfolio largely depends on a high return for a particular risk or a certain level of return of a group of lower risk assets. Therefore, investors may choose to reduce the risk of negative returns by holding a portfolio of diverse assets, thus avoiding the risk of higher losses (Brealey and Myers, 2013).

Therefore, it is very necessary to measure and integrate the risks associated with companies, especially those that invest heavily in financial instruments. The theory states that financial management strategies should work to ensure that risk is managed by diversifying assets in the event that one fails.

The theory also provides guidance on how to invest in financial institutions for maximum returns. According to this theory, all financial management practices, including working capital management, financing practices and cash budgeting, should complement each other to promote the financial security and stability of financial institutions, thereby improving the performance of financial institutions. The modern portfolio theory is used to diversify a portfolio in order to obtain a better return overall without a bigger risk in the banks. Another benefit of the modern portfolio theory (and of diversification) is that it reduces volatility.

2.3 Empirical Review

In recent years, the company's activities have attracted wide attention. This is because most businesses tend to struggle financially. Several studies have been conducted with mixed results. Oni et al. (2016) conducted a study on the impact of financial performance practices of Nigerian companies on financial performance. The survey method was used in the study. The sample of this research is 72 companies. The study used both secondary and primary data. Research shows that financial performance practices have little impact on financial performance. Saah (2015) conducted a study on the profitability of companies in the Tamale region of the capital of Ghana.

The study was conducted with a cross-sectional design and mainly used primary data.

Pearson's correlation coefficient and multiplicative linear regression were used in the analysis. Research shows that financial management practices such as AIS, investment financing and working capital management have a positive effect on corporate returns Mazarol et al. (2015) conducted a study on corporate financial management practices in the regions of Australia and Singapore. The study surveyed 145 companies that collected data using primary means. Research shows that firms have formal and informal financial management practices, but they vary widely. Well-organized financial management practices improve financial performance.

However, the study was unable to determine the exact financial management practices in place or the relationship between the study variables. Rathnasiri (2015) conducted a study in Sri Lanka on companies in relation to financial management practices adopted in different areas of business such as managerial education level, size, legal form, leverage and location. The hypothesized relationship was tested with non-parametric tests, which showed that variables such as years of operation under existing management and company location do not determine significant differences in the use of financial management tools and methods. It follows from the results of the study that the influence of financial management practices on financial results is not significant. Mureithi (2014) conducted a study on the challenges faced by Rwandan companies.

Data were analyzed using a descriptive research design and presented using tables and graphs. The study showed that companies face the following challenges: security, debt collection, inability to manage the financial system and competition among themselves. It can be seen that the practice of financial management significantly affects the operation of the company. Ouma (2015) conducted a study to determine the extent of financial management practices used by non-listed companies and their impact on growth in Rwanda.

The study collects primary data from different companies by conducting a questionnaire on the CEOs of the sample companies. The survey found that 45% of companies use internally generated funds to finance their business, 35% invest in long-term assets, 82% maintain cash limits, 75% sell products for cash and 92% perform manual inventory accounting. The survey also revealed that 74% of companies prepare their reports without a qualified accountant, while 55% of companies do not use a formal accounting system. This means that capacity-building programs for companies on practical financial management issues need to be put in place. Bare (2016) conducted a study on the adoption of accounting standards in Kenya and their impact on financial performance of listed companies.

The sample size is 8 listed companies and stratified sampling and simple sampling are used for selection. The study used questionnaires for data collection and Cronbach's α coefficient was used for reliability testing. Organized data were analyzed using inferential and descriptive statistics in conjunction with the Statistical Package for Social Research, 21st edition. The relationship between the adoption of financial accounting standards and its impact on the financial performance of manufacturing companies was determined using multiple regression models. The findings of this study show that there is no significant relationship between the adoption of financial accounting standards and the financial performance of Rwanda.

However, the study does not confirm the existence of other financial management practices in non-SOEs. Farhatali (2017) conducted a study on the impact of strategic financial management on businesses in Nairobi. Research shows that business managers believe that inventory and cash flow (WC) management affects the profitability and risk of their business. Business leaders in Rwanda use sound intuition to assess the viability of investment opportunities, but most of them lack the capital to expand and grow their businesses. However, business leaders in Nairobi do not invest in long-term projects and investment opportunities because they lack the means (access to capital) to use technology in their businesses; they do not take risks because they lack sufficient funds to support the business in case of failure. However, the study was unable to fully determine the relationships that existed between the variables studied.

2.3.1 Research Gap

Empirical evidence on the relation between assets management and performance is mixed; that is, the effect of assets management on performance has been found to be positive, negative, or insignificant. Raei, Tehrani and Farhangzadeh (2015) studied the relationship between investment strategy.

Assets management, performance and risk of firms listed in financial institutions. Assets management was measured by Herfindahl index while return on equity was the only performance measure used. The study adopted the appropriate significant model with random effects after carrying out Hausman test. It was noted that a positive relationship exists between financial management practices and return on equity. However, it was established that the relationship between assets management and performance of firms is insignificant at 95% confidence level.

Iqbal, Hameed and Qadeer (2016) studied the impact of financial management practices on performance of manufacturing companies listed at Karachi, Lahore and financial institutions. The findings of the study indicate no positive relationship between assets management and firms' performance. Multiple comparisons showed that on average performance of companies at different levels of assets management is not same in terms of return on assets. Highly investing and less investing firms in assets management perform somehow equally as compared to moderately diversified firms based on return on assets. However, all three classes did not show much difference in performance according to their classes based on return on equity and market return as the results were insignificant.

Financial performance can be defined as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Özcan, 2016). Further this term is 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 (Agyemang-Mintah, 2017). The recommended measures for financial analysis that determine a firm's financial performance are grouped into five broad categories: liquidity, solvency, profitability, repayment capacity and financial efficiency.

Liquidity measures the ability of the farm business to meet financial obligations as they come due, without disrupting the normal, ongoing operations of the business. Liquidity can be analyzed both structurally and operationally. Structural liquidity refers to balance sheet measures of the relationships between financial management practices and operational liquidity refers to cash flow measures (Goldmann, 2016). A frequent cause of liquidity problems occurs when debt maturities are not matched with the rate at which the business assets are converted to cash. Return on sales reveals how much a company earns in relation to its sales, return on assets determines an organization's ability to make use of its assets and return on equity reveals what return investors take for their investments. The advantages of financial measures are the easiness of calculation and that definitions are accepted worldwide. Traditionally, the success of a processing firm or any company has been evaluated by the use of financial measures (Tangen, 2013).

2.4 Conceptual Framework

A conceptual framework is a diagrammatical research tool intended to assist the researcher to develop awareness and understanding of financial management practices and financial performance of financial institutions in Rwanda from this study. It can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. The interconnection of these blocks completes the framework for certain expected outcomes. An independent variable is one that is presumed to affect or determine a dependent variable. It can be changed as required, and its values do not represent a problem requiring explanation in an analysis, but are taken simply as given. The fundamental aim of financial management practices is to generate a perspective on the way in which critical issues related to financial performance of financial institutions in Rwanda.

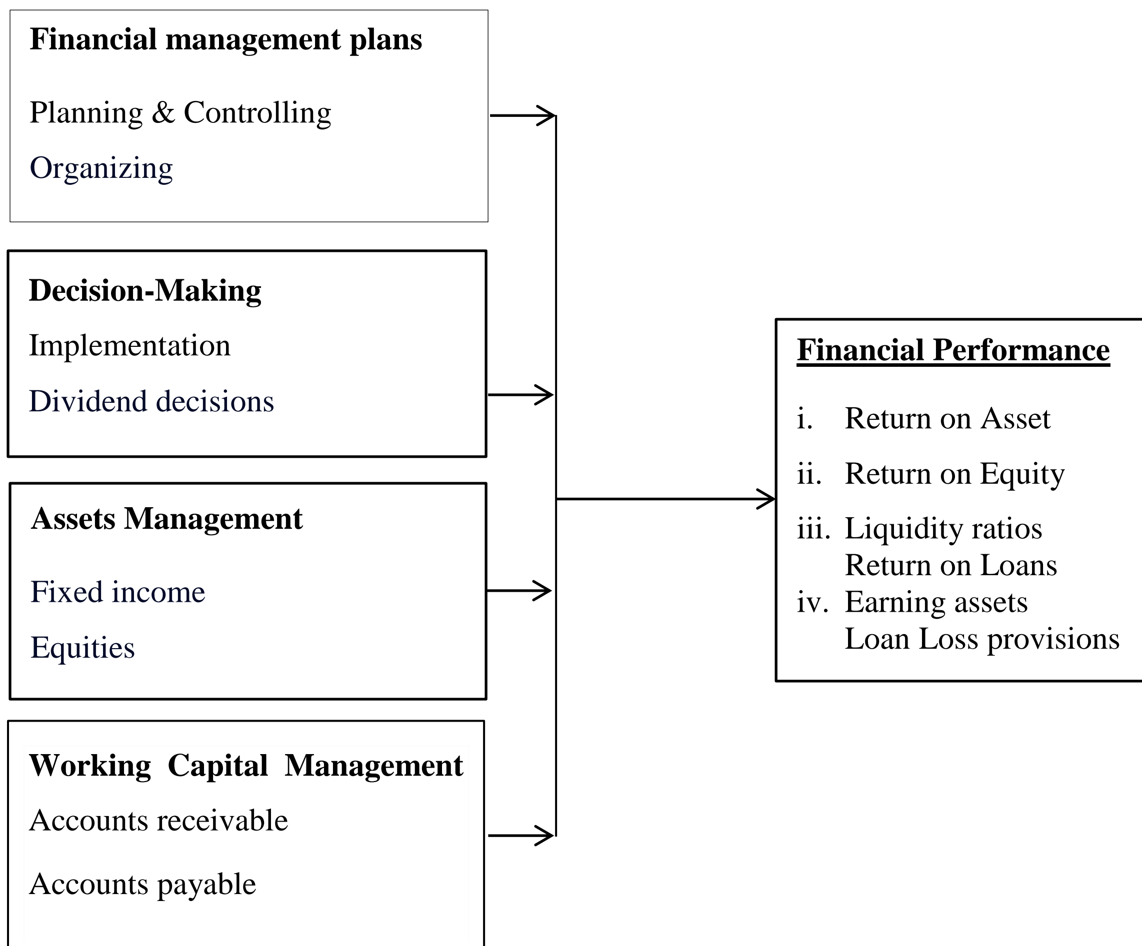


Figure 2. 1: Conceptual framework

Source: Researcher, 2023

In this concept framework of this study'' Financial management practices is the predictor variable or Independent Variable while the dependent variable is 'on financial performance of Bank of Kigali Plc. This conceptual framework, presents the study of variables and their components that are used to guide the investigation leading to study findings. The framework is based on the Dependent Variable for financial performance of Bank of Kigali Plc measured by Return on Asset and Return on Equity.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter tries to explain how the study was conducted. It is made up of methods, techniques of data collection, source of information and approaches both qualitative and quantitative that was used in the study. For any research carried out, the choice of methods and techniques to be used should depend on the objectives and purpose it has. Thanulingmom (2007) defined methodology as the set of methods and principles that was used when studying a particular kind of work. It provides description of research design, the sample design, data collection procedures and instruments. Bailey, (2010) defined as philosophy of research that includes the assumptions and value which serves as rationale for this research and criteria the researcher uses for data interpretation and reaching data conclusion.

3.1 Research Design

A research design refers to the plan of action the researcher intends to use to answer the research questions formulated out of specific objectives of the study. It includes all the steps to be followed by the researcher from the point of coming up with a research proposal to the final point of analyzing the data in the questionnaires (Sukamolson, 2007). Odoh and Chinedum (2014), define a research design as an arrangement aimed at providing answers to the research questions raised in the study.

This study was descriptive research with Bank of Kigali Plc as case study using the survey method. According to Odoh and Chinedum (2014), a case study was describe and analyze the effect of financial management practices and financial performance of financial institutions in Rwanda, assuming that the researcher can acquire knowledge regarding the subject under

review to descriptive research design of a single case. It is a qualitative analysis that involves careful observation of a situation.

3.2 The Population of the study

Population is the people from which the researcher can obtain information. Sarah (2012) said that population is a group of people of organization, objects or events, about which the researcher wants to, draw a conclusion. Thus, the researcher has the total number of 174 populations as employees of Bank of Kigali Plc Headquarters.

3.3 Sampling

Creswell, (2004) said that a sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample. Sample design may as well lay down the number of items to be included in the sample i.e., the size of the sample.

Sample design is determined before data was collected. There are many sample design from which a researcher can choose. Some design is relatively more precise and easier to apply than others. Sample design is the set of methods and procedures to be used in collecting and analyzing measures of the variables specified in the problem research.

3.3.1 Sample Size

There are many ways of calculating sample size, but the researcher need to calculate the necessary sample size for a different combination of levels of precision, confidence, and variability. Due to the information needed, the researcher decided to use all population as simple size thus simple was 174 respondents.

3.4.2 Sampling technique

Universal sampling

As all population was a sample size. The sample was, therefore, be made of number the staff and employees of Bank of Kigali Plc Headquarters respondents who was involved in interaction with researcher.

3.4 Data Collection Methods and Tools

Data is facts or things certainly known and from which conclusions may be made. The main sources of data collection referred to when conducting this study was used primary and secondary sources of data. For the purpose of this research, and in order to achieve the objectives data was collected and both primary and secondary data was used to perform the study. The survey questionnaire was used as the main data collecting instrument and the secondary data was gathered from books, research articles and appropriate websites that are relevant to this study.

3.4.1 Research Tools

The secondary data was contributed toward the formation of background information, needed by both the researcher in order to build constructively the project and the reader to comprehend more thoroughly the survey outcome. Primary data was collected using the questionnaire of multiple choice questions, open-end and open question (where clear and simple answers were required). This decision was based upon the type of information to be collected and the proposed manner of data collection, as well as the time frame allotted for the study, and the cost considerations of the research project.

3.4.1.1 Questionnaires

A questionnaire was research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. Although they are often designed for statistical analysis of the responses.

In order to obtain responses and views of respondents towards the research, questionnaires were distributed amongst respondents. In view of this, (Teresa, 2012) portrays that "questionnaires are a set of related questions developed from hypothesis, objectives of the research study", in her book introduction to research methodology. In this research, the researcher used questionnaires to collect the information related to research topic. Questionnaires were both closed and open ended questions.

The closed ended questions require simple answers from the respondents open ended questions require respondents to give fully their opinions and views regarding questions being asked in the study. Likert scale was used to measure perception of respondents where there are strongly agree (SA), agree (A), neutral (N), disagree (D) and strongly disagree (SD) This method was adopted because it is free from bias of the interviewer, interview questions for the students and answers are in the respondent's own words. Respondents have adequate time to give out answers, and furthermore, the respondents who are not easily accessible can also be reached at their convenient time.

3.4.1.2 Documentation Method

In collecting secondary data, the researcher used documentation review method. This is the data collection process that was based on reading textbooks, documents and other sources which include internet, report, newspapers, journals, government papers and the dissertations with information relating to accounting information system and practices.

3.5 Validity and Reliability Test

Mugenda & Mugenda (2008), emphasized that reliability is done by using Cronbach's Alpha Model on SPSS and that consistency gives reliable results or data after repetitive trials. Reliability is the consistency of measurement, or the extent to which an instrument measures the same method every time it is used under the same circumstance with the similar subject (Bryman, 2015).

The questionnaire's reliability was statistically measured by using Cronbach's alpha as a measure of internal consistency. Should the Cronbach's Alfa coefficient be ≥ 0.7, then the instrument was considered reliable. This was developed by Lee Cronbach in 1951 for the uniformity of a test or scale, and normally expressed as a number between 0 and 1. The following equation applies. Equation (Cronbach, 1951)

$$\infty = \frac{N.C}{V + (N-1).C}$$

Where N is equal to the number of items, C is the average inter-item covariance among the items and V equals the average variance.

Table 3. 1: Reliability statistics

Cronbach's Alpha	N of Items
.891	40

After conducting a pilot study at Equity Bank the researcher found out that the Cronbach's Alpha coefficient was 0.891 which is greater to the 0.7; therefore, based on results of pilot study the questionnaire was reliable to provide needed information by researcher.

3.6 Data processing

The data collected was processed and analyzed. This involved data coding, editing and tabulation especially quantitative data. The purpose of all these is to make the information clear and understandable for other people.

3.6.1 Coding

To ensure that all answers are coherently and logically recorded to provide consistent information in order to facilitate the understanding of phenomenon and cross check the data collected, the process of editing and coding was considered. The responses to the questionnaire were analyzed descriptively and reported as frequency of responses and percentages and later is analyzed and interpreted using tables.

3.6.2 Editing

The editing helps the researcher to examine data, detect any errors and omission, and to correct them where possible. This was done through checking, inspection, correcting and modifying collected data to ensure the completeness, accuracy, uniformity and comprehensiveness.

3.6.3 Tabular Presentation

Tabular presentations were used for presentation of data inform of frequency and percentages. The graphs indicate the number of occurrence of responses to particular questions statically. The data and the presentations were in form of tables and graphs. Graphical presentations gives clear understanding of the research interpretations for clear and easy understanding of the phenomenon studied.

3.7 Methods of data analysis

Data collected was analyzed using descriptive statistics because the data obtained in this study was quantitative. It was used correlations and regression analysis. According to Quang and Hong (2009), quantitative data are observations measured on a numerical scale. Results collect also was entered into the statistical analysis. This analysis indicated variations of the response in the sample, response to the various questions and variations among different groups. Presentation of the results and findings were in terms of tables. Qualitative analysis techniques were used. The Qualitative analysis techniques were complemented with some statistics that was mainly obtained from the secondary data that was obtained through documentary analysis from the case study organization.

3.7.1 Descriptive statistics

Descriptive statistics is a set of statistical methods, measures, or techniques used to summarize groups of numbers. They consist into two categories of measures including measures of central tendency and measures of variability.

The descriptive statistics cover the calculation of means, median, mode, skewness, frequencies and standard deviation. The common descriptive statistics can use table and they can be displayed graphically, or pictorially. In this research, descriptive analysis was carried out using statistical package of social sciences (SPSS).

3.7.2 Inferential statistics

Where there correlation analysis, regression analysis and model

$Y = \beta o + \beta, X + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + ę$

Where Y= Financial performance of financial institutions

X is financial management practices

βo= Constant

$\beta_1 X_{4=}$ Coefficient of estimation

X_1= Financial management plans

X_2= Financial reporting

X_3= Assets management

X_4= Working capital management

3.8 Limitations

Some journal articles and books were needed and to be purchased online. This is a barrier to getting access to all the required information. The researcher also faced a barrier on the unavailability of respondents where some of the selected respondents were not available during the period of data collection, as some were absent because of a lot of duties assigned. Through self-sacrifice and a lot of effort, however, the researcher was able to complete this research in a timely manner.

3.9. Ethical consideration

This study was conducted in a good manner while considering personal values. A researcher only dealt with the subject matter where as she observes and keeps all issues outside the study at the field. The responsibility of ensuring that a respondent was respected, thus personal matters were avoided to the great extent, and the information provided by the interviewees were used for research purposes.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

This chapter includes mainly demographic characteristics of respondents and data analysis which begins with the general information like age, gender, level of education and working experience. The chapter also talks about presentation of research findings whereby each objective is addressed by the analysis. The data collected were analyzed in an attempt to measure the effect of financial management practices and financial performance of financial institutions in Rwanda the analysis was made according to responses from designed questions to the respondents of Bank of Kigali Plc.

4.1. Characteristics of Respondents

The research was carried out at Bank of Kigali Plc, the respondent's personnel information was looked at in terms of gender, marital status and level of education.

4.1.1 Gender of the respondents

The respondents were required to mention their genders, male or female.

Table 4. 1: Gender of the respondents

Gender	N^o of Respondents	Percentages
Male	85	48.8%
Female	89	51.1
Total	**174**	**100**

Source: Primary data, (2023)

Table 4.1 shows that, 48.8% of the respondents were male and 51.1% female. This implies that the view collected in the research is relatively free of gender bias since view of both males and female were considered at Bank of Kigali Plc.

4.1.2 Age of respondents

The age of respondents obtained from the study was shown as below:

Table 4. 2: Shows the age of the respondents

Age of respondents	N° of Respondents	Percentages
21- 30 years	92	52.8%
31- 40 years	46	26.4%
41- 50 years	22	12.6%
51 years and above	14	8%
Total	174	100%

Source: Primary data, (2023)

The findings in the Table 4.2 indicated that 92 respondents (52.8%) have between 21-30years, 46 respondents (26.4%) have between 31- 40 years, 22 respondents (12.6%) have between 41- 50 years while 14 of respondents with 8% have 51 years and above. Implies that the data was obtained mainly from responsible and credible respondents hence its reliability.

4.1.3 Respondents by their level of education

The response about the education level of the respondents was presented in the table below:

Table 4. 3: Shows level of education level of respondents

Education level	N°. of respondents	Percentage (%)
A level	60	34.4%
Bachelor's Degree	87	50%
Master's Degree	27	15.5%
Total	174	100%

Source: Primary data, (2023)

The findings in the Table 4.3 show that 60 of respondents with 34.4% has A level, 87 of respondents with 50% has bachelor's degree while 25 of respondents with 15.5% has master's degree.

This implies that data for the study was obtained from the respondents who educated, this shows the reliability of data obtained and also educational background of BK employees helps in achieving institution objectives.

4.1.4 Occupation at Bank of Kigali Plc

Table 4. 4: Shows the occupation of respondents

Occupation	N° of Respondents	Percentages
Finance& Accounting	50	28.7
Loan officers	16	9.1
Quality Assurance	10	5.7
Human Resource	9	5.1
Legal Officers	10	5.7
Marketing& Sales officers	30	17.1
Logistics	9	5.1
Tellers	40	22.9
Total	**174**	**100**

Source: Primary data, (2023)

From the findings in table 4.4 shows that 50 of respondents with 28.7% are working in Finance& Accounting at Bank of Kigali Plc, 16 of respondents 9.1% are Loan officers at Bank of Kigali Plc while 10 of respondents with 5.7% are Quality Assurance at Bank of Kigali Plc, 9 of the respondents with 5.1% are human resource, 10 of respondents with 5.7% are Legal Officers at Bank of Kigali Plc, 30 of respondents with 17.1% are Marketing& Sales officers at Bank of Kigali Plc, 9 of respondents with 5.1% are Logistics at Bank of Kigali Plc while 40 of respondents with 22.9 % are Tellers at Bank of Kigali Plc This implies that majority of respondents are bank’s daily activities.

4.1.5 Working Experience in Bank of Kigali Plc

Table 4. 5. Shows working experience in Bank of Kigali Plc

Period	N. of respondents	Percentages
1 - 3years	88	50.5%
4– 6 years	61	35%
7 – 10 years	16	9.1%
11 years and above	9	5.1%
Total	**174**	**100%**

Source: Primary data, (2023)

In the Table 4.5, it is shown that 88 of respondents (50.5%) have between 1 - 3 years in service, 61 of respondents (35%) have between 4-6 years in service, and 16 of respondents (9.1%) have 7 – 10 years in service while 9 of respondents with 5.1% have 11 years and above. The implication of these findings is that there are people who are experienced with Bank of Kigali Plc and employees are experienced with Bank of Kigali Plc environment which help them to achieve its goals.

4.2 Presentation of Findings Related to the Research Objectives of the Study

This section showed the perceptions of the respondents based on the following objectives and research questions: The specific objectives of this study is to determine the effect of financial management plans on financial performance of Bank of Kigali Plc; to examine the effect of financial reporting on financial performance of Bank of Kigali Plc; to find out the effect of assets management on financial performance of Bank of Kigali Plc and to establish the effect of working capital management on financial performance of Bank of Kigali Plc.

4.2.1 Perceptions of the respondents on financial management plans on financial performance of Bank of Kigali Plc

Table 4. 6: Shows perceptions of respondents on financial management plans on financial performance of Bank of Kigali Plc

Indicators		SD	D	N	A	SA	Total	Frequency	
								Mean	SD
A financial plan can help bank of Kigali Plc to create an investment portfolio	Frequency	0	0	12	78	84	174	4.67	0.543
	Percentage	0%	0%	6.4%	44.8%	48.2%	100%		
Managing liquidity, or ready access to cash, financing large purchases for financial performance of Bank of Kigali Plc	Frequency	0	6	20	78	70	174	4.43	0.725
	Percentage	0%	3.4%	11.4%	48.8%	40.2%	100%		
It is used to measure Bank of Kigali Plc overall financial health over a given period of time	Frequency	0	2	19	81	72	174	4.21	0.966
	Percentage	0%	1.1%	10.9%	46.5%	41.3%	100%		

SD = strongly disagree, D= disagree, N= Not sure, A= agree, SA= strongly agree.

Source: Primary Data (2023)

Table 4.6 for each indicator shows the percentage and frequency shows the mean and standard deviation of the responses elicited from the respondents. The findings show that financial plan can help bank of Kigali Plc to create an investment portfolio.

None of the respondents neither disagreed nor strongly disagreed that financial plan can help bank of Kigali Plc to create an investment portfolio. The neutral responses comprised of 12(6.4%), 78(44.8%) respondents agreed that financial plan can help bank of Kigali Plc to create an investment portfolio while 84(48.2%) strongly agreed that financial plan can help bank of Kigali Plc to create an investment portfolio, with a mean of 4.67 and standard deviation of 0.543 as shown on that financial plan can help bank of Kigali Plc to create an investment portfolio.

It further depicts that 6(3.4%) of the respondents disagreed and were 20 (11.4%) neutral with the statement that managing liquidity, or ready access to cash, financing large purchases for financial performance of Bank of Kigali Plc, 78(48.8%) agreed while 70(40.2%) strongly agreed, with a strong mean and standard deviation of 4.43 and 0.725 respectively. From the tables, 2(1.1%) of the respondents disagree that managing liquidity, or ready access to cash, financing large purchases for financial performance of Bank of Kigali Plc, 19(10.9%) are neutral, 81(46.5%) of the respondents each agreed and 72(41.3%) strongly agreed that managing liquidity, or ready access to cash, financing large purchases for financial performance of Bank of Kigali Plc.

Furthermore, none of the respondents strongly disagreed with the statement, 2 of respondents with 1.1% are disagree that it is used to measure Bank of Kigali Plc overall financial health over a given period of time, 19 of respondents with 10.9% are neutral with the statement, 81 of respondents with 46.5% are agree that it is used to measure Bank of Kigali Plc overall financial health over a given period of time while 72 of respondents with 41.3% are strongly agree that it is used to measure Bank of Kigali Plc overall financial health over a given period of time with a mean of 4.21 and standard deviation of 0.966 which shows that it is used to measure Bank of Kigali Plc overall financial health over a given period of time.

4.2.2 Perceptions of the respondents on decision making for financial performance of Bank of Kigali Plc

Table 4. 7: Perceptions of respondents on decision making for financial performance of Bank of Kigali Plc

Indicators		SD	D	N	A	SA	Total	Frequency	
								Mean	SD
Decision-making in the banking institutions help people weigh options and make informed choices for their financial situations	Frequency Percentage	0 0%	0 0%	0 0%	76 43.6%	98 56.3%	174 100%	4.41	0.815
The financial decision-making involves identifying financial goals, gathering relevant information, analyzing data, developing alternative solutions for financial performance of Bank of Kigali Plc	Frequency Percentage	0 0%	9 1%	9 5.1%	75 43.1%	81 46.5%	174 100%	4.26	0.958

Decision-making provides financial perspective and expertise that bank needs to make profitable business decisions consistently	Frequency Percentage	0 0%	0 0%	7 4%	78 44.8%	89 51.1%	174 100%	4.01	.040

SD = strongly disagree, D= disagree, N= Not sure, A= agree, SA= strongly agree.

Source: Primary data (2023)

Table 4.7 for each indicator shows the percentage and frequency shows the mean and standard deviation of the responses elicited from the respondents. The findings shows that the 174 respondents, table 4.7 show that 98(56.3%) strongly agreed and 76(43.6%) agreed that decision-making in the banking institutions help people weigh options and make informed choices for their financial situations. Most of the respondents witnessed that decision-making in the banking institutions help people weigh options and make informed choices for their financial situations with strong mean and standard deviation of 4.41 and 0.815 respectively, implies that decision-making in the banking institutions help people weigh options and make informed choices for their financial situations.

Most of the respondents also confirmed that the financial decision-making involves identifying financial goals, gathering relevant information, analyzing data, developing alternative solutions for financial performance of Bank of Kigali Plc as it can be seen from table 4.7 where 9 of respondents with (5.1%) are disagreed and neutral with the statements, 75 (43.1%) agreed and 81(46.5%) strongly agreed that the financial decision-making involves identifying financial goals, gathering relevant information, analyzing data, developing alternative solutions for financial performance of Bank of Kigali Plc with strong mean and standard deviation of 4.26 and 0.958 respectively.

Decision-making provides financial perspective and expertise that bank needs to make profitable business decisions consistently with 89(51.1%) are strongly agreed and agree 78(44.8%) all show that some of the respondents are neutral 7(4%) respectively. The strong mean and standard deviation of 4.01 and 1.040 respectively, further shows that Decision-making provides financial perspective and expertise that bank needs to make profitable business decisions consistently.

4.2.3 Perceptions of the respondents on assets management for financial performance of Bank of Kigali Plc

Table 4. 8: Perceptions of respondents on assets management for financial performance of Bank of Kigali Plc

Indicators		SD	D	N	A	SA	Total	Frequency	
								Mean	**SD**
Asset management describes managing money of Bank of Kigali Plc	Frequency	0	0	18	64	92	174	4.26	0.855
	Percentage	0%	%	10.3%	36.7%	52.8%	100%		
It develops and execute investment strategies that create value of Bank of Kigali Plc for the clients	Frequency	0	10	16	60	88	174	4.22	0.039
	Percentage	%	5.7%	9.1%	34.4%	50.5%	100%		
Asset management enables Bank of Kigali Plc to maximize the value of the assets throughout the different stages of the asset lifecycle	Frequency	0	5	14	80	75	174	4.01	0.126
	Percentage	%	2.8%	8%	45.9%	43.1%	100%		

Source: Primary data (2023)

Table 4.8 for each indicator shows the percentage and frequency shows the mean and standard deviation of the responses elicited from the respondents. The findings shows that the 174 respondents, that 92(52.8%) strongly agreed and 64(36.7%) agreed that asset

management describes managing money of Bank of Kigali Plc, 18(10.3%) neutral and none of strongly disagreed to this fact and disagreed with the statement. The strong mean and standard deviation of 4.26 and 0.855 respectively, implies that asset management describes managing money of Bank of Kigali Plc.

It develops and execute investment strategies that create value of Bank of Kigali Plc for the clients as it can be seen where 60 (34.4%) agreed and 88(50.5%) strongly agreed that it develops and execute investment strategies that create value of Bank of Kigali Plc for the clients, 10 of respondents with 9.1% are neutral the statement while 10 of respondents with 5.7% are disagree. The strong mean and standard deviation of 4.22 and 0.039 respectively, implies that it develops and execute investment strategies that create value of Bank of Kigali Plc for the clients.

Asset management enables Bank of Kigali Plc to maximize the value of the assets throughout the different stages of the asset lifecycle, 75(43.1%) are strongly agreed and agree 80(45.9%) all show that some of the respondents are neutral on 14 (8%) and 5(2.8%) are disagreed respectively. The strong mean with standard deviation 4.01 and 0.126, further shows that asset management enables Bank of Kigali Plc to maximize the value of the assets throughout the different stages of the asset lifecycle.

4.2.4 Perceptions of the respondents on working capital management for financial performance of Bank of Kigali Plc

Table 4. 9: Perceptions of Respondents on working capital management for financial performance of Bank of Kigali Plc

Indicators		SD	D	N	A	SA	Total	Frequency	
								Mean	SD
Working capital management is to minimize the cash conversion cycle at Bank of Kigali Plc	Frequency Percentage	0 %	6 3.4%	0 %	89 51.1%	79 45.4%	174 100%	4.71	0.526
Working capital management helps a bank to make effective use of the current assets and optimize cash flow at Bank of Kigali Plc	Frequency Percentage	0 %	5 2.8%	5 2.8%	73 41.9%	91 52.2%	174 100%	4.54	0.696
It indicates for the future plan during their daily activities and ensure that bank has enough cash to meet short-term obligations of Bank of Kigali Plc	Frequency Percentage	0 %	2 1.1%	10 5.7%	72 41.3%	90 51.7%	174 100%	3.77	1.264

Source: Primary data (2023)

Going by table 4.9, none of the respondents strongly disagreed or were neutral on working capital management is to minimize the cash conversion cycle at Bank of Kigali Plc, 6(3.4%) of the respondents disagree, 89(51.1%) agree while 79(45.4%) strongly agreed that working capital management is to minimize the cash conversion cycle at Bank of

Kigali Plc. The mean and standard deviation from the table is 4.71 and 0.526 respectively showing that the responses are heterogeneous and strong. This goes further to show that the respondents are adequately.

From table 4.9, none of the respondents strongly disagreed with the statement, but 5(2.8%) disagreed, 5(2.8%) is neutral with the statement, 73(41.9%) agreed that working capital management helps a bank to make effective use of the current assets and optimize cash flow at Bank of Kigali Plc. Working capital management helps a bank to make effective use of the current assets and optimize cash flow at Bank of Kigali Plc while 91(52.2%) strongly agreed with a strong mean of 4.54 and standard deviation of 0.696 as seen from table 4.9.

None of the respondents strongly disagreed with the statement. Out of the 174 respondents, from tables 4.8, 2(1.1%) are disagreed with the statement, 10(5.7%) are neutral with the statement, 72(41.3%) agreed to this and 90(51.7%) strongly agreed that it indicates for the future plan during their daily activities and ensure that bank has enough cash to meet short-term obligations of Bank of Kigali Plc with a strong mean of 3.77 and standard deviation of 1.264 which implies that a small percentage of the respondents confirm the statement.

4.2.5 Level of financial performance of Bank of Kigali Plc

4.2.5.1 Loan to deposit ratio

To calculate the loan-to-deposit ratio, divide a bank's total amount of loans by the total amount of deposits for the same period. The loan to deposit ratio is used to calculate a lending institution's ability to cover withdrawals made by its customers. A lending institution that accepts deposits must have a certain measure of liquidity to maintain its normal daily operations.

Table 4. 10: Loan to deposit ratio

RATIO	2019	2020	2021	2022
Loan (1)	603,336,043	790,200,499	990,267,321	1,134,500,000
Deposit (2)	562,415,535	750,432,439	974,500,000	1,075,200,000
Loan to deposit	**1.07**	**1.05**	**1.01**	**1.05**
Percentage	**107%**	**105%**	**101%**	**105%**

Source: **Bank of Kigali Plc, Annual Report 2019-2022**

From 2019-2022 loans to deposit ratio were the following 107%, 105%, 101% and 105% respectively years. As the standard of central bank which indicates that loan to deposit ratio should not exceed 80% and the results above shows that Bank of Kigali Plc has a special case because to offer a loans does not depend on deposit of their customers, most time Bank of Kigali Plc offer loans depend to the plan and achieved of it. The loan-to-deposit ratio (LDR) is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. The LDR is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements.

4.2.5.2 Return on Assets (ROA)

The basic formula for ROA is to divide a company's net income by its average total assets, and then multiply the result by 100 to convert the final figure into a percentage. ROA measures the overall profitability of assets in terms of income earned on each franc invested in asset. ROA a measure of bank’s profitability, equal to a fiscal year's earning divided to its total assets.

$$ROA = \frac{\text{Net income}}{\text{Average Total Assets}}$$

Table 4. 11: Return on Assets

Formula	2019	2020	2021	2022
Net Income	46,360,210	51,762,974	51,900,000	59,700,000
Total average asset	907,813,366	1,167,008,900	1,590,372,983	1,854,000,000
ROA	**0.051**	**0.044**	**0.032**	**0.032**
Percentage	**5.1%**	**4.4%**	**3.2%**	**3.2%**

Source: Bank of Kigali Plc, Annual Report, 2019-2022

Return on assets (ROA) is a financial ratio that measures the profitability of a business in relation to its total assets where by 5.1% in 2019, 4.4% in 2020, 3.2% in 2021 while 3.2% in 2022. Therefore the return on asset was kept increasing except in 2021 where fallen down from 5.4% to the 4.2% due to the covid-19 pandemic effects.

4.2.5.3 Return on equity (ROE)

ROE measures the rate of return on the ownership interest of the common stock owners. It measures a firm's efficiency at generating profits from every unit of shareholder's equity. ROE shows well how firm uses investment funds to generate earning growth. This ratio is potential for investor to know return for them and to know if they are able to reinvest.

Table 4. 12: Return on Equity

ROE is calculated by comparing the proportion of net income against the amount of shareholder equity. It is calculated as:

ROE = Net Income / Shareholders' Equity

Formula	2019	2020	2021	2022
Net income	46,360,210	51,762,974	51,900,000	59,700,000
Total Equity	199,015,795	231,273,399	285,700,114	319,100,000
ROE	**0.23**	**0.22**	**0.18**	**0.18**
Percentage	**23%**	**22%**	**18%**	**18%**

Source: **Bank of Kigali Plc, Annual Report 2019-2022**

During the research period from 2019-2022, ROE ratio are the following: there is 23% in 2019 and 22% in 2020, 18% in 2021 while 18% in 2022, This shows that there is a contents return on equity in 2019 decrease in 2020 on rate of 1% due to the covid-19 pandemic and remarkably constant rate on rate of 18% in 2021 and 2022.

4.3 Correlations analysis between financial management practices and financial performance of financial institutions

Correlation was conducted between independent and dependent variables. The aim was to establish the nature and strength of relation between the independent and dependent variables. Correlation refers to a technique used to measure the relationship between two or more variables. When two variables are correlated, it means that they vary together. Positive correlation means that high values on one variable are associated with high values on the other and that low values on one are associated with low values scores on the other (Kavale, 2017). In the interpretation of correlation the sign of the correlation coefficient means either a positive or negative correlation coefficient. The positive correlation coefficient means that the variables move in the same direction, while negative correlation means variables move in opposite directions.

The correlation significance is indicated by a probability value of less than 0.05 or 0.01.This means that the probability of obtaining such a correlation coefficient by chance is less than five times out of 100 or is less than one times out of 100, so the result indicates the presence of a relationship.

Table 4. 13. Correlations between financial management practices and financial performance of financial institutions

			Financial management practices	**Financial performance**
Spearman's rho	**Financial management practices**	Correlation Coefficient	1.000	.993*
		Sig. (2-tailed)	.	.000
		N	174	174
	Financial performance	Correlation Coefficient	.993*	1.000
		Sig. (2-tailed)	.000	.
		N	174	174

*. Correlation is significant at the 0.05 level (2tailed).

Source: Primary data (2023)

Legend:

[-1.00 - 0.00 [: Negative correlation;

[0.00 - 0.25 [: Positive and very low correlation;

[0.25 - 0.50 [: Positive and low correlation;

[0.50 - 0.75 [: Positive and high correlation and

[0.75 - 1.00] : Positive and strong correlation.

The variation of Spearman Coefficient correlation is between -1 and 1. Spearman Coefficient correlation has significance when it is equal or greater than 0.01. According to the research, the correlation of 0.993 (91.4%) is located in the interval [0.75 - 1.00] categorized as positive

and strong correlation. As the significant level is at 0.01 (1%), the p-value of 0.000 (i.e. 0.0%) is less than 1%. This leads to confirm that there is significant relationship between financial management practices and financial performance of financial institutions.

4.3.1. Multiple linear regression analysis

Multiple linear regression analysis was carried out to found out the effect of the independent variables (financial management practices) on the dependent variable (financial performance of Bank of Kigali Plc). Multiple Linear regressions were computed at 95 percent confidence interval to establish the relationship between independent variables and dependent variables. Based on the model summary, the coefficient of determination (R squared) shows the overall measure of strength of association between independent and dependent variables.

Table 4. 14: Model Summary on financial management practices

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782[a]	.612	.603	.748

a. Predictors: (Constant), financial management practices

The study results in table 4:12 show that financial management practices have statistically significant effect on financial management practices with a positive coefficient of determination of 0.782 indicate that there is a positive correlation between independent values and dependent value.

Table 4. 15: ANOVA Test on financial management practices

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	116.600	2	38.867	69.480	.000[b]
	Residual	73.841	172	.559		
	Total	**190.441**	**174**			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Financial management practices

As indicated in the table above the F-test value was 69.480 with significance value of .000 at 5% level of significance. Since the p-value obtained was less than 0.05, the F-test was significant hence the conclusion that the regression model was good.

Table 4. 16: Regression coefficients on financial management practices

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.849	.612		1.388	.166
Financial management plans	.307	.051	.438	6.01	.000
Financial reporting	.117	.053	.124	2.207	.028
Assets management	.236	.062	.234	3.806	.000
Working capital management	.176	.041	.228	4.292	.000

a. Dependent Variable: Financial performance

Source: Primary data (2023)

The results from Table 4.14 indicated that financial management practices has a positive and significant effect on financial performance of Bank of Kigali Plc ($\beta1= .307$; $t= 6.01$; p-value < 0.05). This means that 1% change in financial reporting leads to an increase of 0.438% change in financial performance of Bank of Kigali Plc. The results again indicated that there is a positive and significant effect of assets management at Bank of Kigali Plc ($\beta2= .117$; $t=2.207$; p-value >0.05). This means that 1% change in assets management; it leads to at least 0.124% increase change in financial performance of Bank of Kigali Plc.

The results again indicated that working capital management has positive and significant effect on financial performance of Bank of Kigali Plc ($\beta3= .236$; $t=3.806$; p-value <0.05). This means that 1% change in working capital management leads to at least 0.234% change in financial performance of Bank of Kigali Plc. Findings revealed that team collaboration and significant effect on financial performance of Bank of Kigali Plc ($\beta4= .176$; $t= 4.292$; p-

value > 0.05). This means that 1% change in working capital management leads to at least increase of 0.228% in financial performance of Bank of Kigali Plc.

4.4 Link between findings and findings of past researchers

The general purpose of the study is to determine the impact of financial management practices on the organization's financial indicators. The study used a descriptive cross-sectional research design. The target group is all manufacturing companies in each country. Sampling was done based on location and size. Data were collected using a questionnaire with open and closed questions. Likert scales were assessed to assess the study variables.

Data were analyzed using descriptive statistics, correlation and regression analysis. The results are summarized below: The study found that the three most important financial management practices used. The most frequently used financial management practice is capital budgeting, followed by working capital management and finally asset acquisition. All financial management practices are designed to positively impact the performance. This means that an increase in these variables will increase the return of the organization. The results are meaningful, which means that they are able to predict changes in financial performance at any time. However, adoption of financial management practices is low, indicating that they have not yet been fully utilized to drive performance improvements.

The study also attempts to determine the moderating effect of size. The results show that size has a positive but small effect on due to lower production costs and increased economies of scale. Correlation analysis also revealed that scale has a significant positive effect on performance. The study also found that, based on regression analysis, introducing the size of small and medium enterprises as an independent variable improved the R2 change in the model, but it was not significant. This indicates that size has a positive but insignificant moderating effect. The study also tries to find out the current status operations and how it is affected by financial management practices.

It is understood that SMEs are performing relatively well, but still need further improvement, which can be achieved by strengthening financial management practices.

The study performed regression analysis to determine the relationship between the study variables. Regression analysis shows that financial management practices explain 52.1% of the total variance in performance. This means that only 47.9% of the variation in performance is due to other factors not reflected in the model. An additional analysis of variance was conducted in the study to determine whether it was valid for further analysis. All financial management practices are designed to have different effects on performance; the study found that financial sources and working capital management practices had a positive effect on the performance of SMEs, while capital budgeting had a negative effect on performance. This means that increasing financing practices and working capital management will improve performance, while capital budgeting will lead to decreased performance. All variables except capital budgeting are significant with a p value of less than 5%.

According to the descriptive statistics tabulated, averagely, many banks have adopted financial management practices so as to improve their financial performance. The growth of financial performance among Bank of Kigali Plc can be attributed to adoption of good working capital management practices. Majority of the respondents agreed to a great extent that improvement of financial performance of Bank of Kigali Plc was attributed by the adoption of financial management practices since the standard deviation of each statement in all the independent factors were less than one. Poor performance of the banks can be as a result of poor adoption of financial management practices by the entities.

From the regression analysis results the research established that financial management practices variables affected financial performance and they included cash management practices, capital budgeting practices, financing practices.

The three independent variables which were analyzed which included cash management practices, capital budgeting practices and financing practices were able to explain their effect on the financial performance up to 14.3% as shown by adjusted R square. This implies that the three independent variables inputs 14.3% on the financial performance and the remaining 85.7% are contributed by the factors not include in the study.

This research found out that the coefficient of cash management practices was 0.171 meaning that cash management practices positively influences financial performance. The coefficient of capital budgeting practices was 0.606 meaning that capital budgeting negatively influences the financial performance which means that as the capital budgeting increases, the financial performance decreases. Moreover, financing practices was positively related to the financial performance since the coefficient of the financing practices was 0.654 and this effect was significant because the p value was 0.016 which is less than 0.05. This implies that financing practices affects the financial performance significantly. The results of this study agree with as study carried out by Ouma (2015) on extent to which financial management practices are used by the banks and their effect its financial performance.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provides an overview of our findings, conclusions, recommendations, and suggestions for future research. Results summaries and conclusions are based on field results, and recommendations are drawn from the results at the end.

5.1 Conclusion

The study concluded that financial management practices are an important aspect in improving the financial performance of Rwandan financial institutions. Financial institutions' cash management, accounts payable and inventory management improve their working capital capacity, which is essential for promoting the institution's financial independence. The study concluded that financial reporting is very important and essential to improve the financial performance of Rwandan financial institutions. Timely and efficient preparation of financial statements and ensuring accuracy and accountability allows financial institutions to stay on the legal side of their financial statements while complying with the requirements of regulatory authorities.

It also improves the institution's ability to plan future financial trends, thereby managing its operations. The study found that financial institutions effectively received dividend payments. The study therefore concludes that dividend payments among financial institutions are significant in promoting the financial performance of institutional banks in Kigali. By continuously focusing on annual dividends and effectively paying dividends to shareholders, companies are able to strengthen confidence and encourage investors to invest more in financing the company's operations. Finally, the study concludes that financial management practices are an important driver of improving the financial performance of MFIs.

Microfinance institutions raise funds by effectively managing fixed assets and managing cash. Through ongoing and effective asset management, financial institutions are able to maintain liquidity levels and thereby manage their financial performance.

5.2 Recommendations

The study recommends the management of Rwandan financial institutions to improve their efficiency and financial performance by applying effective working capital management tools. Management should adopt appropriate cash management and accounts payable management to ensure that the institution is able to finance its operations without financial constraints.

Financial institutions are regulated by the Central Bank of Rwanda, and one of the institution's key policy requirements is to provide audited accounts annually. Therefore, the management of financial institutions should adhere to effective financial reporting and adhere to timeliness, accuracy, relevance and accountability to ensure that financial institutions comply with regulations. They must also make proper use of financial statements to effectively forecast financial trends and plan ahead.

Financial institutions, through their management teams, should be at the forefront of promoting and ensuring dividend payments to shareholders. Since financial institutions deal with liquid cash, it makes sense to increase their liquidity by maintaining good relations with shareholders. This will ensure the reputation of the institution, especially its shareholders.

The management of financial institutions has a responsibility to ensure that the funds of the institution are properly managed to ensure better service delivery and operations. The management of financial institutions should ensure that there is an asset management system and clear procedures for disposal of assets. To observe the liquidity management of financial institutions as an important tool of economic management and to strengthen the financial independence of financial institutions.

5.2.3 Areas for Further Studies

In this section, the following should be considered:

These research areas open the window to the areas that the current research does not cover because of research limitations indicated in section of conclusion. In the future, the current research or other researchers may come back to those areas for further research, which will cover the gap left by the current research.

REFERENCES

Abanis et al., (2013). Financial management practices in companies listed at Uganda Securities Exchange in Western Uganda. *Research Journal of Finance and Accounting, 4* (2).

Agyemang, M. (2017). Cash Management Practices and Financial Performance of companies in Jordan. *Research Journal of Finance and Accounting7* (2).

Amenc and Le Sourd, (2013). Cross-country determinants of capital structure choice: a survey of European firms. Financial Management, 33(4).

Aryeetey, D. (2015). The Extent Of Adoption Of Financial Accounting Standards And Its Effect On Financial Performance public corporations in Kenya. Unpublished MBA Thesis, Nairobi University.

Barker, R (2017).The revolution ahead in financial reporting: reporting financial performance . Balance sheet, 11(4)

Bare, H. (2016). Management of Business Challenges among companies listed at NSE in Kenya. *KCA Journal of Business, 6*(1).

Bryman, R. (2015). *ResearchMethodology: Methods and Techniques* (2nd Ed.). University of Rajasthan: Jaipur, India, New Age International (P) Limited Publishers.

Bernadine et al (2005). *Financial Management: Theory and Practice*, 11thEdition, South-Western College Publishers, New York.

Bloomberg, E. (2007). Financial flexibility, leverage & firm size, Baylor University Working Paper 1(1).

Brealey and Myers, (2013). Performed a study on the influence of strategic financial management on companies within Nairobi.

Brigham & Ehrhardt, (2013). Influence of Strategic Financial Management on companies within Nairobi, Kenya. Unpublished MBA Project, USIU.

Brinckmann et al. (2020). The Relationship between Government Policy and Financial Performance: A Study on the companies in Iraq. *Journal China-USA Business Review, 13*(4).

Butler, G (2017). Working capital management practices and financial performance of companies listed at NSE in Kenya. *International Academi Journal of Economics and Finance, 2*(3).

Byoun,H. (2019). Towards best practices for finance institutions engagement in Africa rural areas: selected cases and agenda for action. *International Journal of Social Economics, 1*(13).

Charumathi,K. (2008). Impact of aggressive working capital management policy on firms' profitability. *IUP Journal of Applied Finance, 15*(8).

Cui, De Jong, and Ponds (2014). Impact of financial innovations on the performance of companies listed at NSE in Kenya. Unpublished thesis, University of Nairobi.

Chandra, (2017). Financial management. Tata McGraw-Hill Education.

Creswell, (2004). *Research design: Qualitative, Quantitative, and mixed methods*. LondonPress.

Dong, J. (2010). *Financial Management Practices and Profitability of companies*. Australia.

Fabozzi and Kanishi, (2018). The Impact of Cash Management Practices on Performance of companies: A Survey of companies in Eldoret Central Business District. *IOSR Journal of Economics and Finance 4*(5.)

Farhatali, N. (2017). Conducted a study on the determinants of growth of companies listed at Nigerian Securities exchange in Nigeria.

Fekete, *et al., (2010*). The Impact of Cash Management Practices on Performance of companies: A Survey of companies in listed at NSE.

Garrison, F (2009). Financial management. New Delhi, IN: Vikas Publishing House PVTLtd.

Gitman, K. (2014). Financial Management Practices and Profitability of Companies in The Tamale Metropolitan Area. *Unpublished Thesis,* Kwame Nkrumah University of Science and Technology.

Goldmann, V. (2016). The Role of Family Control on Financial Performance of Family Business in Gebze. International Review of Management and Marketing,2(2).

Gup and Brooks (2013). Efficiency of Working Capital and Corporate Profitability. Financial Practice and Education 8(37).

Hamza *et al*, (2015). The determinants of capital structure choice. *The Journal of Finance*

Hanafi and Abdul (2015). Effects of micro-finance credit on the financial performance of companies in Kiambu County. *Unpublished MBA project*, University of Nairobi.

Harash et al., (2014). *Bridging the entrepreneurial financing gap: linking governance with regulatory policy*. Burlington: Ashgate Publishing.

Heavey et al., (2009). *How availability of finance determines the capacity of an enterprise*. Duisburg.

Iqbal, Hameed and Qadeer (2016). Transfer in Cash and in Kind: Theory Meets the Data. *Journal of Law and Economics,* 37(2).

Kane, G. (2006). Credit risk management and profitability in commercial banks in Sweden, *Master Theses*. Available at: https://Gupea.ub.gu.se.Handle. Net.

Kimani, M. (2017). *Financial Deepening in Economic Development*. New York. Oxford University Press.

Lasher, R. (2018). The Characteristics of Informal Financial Markets in sub-Saharan *Africa‖ Journal of African Economies supplements* Vol 6

Leblebici and Salancik, (2016). Managing Financial Institutions, An Asset/Liabilty Approach. Orlando, FL: The Dryden Press.

Manasseh, N. (2016). Financial Development, Growth, and the Distribution Of Income. University of Western Ontario, the Centre for the Study of International Economic Relations Working Papers 9002.

Mange, H. (2013). Annual Report. Retrieved from the Financial Sector Deepening Website: http://www.fsdkenya.org/annualreport2010

Marembo, G. (2018). Credit Rationing, Customer Relationship and the Number of Banks: an Empirical Analysis. North-Holland, European Financial Management.

Mazarol et al. (2015). Assessing the Impact of Microcredit: A Zambian case study, Journal of Development Studies. *African Development Bank, 37(4), 81-100.*

Mugenda & Mugenda (2008). Research methods: Quantitative and qualitative approach. Nairobi: ACTS Press.

Mensa, J. (2012). Formal and Informal institutions lending policies and access to credit by Small-Scale enterprises in Kenya. Nairobi Kenya.

Miller, G.(2016). Availability and cost of credit for small businesses: Customer relationships and credit cooperatives. *Journal of Banking & Finance, Elsevier, 22(6-8), 925-954.*

Moore & Reichert, (2014). Rural finance in Africa: institutional development and access for the poor. *The World Bank annual conference on development economics*.

Mureithi, H. (2014). Inventory Management on Financial Performance: Evidence from Nigerian Conglomerate Companies. *International Journal of Economics and Management Engineering,* Vol. 10, No. 9, p. 319.

Nataraajan et al, (2017). Studying the relationship between working capital management and profitability at tehran stock exchange: a case study of food industry. *Research Journal of Applied Sciences Engineering & Technology, vol. 4,* no. 13, pp. 1868-1874.

Ngugi, K. (2015). Strategic capital investment decision-making: a role for emergent analysis tools? A study of practice in large UK manufacturing companies. *Br. Account. Rev.38* (2), 149---173.

Nkoba, F. (2017). Determination of Dividend Policy: The Evidence from Saudi Arabia," *International Journal of Business and Social Science,* 4(1), 181-192.

Norton, T. (2017). Organizational Capital and Investment-Cash Flow Sensitivity: The Effect of Management Quality Practices. *Financial Management*, *43*(3), 473-504.

Olouch, L. (2016). Financial Management Practices and Their Impact on Organizational Performance. *World Applied Sciences Journal* 9 (9): 997-1002,

Odoh and Chinedum (2014). *Social Research Methods*, Fourth Edition. Published in the United States by Oxford University Press Inc., New York Cambridge Scholars Publishing

Oni et al. (2016). *Determinants of Firm Performance of Vietnam Listed Companies*", Academic and Business Research Instıtute. http://aabri.com/SA12Manuscripts/SA12078.

Ouma, J. (2015). *Improved financial reporting decision making: Evidence from Canada*. Researchgate, Available at: www.researchgate.net/publication/263482897

Özcan, G. (2016). *The Financial reporting Decision*, New York: Macmillan Publishing Company.

Quang and Hong (2009). *Research Methodology and Techniques* New Delhi New Age International (P) Limited Publishers.

Pike, R. (2016). The use of financial reporting techniques in businesses: A perspective from the Western Cape'. *Conference Proceedings. 21st Australasian Finance and Banking Conference*

Raei, Tehrani and Farhangzadeh (2015). Financial reporting surveys: the future is now.*Journal of Applied Finance*, 1&2:78-90.

Rathnasiri, L. (2015). Effect of financial management practices and project performance in Uasin Gishu County, Kenya. *International Journal of Economics, Commerce and Management*. Vol. V, Issue 5.

Regina, A. (2016). Determinants of assets management of Chinese-listed companies, *Journal of Business Research*, 57(12), 1341-51.

Saah, H. (2015). The effect of ownership structure and corporate governance on firm value in Thailand. *Journal of Banking & Finance* 36, 1722-1743.

Saleemi, D. (2019). Large dividend increases and leverage. *Journal of Corporate Finance* 48: 17–33

Sarah (2012). *Research Methodology* London Pearson Education Limited.

Sukamolson, F. (2007). *Research Methodology, a step-by-step guide for beginners*, Washington: SAGE Publications Ltd.

Shin and Soenen (2008). Assets management and Performance of Listed Banks in Ghana, *Global Journal of Human Social Science*, Vol 12 Issue 5 (p 57-61).

Smith, U. (2008). The Determinants of Assets management: Evidence from Macedonian Listed and Unlisted Companies. *AnaleleStiintifice ale UniversitaliiAlexandruIoanCuza*, 56.

Soenen, M. (2008). *Effect of financial management practices and characteristics on profitability*: a study on business enterprises in Jimma town, Ethiopia.

Sunday & Solomon, (2015). The mediating effect of investment decisions and financing decisions on the effect of corporate risk and dividend policy against corporate value. *Investment Management and Financial Innovations*, *14*(2), 27-37.

Tangen, G. (2013). *Major investments, firm financing decisions and long-run performance*. Unpublished working paper. Retrieved from researchgate.net

Teresa, D. (2012). *Research Methodology and Techniques* New Delhi New Age International (P) Limited Publishers.

Thanulingmom, K. (2007). *Research Methodology* London Pearson Education Limited.

Uluyol, E. (2013). The Relationship Between Financial Ratio Analysis And Corporate Profitability: A Study Of Selected Quoted-Oil And Gas Companies In Nigeria: *European*

Wilson et al, (2015). The Effect of Dividend Payout on Performance Evaluation: Evidence of Quoted Cement Companies in Nigeria. *European Journal of Accounting, Auditing and Finance Research 3*(11), 40-59.

World Bank, (2014). The Impact of Accounting Information Systems on Firm Performance: Empirical Evidence in Turkish Small and Medium Sized Enterprises: *International Review of Management and Marketing(EJ*), Vol 6 (Issue2) pp.233-235.

Zawalinska, Y. (2019). *Effects of Working Capital Management on Firm's Performance. Evidence from Turkey.*

Zechner, T. (2019). Financial Liquidity and Profitability Management in Practice of Polish Business. *Financial Environment and Business Development*, 103-112.

APPENDICES

RESEARCH QUESTIONNAIRES

Dear Respondent, my name is **UMURERWA DIANE DANIELLA** a student of Kigali Independent University; I am pursuing master degree in Finance and Accounting, I am conducting research related on this topic ***"The effect of financial management practices and financial performance of financial institutions in Rwanda with a case of Bank of Kigali Plc".*** This questionnaire is designed for academic purposes only and information given will be treated with confidentiality, and will be an aid in obtaining necessary data for my research topic. Finally your participation will contribute highly to the Rwandan society.

Please do not hesitant to participate.

UMURERWA DIANE DANIELLA

Instructions

Please put a tick (against an assumption if you agree with it)

SECTION A: Personal information

1. **Gender**

Male

Female

2. **Age of respondents**

21- 30 years

31- 40 years

41- 50 years

51 years and above

3. **Educational level**

A level

Bachelor's Degree

Masters Degree

Others (specify)/

4. **Position of respondents at Bank of Kigali Plc**

Finance& Accounting

Loan officers

Quality Assurance

Human Resource

Legal Officers

Marketing& Sales officers

Logistics

Tellers

1. **Working experience at Bank of Kigali Plc**

1 – 3 years

4– 6 years

7 – 10 years

11 years and above

SECTION B: QUESTIONAIRES RELATED WITH OBJECTIVES

Use codes where: (1=Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5= Strongly Agree.)

	Statements					
1	**The effect of financial management plans on financial performance of Bank of Kigali Plc**	**SD**	**D**	**N**	**A**	**SA**
	A financial plan can help bank of Kigali Plc to create an investment portfolio					
	Managing liquidity, or ready access to cash, financing large purchases for financial performance of Bank of Kigali Plc					
	It is used to measure Bank of Kigali Plc overall financial health over a given period of time					
2	**The effect of decision making on financial performance of Bank of Kigali Plc**	**SD**	**D**	**N**	**A**	**SA**
	Decision-making in the banking institutions help people weigh options and make informed choices for their financial situations					
	The financial decision-making involves identifying financial goals, gathering relevant information, analyzing data, developing alternative solutions for financial performance of Bank of Kigali Plc					
	Decision-making provides financial perspective and expertise that bank needs to make profitable business decisions consistently					
3	**The effect of assets management on financial performance of Bank of Kigali Plc**	**SD**	**D**	**N**	**A**	**SA**
	Asset management describes managing money of Bank of Kigali Plc					

	It develops and execute investment strategies that create value of Bank of Kigali Plc for the clients					
	Asset management enables Bank of Kigali Plc to maximize the value of the assets throughout the different stages of the asset lifecycle					
4	**The effect of working capital management on financial performance of Bank of Kigali Plc**	**SD**	**D**	**N**	**A**	**SA**
	Working capital management is to minimize the cash conversion cycle at Bank of Kigali Plc					
	Working capital management helps a bank to make effective use of the current assets and optimize cash flow at Bank of Kigali Plc					
	It indicates for the future plan during their daily activities and ensure that bank has enough cash to meet short-term obligations of Bank of Kigali Plc					

Appendix II: Interview Guides

1) To what extent do financial management practices contribute to the financial performance at Bank of Kigali Plc?

………………………………………………………………………………………………………

………………………………………………………………………………………………………

2) What are the challenges faced by Bank of Kigali Plc in financial management practices for its financial performance?

………………………………………………………………………………………………………

……………………………………………………………………………………………

Thank you for your valuable time in answering to these questions.

APPENDIX II

Kigali, 18th August 2023

Ref. No: HR/AIR/1146/2023

UMURERWA DIANE DANIELLA
Kigali Independent University

Kigali, Rwanda

Dear Diane,

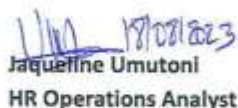
Subject: Response to your Request for Data Collection

We acknowledge receipt of the research authorization request from Kigali Independent University as requested for carrying out your research on the following topic: "Financial management practices and financial performance of financial institutions in Rwanda" with BK Plc as case study for Degree of Master in Finance.

We have the pleasure to inform you that your request was approved. You can access requested data related to your research topic, only through BK website.

Sincerely yours,

For and on behalf of Bank of Kigali Plc



Jaqueline Umutoni
HR Operations Analyst

Ange R. INGABIRE
Senior HR Operations Analyst

TIN No. 107610471 | KN4 Ave No 12, Kigali - Rwanda | (+250) 788 143 000 | bk@bk.rw | www.bk.rw

APPENDIX II

FINANCIAL STATEMENTS 2019

BK GROUP PLC FINANCIAL RESULTS - Q1 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

REVIEWED BY EXTERNAL AUDITORS ALL FIGURES ARE IN FRw '000 FOR THE PERIOD ENDED	BK GROUP PLC	
	31 March 2019	31 March 2018
Interest income	28,368,651	22,147,626
Interest expense	(4,993,764)	(4,487,046)
Net interest income	23,374,887	17,660,580
Net Fees and Commission income	3,007,617	4,914,404
Foreign exchange income	2,157,377	2,113,777
Other non-interest income	1,227,404	344,476
	6,392,398	7,372,657
Operating income	29,767,285	25,033,237
Net impairment on loans and advances	(6,989,779)	(4,394,181)
Net Operating income	22,777,506	20,639,056
Personnel costs	(5,652,285)	(4,792,894)
Administration and General expenses	(4,636,440)	(4,812,524)
Depreciation and amortisation	(1,663,174)	(1,285,301)
Total Operating expenses	(11,951,899)	(10,890,719)
Profit Before Tax	10,825,607	9,748,337
Taxation	(3,363,738)	(3,703,515)
Profit After Tax	7,461,869	6,044,822

Diane Karusisi
Chief Executive Officer
Date: 29 May 2019

Risper Alaro Mukoto
Director
Date: 29 May 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REVIEWED BY EXTERNAL AUDITORS ALL FIGURES ARE IN FRw '000 AS AT	BK GROUP PLC	
	31 March 2019	31 March 2018
ASSETS		
Cash in hand	17,736,196	20,071,592
Balances with the National Bank of Rwanda	74,243,110	64,914,684
Due from banks	86,333,412	105,210,355
Held to maturity investments	82,218,523	73,594,798
Loans and advances to customers	603,336,043	568,104,724
Insurance receivables	962,486	2,877,789
Other assets	12,092,904	10,725,793
Property and equipment	27,584,442	28,226,576
Intangible assets	3,306,250	3,675,053
TOTAL ASSETS	907,813,366	877,401,364
LIABILITIES		
Due to banks	54,212,538	61,312,934
Deposits and balances from customers	562,415,535	531,959,345
Insurance liabilities	3,782,851	3,909,011
Tax Payable	4,298,114	4,095,815
Dividend payable	14,091,847	11,078,029
Other liabilities	21,358,935	19,457,343
Long-term finance	48,637,751	50,883,806
TOTAL LIABILITIES	708,797,571	682,696,283
CAPITAL AND RESERVES		
Share capital	8,967,592	8,967,592
Share premium	74,646,102	74,795,986
Revaluation Reserves	13,000,149	13,000,149
Retained earnings	101,264,406	96,995,779
Equity attributable to the owners of the parent	197,878,249	193,759,506
Non-controlling interests	1,137,546	945,575
TOTAL EQUITY	199,015,795	194,705,081
TOTAL LIABILITIES AND EQUITY	907,813,366	877,401,364

Group Shareholders Equity

Company Code/TIN No. 10003458 RSE Ticker: BOK | Authorized Capital: FRw 10,504,600,000 | Swift: BKIGRWRW
P.O. Box: 175 Kigali | KN4 Ave No 12 Plot No 790 - Kigali | Tel: (+250) 252 593 100 | Cell: (+250) 788 143 000
Fax: (+250) 252 575 504 | BK Group Plc | Email: bk@bk.rw | www.bk.rw
BK GROUP PLC

FINANCIAL STATEMENTS 2019

BK GROUP PLC FINANCIAL RESULTS - Q1 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

REVIEWED BY EXTERNAL AUDITORS ALL FIGURES ARE IN FRw '000 FOR THE PERIOD ENDED	BK GROUP PLC	
	31 March 2019	31 March 2018
Interest income	28,368,651	22,147,626
Interest expense	(4,993,764)	(4,487,046)
Net interest income	23,374,887	17,660,580
Net Fees and Commission income	3,007,617	4,914,404
Foreign exchange income	2,157,377	2,113,777
Other non-interest income	1,227,404	344,476
	6,392,398	**7,372,657**
Operating income	29,767,285	25,033,237
Net impairment on loans and advances	(6,989,779)	(4,394,181)
Net Operating income	22,777,506	20,639,056
Personnel costs	(5,652,285)	(4,792,894)
Administration and General expenses	(4,636,440)	(4,812,524)
Depreciation and amortisation	(1,663,174)	(1,285,301)
Total Operating expenses	(11,951,899)	(10,890,719)
Profit Before Tax	10,825,607	9,748,337
Taxation	(3,363,738)	(3,703,515)
Profit After Tax	7,461,869	6,044,822

Diane Karusisi, Chief Executive Officer — Date: 29 May 2019

Risper Alaro Mukoto, Director — Date: 29 May 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

REVIEWED BY EXTERNAL AUDITORS ALL FIGURES ARE IN FRw '000 AS AT	BK GROUP PLC	
	31 March 2019	31 March 2018
ASSETS		
Cash in hand	17,736,196	20,071,592
Balances with the National Bank of Rwanda	74,243,110	64,914,684
Due from banks	86,333,412	105,210,355
Held to maturity investments	82,218,523	73,594,798
Loans and advances to customers	603,336,043	568,104,724
Insurance receivables	962,486	2,877,789
Other assets	12,092,904	10,725,793
Property and equipment	27,584,442	28,226,576
Intangible assets	3,306,250	3,675,053
TOTAL ASSETS	907,813,366	877,401,364
LIABILITIES		
Due to banks	54,212,538	61,312,934
Deposits and balances from customers	562,415,535	531,959,345
Insurance liabilities	3,782,851	3,909,011
Tax Payable	4,298,114	4,095,815
Dividend payable	14,091,847	11,078,029
Other liabilities	21,358,935	19,457,343
Long-term finance	48,637,751	50,883,806
TOTAL LIABILITIES	708,797,571	682,696,283
CAPITAL AND RESERVES		
Share capital	8,967,592	8,967,592
Share premium	74,646,102	74,795,986
Revaluation Reserves	13,000,149	13,000,149
Retained earnings	101,264,406	96,995,779
Equity attributable to the owners of the parent	**197,878,249**	**193,759,506**
Non-controlling interests	1,137,546	945,575
TOTAL EQUITY	199,015,795	194,705,081
TOTAL LIABILITIES AND EQUITY	907,813,366	877,401,364

Group Shareholders Equity (FRw 'Bn): YE 2013 70.8; YE 2014 89.5; YE 2015 99.2; YE 2016 108.5; YE 2017 122.8; YE 2018 194.7; Q1 2019 199.0

Company Code/TIN No. 10003458 RSE Ticker: BOK | Authorized Capital: FRw 10,504,600,000 | Swift: BKIGRWRW
P.O. Box: 175 Kigali | KN4 Ave No 12 Plot No 790 - Kigali | Tel: (+250) 252 593 100 | Cell: (+250) 788 143 000
Fax: (+250) 252 575 504 | BK Group Plc | Email: bk@bk.rw | www.bk.rw

BK GROUP PLC

BK GROUP PLC FINANCIAL RESULTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

REVIEWED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ALL FIGURES ARE IN FRw '000 FOR THE PERIOD ENDED	30 June 2020	30 Jun 2019
Interest income	66,980,631	56,257,622
Interest expense	(15,217,657)	(9,897,412)
Net interest income	**51,762,974**	**46,360,210**
Net Fees and Commission income	5,955,294	6,721,712
Foreign exchange income	4,178,006	4,420,357
Net premium income	2,823,808	2,612,380
Other operating income	641,450	332,152
	13,598,558	**14,086,601**
Operating income	65,361,532	60,446,811
Credit impairment losses	(18,264,396)	(14,397,422)
Net claims	(810,781)	(936,689)
Net Operating income	46,286,355	45,112,700
Employee benefits expense	(10,304,821)	(11,110,021)
Administration and general expenses	(9,453,535)	(9,472,465)
Depreciation and amortisation	(3,248,982)	(3,064,567)
Total Operating expenses	**(23,007,338)**	**(23,647,053)**
Profit Before Tax	23,279,017	21,465,647
Taxation	(7,182,842)	(6,914,025)
Profit After Tax	16,096,175	14,551,622

EXPLANATORY NOTES

- Total interest income rose by 19.1% y-o-y to FRw 67.0 billion supported higher income from loans & advances, which grew by 22.4% from 1H19. Our Net loan book expanded by 16.5% YTD to FRw 790.2 billion while investments in other securities also increased by 46.8% mostly diversifying excess liquidity into government securities.
- Non-interest income of FRw 12.8 billion were 2.8% lower than same period last year due to the impact of COVID19 pandemic. The Bank's non-interest income have been affected by the reduction of digital channels fees aimed at encouraging cashless transactions during the lockdown period. Furthermore, our clients in export and import trade were adversely affected impacting our fees and commission from letter of credits and Bank guarantees.
- Loan loss provisions rose by 26.9% y-o-y to FRw 18.3 billion while non-performing loans increased to FRw 52.8 billion, after considering the potential impact of COVID-19 and significant increase in credit risk for the large exposures. With reduced business volumes and increased financial distress, the Bank granted grace period between 3 to 10 months to clients who sought moratorium. Restructured facilities related to COVID-19 reached 37% of gross loans and advances. NPLs ratio remained flat at 5.6% while cost of risk increased to 4.6% from 2.7% in FY18. Excluding provisions, operating expenses decreased by 2.7% y-o-y to FRw 23.0 billion with an improved cost to income ratio of 35.8% from 42.2% in FY19. Profit after tax (Net income) rose by 10.8% y-o-y to FRw 16.1 billion.
- Bank of Kigali Plc as the largest Subsidiary of BK Group PLC is adequately capitalized with core capital to risk weighted assets at 23.2 % | 9.9% above the statutory requirements statutory requirements.

STATEMENT OF FINANCIAL POSITION

REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ALL FIGURES ARE IN FRw '000 AS AT	30 June 2020	31 Dec 2019
ASSETS		
Cash in hand	16,757,261	14,400,534
Balances with the National Bank of Rwanda	64,876,403	68,351,345
Due from banks	52,020,185	77,286,457
Held to maturity investments	171,856,445	124,797,114
Investment in corporate bond	11,344,120	-
Loans and advances to customers	790,200,499	678,005,885
Insurance receivable	1,788,625	2,923,995
Deferred income tax	5,722,754	5,261,914
Assets held for sale	1,634,510	1,634,510
Other assets	15,258,412	9,943,427
Right of use assets	2,934,066	3,309,375
Property and equipment	24,961,155	26,389,977
Intangible assets	7,654,465	6,771,054
TOTAL ASSETS	1,167,008,900	1,019,075,587
LIABILITIES		
Due to banks	70,050,329	54,160,261
Deposits and balances from customers	750,432,439	642,698,799
Current income tax	721,436	7,441,556
Dividends payable	18,921,478	13,291,112
Insurance liabilities	3,924,424	5,079,081
Other liabilities	19,685,581	26,189,778
Lease liabilities	3,084,124	3,426,696
Long-term finance	68,915,692	45,977,418
TOTAL LIABILITIES	**935,735,502**	**798,264,701**
CAPITAL AND RESERVES		
Share capital	9,045,474	9,045,474
Share premium	76,573,491	76,573,491
Revaluation Reserves	13,000,149	13,000,149
Retained earnings	130,906,866	120,862,519
Equity attributable to the owners of the parent	229,525,981	219,481,633
Non-controlling interests	1,747,418	1,329,253
TOTAL EQUITY	**231,273,399**	**220,810,886**
TOTAL LIABILITIES AND EQUITY	1,167,008,900	1,019,075,587

Diane Karusisi
CEO

Pieper Alaro Mukolo
Director

Company Code/TIN No. 10003458 RSE Ticker: BOK; NSE Ticker: BKG | Authorized Capital: FRw 10,504,600,000 | Swift: BKIGRWRW
P.O. Box: 175 Kigali | KN4 Ave No 12 Plot No 790 - Kigali | Tel: (+250) 252 593 100 | Cell: (+250) 788 143 000
Fax: (+250) 252 575 504 | BK Group Plc | Email: bk@bk.rw | www.bk.rw

BK GROUP PLC

Consolidated statement of financial position

Assets	Note	31 December 2021 FRw'000	31 December 2020 FRw'000
Cash in hand	19 (a)	21,723,165	21,152,662
Balances with the National Bank of Rwanda	19 (b)	231,758,146	101,621,779
Due from banks	20	77,839,613	107,102,581
Investment securities at amortized cost	21 (a)	164,115,134	142,021,914
Investment in corporate bond	21 (b)	12,703,795	12,166,178
Investment in specialized fund	21 (c)	7,814,784	1,216,854
Loans and advances to customers	22(a)	990,267,321	851,099,810
Insurance receivables	23	6,517,668	2,742,765
Other assets	24	25,810,132	17,605,631
Deferred income tax	25	9,546,653	6,102,616
Right of use assets	26	1,659,359	2,489,038
Assets classified as held for sale	27	734,678	734,678
Property and equipment	28(i)	29,608,750	29,483,594
Intangible assets	28(ii)	10,273,785	8,464,386
Total assets		**1,590,372,983**	**1,304,004,486**
Liabilities			
Due to banks	29	190,223,687	130,557,930
Deposits and balances from customers	30	974,494,626	790,811,261
Current income tax	17	10,013,864	3,276,474
Dividends payable	31	26,928,781	13,286,327
Insurance liabilities	32	9,445,233	6,713,188
Other liabilities	33	35,470,426	32,404,493
Lease liabilities	34	2,069,256	2,669,914
Long-term finance	35	56,026,996	64,940,879
Total liabilities		**1,304,672,869**	**1,044,660,466**
Capital and reserves			
Share capital	36 (i)	9,045,474	9,045,474
Share premium	36 (ii)	76,573,491	76,573,491
Revaluation reserves	36(iii)	13,099,994	13,099,994
Statutory reserves	36(v)	2,321,973	2,279,052
Retained earnings	36(iv)	181,990,759	156,494,803
Equity attributable to the owners of the parent		**283,031,691**	**257,492,814**
Non-controlling interests		2,668,423	1,851,206
Total equity		**285,700,114**	**259,344,020**
Total liabilities and equity		**1,590,372,983**	**1,304,004,486**

The notes set out on pages 132 to 222 form an integral part of these financial statements.

k

FRw Billion	2021	2022	% change
Total Assets	1,590.4	1,854.0	16.6%
Net Loans	990.3	1,134.5	14.6%
Client Deposits	974.5	1,075.2	10.3%
Shareholders Equity	285.3	319.1	11.8%
Net Income	51.9	59.7	15.1%
Cost to Income	36.3%	46.6%	10.3%

FRw/USD Period End Rate	1,013.5	1,070.9	5.7%

USD million	2017	2018	2019	2020	2021	2022
Total Assets	851.5	983.6	1,105.9	1,333.5	1569.2	1.731.3
Net Loans	552.3	636.9	735.8	870.4	977.1	1,059.4
Client Deposits	533.0	596.4	697.4	808.7	961.5	1,004.0
Shareholders Equity	143.7	218.3	239.6	265.2	281.5	298.0
Net Income*	27.3	30.7	40.5	39.3	51.2	55.8

FRw/USD Period End Rate	854.0	892.0	921.5	977.9	1,013.5	1,070.9