CONTRIBUTION OF FINANCIAL ANALYSIS MANAGEMENT TO THE PERFORMANCE OF FINANCIAL INSTITUTIONS IN RWANDA

CASE STUDY: BK GROUP PLC

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By

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DECLARATION

I, **HAKOLIMANA Jean Bosco** declare that this is my original work, has not been submitted for any award anywhere else by the student or any other person. Except where there is reference to different writers but have acknowledged through the reference.

HAKOLIMANA Jean Bosco

Date: ....

Signature ………………………………........

APPROVAL

I **Dr KAMANZI John** certify that this thesis has been prepared under my guidance and has been submitted with my Approval as ULK Supervisor.

Dr KAMANZI John

Date: ....

Signature: ………………………………..

DEDICATION

To

My beloved wife and children

My beloved mammy and late father

Family of NSENGIYUMVA Innocent

My brothers and sisters

All my classmates, friends and relatives

I dedicate this Work

ACKNOWLEDGEMENTS

I would thanks to the Almighty God which me healthy and enable me to carry out my tasks better.

I would like to thank the management, lecturers and staff of Kigali Independent University especially **Prof Dr. BALINDA RWIGAMBA** the founder of Kigali Independent University ULK for the facilitation and support in our efforts to pursue our University studies for quality education and the logistic that supported for the completion of this dissertation. especially my supervisor **Dr. KAMANZI John** who gave me her time regardless of his other heavy tasks, many thanks to the BK GROUP PLC management and selected staff who allowed me to do my research.

I can't forget to thank my colleagues, classmates and all of you who have contributed to my studies directly or indirectly, financially or not your contribution is incomparable.

May Almighty God bless you.

HAKOLIMANA Jean Bosco

LIST OF ABBREVIATIONS, SYMBOLS AND ACRONYMS

PLC	: Public Limited Company
ROA	: Return On Asset
ROE	: Return on equity
ROI	: Return on Investment
RSE	: Rwanda Stock Exchange
Rwf	: Rwandan Franc
SMEs	: Small and Medium Enterprises
Std. D.	: Standard Deviation
UK	: United Kingdom
ULK	: Université Libre de Kigali
USA	: United States of America
%	: Percentage

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ABSTRACT

The main objective of the study is to analyse the contribution of financial analysis management on the performance of financial institutions. The specific objective of the study is to assess the effectiveness of financial analysis management on performance of BK GROUP PLC, to analyse the level of performance of BK GROUP PLC, to find out the relationship between financial analysis management and performance of BK GROUP PLC. A descriptive research design is used when an uncomplicated description is desired that focuses on the details of what, where, when, and why of an event or experience. The data were collected by using documentation techniques. The data were analyzed for producing final findings by using quantitative data was analyzed using descriptive analysis such as frequencies and percentages on each of the research questions about the background information. The results of the findings show that Net operating income increased from was -1% in 2019, 55% in 2021 and 32% on 2022, the reason of reduction of net operating income is the consequences of COVID 19. The total operating expenses of BK GROUP PLC increased from 2019 with a reduction of -11% but increased up to 39% in 2021 and 36% on 2022. The BK GROUP PLC Net profit for the year increased from 3% from in 2019-2020, 35% from 2020 while the net profit increased up to 15%. The return on asset means that for 100 RWF invested in asset the bank has generated 3.7 in 2019 and 3 Frw in 2020 while in 2021 the investors generated 3.3 Frw and 3.2 Frw in 2022. The researcher recommend BK GROUP PLC stabilization and Savings Protection Funds should be started to act as a buffer for liquid cash to BK GROUP PLC that may have cash needs. BK GROUP PLC should have a financial policy and or framework for proper monitoring, controlling and evaluation of financial their resources. BK GROUP PLC need training in financial planning so that they can avoid misuse of operational capital and easily draw financial plans to further propel the BK GROUP PLC performance.

Key words: *Financial, Management, Performance, Financial and Institutions*

CHAPTER ONE: GENERAL INTRODUCTION

This chapter presents the back ground of the study, significances or purpose of the study, scope of the study, the statement of problem, Objective of the study and research methodology.

1.1. Back ground of the study

World widely, the nature of today's business the transformation of the entire world into a global village have been of great concerns to manage of all forms of business organizations. The problems of managers are multivariate because of inefficiency in management of poor decision outcomes of these organizations. Therefore, the managers are unable to achieve the organizational objective within a period of time. In consequences, managers had to look for the means of discharging their stewardship responsibility; this can be obtained through the use of accounting ratios. The use of financial ratios analysis is a time-tested method of analyzing a business. Wall Street investment firms, bank loan officers and knowledgeable business owners all use accounting ratio analysis to learn more about a company's current financial health as well as its potential. Ratios analysis simplified, summarizes, and systematizes a long array of accounting figures. Its main contribution lies in bringing out the inter-relationship, which exists between various segments of business. Ratios are more of a diagnostic tool that helps to identify problem areas and opportunities within a company (Vernmmen, 2006).

Financial analysis management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

A financial institution is a company engaged in the business of dealing with financial and monetary transactions such as deposits, loans, investments, and currency exchange.

The study of financial analysis management system develops with the study of Financial analysis management theory. Financial analysis management system has been carried out in western countries for a long time. At the end of the 15th century and the beginning of the 16th century, there appeared the germ of early capitalism in western society

The 1930s period is known as the adjustment period of Financial analysis management. Due to the unprecedented economic crisis in the western capitalist society, a large number of enterprises went bankrupt and shares plummeted. At this time, Financial analysis management mainly focused on how to prevent enterprises from going bankrupt in the crisis.(Arndorfer & Minto, 2015)

From 1940s to 1950s was the transitional period of Financial analysis management, and people began to study Financial analysis management with changes in methods. Enterprise decision-makers began to take the maximization of corporate profits or stock value as the goal from their own interests, and introduced quantitative financial models

From the 1980s to the present, it is the deepening period of Financial analysis management, when the Financial analysis management system is more standardized and refined. From the middle and late 1990s till now, with the popularization of computers, the specialization of electronic technology and the popularization of network information, a great revolution of Financial analysis management network Financial analysis management has quietly arrived. (Berkeley et al., 2006)

The regional integration process in the East African Community (EAC) has provided an opportunity for furthering Public Financial analysis management reforms amongst the partner states. The East African Monetary Union (EAMU) Protocol signed in November 2013 requires the partner states to harmonize their Public Financial analysis management laws and practices. It also requires the development of a regional surveillance framework to oversee macro-fiscal convergence ahead of the proposed monetary union in 2024. The EAC

Secretariat plays a coordinating role to ensure that the key Public Financial analysis management directives are implemented and the monetary and financial cooperation requirements in the protocol are complied with.

The government of Rwanda is strongly committed to putting in place a sound Public Financial analysis management system. Given the almost complete absence of a modern Public Financial analysis management system after the devastating genocide in 1994, impressive steps have been taken towards achieving this objective within less than a decade during which all Public Financial analysis management reforms were introduced. This achievement is evidence of strong political commitment to establishing an accountable Public Financial analysis management system. An appropriate legal and institutional framework is largely in place, and many of the missing elements are under active consideration, including modernization of the country's the Integrated Financial analysis management Information & System (IFMIS).

The Public Expenditure and Financial Accountability (PEFA) assessments have taken place (in 2007 and 2010) and have demonstrated the efforts made, and have helped the government to design reforms aimed at addressing weak areas and consolidate the gains so far made towards establishing transparent systems. Design, develop and implement an easy to use accounting system for subsidiary entities like Sectors, Schools, Districts' Hospitals and Health Centers Provide the Ministry of Finance and other Government Agencies with a Financial analysis management tool for decision making, financial control, analysis, monitoring and reporting and ensure that the Integrated Financial analysis management Information & System implementation contribute to achievement of MINECOFIN's strategic objectives for improvement of public Financial analysis management.

1.2 Problem statement

In modern business environment, which is becoming more competitive, the survival of firms, small or large, depend upon the strategic decisions made by management.

This is however done with the help of finance, which is a big challenge to most countries having shortage of professional finance managers. To evaluate the firm's financial condition and performance, the financial analysis needs to perform check-ups on various aspects of a firm's financial health. A tool frequently used during these check-ups is financial ratios. According to the government of Rwanda implementation regarding on the organic budget law, and associated Financial Regulations, this bring about important changes in the way the private finance management system works, and it required the development of significant new capacity.

The BNR (2019) showed that most of commercial banks in Rwanda had failed. In addition to this, one of the biggest failure rates of commercial banks. Some banks in the division had stopped operating and others were on the verge of stopping their operations due to financial analysis management related challenges. Unfortunately, a collapse of these banks, could negatively affect the development of commercial banks. Hence there was need for information that could help Bank of Kigali Plc have a better performance. This created a knowledge gap that this study sought to fill. This is reason why a researcher is motivated to conduct a research on how financial analysis management contributes to the performance of financial institutions in Rwanda, especially in BK GROUPL PLC.

1.3 Objective of the study

This study has two types of objectives: General objective and specific objectives

1.3.1. General objective

The general objective of this study is to analyse the contribution of financial analysis management on the performance of financial institutions.

1.3.2 Specific objectives

The following are the specifics objectives to this study:

1) To assess the effectiveness of financial analysis management on performance of BK GROUP PLC
2) To analyse the level of performance of BK GROUP PLC
3) To find out the relationship between financial analysis management and performance of BK GROUP PLC

1.4. Research Questions

It is in that way the following questions were asked;

1) Does financial analysis management effectively applied by BK GROUP PLC?
2) What are the level of performance of BK GROUP PLC
3) Is there any relationship between financial analysis management and performance of BK GROUP PLC?

1.5 Hypotheses of the study

The hypothesis is a set bearing in mind the fact that well performed financial analysis management lead to the performance of services. The hypothesis responds to the formulated questions. In conformity with the questions mentioned above we have formulated the hypothesis as follows:

H0: There is effect of financial analysis management on performance of BK GROUP PLC

H1: There is no effect of financial analysis management on performance of BK GROUP PLC

1.6. Scope of the study

1.6.1 Doamin Scope

This study was carried out in domain of financial analysis management.

1.6.2 Geographical Scope

This study carried out at BK GROUP PLC which located in Nyarugenge District, in the City of Kigali- Rwanda

1.6.3 Time Scope

The study covered a period of 4 years starting 2019-2022. This period was considered adequate for the data required for the study.

1.7. Significances of the study

This research was more profitable to different users such as the researcher himself, other researchers, the company at which the research is conducted, and the society in general.

1.7.1 Personal interest

The research helped the researcher to get knowledge about the contribution of Financial analysis management to the performance of financial institutions in Rwanda and for BK GROUP PLC in particular. Also, this study helps the researcher to fulfill the requirements of Master's Degree in Finance.

1.7.2 Academic interest

Academically, this study helped other researchers and students that may conduct their research on financial analysis management and on its contribution on services performance in financial institutions.

1.7.3 To the organization / Institution

The result of this research helped the management of financial institutions and its performance based on financial analysis management facilitation in general and also in particular BK GROUP PLC 'employees, Managers, and shareholder benefited from suggestions on how a good Financial analysis management contributes to the services

performance in financial institutions and help them to carry out the new policies for proper performance.

1.7.4 The community interest

Once planning, organizing, directing and controlling of financial activities was done in good way it helped customers and others different entities having financial institutions in their duties to benefit a good service from good well organized financial analysis management.

1.8 Organization of the study

The whole study was composed by five chapters, Chapter one is introduction which explains in general the rational of the study. Chapter two which is the literature review focus on what are written by previous authors related to the topic. Chapter three concern with the research methodology in which are exposed the methods that was used to reach the objectives of the study, its include research design, study population, sample size, data collection technics and data analysis procedures. Chapter four was focus on research findings, analysis and interpretations of data collected, these findings were interpreted and edited in relation to objectives of study and chapter five deal with summary of findings, conclusion and recommendations.

CHAPTER TWO: LITERATURE REVIEW

This chapter would look at the works of other scholars, and the existing knowledge about Financial analysis management and organization performance as well as the relationship that exist between the two variables, the concept review and theoretical review.

2.1 Definition of key concepts

The conceptual review provides definitions of key terms related to the topic of the study.

2.1.1 Financial analysis management

According to Meigs R. (2003), financial statements analysis is a structured representation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions.

Financial statements are a set of formal records that is used as a main source in analyzing financial statements. There are four primary financial statements: balance sheet, income statement, statement of cash flows and statement of change in Owner's Equity.

Metcalf and Titard (2006) define also financial analysis known as analysis and interpretation of financial statements refer to the process of determining financial strength and weaknesses of the firm by establishing strategic relationship between the items of the balance sheet, income statement and other operative data.

Financial analysis management is a factor of adopted practices that increase the financial performance of an organization (Alshatti, 2015). The practices ranges from internal control measures through creating systems and operational procedures that enable an organization attain its mandate and objectives (Lerno, 2016). The internal control ensures the annual, monthly and weekly budgets reflect the available resources and expectations of stakeholders.

The budgeting process covers participation and input from all stakeholders and clear communication channels, such all employees are able to work towards achieving one aim (Irungu, 2014).

All operating and functioning organizations suffer from one form or another of risks, proper financial analysis management include aspects of risk management. Some of the common risks affecting organizations include financial risks, operational risks, reputational risks, credit risks among others. The risks are specific to an organization or an industry, while some are general to all sectors of the economy. Risks management consist of creating avenues for risk transfer using insurance policies, risk minimization through audits and proper planning, risk avoidance and creating teams to plan ahead and implement policies (Mucheru, 2016).

2.1.2 Financial Performance

Performance is important in implementing the set objectives into outcomes and desired results. All institutions and organizations across the world, work hard to ensure they improve their performance by adopting measures and practices.

In the business sector, performance is measured using financial elements, effectiveness in resource utilization and efficient processes that add value to the organization.

Many people often assume that high performance is all about the profitability of an enterprise, but performance is examined and evaluated specifically to the type of business organization, philosophies adopted, management thinking, organizational mission and the prevailing environmental conditions and other numerous factors (Van-Dooren & Van-de-Walle, 2016).

Financial performance refers to organizational output registered within a given time frame. It is used to measure the efficiency of the management team in utilizing the available resources for wealth creation (Epstein, Buhovac & Yuthas, 2015). It basically describes how an organization has performed over a period of time (Maritim, 2013).

This is merely used to measure how well an organization is moving towards attainment of its vision and mission. The study is concerned with non-financial performance of the Genghis Capital Investment Bank.

The key indicators and measures of financial performance of the firm include returns on assets, equities and investments, sales turnover and gross margin. On the other hand, non-financial measures include customer satisfaction and learning. A measure of organizational performance can be established through comparison of performance across different horizons and periods in addition to performance of other firms. However, there is no unique measure of performance capturing all aspects of performance and this limit applicability of one measure (Epstein, et al., 2015).

Financial performance within government institutions is simply the ability for the department heads to acquire and utilize the scarce resources allocated to it by the national government and from its own income generating activities, in pursuit of its operational goals and the mandate.

Public organizations performance is based on service delivery, economy improvement, infrastructure development (Onyango & Muturi, 2013).

The non-financial measures looked at aspects on the balanced scorecard (BSC) performance index, concentrating on the human attributes that contribute to overall improved performance. Performance is measured by the public by how easy it is to access services that are offered by the national government, county governments, ministries and departments. To be able to achieve high performance, the government institutions must have a sound budgeting team that is able to effect internal controls of resources including human capital and report on the financial outcomes. Governments run with tight budgets, hence there is an increasing demand to re-examine their spending priorities, the financial reporting system should cut out misappropriation of funds and inefficiencies in the operating systems.

2.2. Theoretical Framework

The contingency theory by Burrell and Morgan (2009) and Modern Portfolio Theory (Markowit, 2017) and resource-based theory founded by Wernerfelt (2014) will provide anchorage to the study.

2.2.1. Contingency Theory

The contingency theory was proposed by Burrell and Morgan (2009) and it argues that an organization does not exist and operate in isolation but rather interacts with the forces within its environment. The theory indicates that only firms that are able to cope with the changes in the environment can effectively survive (Burrell & Morgan, 2009). One of these systems within an organization is the financial reporting of the firm.

Contingency theories were first used to explain variations in structures of organizations. Studies have confirmed that organizational design is contingent on uncertainty within environments (Duncan, 2010) and the size of an organization (Child, 2015).

Scholars have confirmed that contingency theory may give a more wholesome approach of designing management accounting and reporting systems (Waterhouse & Tiessen, 2015). Other studies have confirmed that changes in environment may result into discrepancies in systems of financial reporting (Thomas, 2016).

Therefore, in this context management choice / adoption of new financial reporting practices is dependent on a number of constraints within an organization. Each of which can be conceptualized as falling into one of the four classes in the contingency framework (Donaldson, 2002). Such contingency variable includes; social factors affecting the financial reporting systems, organization environment (different accounting methods, organizational attributes such as size, capital out lay) and lastly the user characteristics namely decision models, decision making styles and cognitive traits (Child, 2015).

This theory links organizational culture and how it moderates the relationship between financial analysis management and performance. It also links financial reporting system with financial performance.

2.2.2. Modern Portfolio Theory

This theory was put forward by Markowit (2017) to relate risk and return trade off in an investment. Investments are made with risks and thus before committing resources in a project, all efforts should be made to determine viability and probable risk level. In order to minimize risk exposure, the theory advocates for portfolio selection. The theory argues that risk in an investment can be reduced or rather minimized by diversification.

Diversification is made possible through proper portfolio selection. A portfolio is defined as group of assets held by investors so as to minimize risk while maximizing returns. Through holding of portfolio, an investor will have diversified the investment and thus minimizing risk exposure which ultimately maximizes returns. The ways through which an investor selects and combines various assets in the portfolio form the basis of risk minimization and maximization of possible returns (Grasse, Whaley & Ihrke, 2016).

Financial analysis management involves decisions that risky for instance capital budgeting and capital structure decisions. Budgeting decisions for instance require an organization to commit resources in several investments (that act as assets). For optimal returns, risk return tradeoff is important which is best explained by this Modern portfolio theory (Fama & French, 2004).

2.2.3. Resource Based Theory

The theory was advanced by Wernerfelt (2014). The theory is premised on the fact that resources endowment of an organization results into performance. Differences in performance between firms may therefore be explained by differences in resource endowment.

An organization therefore gains superior performance by possession of unique resources. The works of Penrose (1959) and Chandler (1962) formed the basis of this theory.

The theory suggests that organizations can be perceived as bundles of resources. The resources of possessed by an organization have certain characteristics those results into performance. First, the resources are distributed heterogeneously across firms and the differences in these resources are in force over time (Wernefelt, 2014). The other characteristics of resources possessed by an organization include the fact that they are rate, non-substitutable and inimitable. These features of resources help an organization to gain competitive advantage and therefore performance (Barney, 1995).

The theory further argues about resource slack of organization. Unlike the total quality of resources possessed by an organization, resource slack acts a river in the growth of an organization (Penrose, 1959). Slack is the difference between the actual resources that firms possess and the ones that it demands currently. It is possible for two firms to possess same level of resources with different need for resources for current business (Mishina 2004). The difference in slack may further the growth of an organization (Mishina, 2004).

The theory points out need for strategic and efficient management of resources to enhance performance. The relevancy of the theory to the study lies in the fact that it expounds on the role that employee in a firm hold in conducting internal controls in ensuring proper Financial analysis management, through sound budgeting process and tracking and reporting on the usage of the limited resources. Having an organizational culture that pushes all staff to work as a team, in a cohesive manner improves the financial performance of service parastatals.

2.3. Literature related financial analysis management

Financial analysis management is concerned with the raising and allocation of resources within the firm, in order to attain the firm's objectives (Julius Kakuru 2008).

Financial analysis management is one of the important function of management in dealing with the resource and monetary aspect of business for funding and operating a business with adequate return.

The Financial analysis management is looked at in terms of Working capital management (WCM), investment decisions and financing decisions. Working capital refers to a firm's short-term assets or currents assets. Management of working capital refers to the daily activity that ensures a firm has sufficient resources to continue its operations. Working capital management refers to all activities related to the firm's receipt and disbursement of cash. The main focus of WCM is steering the firm through challenges such as disconnected supply chains processes, excessive stocks caused by non-bridged interfaces, inadequate trade credit terms, and suboptimal loan decisions. While inadequate trade credit terms and suboptimal loan decisions originate from the financial area, connecting supply chain activities and reducing stock and inventory belong to the operating area. Organizations tend to try as much as possible to have less capital tied up in non-productive stocks, try to shorten the collection period for account receivables, and stretch cash payments for accounts payable as far as possible effective WCM is, therefore, a key role in maintaining the financial health of a firm. (Veeraraghavan, 2018)

Management of Short-term finance is an essential part of working capital management. This is because Working capital is the only investment a company makes without expecting a defined return. If a firm over-invests in working capital it is likely to run into cash flow problems and may collapse. Investment decision is about firms deciding how to invest their capital in available projects. These decisions include which new projects to consider, how much to be invested in chosen projects and whether or not to acquire other firms. The eventuality of the investment decision process is the definition of the set and size of a firm's real assets.

This composition and size of the firm's assets is used to generate the cash flows that determine its profitability, value, and viability. Financing decisions is about deciding on the capital structure of a firm. The owner of a firm has to decide when, where and how to acquire funds to meet investment needs. The key issue is determining the proportion of equity and debt. The mix of debt and equity is known as the firm's capital structure. The financial manager must obtain the best financing mix for the firm, that is, the mix where the market value of the firm is maximized. Once the financial manager has determined the best combination of debt and equity, the appropriate amounts should be raised through the best available sources (Baker and Martin, 2011).

2.3.1 Components of Financial analysis management

Financial analysis management requires understanding the whole organization as management decisions almost always have financial implications. The basic components of financial analysis management, therefore, support both the financial and operational activities of an agency, the five basic components of the financial analysis management Framework Are Asset and Liability Management, Control, Planning, Reporting and Transaction Processing. According to the Gawali R. These are the components of Financial analysis management: (Gawali, 2017)

2.3.1.1 Financial Statement

According to Ohiso (1999), financial statement was defined as a written report that summarizes the financial status of an organization for a stated period of time.

It includes an income statement and balance sheet or statement of the financial position describing the flow of resources, profit and loss and the distribution or retention of profit.

Financial statements are records that outline the financial activities of a business, an individual or any other entity.

Financial statements are meant to present the financial information of the entity in question as clearly and concisely as possible for both the entity and for readers.

According to Halcyon (1991), financial statement is prepared by accountants according to established principles. The purpose is to provide information that was useful in decision making process. All relevant financial information presented in a structured manner and in form easy to understand is called financial statements.

According to Diamond (2006), all watchful business owners have an innate sense of how well their business is doing. Almost without thinking about it, these business owners can tell you any time during the month how close they are to butting budgeted figures. Certainly, cash in bank plays a part, but it's more than that. Helpful is the now time review of financial statements. They are three types of financial statements. Each will give important information about how efficiency and effective the business is operating. Income statement, balance sheet and statement of cash flow are the basic and the most important financial statements which interprets the quantitative data's of a company's performance. Whereas foot notes have the qualitative explanation for the major transactions and the accounting policy adopted while formulating the financial statements. The publicly traded companies publish their financial statements quarterly. a) Income Statement Income statement measures the company's profitability over a period of time. In the income statement, the net income is calculated by subtracting all the expenses from income.

A profit and loss statement (P&L) is a financial statement that summarizes the revenues, costs and expenses incurred during a specific period of time, usually a fiscal quarter or year. These records provide information about a company's ability – or lack thereof – to generate profit by increasing revenue, reducing costs, or both. The P&L statement is also referred to as "statement of profit and loss", "income statement," "statement of operations," "statement of financial results," and "income and expense statement.

2.3.1..2. Balance Sheet

According to Atrill and MacLaney (2013), a balance sheet is a financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point in time. These three balance sheet segments give investors an idea as to what the company owns and owes, as well as the amount invested by shareholders.

Balance sheet is a firm’s assets, liabilities and equity at a given time period are presented in the balance sheet. The balance sheet is a report that summarizes all of an entity's assets, liabilities, and equity as of a given point in time. It is typically used by lenders, investors, and creditors to estimate the liquidity of a business. The balance sheet is one of the documents included in an entity's financial statements. Of the financial statements, the balance sheet is stated as of the end of the reporting period, while the income statement and statement of cash flows cover the entire reporting period (Atrill and MacLaney, 2013).

According to Harmnson (2007), there are key items that are included in the balance sheet are:

- Assets: Cash, marketable securities, accounts receivable, inventory, and fixed assets
- Liabilities: Accounts payable, accrued liabilities, taxes payable, short-term debt, and long-term debt
- Shareholders' equity: Stock, retained earnings, and treasury stock

The exact set of line items included in a balance sheet will depend upon the types of business transactions with which an organization is involved. Usually, the line items used for the balance sheets of companies located in the same industry were similar, since they all deal with the same types of transactions (Atrill and MacLaney, 2013).

The total amount of assets listed on the balance sheet should always equal the total of all liabilities and equity accounts listed on the balance sheet. If this is not the case, a balance sheet is considered to be unbalanced, and should not be issued until the underlying

accounting recordation error causing the imbalance has been located and corrected. The balance sheet is also known as the statement of financial position (Harmnson, 2007).

According to Forter (2016) balance sheet show the state of affairs of an organization at a particular point time. The balance sheet disclosure all assets that belong to the organization at that point in time as well the claims held by other parties against those asset at time, information contained in the balance sheet indicates the financial position of the business at particular point in time which enables different stakeholders of the firm to make informed decision of theirs interests.

The balance sheet gets its name from the fact that the two sides of the equation above – assets on the one side and liabilities plus shareholders' equity on the other – must balance out. This is intuitive: a company has to pay for all the things it owns (assets) by either borrowing money (taking on liabilities) or taking it from investors (issuing shareholders' equity).

Assets, liabilities and shareholders' equity are each comprised of several smaller accounts that break down the specifics of a company's finances. These accounts vary widely by industry, and the same terms can have different implications depending on the nature of the business. Broadly, however, there are a few common components investors are likely to come across.

2.3.1.3. Income Statement

The income statement is one of the major financial statements used by accountants and business owners (the other major financial statements are the balance sheet, statement of cash flows, and the statement of stockholders' equity). The income statement is sometimes referred to as the profit and loss statement (P&L), statement of operations, or statement of income. We used income statement and profit and loss statement throughout this explanation.

The income statement is important because it shows the profitability of a company during the time interval specified in its heading.

The period of time that the statement covers is chosen by the business and will vary (Harmnson, 2007).

According to Halycyon (1991), the income statement often referred to as the profit and loss state P L presents an entity‘s profit performance for a stated period such as one year this statement ascertains the profits and if you expenses are more you have net loss in case when revenues and expenses are equal the firm is said to break even.

2.3.1.4. Cash Flow Statement

According to Frank (1989), often called the "statement of cash flows, the cash flow statement indicates whether a company's income is languishing in the form of IOUs – not a sustainable situation in the long term or is translating into cash flow.

Even very profitable companies, as measured by their net incomes, can become insolvent if they do not have the cash and cash-equivalents to settle short-term liabilities. If a company's profit is tied up in accounts receivable, prepaid expenses and inventory, it may not have the liquidity to survive a downturn in its business or a lawsuit. Cash flow determines the quality of a company's income; if net cash flow is less than net income that could be a cause for concern.

According to Patrick (2002), cash flow helps the investors and creditors to access the ability of the firm to generate positive future cash flow, ability to meet the debt obligations and to shed light on the cash and non-cash aspect of the investing and financial transaction.

Cash flow statements are divided into three categories: operating cash flow, investing cash flow and financing cash flow. Operating cash flows are those related to a company's operations, that is, its day-to-day business. Investing cash flows relate to its investments in businesses through acquisition; in long-term assets, such as towers for a telecom provider; and in securities. Financing cash flows relate to a company's investors and creditors:

dividends paid to stockholders would be recorded here, as would cash proceeds from issuing bonds.

2.3.2. Techniques of Financial analysis management

Financial statement users and analysts have developed a number of techniques to help them analyze and interpret financial statements.

According to Diamond (2006), the most common of these includes horizontal, vertical and ratio analysis. All of these techniques focus on relationships among items in the financial statement themselves.

In trying to understand the current financial position of firm and its future outlook, it is important, to consider changes from year to year as well as trends over several years. One way to accomplish this is to use comparative financial statements and the five-or-ten year summary of data found in the firm annual report to spot important or emerging trends.

2.3.2.1 Horizontal Analysis

Horizontal analysis focuses on the amount and percentage changes that have occurred in certain accounts from year to year (Pandey, 2013).

Using percentage changes is better for comparative purposes than using actual amount changes. In order to calculate percentage changes, the following formula should be used:

$$\text{Percentage change} = \frac{\text{Current year} - \text{Previous Year}}{\text{Previous year}} \text{ x } 100$$

2.3.2.1.1 Horizontal Analysis of the Income Statement

Horizontal analysis of the income statement is usually in a two-year format, such as the one shown below, with a variance also shown that states the difference between the two years for each line item. An alternative format is to simply add as many years as will fit on the page, without showing a variance, so that you can see general changes by account over multiple

years. A third format is to include a vertical analysis of each year in the report, so that each year shows expenses as a percentage of the total revenue in that year.

2.3.2.1.2 Horizontal Analysis of the Balance Sheet

Horizontal analysis of the balance sheet is also usually in a two-year format, such as the one shown below, with a variance showing the difference between the two years for each line item. An alternative format is to add as many years as will fit on the page, without showing a variance, so that you can see general changes by account over multiple years. A less-used format is to include a vertical analysis of each year in the report, so that each year shows each line item as a percentage of the total assets in that year.

Horizontal analysis can be miss-used to report skewed findings. This can happen when the analyst modifies the number of comparison periods used to make the results appear unusually good or bad. For example, the current period's profits may appear excellent when only compared with those of the previous month, but are actually quite poor when compared to the results for the same month in the preceding year. Consistent use of comparison periods can mitigate this problem.

2.3.2.2 Trend Analysis

This involves computing ratios and comparing them with previous year ratios of the same company to assess the performance of the company (Diamond, 2006).

When more than two years are involved, index numbers are used instead of percentage changes. Essentially, one year is selected as the base year and is set to 100%. To measure real growth the value of the index can be compared with either the consumer price index or any specific price index for the industry. The formula used for trend analysis is the following:

$$\text{Percentage change} = \frac{\text{current Year}}{\text{Based−year amount}} \text{ x } 100$$

The base year always is considered to be the first year in the comparisons.

2.3.2.3 Vertical Analysis (Common-size analysis)

According to Diamond (2006), vertical analysis is used to evaluate the relationships within a single financial statement. Essentially, the appropriate total figure in the financial statement is set to 100% and other items are expressed as a percentage of that figure. For the balance, this figure usually is total assets or the total of liabilities plus stockholders equity. Net sale usually is the total figure used in the income statement. The formula used for trend analysis is the following:

$$\text{Percentage change} = \frac{\text{current Year}}{\text{Based−year amount}} \text{ x } 100$$

Vertical analysis is the proportional analysis of a financial statement, where each line item on a financial statement is listed as a percentage of another item. Typically, this means that every line item on an income statement is stated as a percentage of gross sales, while every line item on a balance sheet is stated as a percentage of total assets.

The most common use of vertical analysis is within a financial statement for a single time period, so that one can see the relative proportions of account balances. Vertical analysis is also useful for timeline analysis, to see relative changes in accounts over time, such as on a comparative basis over a five-year period.

2.3.2.3.1 Vertical Analysis of the Income Statement

The most common use of vertical analysis in an income statement is to show the various expense line items as a percentage of sales, though it can also be used to show the percentage of different revenue line items that make up total sales. An example of vertical analysis for an income statement is shown in the far right column of the following condensed income statement: The information provided by this income statement format is useful not only for

spotting spikes in expenses, but also for determining which expenses are so small that they may not be worthy of much management attention.

2.3.2.3.2 Vertical Analysis of the Balance Sheet

The central issue when creating a vertical analysis of a balance sheet is what to use as the denominator in the percentage calculation. The usual denominator is the asset total, but one can also use the total of all liabilities when calculating all liability line item percentages, and the total of all equity accounts when calculating all equity line item percentages.

An example of vertical analysis for a balance sheet is shown in the far right column of the following condensed balance sheet. The information provided by this balance sheet format is useful for noting changes in a company's investment in working capital and fixed assets over time, which may indicate an altered business model that requires a different amount of ongoing funding.

The second method for analyzing financial statements is the use of many kinds of ratios. You use ratios to calculate the relative size of one number in relation to another. After you calculate a ratio, you can then compare it to the same ratio calculated for a prior period, or that is based on an industry average, to see if the company is performing in accordance with expectations. In a typical financial analysis management, most ratios were within expectations, while a small number will flag potential problems that will attract the attention of the reviewer.

2.3.3. Objectives of financial analysis management

Provide support for decision making. Financial analysis management provides managers with the information and knowledge; they need to support operational decisions and to understand the financial implications of decisions before they are made.

It also enables managers to monitor their decisions for any potential financial implications and for lessons to be learned from experience, and to adapt or react as needed. Ensure the availability of timely, relevant and reliable financial and non-financial information. Financial analysis management gives managers the information that either forms the basis for calculating financial information, or is used for management control and accountability purposes. Manage risks. Financial analysis management enables an organization to identify, assess and consider the financial consequences of events that could compromise its ability to achieve its goals and objectives and/or result in significant loss of resources. Financial analysis management is an important component of risk management and needs to be considered with the full range of business risks, such as operational and strategic risks as well as social, legal, political and environmental risks. Use resources efficiently, effectively and economically. Financial analysis management is necessary to ensure that an organization has enough resources to carry out its operations, and that it uses these resources with due regard to economy, efficiency and effectiveness. Strengthen accountability. Financial analysis management is essential for an organization to understand and demonstrate how it has used the financial resources entrusted to it and what it has accomplished with them. Provide a supportive control environment. Financial analysis management contributes to promoting an organizational climate that fosters the achievement of Financial analysis management objectives - a climate that includes commitment from senior management, shared values and ethics, communication and organizational learning. Comply with authorities and safeguard assets. Financial analysis management is essential to ensuring that an organization carries out its transactions in accordance with applicable legislation, regulations and executive orders; that spending limits are observed; and that transactions are authorized. It also provides an organization with a system of controls for assets, liabilities, revenues and expenditures. These controls help to protect against fraud, financial negligence, violation of financial rules or

principles and losses of assets or public money. (Pil, & Holweg, 2003).

2.3.3.1 The contribution of financial analysis management to the performance of financial institutions

The effective financial analysis management is crucial to their survival and their ability to meet member objectives. Financial analysis management is the business function concerned with profitability, expenses, cash and credit, so that the "organization may have the means to carry out its objective as satisfactorily as possible;" the latter often defined as maximizing the value of the firm for stockholders. The discipline is then tasked with the "efficient acquisition and deployment" of both short- and long-term financial resources, to ensure the objectives of the enterprise are achieved. (Ward & Forker, 2017).

According to Green the performance is the extent of achievement of an enterprise or organization to reach the set goals. The indicator is a variable that measures the efficiency or effectiveness of partial or the entire system, so that whether the operational procedures are consistent with original goals are ensured (MasColel and Green, 1995). Also proposes sale growth rate, profit growth rate, profitability, product liquidity, staff productivity, and cash flow as key evaluative measures for organizational performance.

Makino and Beamish (1998) chooses financial performance and termination rate as performance measures as the following:

The employee performance is the process for establishing a shared workforce understanding about what is to be achieved at an organization level.

The performance Management is a term used to improve team performance, based on the principles of measurement, appraisal, and action and monitoring. However, it can be manifest in very different forms depending on whether the aim is to further improve well performers.

Performance management is the systematic process by which an agency involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of agency mission and goals.

The performance appraisals often serve as motivational tools for employees. The company may offer a bonus or other perk to employees who are able to improve their performance appraisals from one period to the next. It is important to offer improvement opportunities, such as training seminars, mentorships or classes to employees desiring to improve their performance appraisals A performance management process involves an assessment or an analysis of what has been achieved and forms a basis for career planning, potential development, performance agreements and development plans like Douglas Mc. Gregory suggested that emphasis should be on analysis and not on appraisal.

Performance management process is forward looking. Performance assessments depend upon the ability to judge a performance which further depends upon specification of clear standards and avoidance of unnecessary projections. Perfect assessments can never completely be a reality and is susceptible to various errors or problems like halo effect which means the manager acquires a tendency of generalizing few experiences with the other aspects of performance and the problems of poor perception, selectivity and poor interpretation.

2.3.3.2 The effects of financial analysis management in decision making

Financial analysis management is important in business because it helps in planning, organizing, and implementing a financial plan for your business that makes it easier to make decisions because of everything is in order. The decisions making have a significant impact on the overall business. Be it planning, budgeting, or employees monitoring, decisions play an essential role for your business. Meanwhile, financials management is the top entity that influences the decision-making of the business.

It works the same way, just like to consider the financial position before an investment.

That is why financial analysis management is essential for every business today and beyond. But it covers broader aspects in the case of a business. For that instance, many companies consider professional accountants for financial analysis management. They can also acquire training for accounting to employ it for business decisions. There are several other reasons financial analysis management is most integral for the business. I'm going to discuss the role of financial analysis management in the decision-making by managers in the business. The business owner, you do not have an unlimited supply of funds for your business. In this case, managing these funds or financials is an essential part of running a successful business.

Financial analysis management allows you to apply similar management principles like business management to ensure complete control over the money and higher business performance. The transparency of data from the financial analysis management system allows business owners to make adequate budget control and investment decisions. In addition, you can easily monitor which aspect of the business strategy and operation is not working out. This way, financial analysis management boosts the decision-making for your business in the long run. On the other side, effective financial analysis management will also reduce stress by giving you complete control to call the shots. Meanwhile, an inadequate financial framework can lead to lower engagement and operational performance for your business.

2.3.3.3 Financial analysis management can be used as tool for decision making

Today, every business seeks proliferation practices to stay ahead in the competition. But that also calls for the effective measurement and risk-adjusted approach towards expanding in the competitive market. There is more than meets the eye when it comes to business growth. Business owners have to look out for different factors before expanding from economic stability to the underlying risks. It is where financial analysis management comes in handy to assist business owners in measuring growth.

Financial analysis management can assist business owners by providing detailed analytics for the new products and services in the market. These analytics can allow you to make informed decisions to expand your line up and gain a competitive edge over competitors. What is even better about it is that you can also measure operational success. This way, they can decide whether to move further or stick to the existing plans to stave off the crisis.

2.3.4. Ratios Analysis

2.3.4.1 Capital Adequacy

Capital adequacy is the capital expected to maintain balance with the risks exposure of the financial institution such as credit risk, market risk and operational risk, in order to absorb the potential losses and protect the financial institution‘s debt holder. “Meeting statutory minimum capital requirement is the key factor in deciding the capital adequacy, and maintaining an adequate level of capital is a critical element” (Gretchen, 1998).

Karlyn (1984) defines the capital adequacy in term of capital-deposit ratio because the primary risk is depository risk derived from the sudden and considerably large scale of deposit withdrawals. In 1930, FDIC created a new capital model as capital-asset ratios since the default on loans came to expose the greatest risk instead of deposit withdrawals. To gauge the capital adequacy, bank supervisors currently use the capitalrisk asset ratio. The adequacy of capital is examined based upon the two most important measures such as Capital Adequacy Ratio (CAR) or Capital to Risk-weighted Assets ratio, and the ratio of capital to assets.

The capital adequacy is estimated based upon the following key financial ratios, and to be considered as good banks in U.S., they must meet certain criteria detailed below:

Table 1.1. Capital Ratios Analysis

Ratios	Formula	Criteria
CAR1	$\frac{(Tier\ 1\ capital - goodwill) + Tier\ 2\ capital}{Risk - weighted\ assets}$	≥8%
Equity capital to total assets	$\frac{Total\ capital}{Total\ assets}$	≥4-6%

Source: Altman, E. (2000)

This capital ratio is required to meet a minimum of 8% set by the Bank for International Settlement (BIS).However, it is important to note that in some countries the required minimum capital may vary depending on the local regulators; and the bank might like to have as high a capital ratio as possible.

Each of components in the CAMEL model is scored from 1 to 5. In the context of capital adequacy, a rating of 1 indicates a strong capital level relative to the financial institution's risk. Meanwhile, the rating of 5 indicates a critical deficient level of capital, in which immediate assistance from shareholders or external resources is required (Altman, E. I. 2000).

2.3.4.2 Asset quality

According to Grier (2007), "poor asset quality is the major cause of most bank failures". A most important asset category is the loan portfolio; the greatest risk facing the bank is the risk of loan losses derived from the delinquent loans. The credit analyst should carry out the asset quality assessment by performing the credit risk management and evaluating the quality of loan portfolio using trend analysis and peer comparison. Measuring the asset quality is difficult because it is mostly derived from the analyst's subjectivity.

Frost (2004) stresses that the asset quality indicators highlight the use of nonperforming loans ratios (NPLs) which are the proxy of asset quality, and the allowance or provision to loan losses reserve. As defined in usual classification system, loans include five categories: standard, special mention, substandard, doubtful and loss.

NPLs are regarded as the three lowest categories which are past due or for which interest has not been paid for international norm of 90 days. In some countries regulators allow a longer period, typically 180 days. The bank is regulated to back up the bad debts by providing adequate provisions to the loan loss reserve account. The allowance for loan loss to total loans and the provision for loan loss to total loans should also be taken into account to estimate thoroughly the quality of loan portfolio.

The asset quality requirements are taken into AIA's CAMEL approach to Bank Analysis (1996) as below:

Trends should be noted such as loan concentrations, intra-group lending, and real-estate exposure. For a bank which heavily exposes to lend some specific business sectors and/or business entities, lack of diversification will make its loan portfolio vulnerable. Therefore, AIA designs the portfolio mix shared equally by a third of each of consumer, commercial and industrial loans.

Loan growth: has there been a large increase in loan growth and in what type of lending; are prudent standards being followed or are they becoming lax due to competition.

Non-performing loans: amount, composition, causes for large increase or decreases, how NPLs are defined.

The asset quality is estimated based upon the following key financial ratios, and to be considered as good banks in U.S., they must meet certain criteria detailed below:

Table 1.2. Asset Quality Ratios Analysis

Ratios	Formula	Criteria
NPLs to total loans	$\frac{NPLs}{Total\ loans}$	≤ 1%
Provision for loan loss ratio	$\frac{Provision\ for\ loan\ loss}{Total\ loans}$	≥100%

Source: Apel, E. 2007

Each of the components in the CAMEL rating system is scored from 1 to 5. In the context of asset quality, a rating of 1 indicates a strong asset quality and minimal portfolio risks. On the other hand, a rating of 5 reflects a critically deficient asset quality that presents an imminent threat to the institution's viability. (Apel, E. 2007).

2.3.4.3 Management quality

Management quality is basically the capability of the board of directors and management, to identify, measure, and control the risks of an institution‵s activities and to ensure the safe, sound, and efficient operation in compliance with applicable laws and regulations (Cornet, S. 2015).

Grier (2007) suggests that management is considered to be the single most important element in the CAMEL rating system because it plays a substantial role in a bank's success; however, it is subject to measure as the asset quality examination.

AIA approach to bank analysis states that the management has clear strategies and goals in directing the bank's domestic and international business, and monitors the collection of financial ratios consistent with management strategies.

Ownership: the bank is majority-owned by the government because government support is the most important mitigating factor to potential financial problems, or by large Private Corporation that have economic significance.

The Management is estimated based upon the following key financial ratios, and to be considered as good banks in U.S., they must meet certain criteria detailed below:

Table 1.3. Management Quality Ratios Analysis

Ratios	Formula	Criteria
Total asset growth rate	Average of historical asset growth rate	Nominal GNP growth
Loan growth rate	Average of historical loan growth rate	Nominal GNP growth
Earning growth rate	Average of historical earning growth rate	≥ 10-15%

Source: Cornett, S. (2005).

Each of components in the CAMEL rating system is scored from 1 to 5. In the context of management, a rating of 1 is assigned to note the management and board of directors are fully effective. On the other hand, the rating of 5 is applicable to critically deficient management. Replacing or strengthening may be needed to achieve sound and safe operations (Cornett, S. 2005).

2.3.4.4 Earning ability

This rating reflects not only the quantity and trend in earning, but also the factors that may affect the sustainability of earnings. Inadequate management may result in loan losses and in return require higher loan allowance or pose high level of market risks. The future performance in earning should be given equal or greater value than past and present performance (Halcyon. G. 1991).

In accordance with Grier (2007) opinion, a consistent profit not only builds the public confidence in the bank but absorbs loan losses and provides sufficient provisions. It is also necessary for a balanced financial structure and helps provide shareholder reward. Thus consistently healthy earnings are essential to the sustainability of banking institutions. Profitability ratios measure the ability of a company to generate profits from revenue and assets.

The profitability is estimated based upon the following key financial ratios, and to be considered as good banks in U.S., they must meet certain criteria detailed below:

Table 1.4. Earning Ability Ratios Analysis

Ratios	Formula	Criteria
Net interest income Margin (NIM)	$\frac{Net\ interest\ income}{Average\ earning\ assets}$	> 4.5%
Cost to income ratio	$\frac{Operating\ expenses(excludes\ provision\ loss)}{Net\ interest\ income + non - interest\ income}$	≤ 70%
Return on asset (ROA)	$\frac{Net\ interest\ income}{Asset\ growth\ rate}$	≥ 1%
Return on equity (ROE)	$\frac{Net\ interest\ income}{Shareholder's\ equity\ growth\ rate}$	≥ 15%

Source: Meigs, W. and Meigs, R. (2003)

Each of the components in the CAMEL rating system is scored from 1 to 5. In the context of earning, a rating of 1 reflects strong earnings that are sufficient to maintain adequate capital and loan allowance, and support operations. On the other hand, a rating of 5 experiences consistent losses and represents a distinct threat to the institution's solvency through the erosion of capital. (Meigs, W. and Meigs, R. (2003).

2.3.4.5 Liquidity

There should be adequacy of liquidity sources compared to present and future needs, and availability of assets readily convertible to cask without undue loss. The fund management practices should ensure an institution is able to maintain a level of liquidity sufficient to meet its financial obligations in a timely manner; and capable of quickly liquidating assets with minimal loss (Pandey, K. 2005).

Rudolf (2009) emphasizes that "the liquidity expresses the degree to which a bank is capable of fulfilling its respective obligations". Banks makes money by mobilizing short-term deposits at lower interest rate, and lending or investing these funds in long term at higher rates, so it is hazardous for banks mismatching their lending interest rate.

Table 1.5. Liquidity Ratios Analysis

Ratios	Formula	Criteria
Customer deposits to total assets	$\frac{Total\ customer\ deposits}{Total\ assets}$	≥ 75%
Total loan to customer deposits (LTD)	$\frac{Total\ loans}{total\ customer\ deposits}$	≤ 80%

Source: Pandey, K. (2005).

Each of the components in the CAMEL rating system is scored from 1 to 5. In the context of liquidity, a rating of 1 represents strong liquidity levels and well-developed funds as the institution has access to sufficient sources of funds to meet present and anticipated liquidity needs. On the other hand, the rating of 5 signifies critical liquidity deficiency, and the institution demands immediate external assistance to meet liquidity needs (Pandey, K. 2005).

2.4. Literature related on performance

The performance is the results activities of an organization or investment over a given period of time. Performance is the end result of motivation that performance is a function of ability and motivation. Motivation and ability are very necessary for the company to perform. If either ability or motivation is low, performance will also be bow and the reverse is true (Nice Martin, 2011).

2.4.1. Financial Performance indicators

According to Danniel (2013), Indicator is a tool of management to pilot the evaluation/effort of activity, to animate and to organize a collective reflection in order to use efficiently the resources.

According to Matt Evens (2014) the main objective of a 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.

Profitability ratio is measures the result of business operations or overall the performance and effectiveness of firm. Profit ratio measure the efficiency with which the company uses its resources. The most popular profitability ratios are as follow:

2.4.1.1. Profitability ratios

The profitability ratio compares the earnings reported by a business to its sales. It is a key indicator of the financial health of an organization (Lin & Su, 2012).

- **Net profit margin**

This is used to measure return on sales and shows the percentage of profit earned on sales.

This ratio is important because businesses need to makes profit to services in the long run

(Matt Evens 2014). It is defined as follow:

Net profit margin= $\frac{\textbf{net profit after tax}}{\textbf{sales Revenue}} * 100$

2. Return on shareholders' Equity

According to Helesen, (2012) Return on equity measures how much a company makes for each dollar that investors put into it. You calculate it by taking the net income earned (NI) by the amount of money invested by shareholders (SI) and multiplying the quotient by 100:

Return on shareholders' equity= $\frac{\textbf{Net income available to common stockholders}}{\textbf{shareholders' equity}} * 100$

3. Return on Total Asset

The return on assets of these corporate companies performance can be measured to identify whether the total assets are idle or not and he derived the method which can be used to measure the return of total assets (Gillingham, 2011).

This ratio measure the percentage of profit earned on the employment of asset, (Matt Evens, 2014). It is defined as follow:

Return On Assets= $\frac{\textbf{Net profit available to common stockholders}}{\textbf{Total Assets}} * 100$

Return on Capital employed (ROCE)

Return on capital employed is an accounting ratio used in finance, valuation, and accounting. It is a useful measure for comparing the relative profitability of companies after taking into account the amount of capital used (Lin & Su, 2012).

ROCE = $\frac{EBIT}{Capital\ employed}$

EBIT = Earnings Before Interest and Tax

Capital Employed = Total Assets – Current Liabilities.

2.4.2. Liquidity ratios

According to Matt Evens (2014), there ratios are measure of short-term performance. There are ratios which assess or evaluate the ability of the firm to meet or respond to its short-term obligation.

1. Current ratio

According to Matt Evens (2014) the main question this ratio addresses is: Does your business have enough current assets to meet the payment schedule of its current debt with a margin of safety possible losses in current assets, such as inventory shrinkage or collectable account? This ratio is measure of comparison between short-term asset and short-term liabilities. It is defined as follow:

$$\mathbf{1. Current\ Ratio} = \frac{\mathbf{Current\ Asset}}{\mathbf{Current\ Liabies}}$$

2.4.3. Solvency ratio

Solvency ratios are a key component of the financial analysis which helps in determining whether a company has sufficient cash flow to manage the debt obligations that are due. Solvency ratios are also known as leverage ratios. It is believed that if a company has a low solvency ratio, it is more at the risk of not being able to fulfil its debt obligation and is likely to default in debt repayment.

- **Debt to equity ratio**

Debt to equity is one of the most used debt solvency ratios. It is also represented as D/E ratio. Debt to equity ratio is calculated by dividing a company's total liabilities with the shareholder's equity. These values are obtained from the balance sheet of the company's financial statements. It is an important metric which is used to evaluate a company's financial leverage (Winner, 2012). This ratio helps understand if the shareholder's equity has the ability to cover all the debts in case business is experiencing a rough time.

Debt to equity ratio = $\frac{\text{Total Liabilities}}{\text{shareholders' equity}}$

- **Debt to Asset Ratio**

Another leverage measure, this ratio measures the percentage of a company's assets that have been financed with debt. A higher ratio indicates a greater degree of leverage (Stock and Lambert, 2011).

Debt to assets ratio =$\frac{\textit{Total Debt}}{\textit{Total Assets}}$

- **Interest coverage ratio**

This ratio measures the company's ability to meet the interest expense on its debt with its operating income, which is equivalent to its earnings before interest and taxes (EBIT). The higher the ratio, the better the company's ability to cover its interest expense (Winner, 2012).

Interest coverage ratio = $\frac{\textit{Operating income (EBIT)}}{\textit{Interest Expenses}}$

2.5. Relationship between Financial analysis management and financial performance

Financial literature suggests that optimal application and commitment towards financial analysis management practices result in an increased company's performance. The financially well managed companies are operationally efficient. This stands as a positive sign for investors and regulatory authorities.

The empirical literature provides various dimensions of operational performance which may also be applicable to Financial analysis management context. The measures of the operational performance construct used in this study are Accounting measures, Growth Measures, Leverage, Leverage, Liquidity, Operational measures, Market-based measures, Survival Measures and Economic value measures (Kritehanchai & MacCarthy, 2002).

Although financial performance is the ultimate aim of any business organization, other indicators such as innovation performance (Lorenz et al., 2003), market share and other non-financial performance indicators may also be equally important in evaluating the impact of Financial analysis management practices on financial performance.

The short-term objectives of the organizations are essentially to enhance productivity and reduce mismanagement of the finance. (Ton, L. et al 2015).

Lack of Financial analysis management in business will lead to losses and closure of business. With the study of Financial analysis management, we can protect the business from miss management of money and increase the performance of the organization. Without proper Financial analysis management debts will not be paid in time and may make the business insolvent hence it has more effect on the performance of the organization.

Human relations theory in organizational studies provides the main basis for this study.

Its central premise is that organizational performance is enhanced through the people working in it. To improve organizational performance, staff must be hired, fired, promoted and transferred on basis However, employees without motivation (intrinsic and/or extrinsic) will not work towards fulfilling organizational mandates. In addition, the organization's management must help to structure work in an appropriate manner and to encourage cooperation, communication and meaningful jobs for the employees. (Ton, L. 2015).

2.6. Empirical review of Literature

An empirical review of literature is a systematic examination and analysis of existing research studies, articles, and other relevant sources that focus on empirical or experimental data. This type of review aims to provide a comprehensive understanding of the current state of knowledge in a particular field or topic based on empirical evidence.

This part provides a review of some notable, theoretical and empirical research works done by various institutions and authors in evaluating the financial performance.

Nimalathasan (2008) stated that the common reason which supports much of the financial performance research and discussions is that, increasing financial performance analysis will bring about improvement in functions and processes of the organization. The concept of financial performance and research into its measurement is well advanced within finance and

management fields. An array of performance indicators is necessary to expose the different aspects of the performance of a bank as in Gibson and Cassar (2005). The concept of prudent banking is normally built around these indicators. Financial analysis is crucial in estimating the effect of any sector reforms or institutional restructuring.

Aarma et al (2003) indicated that banks performance analysis is an important issue in the conditions of transition economies due to the key role played by the financial sector in a successful transition. Different aspect of the DuPont financial ratios appears to be applicable to the banks and other financial institutions as in Dietrich (1996) and Avkiran (1995). Financial Markets Department (2000) affirmed that ratio analysis is a reflection of the true state of affairs of the performance of any business. Notwithstanding the usefulness of financial ratio analysis in providing useful insight to an entities performance it does have some important limitations as an analytical tool in bank performance analysis.

The banking system is considered as the backbone of financial system of an economy. The growth and performance of banking system portrays the healthy economic picture of the financial system. In India over a period of time especially after the introduction of economic reforms banking system has made significant progress. In order to assess the financial performance of old private sector banks CAMELS model is used. This is a rating model which has been used by researchers and policy makers for the assessment of performance of financial sector in different time period. Reserve Bank of India suggested rating model named CAMELS (Capital Adequacy, Asset Quality, Management Efficiency, Earnings, Liquidity and System & Control) for rating of banks operating in India. The CAMELS model is very much popular among regulators due to its effectiveness.

Gaytán and Johnson (2002) argued that this model is highly compatible for the assessment of the performance of the bank. Sarker (2005) found that CAMELS methodology was adopted by North America Bank regulators to judge the financial and managerial reliability of

commercial lending institutions.

Wirnkar and Tanko (2008) emphasized the importance of CAMEL model in examining the overall performance of bank. The study highlighted the importance of each component in CAMEL and evaluated the best ratios that bank regulators can adopt in assessing the efficiency of banks. Dahiyat (2012) examined each parameter of CAMELS system (Capital adequacy, asset quality, management quality, earning, liquidity and sensitivity to market risks) by conducting literatures and empirical studies, and relying on interviews with responsible persons in Jordan securities commission and brokerage firms.

A similar study done by Gekonde (2013) to investigate the impact of performance budgeting on the management of parastatals in Kenya, the research employed a descriptive design method and the population was a census study of the parastatals in Kenya. The study found that use of performance information, performance targets in budgeting, performance evaluations and spending reviews are significant in explaining the difference in the management of parastatals in Kenya. The study recommends that the management of human resource component for managing results should aim towards stronger performance-based incentives for public officials. To accompany this, employment should be flexible, poor performers should be dismissed and there should be an ease of transferring employees from one program to another. This study failed to relate budgeting and performance directly which creates research gap.

In an assessment of the effect of budgeting on performance of Kenyatta National Hospital, Anyango, Rotich and Kamau (2017) revealed that participation in budgeting greatly influenced performance of state corporations. Mbugua (2013) sought to determine the interaction between budgeting and firm performance with reference to Kenya’s water sector. The study showed that there was a positive effect of budget planning on revenue collection. The study therefore concludes that budget planning participation in budgeting by members of

staff is critical and should be considered in order to improve performance in the provision of water services.The study was done in the health sector and not all the SOEs which creates research gap.

Koech (2015) analyzed how budgetary controls affected performance of manufacturing firms in Kenya. The study noted that budget committee was notified of any deviation in budgets fir reviewal. Budget policies are given to managers to control over expenditures. Financial managers were actively involved in process of setting of budgets. The study concludes that the budgetary controls in place greatly influenced competitiveness and financial performance. Therefore, this study shows that capital budgeting techniques should increase the effectiveness of a firm's performance. Irungu (2014) sought to find out the link between capital budgeting techniques and their influence on how Kenyan listed firms perform. Specifically, the study examined how the capital budgeting techniques in appraisal of projects affected performance. The study revealed that financial performance of listed companies was significantly influenced by the capital budgeting techniques.

2.7. Research Gap

Different studies have found out that, financial leverage has a relationship with financial performance. According to Rehman (2013), financial leverage is the extent to which a business or investor uses borrowed money; it is a measure of how much a firm uses equity and debt to finance its assets. As debt increases, financial leverage increases. KSB charged with regulation of the financial institution charges SDL at a rate 4% per ton of sugar delivered to factories, the study found out that, these recoveries was being pooled together and 20 advanced back factories at a cheaper rate of 5% to finance investments in factory rehabilitation, cane development, roads, bridges and infrastructure developments within sugar cane catchment. The factories also used their assets as securities to secure loans for investments from commercial banks and financial institutions in Rwanda. The study found

out that Rwandan financial institution was heavily indebted, resulting in instability in financial performance as a small change in sales volumes resulted in huge adverse financial performance. For that none who conduct research on role of financial analysis management on financial performance of BK GROUP PLC.

2.8 Conceptual Framework figure

INDIPENDENT VARIABLE | **DEPENDENT VARIABLE**

FINANCIAL MANANAGEMENT | **PERFORMANCE**

1. Trend analysis of balance sheet and income statement
2. Horizontal analysis
3. Capital adequate ratios
4. Asset quality ratio
5. Management ratio
6. Earnings ratios
7. Nonperforming Loans

→

PERFORMANCE

- Current ratio
- Return on equity
- Return on asset
- Loan to deposit ratios
- Loan to asset ratios

Source: Researcher’s design, 2023

CHAPTER THREE:

RESEARCH METHODOLOGY

The chapter represents how the sample were selected and collected. It consists of all instruments used in this study. The study was carried out and analysing the contribution of financial analysis management on the performance of financial institutions.

3.1. Research design

According to Grawitz, M. (2004), research design refers to a predetermined logical plan through which all activities involved in a research study are organized. This study adopted a descriptive research design with quantitative data. A descriptive research design is used when an uncomplicated description is desired that focuses on the details of what, where, when, and why of an event or experience. Thus, this approach was chosen because the study endeavored to the contribution of financial analysis management on the performance of financial institutions.

3.2. Data collection techniques

These are methods the researcher used in collecting accurate and updated data so that the study could be completed and the instruments or tools used to get that information to be used during interpretation. The data was collected by using questionnaires, interviews, and observation.

3.2.1. Documentary technique

According to Mbaaga (2015), documents are materials, which contain the information about a phenomenon that researchers wish to study. Secondary data was mainly collected through review of various documents for the purpose of attaining sufficient and reliable information where the researchers analyzed BK GROUP PLC's annual reports, procedures manuals in order to get real information on financial analysis management and financial performance of BK GROUP PLC.

3.3. Reliability and validity of the measurement instrument

For Amin, M.E (2015) the validity is the point of instrument used to measure a variable and find the expected results. Kumar& Phrommathed (2012) proved that the validity is an element to measure what was planning to evaluate.

3.3.1. Validity

The validity of this research measured through consultation of supervisor who is the expert, and who is knowledgeable in this research field. There was presentation of drafted individual questionnaires, focus group & interview guides for double checking, judgment, and accomplishment of research relevance to all questions with topic, and validate them. The validity tested using content validity Index (CVI). CVI: Total numbers of relevant items in instruments / total number of items in instruments.

3.3.2. Reliability

Reliability is the level of accuracy or precision in measurements of instrument. According to Ranjit K, (2011), the lower the level of "error" in instrument, the higher the reliability. The questionnaire was internally measure and proves consistency by using Cronbach's alpha.

3.4 Data processing

The data are organized in a meaningful manner in order to easily and comprehensively present it. This step involves the use of all statistical procedures of analyzing raw data collected. These include editing, coding and tabulation. The researcher used quantitative data analysis.

3.4.1 Editing

This is an inspection and collection if necessary of each questionnaire or observation from Churchill (1992). The researcher used this mainly in editing the questionnaire and related document. This method was used mainly arranging the collected data, sorting out any mistakes and any unnecessary or irrelevant information detected. In editing process, the

researcher expects to put much emphasis on ensuring accuracy, completeness, uniform, legality and comprehensiveness in answering the questions.

3.4.2 Coding

Moser and Calton (1971) has it that the purpose of coding in surveys is to clarify the answers to questions into meaningful categories to bring out their essential patterns. After being edited, the data was coded where the numbers were assigned to each of the answers so that could easily be summarized and analyzed.

3.4.3 Tabulation

After editing and coding the data in table it had constructed according to the main themes in the questionnaire to summarize all the findings of the study. After the data collection data were processed in order to avoid bias in the results from the information collected. This helped the researcher to interact with the respondents and created good environment between them which resulted in getting good responses from the respondents.

The researcher distributed the questionnaires to the facilitators and wait around the place of data collection during the entire data collection process in order to respond to any clarity to be made. The researcher used both editing and tabulation in order to provide all necessary information of the study.

3.5. Data analysis

In this study data were collected from various sources, coded, categorized, and analyzed for producing final findings by using quantitative data was analyzed using descriptive analysis such as frequencies and percentages on each of the research questions about the background information.

3.6. Ethical consideration of the study

Firstly, a permission letter for gathering data was obtained from the ULK and was presented to the respondents so that they develop trust of the person they are giving information. Before respondents become a subject of the study, the objectives of this research were explained to each participant so that they take informed decisions on whether to participate in the study or not. They were also informed that the interviews would be recorded but the researcher assured participants that inputs was handled with high level of confidentiality and that their names would remain anonymous. Participants were informed of their rights to abstain from participation in the research and the confidential nature of their replies. Furthermore, participants were also informed that they can withdraw from the interview process at any stage, and that no information revealing their identities was considered in the final study. All information concerning the identity and personality of respondents were treated with utmost confidentiality. Finally, all respondents were informed that data gathered was used for the sole purpose of this research study.

CHAPTER FOUR:

PRESENTATION AND INTERPRETATION OF THE STUDY FINDINGS

This chapter presents and interprets the findings of the study which examined the effect of cash management, credit risk management, financial planning on BK GROUP PLC Performance of BK GROUP PLC. The descriptive statistics of mean and standard deviations are presented. Pearson correlation and simple linear and multiple regression analyses are presented.

4.2. Effectiveness of financial analysis management in BK GROUP PLC

This point analyzes the data collected from the study and interprets it to draw conclusions in term of study objectives. The data is presented in from of tables containing mathematical explanations of percentages and other related information. In attempt to measure the financial comparative performance of financial institution in BK GROUP PLC as simple, various techniques could be used in the analysis of financial to emphasize the relative importance of the data presented and to evaluate the position of BK GROUP PLC.

The following techniques were found suitable in relation to the available data: The comparative statement of financial position, and statement of comprehensive incomes which alone are presented in comparative form because they are most important statement of financial position. Depending on nature of the business, the information derived from the types of analyses was blended to determine the overall effectiveness of financial analysis of BK GROUP PLC.

4.2.1. Horizontal Analysis

This section contains horizontal analyses of the Balance Sheets and Profit and Loss Statements of the company in question. In performing this analysis, Trend Analysis was used.

This is because the number of periods in question was more than two or three and this method gave a clearer picture of the BK GROUP PLC's performance in comparison to a base year. The base year chosen was 2016 because that was a relatively stable economic period.

This Formula is very important to know:

- Increase or Decrease (in amount) = Current Year-Basic year

$$\text{Change in percentage}(\%) = \frac{\text{Current year - Basic year}}{\text{Basic year}} * 100$$

Table 4.1. Horizontal analysis of financial position of BK GROUP PLC

ASSETS	2019	2020	2021	2022	2019-2020		2020-2021		2021-2022	
	FRw'000	FRw'000	FRw'000	FRw'000	Variation	%	Variation	%	Variation	%
Cash, deposits and Balances due from financial institutions	174,438,870	229,877,022	331,325,924	399,487,230	55,438,152	0.32	101,448,902	0.44	68,161,306	0.21
Held to maturity investments	124,797,114	155,404,947	184,633,713	241,573,713	30,607,833	0.25	29,228,766	0.19	56,940,000	0.31
Loans and advances to customers	676,005,885	851,099,810	990,267,321	1,134,512,318	175,093,925	0.26	139,167,511	0.16	144,244,997	0.15
Insurance receivables	2,923,995	2,742,765	6,517,668	5,518,539	(181,230)	(0.06)	3,774,903	1.38	(999,129)	(0.15)
Differed income tax	5,261,914	6,102,616	9,546,653	10,649,558	840,702	0.16	3,444,037	0.56	1,102,905	0.12
Assets held for sale	1,634,510	734,678	734,678	566,145	(899,832)	(0.55)	-	-	(168,533)	(0.23)
Other assets	9,943,427	17,605,630	25,810,132	19,374,250	7,662,203	0.77	8,204,502	0.47	(6,435,882)	(0.25)
Right of Use assets	3,309,375	2,489,038	1,659,359	1,760,557	(820,337)	(0.25)	(829,679)	(0.33)	101,198	0.06
Property and equipment	26,389,977	29,483,594	29,608,750	30,057,613	3,093,617	0.12	125,156	0.00	448,863	0.02
Intangible assets	6,771,054	8,464,386	10,273,785	10,494,510	1,693,332	0.25	1,809,399	0.21	220,725	0.02
Total Assets	**1,019,075,587**	1,304,004,486	**1,590,372,983**	**1,853,994,433**	284,928,899	0.28	286,368,497	0.22	263,621,450	0.17
Liabilities					-	-	-	-	-	-
Due to banks	54,160,261	130,557,930	190,223,687	280,588,198	76,397,669	1.41	59,665,757	0.46	90,364,511	0.48
Deposits and balances from customers	642,698,799	790,811,261	974,494,626	1,075,188,572	148,112,462	0.23	183,683,365	0.23	100,693,946	0.10
Tax Payable	7,441,556	3,276,474	10,013,864	5,920,034	(4,165,082)	(0.56)	6,737,390	2.06	(4,093,830)	(0.41)
Dividends Payable	13,291,132	13,286,327	26,928,781	30,704,511	(4,805)	(0.00)	13,642,454	1.03	3,775,730	0.14
Insurance liabilities	5,079,081	6,713,188	9,445,233	8,162,379	1,634,107	0.32	2,732,045	0.41	(1,282,854)	(0.14)
Other liabilities	26,189,778	32,404,492	35,470,426	29,848,038	6,214,714	0.24	3,065,934	0.09	(5,622,388)	(0.16)
Lease liabilities	3,426,696	2,669,914	2,069,256	1,787,992	(756,782)	(0.22)	(600,658)	(0.22)	(281,264)	(0.14)

Long-term finance	45,977,418	64,904,879	56,026,996	102,718,352	18,927,461	0.41	(8,877,883)	(0.14)	46,691,356	0.83
Total Liabilities	**798,264,721**	**1,044,624,465**	**1,304,672,869**	**1,534,918,076**	246,359,744	0.31	260,048,404	0.25	230,245,207	0.18
Capital and Reserves					-	-	-	-	-	-
Share Capital	9,045,474	9,045,474	9,045,474	9,185,147	-	-	-	-	139,673	0.02
Share Premium	76,573,491	76,573,491	76,573,491	79,953,617	-	-	-	-	3,380,126	0.04
Equity attributable to the owners of parent	219,481,633	257,492,814	283,031,691	315,578,043	38,011,181	0.17	25,538,877	0.10	32,546,352	0.11
Retained earnings and other reservations	133,862,668	171,873,848	197,759,176	227,615,620	38,011,180	0.28	25,885,328	0.15	29,856,444	0.15
Non-controlling interests	1,329,253	1,851,206	2,668,423	3,498,314	521,953	0.39	817,217	0.44	829,891	0.31
Total Equity	220,810,886	259,144,020	**285,700,114**	**319,076,357**	38,333,134	0.17	26,556,094	0.10	33,376,243	0.12
TOTAL LIABILITIES AND EQUITY	1,019,075,587	1,304,004,486	**1,590,372,983**	**1,853,994,433**	284,928,899	0.28	286,368,497	0.22	263,621,450	0.17

Source: BK GROUP PLC, Annual Report 2019-2022

According to the findings presents that Cash, deposits and Balances due from financial institutions increased from 2019-2022 where was 32% in 2019-20, 44% in 2020-2021 and increased up to 21% in 2021-2022. The assets of BK GROUP PLC increased from 28% from 2019-2020 up to 17% from 2021-2022. The liabilities have increased from 31% from 2019 up to 2020 up to 18% from 2120-2022. Deposits and balances from customers increased from 2019 to 2020 increased from 23% up to 10% in 2021 and 2022. Retained earnings increased from 2019 to 2020 increased from 28% up to 15% in 2021 and 15% in 2022. This shows a better position for financing the current and fixed asset BK GROUP PLC. Generally, we consider that there was a slight increase each year; this was due to the better management of BK GROUP PLC.

Table 4.2: Horizontal analysis of comprehensive income of BK GROUP PLC

	2019	2020	2021	2022	2019-2020		2020-2021		2021-2022	
	FRw'000	**Frw'000**	**Frw'000**	**Frw'000**	**Variation**	**%**	**Variation**	**%**	**Variation**	**%**
Interest income	116,517,161	141,558,224	176,572,535	187,448,813	25,041,063	0.21	35,014,311	0.25	10,876,278	0.06
Interest expense	-21,743,716	-28,764,909	-40301171	-49,673,037	-7,021,193	0.32	-11,536,262	0.40	(9,371,866)	0.23
Net interest income	94,773,445	112,793,315	136,271,358	137,775,776	18,019,870	0.19	23,478,043	0.21	1,504,418	0.01
Net Fees and commission income	14,470,680	12,796,749	19,859,425	26,273,304	-1,673,931	(0.12)	7,062,676	0.55	6,413,879	0.32
Other Income	11,726,521	14,007,324	24,090,480	27,199,015	2,280,803	0.19	10,083,156	0.72	3,108,535	0.13
Credit impairment losses	-17,886,085	-37,128,906	-34,068,752	-10,006,879	-19,242,821	1.08	3,060,154	(0.08)	24,061,873	(0.71)
Net Operating Income	103,084,561	102,468,483	140,098,086	174,248,700	-616,078	(0.01)	37,629,603	0.37	34,150,614	0.24
Operating expenses	-50,991,955	-45,402,197	-63,029,641	-85,572,712	5,589,758	(0.11)	-17,627,444	0.39	(22,543,071)	0.36
Profit before income tax	52,092,606	57,066,286	76,880,668	88,454,776	4,973,680	0.10	19,814,382	0.35	11,574,108	0.15
Income tax expense	-14,784,270	-18,632,997	-24,985,698	-28,730,466	-3,848,727	0.26	-6,352,701	0.34	(3,744,768)	0.15
Net profit for the year	37,308,336	38,433,289	51,894,970	59,724,310	1,124,953	0.03	13,461,681	0.35	7,829,340	0.15

Source: BK GROUP PLC, Annual Report 2019-2022

This table presents the net interest income increased from 21% in 2019, 25% in 2021 and 6% in 2022. Net operating income increased from was -1% in 2019, 55% in 2021 and 32% on 2022, the reason of reduction of net operating income is the consequences of COVID 19. The total operating expenses of BK GROUP PLC increased from 2019 with a reduction of -11% but increased up to 39% in 2021 and 36% on 2022. The BK GROUP PLC Net profit for the year increased from 3% from in 2019-2020, 35% from 2020 while the net profit increased up to 15%. This shows that profit of BK GROUP PLC increased year to year. Which shows that financial statement of BK GROUP PLC is effectively analyzed?

4.2.2. Trend Analysis of Financial Position of BK GROUP PLC

Trend analysis is the process of comparing business data over time to identify any consistent results or trends. In carrying out a study of financial performance in BK GROUP PLC, the year 2019 was taken as base year (year the reference). The table below shows the trend analysis of the BK financial position based on the first year of the study (2019) and the trend is shown in percentages.

$$\text{Trend Percentage} = \frac{\text{Current year Amount}}{\text{Base year Amount}}$$

Table 4.3: Trend of financial position from 2019-2022

ASSETS	2019	2020	2021	2022	Trend percentage (base year 2019)			
	FRw'000	FRw'000	FRw'000	FRw'000	2019	2020	2021	2022
Cash, deposits and Balances due from financial institutions	174,438,870	229,877,022	331,325,924	399,487,230	**100**	132	190	229
Held to maturity investments	124,797,114	155,404,947	184,633,713	241,573,713	**100**	125	148	194
Loans and advances to customers	676,005,885	851,099,810	990,267,321	1,134,512,318	**100**	126	146	168
Insurance receivables	2,923,995	2,742,765	6,517,668	5,518,539	**100**	94	223	189
Differed income tax	5,261,914	6,102,616	9,546,653	10,649,558	**100**	116	181	202
Assets held for sale	1,634,510	734,678	734,678	566,145	**100**	45	45	35
Other assets	9,943,427	17,605,630	25,810,132	19,374,250	**100**	177	260	195
Right of Use assets	3,309,375	2,489,038	1,659,359	1,760,557	**100**	75	50	53
Property and equipment	26,389,977	29,483,594	29,608,750	30,057,613	**100**	112	112	114
Intangible assets	6,771,054	8,464,386	10,273,785	10,494,510	**100**	125	152	155
Total Assets	**1,019,075,587**	**1,304,004,486**	**1,590,372,983**	**1,853,994,433**	100	**128**	**156**	**182**
Liabilities					**-**	-	-	-
Due to banks	54,160,261	130,557,930	190,223,687	280,588,198	**100**	241	351	518
Deposits and balances from customers	642,698,799	790,811,261	974,494,626	1,075,188,572	**100**	123	152	167
Tax Payable	7,441,556	3,276,474	10,013,864	5,920,034	**100**	44	135	80
Dividends Payable	13,291,132	13,286,327	26,928,781	30,704,511	**100**	100	203	231

Insurance liabilities	5,079,081	6,713,188	9,445,233	8,162,379	**100**	132	186	161
Other liabilities	26,189,778	32,404,492	35,470,426	29,848,038	**100**	124	135	114
Lease liabilities	3,426,696	2,669,914	2,069,256	1,787,992	**100**	78	60	52
Long-term finance	45,977,418	64,904,879	56,026,996	102,718,352	**100**	141	122	223
Total Liabilities	**798,264,721**	**1,044,624,465**	**1,304,672,869**	**1,534,918,076**	**100**	**131**	**163**	**192**
Capital and Reserves					**-**	-	-	-
Share Capital	9,045,474	9,045,474	9,045,474	9,185,147	**100**	100	100	102
Share Premium	76,573,491	76,573,491	76,573,491	79,953,617	**100**	100	100	104
Equity attributable to the owners of parent	219,481,633	257,492,814	283,031,691	315,578,043	**100**	117	129	144
Retained earnings and other reservations	133,862,668	171,873,848	197,759,176	227,615,620	**100**	128	148	170
Non-controlling interests	1,329,253	1,851,206	2,668,423	3,498,314	**100**	139	201	263
Total Equity	**220,810,886**	**259,144,020**	**285,700,114**	**319,076,357**	**100**	**117**	**129**	**145**
TOTAL LIABILITIES AND EQUITY	**1,019,075,587**	**1,304,004,486**	**1,590,372,983**	**1,853,994,433**	**100**	**128**	**156**	**182**

Source: BK GROUP PLC, Annual Report 2019-2022

The table above shows that from 2019-2022 shows some significant trend on the side of the assets for example Cash, deposits and Balances due from financial institutions which increased to 132% from 2020 compared to the basic year and become 190% in 2021 and increased to 229 in 2022 compared to the basic year and loan and advance to customers which increased 126% in 2020, 146% in 2021 up to 168% from 2022 of base year's figure which is good in BK business the more you gets client to lend money some time they grow their businesses and after they start the saving if credit risks were studied with much care. And total assets were 128% up to 182% from 2019-2022 compared to the basic year and this also shows the growth on the part of Assets. On the side of liabilities there was no significant change as assets have been increased also increased but on part of equity raised from 117% up to 145% in 2019 up to 2022 compared to the basic year and this change is due to the increase of Retained earnings where Retained earnings increased up 128% up to 170% comparing to the base year. In the year ended 31st December 2018 the trend statement of financial position reveals the growth of the BK GROUP PLC in general because of some change occurred on the part of donations and increase of loans and advance to customers. As conclusion, the whole picture of trend percentages of statement of financial position for three years indicate that there is growth of BK GROUP PLC in different elements like asset and repayment of long term liabilities and increase of capital but something to note here is that we should keep in mind that while analyzing trend percentages, the absolute figures should also be considered because percentages only can course misleading decision. For this trend statement of financial position there an indicator that shows weak performance of the company on accumulated losses while overall trend shows growth.

4.2.3. Trend Analysis of Income Statement of BK GROUP PLC

Trend analysis is the process of comparing business data over time to identify any consistent results or trends. In carrying out a study of financial performance in BK GROUP PLC, the year 2017 was taken as base year (year the reference). The table below shows the trend analysis of the BK Income statement based on the first year of the study (2017) and the trend is shown in percentages. In trend analysis the Basic Year (2017) are taken at 100%.

$$\text{Trend Percentage} = \frac{\text{Current year Amount}}{\text{Base year Amount}}$$

Table 4.4. Trend of comprehensive income from 2019-2022

	2019	2020	2021	2022	Trend percentage (base year 2019)			
	FRw'000	Frw'000	Frw'000	Frw'000	2019	2020	2021	2022
Interest income	116,517,161	141,558,224	176,572,535	187,448,813	100	121	152	161
Interest expense	-21,743,716	-28,764,909	-40301171	-49,673,037	100	132	185	228
Net interest income	94,773,445	112,793,315	136,271,358	137,775,776	100	119	144	145
Net Fees and commission income	14,470,680	12,796,749	19,859,425	26,273,304	100	88	137	182
Other Income	11,726,521	14,007,324	24,090,480	27,199,015	100	119	205	232
Credit impairment losses	-17,886,085	-37,128,906	-34,068,752	-10,006,879	100	208	190	56
Net Operating Income	103,084,561	102,468,483	140,098,086	174,248,700	100	99	136	169
Operating expenses	-50,991,955	-45,402,197	-63,029,641	-85,572,712	100	89	124	168
Profit before income tax	52,092,606	57,066,286	76,880,668	88,454,776	100	110	148	170
Income tax expense	-14,784,270	-18,632,997	-24,985,698	-28,730,466	100	126	169	194
Net profit for the year	37,308,336	38,433,289	51,894,970	59,724,310	100	103	139	160

Source: BK GROUP PLC, Annual Report, 2019-2022

Trend analysis of BK GROUP PLC as shown in the above table where the base year is 2019 presents some important changes from 2019 up to 2022 for example net interest income moved from 121% to 161% of previous year's figure and other operating income increased to 119% up to 145% from 2019 up to 2022 compared to based year, figures same as Net Operating Income increased by 109% of base year's amount from 2019 and 2020 and 148% in 2021 on the base year. The net profit for the year increased from 99% in 2020; 136% in 2021 and 169% in 2022 compared to base year. The whole picture of trend statement of comprehensive income of BK GROUP PLC from 2019 up to 2022 shows that there is upward trend that means continuous increase of income and decrease of expenses and this implies that if this trend is kept there is more chances to make profit in future. In conclusion therefore all items increased in comparison with the base year unfortunately the net impairment charge on loans and advances also decreased which is the cause of the big profit during the period of the study.

4.3. Ratio analysis

This section discusses the different measures of BK GROUP PLC profitability and its' Financial performance in order to understand how well the bank utilized its resources in generating profit. The researchers considered seven important ratios such as Return on assets, Return on Equity, net profit margin and gross profit margin, the table below shows the details of how BK GROUP PLC generating income from its resources.

4.3.1 Capital Adequacy Ratio (CAR)

This ratio ensures that banks can adopt a reasonable level of losses arising from operations and to ascertain bank's loss bearing capacity. Higher CAR means banks are financially strong enough to protect the stakeholders' interest.

$$\text{Capital Adequacy Ratio (CAR)} = \frac{\text{Core Capital (Tier 1) + Supplementaly Capital (Tier 2)}}{\text{Risk Weighted Assets}}$$

Table 4.5: BK GROUP PLC' Capital Adequacy Ratio (CAR)

Description	**2019** **Frw'000**	**20120** **Frw'000**	**2021** **Frw'000**	**2022** **Frw'000**
Core capital (Tier 1)	201,039,685	228,243,750	248,345,314	**282,510,322**
Supplement capital (Tier 2)	3,250,037	3,274,998	3,274,998	3,274,998
Tier1+Tier2)	**204,289,722**	**231,518,748**	**251,620,312**	**285,785,320**
Risk Weighted Asset	663,361,505	935,537,941	1,183,985,798	**1,421,131,718**
Capital Adequacy Ratio	**0.31**	**0.25**	**0.21**	**0.20**

Source: BK GROUP PLC, Annual Report 2019-2022

The table above is showing that each year Bank of Kigali has a good position according to the regulation of BNR which said that every bank shall at time; maintain a total capital of 31% from 2019, 25% from 2020 and 21% from 2021 while form 2022 the ratios increased up to 20% of its total weighted assets. The CAR shows the level of the banks compliance functions toward the regularity requirements. Additionally, the higher CAR number indicates better sensitivity of the bank towards the financial analysis management. The implementation of the minimum capital adequacy requirement in BK GROUP PLC has reduced their risk taking. This ratio has been used as a proxy for financial analysis management, regulatory or corporate governance. Consequently, the CAR has been applied as a proxy variable for the financial analysis management in this research.

4.3.2 Asset Quality Ratio

Another relevant problem could have an impact on bank creditworthiness is doubtful loans. Loans are the most important part in a bank balance sheet (above all in commercial, cooperative and saving banks). Deteriorated loans have been a relevant problem in the financial crisis: banks have accumulated too many bad loans to become unable to repay its debts, because total assets had lost value. Asset quality ratio = Loan Impairment charges

/Total assets, analyses the entity of the annual expenses for impaired loans respect the total amount of asset.

Table 4.6: Asset Quality Ratio

Asset quality ratio	2019	2020	2021	2022
	Rwf, 000	**Rwf, 000**	**Rwf, 000**	**Rwf, 000**
Loan Impairment charges	18,379,010	37,128,906	34,068,752	10,006,879
Total assets	1,019,075,587	1,304,004,486	1,590,372,983	1,853,994,433
AQR	**0.018**	**0.028**	**0.021**	**0.005**

Source: BK GROUP PLC, Annual Report 2019-2022

The table above shows that the loan impairment charges were 18,379,010 and total assets 1,019,075,587 with asset quality ratio of 1.8% from 2019, the loan impairment charges were 37,128,906 and total assets 1,304,004,486 with asset quality ratio of 2.8% from 2020, the loan impairment charges were 34,068,752 and total assets were 1,590,372,983 with asset quality ratio of 2.1% in 2022 while from 2022 the loans impairment charges were 10,006,879 and total assets were 1,853,994,433 with assets quality ratio of 0.5%. Based on that we concluded that the customers of BK GROUP PLC are able to repay its debt which helped the BK to accumulated lower bad loans which degraded the value of assets.

4.3.2. Nonperforming Loans to credit granted in BK GROUP PLC

According to BNR's regulations in credit management, the ratio between NPLs to gross loans issued should be under 10%. The following table shows us the situation in BK GROUP PLC during our period of study.

NPLs to total loans$=\frac{NPLs}{Total\ Loans}$

Table 4.7: Comparison between nonperforming loans and credit issued within BK GROUP PLC from (2019-2022)

Year	**2019 (Rwf000)**	**2020 (Rwf000)**	**2021 (Rwf000)**	**2022 (Frw'000)**
Non-Performing loan (NPL)	38,646,335	71,294,085	52,484,168	29,497,320
Total Loan (Rwf'000)	678,005,885	851,099,810	937,783,153	1,134,512,318
RATIO	**6%**	**8.40%**	**6%**	**2.60%**

Source: BK GROUP PLC, Annual Report 2019-2022

The table 4.7 shows NPL to total loan of BK that the ratio was good during our period of study 2019-2019, the normal ratio of NBR required to banks should not exceed 7%, increased up to 6% in 2019 and in 2019 the ratio increased up to 8.4% and 6% from 2021 and 2.6% in 2022 which is better compare to the standard of NBR does not exceed 7%. As required by national bank the results from table above shows that BK GROUP PLC respect the regulation BNR which says that NPL should not exceed 7% and that performance was due to reduction of non- performing loans collected from customers.

4.3.3. Management Quality Ratios

Management quality is basically the capability of the board of directors and management, to identify, measure, and control the risks of an institution‘s activities and to ensure the safe, sound, and efficient operation in compliance with applicable laws and regulations.

Table 4.8. Number of active borrowers to management staffs

	2019	**2020**	**2021**	**2022**
Number of active borrowers	13,558	20,047	33,558	34,901
Management Staff	1,235	1282	1,171	1,227
Ratio	**11.0**	**15.6**	**28.7**	**28.4**

Source: BK GROUP PLC, Annual Report 2019-2022

The above table shows that the number of active borrowers to management staffs of BK GROUP PLC from 2019 the number of active borrowers were 13,558 and 1,235 of number of management staff of BK GROUP PLC while from 2021 the number of active borrowers were 33,558 and 1,171of number of management staff of BK GROUP PLC while ifrom 2022 was Number of active borrowers was34,901 and Management Staff was 1.227. And this indicates the performance of manager and efficiency of methodology used in managing credit offered to the borrowers of BK GROUP PLC.

Table 4.9. Cost per Loan Made

	2019	**2020**	**2021**	**2022**
Operating costs	52,374,960	45,173,553	63,029,641	85,572,712
Total loans made	678,005,885	851,099,810	990,267,321	1,134,512,318
Ratio	**0.077**	**0.053**	**0.064**	**0.075**

Source: BK GROUP PLC, Annual Report 2019-2022

The table above shows that cost per loans offered by BK GROUP PLC to the operating costs were 52,374,960 in 2019 and total loans offered were 678,005,885 from 2020, cost made become 45,173,553 with total loans of 851,099,810 from 2020, the operating cost were 63,029,641 and loans made of 851,099,810 while from 2021 the operating cost were 63,029,641 and loans made of 990,267,321. And this shows that the efficiency in disbursing loans of BK GROUP PLC.

4.5. Analysis the financial Performance of BK GROUP PLC

The benefits of financial analysis management include the fact that it can operate internationally. Financial analysis management also allow businesses to delegate administrative tasks, where the Financial analysis management can handle the finances of a business. While the best retail banks might offer competitive interest rates, the best Financial analysis management are those that can most effectively facilitate their clients' transactions.

4.5.1. Trend of customer deposit

The customer deposit is defined as the money transferred into a customer's account in financial institutions. Those amounts of deposit constitute the financial means of finance institution. The table below shows the evaluation of deposit at BK GROUP PLC.

Table 4.10: Trend of customers deposit of BK GROUP PLC, 2018-2022

Year	Customer deposit	Change in %
2018	531,959,345	-
2019	642,698,799	21%
2020	790,811,261	23%
2021	974,494,626	23%
2022	1,075,188,572	10%

Source: BK GROUP PLC, Annual Reports, 2018-2022

According to the table 4.10, the evolution of deposit of BK GROUP PLC from 2018 deposit increased up to 21% and 23% in 2020 and 2021 And 10% in 2022. This analysis the deposit in BK kept on increasing at different rates as from mobilization done by the Bank of Kigali to enhance the increase in deposits. The customers deposit at BK GROUP PLC had a positive evaluation during ours period of study. Through the interview with the BK GROUP PLC staff, the increase of customers deposit shows that the Innovations performed according manner and also customers enjoyed the services of Innovations which attracting them to increase their deposits.

4.5.2. Trend of the net income of BK GROUP PLC 2018-2022

The final result after all the assets and liabilities as balanced out. The net result is the main indicate of performance. The following table shows the evaluation of net results of BK GROUP PLC during the covered period.

Table 4.11: Trend of net income of BK GROUP PLC

	2018 “Frw’000”	2019 “Frw’000”	2020 “Frw’000”	2021 “Frw’000”	2022 “Frw’000”
Net Income	27,366,616	37,308,336	38,433,289	51,894,970	59,724,310
Evolution	**-**	**0.36**	**0.03**	**0.35**	**0.15**

Source: BK GROUP PLC, Annual Reports, 2018-2022

According to the table 4.11 the net income of BK GROUP PLC increasing during the period from 2018-2022. The Trend of net result of BK GROUP PLC of the research period where from 2018-2019 the net income increased up to 17% and from 2018-2019 the net income was 36% and becomes 3% from 2019-2020 and 35% in 2020-2021 and 15% from 2021 to 2022.

The net income shows how BK minimizes the expenses. Because the net results of the company, necessity of the level of cost includes. However, all income from to the how the customers appreciate the services delivered by using Innovations. Through the interview administrated with chief account of the bank the main profit, come from the interest of Innovations operations. The results that BK GROUP PLC achieved during these four years knew an increasing evolution from year to another.

The profit plays a very determinant role in performance of an organization: the profit is first criteria of performance and efficiency of Bank of Kigali. The researchers conclude that the Innovations of BK GROUP PLC is well used because the benefit increased from year to another.

4.5.2. Profitability Ratios analysis of BK GROUP PLC

Financial analysis involves analyzing the BK financial statement to extract information that can facilitate decision-making. Therefore, virtually in use of financial data for some purpose is financial analysis. That is why in this work referring to the tools of financial analysis and

different methods of financial analysis we have chosen the past performance methods to analyze BK GROUP PLC ROA, ROE and NIM.

This rating reflects not only the quantity and trend in earning, but also the factors that may affect the sustainability of earnings. Inadequate management may result in loan losses and in return require higher loan allowance or pose high level of market risks. The future performance in earning should be given equal or greater value than past and present performance.

4.4.4.1. 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

	2019	**2020**	**2021**	**2022**
	(Rwf000)	**(Rwf000)**	**(Rwf000)**	**(Frw'000)**
Net income	37,308,336	38,533,134	51,894,970	59,724,310
Total Equity	220,810,886	259,144,020	285,700,114	319,076,357
ROE	**0.17**	**0.15**	**0.18**	**0.19**

Source: BK GROUP PLC, Annual reports, 2019-2022

During the research period from 2019-2022, ROE ratio are the following: 17%, 15%, 18% and 19% respectively. 100 FRW invested by shareholders generated 17 Frw in 2019, 15 Frw in 2020, 18 Frw in 2021 and 19 Frw respectively. This shows that BK GROUP PLC is profitable since there is a persistent increase of return on equity as a result of application of financial analysis management and the researchers advice BK to increase return on equity in order to payback the interest of its shareholders.

4.4.4.2. Return On Assets (ROA)

Although net income gives us an idea of how well a bank is doing, it suffers from one major drawback: It does not adjust for the bank's size, thus making it hard to compare how well one bank is doing relatives to another. A basic measure of bank performance that corrects for the size of the bank of the return on assets (ROA), mentioned earlier in the chapter, which divided the net income of the bank by the amount of its assets. ROA is a useful measure of how well a bank manager is doing on the job because it indicates how well a bank's assets are being used to generate profit.

$$ROA=\frac{\text{NET INCOME}}{\text{ASSETS}} x\ 100$$

Table 4.13: Return on assets (ROA)

	2019	**2020**	**2021**	**2022**
	(Rwf000)	**(Rwf000)**	**(Rwf000)**	**(Frw'000)**
Net Income	37,308,336	38,533,134	51,894,970	59,724,310
Total asset	1,019,075,587	1,304,004,486	1,590,372,983	1,853,994,433
ROA	**0.037**	**0.030**	**0.033**	**0.032**

Source: BK GROUP PLC, Annual Reports, 2019-2022

The table above shows that, the ratio of return on assets during the covered period. The return on asset means that for 100 RWF invested in asset the bank has generated 3.7 in 2019 and 3 Frw in 2020 while in 2021 the investors generated 3.3 Frw and 3.2 Frw in 2022. This shows that BK GROUP PLC is profitable since there is a persistent increase of return on average assets as a result of application of financial analysis management and the researchers advice BK to increase return on assets in order to payback the interest of its shareholders.

4.3.5 Liquidity ratios

Liquidity ratios measure the short-term ability of bank to pay its maturing obligations and to

meet unexpected need for cash. Liquidity ratios for BK Ltd express its ability to meet the short-term liability when they become due for payment. It also measures its ability to meet customers frequent withdraws.

4.3.5.1. Current Ratio

This ratio is calculated according to BNR instruction and it shows the ability of banks to pay short-term obligations when fall due. The current assets of BK Ltd included: cash in hand, cash balance with BNR, due from banks, loan and advanced, other assets, financial investment available for sales. The current liabilities included customer deposits, due to banks, tax payables, and other payable.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Table 4.14. Current ratio

This table presents firm's ability to meet its current obligation in its daily operation and also calculating by dividing the current asset to current liabilities.

	2019	**2020**	**2021**	**2022**
Total current Asset	970,661,754	1,245,961,838	1,523,020,957	1,781,091,800
Total current liabilities	722,670,809	944,645,180	1,211,106,191	1,400,563,694
CURRENT RATIO	**1.34**	**1.32**	**1.26**	**1.27**

Source: BK GROUP PLC, Annual Report 2019-2022

During the research period from 2019-2022, current ratio is the following: 134%, 132%, 126% and 127% respectively. Current ratio of BK meets the requirement compared to standard of central bank which ensures that firm is able to cover its short term obligations. And financial analysis management helps BK GROUP PLC to increase liquidity which used to daily operation of Bank.

4.3.4. Leverage ratios

Leverage ratios are a tool that determines the extent to which a firm depends on debt for purchasing assets and building capital. It helps investors and creditors assess the ability of a firm to meet its financial obligations.

Table 4.15: Loan to asset ratios

Years	2019	2020	2021	2022
	Frw'000	**FRW'000**	**FRW'000**	**FRW'000**
Liabilities	798,264,701	1,044,660,466	1,304,672,8	1,534,918,076
Total assets	1,019,075,587	1,304,004,486	1,590,372,983	1,853,994,433
Ratio	**0.78**	**0.80**	**0.82**	**0.83**

Source: BK GROUP PLC, Annual Reports, 2018-2022

Table 4.15 shows how an asset of the bank is financed by the debts. From the table above the ratio shows that asset of BK GROUP PLC has been financed by the debt. The information from the above able shows loan to assets ratio as one among indicators of BK GROUP PLC performance, loans was managed effectively by BK GROUP PLC due to the fact that the above results indicate that the assets of the bank was in loans issued to customers on the following range of percent: 78% in 2018 and 2019; 80% in 2020; 82% in 2021 and 83% in 2022. This also shows the from 2018 up to 2022 loan to assets ratios performing better because the bank invested more than its assets in loans and this means that the returns on assets was higher considering the fact that loans are the income generating through Financial analysis management.

Table 4.16: Loans to deposit ratio

	2019	2020	2021	2022
Loan granted	678,005,885	851,099,810	990,267,321	1,134,512,318
Total deposit	642,698,799	790,811,261	974,494,626	1,075,188,572
LDR	**105%**	**108%**	**102%**	**106%**

Source: BK GROUP PLC, Annual Reports, 2018-2022

Table 4.16 shows how this ratio measures the share of deposits invested in loans, therefore the above results indicate that among the amount of total deposits of 531,959,345 RWF to 1,134,512,318Rwf that have been received by BK GROUP PLC respectively during the year 2018 up to 2022 the loans on deposits was 107% in 2018, 105% in 2019; 108% in 2020, 102% in 2021 and 106% in 2022 of these customers deposits have been issued as loans to other customers. This indicates that the bank performed well as longer as it was effectively financial analysis management. As the standard of central bank which indicates that loan to deposit ratio should not exceed 80% and the results above shows that BK GROUP PLC Ltd has ensured that has ability to cover withdrawals made by its customers while the researchers advice BK to take into consideration the regulation BNR during offering loan because from 2018-2022 the credit exceeds on 80 which means BK GROUP PLC has other financial resource to cover deposit such as interest received from different services, reserves and equity.

4.6. Relationship between financial analysis management and performance of BBK GROUP PLC

Table 4.17: Correlations between variables

		Financial analysis management	Financial performance
Financial analysis management	Pearson Correlation	1	.875
	Sig. (2-tailed)		.000
Financial performance	Pearson Correlation	.875	1
	Sig. (2-tailed)	.000	

**. Correlation is significant at the 0.01 level (2-tailed).

Findings in Table no 4.17 illustrate correlation coefficients between financial analysis management and financial performance of BANK OF KIGALI PLC. There is a moderate correlation among financial analysis management and financial performance as Pearson correlation confirmed (r=.875 with p-value of 0.000 < 0.01); which means that there is a statistically significant correlation between Financial analysis management and financial performance. In summary, financial analysis management is integral to the decision-making process at BK Group PLC. It provides the necessary insights and data for evaluating performance, managing finances, assessing risks, and making informed strategic and operational decisions.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATION

This last chapter focuses on the discussion of the study findings, conclusion and recommendations of the study.

5.1. Summary of the findings

5.1.1. To assess the effectiveness of financial analysis management on performance of BK GROUP PLC

The first objective of the study is to assess the effectiveness of financial analysis management on performance of BK GROUP PLC where the net interest income increased from 21% in 2019, 25% in 2021 and 6% in 2022. Net operating income increased from was -1% in 2019, 55% in 2021 and 32% on 2022, the reason of reduction of net operating income is the consequences of COVID 19. The total operating expenses of BK GROUP PLC increased from 2019 with a reduction of -11% but increased up to 39% in 2021 and 36% on 2022. The BK GROUP PLC Net profit for the year increased from 3% from in 2019-2020, 35% from 2020 while the net profit increased up to 15%. This shows that profit of BK GROUP PLC increased year to year. From 2019-2022 shows some significant trend on the side of the assets for example Cash, deposits and Balances due from financial institutions which increased to 132% from 2020 compared to the basic year and become 190% in 2021 and increased to 229 in 2022 compared to the basic year and loan and advance to customers which increased 126% in 2020, 146% in 2021 up to 168% from 2022 of base year's figure which is good in BK business the more you gets client to lend money some time they grow their businesses and after they start the saving if credit risks were studied with much care. And total assets were 128% up to 182% from 2019-2022 compared to the basic year and this also shows the growth on the part of Assets. Trend analysis of BK GROUP PLC as shown in the above table where the base year is 2019 presents some important changes from 2019 up to 2022 for example net

interest income moved from 121% to 161% of previous year's figure and other operating income increased to 119% up to 145% from 2019 up to 2022 compared to based year, figures same as Net Operating Income increased by 109% of base year's amount from 2019 and 2020 and 148% in 2021 on the base year. The net profit for the year increased from 99% in 2020; 136% in 2021 and 169% in 2022 compared to base year.

5.1.2. To analyse the level of performance of BK GROUP PLC

The second objective is to analyse the level of performance of BK GROUP PLC where during the research period from 2019-2022, ROE ratio are the following: 17%, 15%, 18% and 19% respectively. 100 FRW invested by shareholders generated 17 Frw in 2019, 15 Frw in 2020, 18 Frw in 2021 and 19 Frw respectively. This shows that BK GROUP PLC is profitable since there is a persistent increase of return on equity as a result of application of financial analysis management and the researchers advice BK to increase return on equity in order to payback the interest of its shareholders. The ratio of return on assets during the covered period. The return on asset means that for 100 RWF invested in asset the bank has generated 3.7 in 2019 and 3 Frw in 2020 while in 2021 the investors generated 3.3 Frw and 3.2 Frw in 2022. This shows that BK GROUP PLC is profitable since there is a persistent increase of return on average assets as a result of application of financial analysis management and the researchers advice BK to increase return on assets in order to payback the interest of its shareholders. During the research period from 2019-2022, current ratio is the following: 134%, 132%, 126% and 127% respectively. Current ratio of BK meets the requirement compared to standard of central bank which ensures that firm is able to cover its short term obligations. And financial analysis management helps BK GROUP PLC to increase liquidity which used to daily operation of Bank. The ratio measures the share of deposits invested in loans, therefore the above results indicate that among the amount of total deposits of 531,959,345 RWF to 1,134,512,318Rwf that have been received by BK GROUP PLC respectively during

the year 2018 up to 2022 the loans on deposits was 107% in 2018, 105% in 2019; 108% in 2020, 102% in 2021 and 106% in 2022 of these customers deposits have been issued as loans to other customers. This indicates that the bank performed well as longer as it was effectively financial analysis management.

5.1.3. To find out the relationship between financial analysis management and performance of BK GROUP PLC

The third objective of the study is to find out the relationship between financial analysis management and performance of BK GROUP PLC where the correlation coefficients between financial analysis management and financial performance of BANK OF KIGALI PLC. There is a moderate correlation among financial analysis management and financial performance as Pearson correlation confirmed (r=.875 with p-value of 0.000 < 0.01); which means that there is a statistically significant correlation between Financial analysis management and financial performance. In summary, financial analysis management is integral to the decision-making process at BK Group PLC. It provides the necessary insights and data for evaluating performance, managing finances, assessing risks, and making informed strategic and operational decisions.

5.2. CONCLUSION

The purpose of the study is to contribution of financial analysis management to the performance of financial institutions in Rwanda where Net operating income increased from was -1% in 2019, 55% in 2021 and 32% on 2022, the reason of reduction of net operating income is the consequences of COVID 19. The total operating expenses of BK GROUP PLC increased from 2019 with a reduction of -11% but increased up to 39% in 2021 and 36% on 2022. The BK GROUP PLC Net profit for the year increased from 3% from in 2019-2020, 35% from 2020 while the net profit increased up to 15%. This shows that profit of BK GROUP PLC increased year to year. From 2019-2022 shows some significant trend on the

side of the assets for example Cash, deposits and Balances due from financial institutions which increased to 132% from 2020 compared to the basic year and become 190% in 2021 and increased to 229 in 2022 compared to the basic year and loan and advance to customers which increased 126% in 2020, 146% in 2021 up to 168% from 2022 of base year's figure which is good in BK business the more you gets client to lend money some time they grow their businesses and after they start the saving if credit risks were studied with much care. BK GROUP PLC is profitable since there is a persistent increase of return on equity as a result of application of financial analysis management and the researchers advice BK to increase return on equity in order to payback the interest of its shareholders. The ratio of return on assets during the covered period. The return on asset means that for 100 RWF invested in asset the bank has generated 3.7 in 2019 and 3 Frw in 2020 while in 2021 the investors generated 3.3 Frw and 3.2 Frw in 2022. This shows that BK GROUP PLC is profitable since there is a persistent increase of return on average assets as a result of application of financial analysis management and the researchers advice BK to increase return on assets in order to payback the interest of its shareholders. During the research period from 2019-2022, current ratio is the following: 134%, 132%, 126% and 127% respectively. There is a moderate correlation among financial analysis management and financial performance as Pearson correlation confirmed ($r=.875$ with p-value of $0.000 < 0.01$); which means that there is a statistically significant correlation between Financial analysis management and financial performance.

5.3. Recommendations

Based on the summary and conclusion, the following suggestions and recommendations are forwarded:

Given that the independent variables are found to be significant, there is need to strengthen cash management, credit risk management and financial analysis management. This could be

done through the following ways.

The recommendations in general concern with the use of financial statements and analysis whereby people should not confuse the general literature on financial statements presentation, common terminologies and common financial ratios, mostly applicable in financial institutions, specifically banking sector.

The leverage position of BK Ltd shows that, banks are highly leveraged. Use of more debt helped to enhance the rate of return on shareholders' fund. However, excessive use of debt may cause solvency of the bank. So, these banks should maintain a proper balance of total debt to shareholders fund.

Profitability position of BK Ltd is in best condition as the bank is incurring higher profit and has better profitability position. However, BK is not in satisfactory level. The researcher recommended utilizing the resources more efficiently for profit generating sector. If assets remain idle, banks should bear high cost and cause low profit margin.

5.4. Areas of Further Research

Due to resources and time constraints the researcher was not able to extract everything about Financial analysis management.

- The contribution of financial statement analysis on decision making of commercial banks in Rwanda.
- The contribution of financial reporting on managerial decision making of banking institutions in Rwanda.

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APPENDICES