DECLARATION

I, **ISHIMWE RAMBA Merveille**, student at Kigali Independent University in Faculty of Economics and Business Studies, Department of Accounting.

I do hereby declare that this project entitled "Contribution of Financial Statement Analysis to Decision Making Institutions. Case Study: Bank of Kigali Plc (2020 – 2023)" is based on my original work. I also declare that it has not been previously and concurrently submitted anywhere

STUDENT

ISHIMWE RAMBA Merveille

Signature: …………………...

Date: …… / …. …/ 2024

APPROVAL

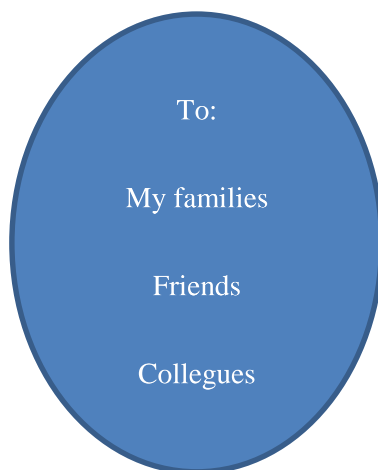
This is to certify that this work titled "Contribution Financial Statement Analysis to Decision Making Institutions. Case Study: Bank of Kigali Plc (2020 – 2023)" a research study was carried by ISHIMWE RAMBA Merveille under my guidance and supervision.

Supervisor's name: MUKOBANYA Willy

Signature: …………….

Date……. /………/2024

DEDICATION



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LIST OF ABBREVIATIONS

AI: Artificial Intelligence

ATM: Automatic Teller Machine

BK: Bank of Kigali

EPS: Earning Per Share

FSA: Financial Statement Analysis

IASB: International Accounting Standard Board

IFRSB: International Financial Reporting Standard Board

ISG: Environmental Social and Governance

ML: Machine Learning

PLC: Public Limited Company

POS: Point of Sales

ROA: Return On Assets

ROCE: Return On Common Equity

ROE: Return of Equity

RWF: Rwandan Franc

ULK: Kigali Independent University

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ABSTRACT

The purpose of the study was to investigate the contribution of financial statement analysis to decision making institutions in Rwanda based on the achievements made between bank of Kigali plc from 2020- 2023. The specific objectives of the study were to analyze the effectiveness of financial statement analysis institutions by bank of Kigali plc

The Field data were collected using documental and observation . The results shows that the of bank of Kigali plc. Regarding to the effectiveness of decision However, the difference here is that, while current and non-current liabilities grow, equity does not grow as fast like liabilities. The horizontal analysis of the Profit and Loss Statement displayed how Bank of Kigali PLC revenues fared against its costs. The alarming thing about this analysis is that revenues grow at almost the same rate with costs which meant that the bank was not using its assets efficiently to boost revenues or the company was not able to cut costs.

The next method used was the Vertical Analysis which sought to describe the composition of elements in the Balance Sheet and Profit and Loss Statements. Assets were split into fixed and current assets and then current assets were subdivided current and fixed assets. For the composition of total assets, it is realized that fixed assets are larger and dominate the structure. Profitability ratios were looked at next. These are measures of efficiency with regards to the bank's ability to internally generate profit from its assets or equity. Net profit margin ware 37.60%; 35.98%; 31.23% and 33.35% respectively. The ratios of return on Assets are 2.95%; 2.95%; 3.22% and 3.53%respectively. And the ratios of Return on Equity are as following: 14.86%; 18.16%; 18.72% and 20.42% respectively. It is from this researcher verified and confirmed the first hypothesis stipulating that "Bank of Kigali PLC apply financial statement analysis effectively". Also the contribution of financial statement analysis to the decision making in Bank of Kigali PLC were assessed and results demonstrate that, financial statement analysis contribute on investment decision in Bank of Kigali PLC where ROI ratio is 8.65%; 8.57%; 7.43% and 7.80% respectively. And of cause this investment return would not come accidently, but due to the right decisions taken after consulting information provided by financial statement.

Key concepts: Financial Statement, Financial Analysis, Decision Making

CHAPTER 1: GENERAL INTRODUCTION

1.1 Introduction

This part includes the Background of the study; Significance of the study; Scope of the study; Problem statement; Research hypothesis; Research objectives; Research methodology, and Organization of the study.

1.2 Background of the study

One of the major functions of accounting is to provide periodic reports to management, business owners, outsiders and other stakeholders. This is done through financial statements preparation. There are four main statements which are Statement of financial position, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows. These financial statements may vary differently among different business firms or other economic units but their basic purpose is the same. The financial statement is prepared at least yearly, but quarterly or monthly are also customary.

According to Faul (1993), the objective of financial reports of any type of enterprise is to transfer or to communicate the financial information that is useful to a range of users in making economic decisions. There is a specific relationship between organization, communication and performance. The communicator takes an occurrence, processes it, records and then reports or transmits it to the receiver who receives, interprets and reacts to the information.

The important point to recognize is that just having the financial statement numbers is not enough to answer the questions that financial statements users want to answer. Without further analysis, the raw numbers themselves don't tell much of a story (Strice, 2003).

Financial statement analysis addresses the information concerns of internal and external decision makers regarding future performance and risks. It builds on understanding past performance or achievement as well as present condition(s) and opportunities. It uses various techniques integrating accounting data and additional information, emphasizing comparative and relative analysis over time for on firm and between firms. Users are interested in understanding liquidity, solvency, leverage effects, and profitability of a firm as its assets management policy and ability to deliver a return to investors (Slowly, 2002).

According to Hanson (1988), many individuals and groups are interested in the data appearing in a firm's financial statements, including managers, owners, prospective investors, creditors, labor unions, governmental agencies, and the public. These parties are usually interested in the profitability and financial strength of the firm in question, although such factors as size, growth, and the firm efforts to meet its responsibilities may also be of interest.

1.3 Problem statement

As the few developing countries, Rwanda is characterized by lack strong financial accountants and due to lack of managers who are able to make an effective decision. This problem has been exaggerated since 1994 genocide where business and medium enterprises were destroyed and many financial managers were keeled and others move out of the country. Thereafter genocide, the new governments known as the government of national unity and non-government organizations and most financial institutions have engaged in creating new enterprises and reconstructing their employees and employers.

The business organization in Rwanda from the main part of the business sector that improves Rwandan economy and generates income to citizens by undertaking certain activities that play a big role in Rwandan economy. After 1994, some business organizations closed their door and government encouraged citizens to start up their own businesses in order to build a new sound economy in country by minimizing the wasteful resources, improving creativity, generate employment and promote citizens 'welfare, hence sustainable development. Therefore one way ask himself how the business organizations are financially performing since financial position statements reveal certain indices such as profitability, solvability, financial position and soundness.

1.4 Objective of the Study

This research is financial statement analysis contribution and decision making.

1.4.1General Objectives

The general objective of this research is to assess the contribution of financial statement analysis to decision making of Bank of Kigali PLC from 2020 to 2023.

1.4.2Specific Objectives

To analyze the effectiveness of financial statements analysis in Bank of Kigali PLC.
To find out financial statement contribution to decision making of Bank of Kigali PLC.

1.5 Research Questions

1. Are financial statements of Bank of Kigali PLC analyzed effectively?
2. Does the financial statement of Bank of Kigali PLC contribute to its decision making?

1.6 Hypothesis of the Study

As it has been defined by Grawitz (2000), Hypothesis is a proposed response to any asked question related to the research object. Based on this we suggest the following answer: the financial statements are effectively analyzed in Bank of Kigali PLC.
The financial statement analysis contributes to decision making of Bank of Kigali Bank of Kigali PLC.

1. Null hypothesis (Ho): Financial statement analysis is effectively managed.
2. Alternative hypothesis (H1): There is relationship between financial statement analysis and decision making.

1.7Scope of the Study

This research was about the contribution of financial statement analysis to decision making of BK, stakeholders and the time period of the study is four years from 2020-2023.

1.8 Significance of the Study

Refers to research or analysis that demonstrates how reviewing and interpreting financial statements (such as income statements, balance sheets, and cash flow statements) helps institutions, like businesses, banks, or government bodies, make informed decisions.

1.8.1 Academic Interest

This research helped Kigali Independent University as reference which might be kept in library so that the students may access it whenever it is possible especially for the award of a degree.

1.8.2 Personal Interest

I chose this study because it helps us to fulfill the requirement for the award of bachelor's degrees in accounting and to have a deep knowledge about financial statements.

1.8.3 Bank of Kigali PLC

This research helped the stakeholders of Bank of Kigali Plc to be aware about financial statements of that entity. Among stakeholders or users, there are current stakeholders and potential stakeholders, managers, government, suppliers, customers, etc. All of them knew the soundness of BK Plc through the analysis which had been done.

1.8.4 Public Interest

This research helps the interested parties to know very well how the analysis of financial statements is done in order to strengthen their ability by fulfilling their objectives

1.9Structure of the Study

Structure of the study The study has four chapters. The chapter one of this study is made by the general introduction and includes a brief detail of all above mentioned points from the background to the structure of the study that researcher will use in the study. Chapter two presents the literature review. It will focus on all theories related to the topic, fundamental concepts and research done by other researchers that researchers referred on in this study. The third chapter will be the research methodology and it will focus on the methods and materials which will be used to achieve the objectives of the study. The fourth chapter will be the results and discussions and it will be the most important one because it will show the presentation of the results acquired. At the end, a short summary that comprises of a short brief view of the study, conclusions, recommendation and suggestions regarding to better application of financial statement analysis will be presented.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Literature review is a part of this research that provides a theoretical framework related to the terms and concepts on decision making of the company. It covers different key definitions and topics such as Contribution, financial statement, analysis, decision making, and financial statement

2.2 Conceptual Review

Financial statement

A financial statement also known as financial report is a formal record of the financial activities and position of a business, person, or other entity. According to Williams et al., (2006), relevant financial information is presented in a structured manner and in a form easy to understand. They typically include basic financial statements, accompanied by a management discussion and analysis.

A statement of financial position, reports on a company's assets, liabilities, and owners' equity at a given point in time. It describes where the enterprise stands at a specific date.

A statement of comprehensive income or profit and loss report, reports on a company's income, expenses, and profits over a period of time. A profit and loss statement provides information on the operation of the enterprise. These include sales and the various expenses incurred during the stated period and this shows the performance of that enterprise

A statement of changes in equity, also known as equity statement or statement of retained earnings, reports on the changes in equity of the company during the stated period.

A statement of cash flows reports on a company's cash flow activities, particularly its operating, investing and financing activities. As is name implies, It depicts shows the way cash changes during a designated period.

For large corporations, these statements may be complex and may include an extensive set of footnotes to the financial statements and management discussion and analysis. The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial statements are considered an integral part of the financial statements (Daniel).

The objective of general purpose 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. To meet that objective, financial statements provide information about an entity's, assets, liabilities, equity, income and expenses, including gains and losses contributions by and distributions to owners (in their capacity as owners) cash flows.

Assets

Assets are all of the economic resources available to a firm. Types of assets include fixed assets (tangible assets with a long life, such as property), current assets (tangible assets with a short life, such as inventory), investments and intangible assets, such as goodwill or reputation.

Liabilities

Liabilities are effectively the opposite of assets; they are resources that a firm owes to another organization.

Equity

Equity is the money in a firm that is owed to its owners. There are two types of equity. The first type of equity is contributed capital. This is the amount of money than an owner has invested in the firm. The second type of equity is retained earnings, which are the company's profits owed to owners.

Revenues

Revenues represent all of the firm's income. Revenues are transactions of the enterprise that already have resulted in positive cash flows or that are expected to do so in near future, meaning that cash will come into enterprise as a result of the transaction

Expenses

Expenses are all of the costs that a firm pays out. Like revenues, expenses are included only for a specific period of time. Together, revenues and expenses can be used to calculate profits. That information, along with other information in the notes, assists users of financial statements in predicting the entity's future cash flows and, in particular, their timing and certainty.

Analysis

Is a systematic examination and evaluation of data or information, by breaking it into its component parts to uncover their interrelationships opposite of synthesis. Is also an examination of data and facts to uncover and understand cause-effect relationships, thus providing basis for problem solving and decision making. (Businessdictionary.com, 2016)

2.3 Relationship between Financial Statement Analysis and Decision Making

Financial statement analysis provides essential data and insights about a company's financial health, performance, and trends. This information is used by decision-makers to make informed choices related to investments, resource allocation, risk management, and strategic planning. In short, financial statement analysis is a critical tool that guides decision-making by ensuring that decisions are based on accurate and reliable financial data.

Financial analysis provides the necessary data and context that informs rational, data-driven decisions, while decision-making processes rely on this analysis to shape business strategies, manage risks, and optimize performance.

Financial statement analysis is pivotal in guiding decisions for individuals, investors, and enterprises alike. Through scrutinizing financial documents like balance sheets, income statements, and cash flow statements, stakeholders acquire invaluable perspectives into a company's fiscal well-being and operational efficacy. This scrutiny facilitates well-informed decision-making across diverse domains such as investment strategies, lending practices, strategic formulations, and operational directives. In essence, financial statement analysis serves as a cornerstone for assessing the viability and potential of businesses, guiding stakeholders towards prudent actions and optimal resource allocation. Whether it's evaluating profitability, liquidity, or solvency, the insights gleaned from financial analysis empower decision-makers to navigate complexities and seize opportunities in the dynamic landscape of finance and commerce (Lee & Smith, 2020).

2.4 Theoretical Review

Examining the concepts, models, and frameworks that explain how financial data is used to support informed decisions. It refers to the study of established theories regarding how financial information (such as income statements, balance sheets, and cash flow statements) is analyzed to evaluate an organization's performance and guide decision-making processes.

Financial statement analysis helps decision-makers—such as managers, investors, and regulators—assess a company's profitability, liquidity, solvency, and operational efficiency. Theoretical approaches like Rational Decision-Making Theory, Behavioral Decision Theory, and Agency Theory explain how financial data influences choices, whether through logical evaluation or behavioral biases.

Accounting Information Hypothesis" (AIH). This theory posits that accounting information contained within financial statements provides valuable insights for investors and analysts in making investment decisions. The AIH suggests that financial statements accurately reflect a company's financial performance and position, allowing investors to assess its profitability, liquidity, solvency, and overall financial health. Analysts utilize various financial ratios, trend analysis, and other tools to interpret and evaluate the information presented in financial statements. The AIH emphasizes the importance of reliable and transparent accounting practices in providing meaningful information to stakeholders for decision-making purposes.

2.5 Literature Review

Financial statement analysis

Financial statement analysis (or financial analysis) is the process of reviewing and analyzing a company's financial statements to make better economic decisions. These statements include the income statement, balance sheet, statement of cash flows, and a statement of retained earnings. Financial statement analysis is a method or process involving specific techniques for evaluating risks, performance, financial health, and future prospects of an organization. It is used by a variety of stakeholders, such as credit and equity investors, the government, the public, and decision- makers within the organization. These stakeholders have different interests and apply a variety of different techniques to meet their needs. For example, equity investors are interested in the long- term earnings power of the organization and perhaps the sustainability and growth of dividend payments. Creditors want to ensure the interest and principal is paid on the organizations debt securities (e.g., bonds) when due (John, 1998).

Fair Presentation of Financial Statement

The analysis of financial statement is done to evaluate the performance of the institution, there must be fair presentation. A presenter of financial statement has to follow the standards

set by International Financial Reporting Standard Board (IFRSB)

The financial statements must "present fairly" the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSS, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.
IAS 1 requires an entity whose financial statements comply with IFRSS to make an explicit and unreserved statement of such compliance in the notes. Financial statements cannot be described as complying with IFRSS unless they comply with all the requirements of IFRSS (which includes International Financial Reporting Standards, International Accounting Standards, (Staff, 2011)

Property of Fair Presented Financial Statement Understandability

This means that the essential qualities are accommodated in the financial statements must be understood by the user. For this purpose, the user is assumed to have adequate knowledge of economic activity and business, accounting, and a willingness to study with reasonable diligence.

Relevant (relevance)

Relevant information must be presented in these financial statements, in accordance with the actions to be performed by users. Or in other words, the ability of the relevant information is to influence the decisions of managers or other users of financial statements so that the existence of information can change or support their expectations about the results or consequences of the decision.

Reliability (reliability)

Reliability is the quality of the information in financial statements that caused users of accounting information is highly dependent on the accuracy of the information generated. Reliability of the information depends on the ability of an information fair to describe the situation/event in accordance with actual conditions.

The last is to be compared (comparability)

A financial statement can be compared to each other when the information is well comparable between periods and among companies. The financial statements have an important role for many parties, so that the timeliness of financial reporting is needed.

2.6 Accounting Concepts

According to Frank and Alan, (2002), the following are accounting concepts:

Historical Cost Concept

This concept states that asset is normally shown at cost price. This helps to not overstate the assets when preparing financial statements.

Money Measurement

The **process records** only activities that can be expressed in monetary terms (with some exceptions).

Business Entity Concept

It implies that the affairs of the business are to be treated as being quite separate from the non- business activities of its owner.

Dual Aspect Concept

States that, there two aspects of accounting, one represented by the asset of the business and the other by the claims against them in other words, this is the alternative form of accounting equation: Asset-Capital+ liabilities

Going Concern

The business entity for which accounts are being prepared is in good condition and will continue to be in business in the foreseeable future;

Prudence Concept (also conservation concept)

Revenue and profits are included in the balance sheet only when they are realized (or there is reasonable 'certainty' of realizing them) but liabilities are included when there is reasonable 'possibility' of incurring them.

Consistency Concept

States that each business should try to choose the methods which give the most reliable picture of the business. This cannot be done if one method is used in one year and another method in the next year, and so on. The consistency concept says that when a business has once fixed a method for the accounting treatment of an item, it will enter all similar items that follow in exactly the same way.

Accruals concept

Revenue and expenses are recorded when they occur and not when the cash is received or paid out.

Matching concept

Transactions affecting both revenues and expenses should be recognized in the same accounting period;

Materiality

Minor events may be ignored, but the major ones should be fully disclosed.

2.7 Goals of Financial statements to/and their users

The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decision (IASB Framework).

The users of financial statements include present and potential investors, employees, lenders, and other trade creditors, customers, governments and their agencies and public. They use financial statement in order to satisfy some of their different needs for information. These needs include the following:

Investors

The providers of risk capital and their advisers are concerned with the risk inherent in, and return provided by, their investments. They need information to help them determine whether they should buy, hold, sell.

Employees

Use financial statements for assessing the company's profitability and its consequence on their future remuneration and job security.

Customers

Use financial statement to assess whether a supplier has the resources to ensure the steady supply of goods in the future. This is especially vital where a customer is dependent on a supplier for a specialized component.

Suppliers

Need financial statements to assess the credit worthiness of a business and ascertain whether to supply goods on credit. Supply need to know if they will be repaid. Terms of credit are set according to the assessment of their customers' financial health.

Managers

Require financial statement to manage the affairs of the company by assessing its financial performance and position and taking important business decisions.

Shareholders

Use financial statement to assess the risk and return of their investment in the company and take investment decisions based on their analysis.

Lenders

Are interested in information that enables them to determine whether their loans and interest attaching to them, will be paid due.

Competitors

Compare their performance with rival companies to learn and develop strategies to improve their competitiveness.

Financial institutions

Use financial statements to decide whether to grant a loan or credit to a business. Financial

institutions assess the financial health of a business to determine a probability of a bad loan. Any decision to lend must be supported by a sufficient asset base and liquidity.

Governments

Require financial statements to determine the correctness of tax declared in the tax returns. Government also keeps track of economic progress through analysis of financial statements of business from different sectors of the economy (Alan, 2002) .

2.8 Analysis of Financial Statements

Financial statement analysis is the process of reviewing and evaluating a company's financial statements (such as the balance sheet or profit and loss statement), Thereby gaining an understanding of the financial health of the company and enabling more effective decision making. Financial statements record financial data; however, this information must be evaluated through financial statement analysis to become more useful to investors, shareholders, managers and other interested parties.

2.8.1 Objectives of Financial Statements Analysis

According to Kieso, et al. (2007) financial statement analysis is used to achieve two basic objectives:

Assessment of Past Performance and Current Position

Financial statement analysis helps in assessing or judging the past performance of a business by taking a look at the trend or historical sales, expenses, net income, cash flow, and return on investment.

Assessments of future potential and related risks of a business

Information about the past and present performance is useful only to the extent that it bears on decision about the future. Financial statement analysis helps in assessing the riskiness of an investment or loan by making it easy to predict the future profitability and liquidity of a business.

The major objectives of financial statements analysis are providing information to the decision makers. Financial statement analysis is helping to understand all the financial

consequences and the recent financial status of any business organization or corporation by the potential investors and financial decision makers in the forming expectation about corporation's future financial performance. Financial statement analysis provides basic information which is very useful for financial planning and financial control. It is very useful to predict, to compare and evaluate the firms earning ability.

Financial statement analysis is also required to aid in economic decision making and investment and financing decision making.

2.8.2 Steps Involved in Analysis of Financial Statement

According to (Dr.S.N.Maheshwari, 2009)highlighted steps involved in analysis of financial statement.

Methodical Classification of Data Given in Financial Statements

In order to have meaningful analysis it is necessary that figures should be arranged property.

Instead of two column statements, as ordinary prepared, the statement is prepared in single (vertical) column from which should follow up significant figures by adding or subtracting. This also facilitates showing the figures of number of firms or number of years side by side for comparison purposes.

Comparison

This refers to the study of the extent of the relationship of component parts and involves the comparing various interconnected figures with each by different techniques of financial analysis.

Interpretation

Interpretation involves the formation of rational judgment and the drawing of proper conclusions about the progress, financial position and future prospects of the business through analysis and comparison. However, both analysis and interpretation are complimentary to each other. Interpretation requires analysis while analysis is useless without interpretation.

2.8.3 Types of Financial Analysis

(Masheshwari, 2009) classified financial analysis into different categories depending upon: Materials used and the modus operandi of analysis (methodology)

On the basis of material used External analysis

This analysis is done by those who are outsiders to the business. The term outsiders include shareholders, creditors, customers, government agencies, potential investors, lenders, competitors, trade unions and other creditors who have no access to the internal records of the firm. These persons mainly depend upon the published financial statements.

Internal analysis

This analysis is by the persons who have access to the books of accounts and other information related to the business.

On The Basis of Modus Operandi

According (Masheshwari, 2009) the modus operandi of analysis, financial analysis can be also of two types namely:

Horizontal analysis

In this types of analysis, financial statement for number of years are reviewed and analyzed. The subsequent year's figures are compared with the standard or base year such analysis gives management a considerable insight into the levels areas of strength or weakness. Since this analysis is based on the data from year to year rather than on one date. It is based as Dynamic analysis.

Vertical analysis

In case of this type of analysis a study is made of quantitative relationship of the various items in the financial statements on the particular date.

Vertical analysis is a method of financial statement analysis in which each entry the tree major categories of accounts (assets, liabilities and equities) in a balance sheet is represented as a proportion of the total account.

2.8.4 Ways of Analyzing Financial Statements

According to Williams et al., (2006), the goal of accounting information is to provide economic decision makers with useful information. The financial statements generated through the accounting process are designed to assist the users in identifying key relationships and trends. The users of financial statement should have a clear understanding the following terms:

Common size income statement

Common size income statement analysis allows an analyst to determine how the various components of the income statement affect a company's proof.

A common size income statement is an income statement in which each account is expressed as a percentage of the value of sales. This type of financial statement can be used to allow for easy analysis between companies or between time periods of a company.

Consolidated financial statements

Consolidated financial statements are the combined financial statements of a parent company and its subsidiaries. To consolidate is the action of combining of assets, liabilities and other financial items of two or more entities into one. In the context of financial accounting, the term consolidate often refers to the consolidation of financial statements, where all subsidiaries report under the umbrella of a parent company. These statements are called consolidated financial statements. Consolidation also refers to the merger and acquisition of smaller companies into larger companies. A consolidation, however, differs from a merger in that the consolidated companies could also result in a new entity, whereas in a merger one company absorbs the other and remains in existence while the other is dissolved.

Comparative financial statements

Format for balance sheet and income statement (profit and loss account) in which each item shows figures for the current as well as the preceding accounting period(s) for comparison. These figures may be expressed as dollar amounts (in absolute terms) or as percentages (in relative terms) for horizontal analysis of the financial data

2.8.5 Ratio Analysis

A ratio is defined as a mathematical and fixed relationship in degree or number between two quantities or numbers. Ratios describe the relationship between different items in financial statements.

Ratio analysis is the systematic production of ratios from both internal and external financial reports so as to summarize key relationship and results in order to appraise financial performance. According to Barry and Jamie, (2006), there are several ratio analyses to make which are the following:

2.8.5.1 Liquidity Analysis Ratios Current Ratio

The current ratio is a liquidity and efficiency ratio that measures a firm's ability to pay off its short- term liabilities with its current assets. The current ratio is an important measure of liquidity because short-term liabilities are due within the next year.

$$\textbf{Current ratio} = \frac{\textbf{current assets}}{\textbf{current liabilities}}$$

Quick Ratio

This is a financial ratio used to gauge a company's liquidity. The quick ratio is also known as the acid test ratio. The quick ratio compares the total amount of cash + marketable securities + accounts receivable to the amount of current liabilities

$$\textbf{quick asset} = \frac{\textbf{quick assets}}{\textbf{current liabilities}}$$

quick assets =current assets-inventories

Net Working Capital Ratio (same current ratio)

Net working capital (Current Assets / Current Liabilities) indicates whether a company has enough short term assets to cover its short term debt.

2.8.5.2 Profitability Analysis Ratios

This is a measure of profitability, which is a way to measure a company's performance. Profitability is simply the capacity to make a profit, and a profit is what is left over from income earned after you have deducted all costs and expenses related to earning the income.

Return on Assets (ROA)

This is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment"

$$\textbf{ROA} = \frac{\textit{Net income}}{\textbf{Total Asset}}$$

Return on Equity (ROE)

This is the amount of net income returned as a percentage of shareholder’s equity. It measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

$$\textbf{Return on equity(ROE)} = \frac{Net\ income}{Average\ shareholdes'equity}$$

$$\textbf{Average shareholders'equity} = \frac{Biginnig\ shareholdes'\ equity + ending\ shareholdes'equity}{2}$$

Return on Common Equity (ROCE)

This is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have

$$\textbf{Return on common equity} = \frac{Net\ income}{Average\ common\ \ shareholdes'equity}$$

$$\textbf{Average common stockholders' equity} = \frac{\text{Biginnig common shareholdes}'\text{equity} + \text{ending common shareholdes}'\text{equity}}{2}$$

Profit margins are expressed as a percentage and, in effect, measure how much out of every dollar of sales a company actually keeps in earnings. A 20% profit margin, then, means the company has a net income of $0.20 for each dollar of total revenue earned

Profit margin

$$\textbf{Net Profit Sales} = \frac{Net\ Profit}{Sales}$$

Earnings per Share (EPS)

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock

Earning per share $= \frac{\textit{Net income}}{\textit{Number of common share outstanding}}$

2.8.5.3 Activity Analysis Ratios

Activity ratios are accounting ratios that measure a firm's ability to convert different accounts within its balance sheets into cash or sales. Activity ratios are used to measure the relative efficiency of a firm based on its use of its assets, leverage or other such balance sheet items. These ratios are important in determining whether a company's management is doing a good enough job of generating revenues, cash, etc. from its resources.

Assets Turnover Ratio

Asset turnover ratio is the ratio of the value of a company's sales or revenues generated relative to the value of its assets. The Asset Turnover ratio can often be used as an indicator of the efficiency with which a company is deploying its assets in generating revenue

Asset turnover ratio $= \frac{\textit{Sales}}{\textit{Average total asset}}$

Average total asset $= \frac{\textit{Biginning total asset} + \textit{ending total assets}}{2}$

The receivables turnover ratio

The receivables turnover ratio is an activity ratio measuring how efficiently a firm uses its assets. Receivables turnover ratio can be calculated by dividing the net value of credit sales during a given period by the average accounts receivable during the same period

Receivable turnover ratio $= \frac{\textit{Sales}}{\textit{Average account receivables}}$

Average account receivables $= \frac{\textit{Biginning account receivable} + \textit{Ending account receivable}}{2}$

Inventory Turnover Ratio

Inventory turnover is a measure of the number of times inventory is sold or used in a time period such as a year. The equation for inventory turnover equals the cost of goods sold or net sales divided by the average inventory

$$\textbf{Inventory turnover ratio} = \frac{Sales}{Average\ inventories}$$

Or

$$\textbf{Inventory turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average inventories}}$$

Capital Structure Analysis Ratios or financial coverage ratios Debt to Equity Ratio

Debt to Equity ratio is the ratio of total liabilities of a business to its shareholders' equity. It is a leverage ratio and it measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business.

$$\textbf{Debt to equity ratio} = \frac{Total\ liabilities}{Total\ \ shareholdes'equity}$$

Interest Coverage Ratio

The interest coverage ratio is a financial ratio that measures a company's ability to make interest payments on its debt in a timely manner.

$$\textbf{Interest coverage ratio} = \frac{Earning\ before\ interest\ and\ income\ tax\ expense}{Interest\ expense}$$

2.8.5.4 Importance of Ratio Analyses

According to Halcyon G. (1991:41) the following are some of the advantages of ratio analyses to simplify financial statements. Ratio analysis simplifies the comprehension of financial statements. Ratios tell the whole story of changes in financial condition of the business.

To Facilitate Inter-Firm Comparison

Ratio analysis provides data for inter-firms comparison. Ratios highlight the factors associated with successful firms. They also reveal strong firms and weak firms, overvalued and undervalued firms.

To make intra-firms comparison possible

Ratios analysis also makes possible comparison of the decision making of the different divisions of the firms. The ratios are helpful in deciding about their efficiency or otherwise in the past a likely performance in the future.

To Help in Planning

Ratios analysis in planning and forecasting over a period of time, a firm or industry develops certain norms that indicate future success or failure.
If relationship changes in the firm's data over different periods of time, the ratio may provide clues on trends and future problems Thus, ratios can assist management in its basic functions of forecasting, planning, coordinating, control and communicating.

2.8.5.5 Limitations of ratio analysis

According to Halcyon (1991:38), ratios are based only on their information which has been recorded in financial statements. As indicated in preceding pages, financial statements suffer from a number of limitations, the ratio delivered there from, are subjected to those limitations.

Ratios alone are not adequate

Ratios as indicators, they cannot be taken as final regarding good or false financial position of the business. For example, a high current ratio does not necessarily mean that the concern has good liquid position in case current asset mostly complies of outdated stocks.

Problem of price level changes

The financial analysis based on accounting ratios will give misreading results if the effects of changes in price level are taken into account.

Non fixed standard

Non fixed standard can be laid down for ideal ratio. For example current ratio is generally considered to be ideal if current assets are twice current liabilities. However, in case there are two concerns which have adequate arrangement will their bankers for providing funds when they require, it may be perfect ideal if current assets are equal to or slightly more than current

liabilities.

Ratios are a composite of many figures

Ratios are a composite of many different figures, some cover a period of time, others are at instant of time while still others are only average. A balance sheet figure shows the balance of the account at one moment of one day. It certainly may not be representative or typical balance during the year.

2.9 Financial Institutions

According to Jeffrey (2006), financial institution is defined as a bank whose main business is deposit, taking and making loans. Financial institution providing services for businesses or organizations and individuals. Services include offering current, deposit and saving accounts as well as giving out loan to business. Financial institutions make their profits by taking small, short-term, relatively liquid depots and transforming these into larger, longer maturity loans. This process of asset transformation generates net income for the financial institution. Note that many financial institutions do investment banking business although is considered the main business areas. Financial institutions play an important and active role in the economic development of a country. If the banking system in a country is effective, efficient and disciplined it brings about a rapid growth in the various sectors of economy.

The following is the significance of financial institutions in the economic development of a country:

Banks promote capital formation: financial institution accept deposits from individuals and business, these deposits are then made available to the businesses which make use of them for productive purposes in the country. The banks are therefore, not only the store houses of the country's wealth, but also provide financial resources necessary for economic development.

Investment in new enterprises: business normally hesitates to invest their money to the risk enterprises. The financial institutions generally provide short and medium term loans to entrepreneurs. To invest in new enterprises and adopt new methods of production. The provision of timely credit increases the productive capacity of the economy.

Promotion of trade and industries with the growth of financial institutions; there is vast expansion in the trade and industries. The use of bank daft, check, bill of exchange, credit cards and letters of credits. It has revolutionized both national and international trade.

Development of agriculture the financial institutions particularly in developing countries are now providing credit for development of agriculture and small scale industries in rural areas. The provision of credit to agriculture sector has greatly helped in raising agriculture productivity and income of farmers.

Balanced development of different regions: the financial institutions play an important in achieving balanced development in different regions of the country. They help in transferring surplus capital from developed regions to the less developed regions.

2.10 Decision Making

Decision making is a rational process by which a specific plan is chosen to solve a particular problem. in addition to that decision making is the moment in ongoing process of evaluating alternatives to achieve a goal or objectives. The expectations about a particular course of action force the decision maker to select the course of action most likely to result in attaining that objectives or goal. Thus a decision is the choice and the decision making is the process of choosing between two or more alternatives (Harrison, 1999, p.76)

2.10.1 Theories on decision making

Decision-making is important managerial skills needed in any organization. However, the ability to make good decision is a skill that can be developed and needs to be practiced, especially in the organizational management domain. Changes in organization, as well as normative pressures, have implied that managers and employees need to be more creative in their decision-making process. Furthermore, managerial values and behavior are focused on making choice between alternatives that are achieved specific objectives for institution. Decision-making inevitably involves a commitment of resources, to a problem. The types of decision made will also have limited or far- reaching effects on the institutions as a whole. Making decision is an essential part of planning, but manager should also make decision all their functions, namely policy- making organizing, staffing, leading, motivating and controlling (Evans, 1991)

2.10.2 Types of decision in banking institution

A Bank secures funds and employees them in activities, which generate returns. The four major decisions areas arising include the following:

- Financial decision
- Investment decision
- Working capital management decision

- Dividend decision

Financial decision

Once an organization decided the investment projects it wants to undertake, it has to figure out ways and means of financing them. The financial decision involves decisions about where, how, what, and when to acquire funds to meet the organization's investment needs. The financing decision involves determining the appropriate mix of debts and owner's funds. This is important in order to maximize the objective of an organization since the use of debts affects the returns and risk of the shareholders the proper balance should be struck between the risk and returns of shareholders. The key issues in financing decision are: what is the optimal debt-equity ratio for the organization? Which specific instrument of equity and debt finance should the organization employ? Which capital markets should the organization access? When should the organization raise finance? At what price should the organization offer its securities?

Investment decision

The first and perhaps the most important decision that any organization has to make is to define business that wants to be in. This decision has a significant bearing on how capital is allocated in the organization. Investment decision involves allocation of resources to long term assets to create capacity to produce the required goods and services. This is the important decision because it involves present commitment of funds in anticipation of future returns, which can't be predicted with certainty investment decision, are risk decision which must be carefully appraised in terms of risks and returns,

Working capital management decision

Working capital management decision also referred to as short-term financial management, this refers day to day financial activities that deal with current assets and current liabilities.
The key issues in working capital management are: what is the optimal level of inventory for the operations of organization? Should the organization grant credit to its customers? If so, on what terms? How much cash should the organization carry on hand?
Where should the organization invest its temporary cash surpluses? What sources of short-term finance are appropriate for the organization?

Dividend decision

Dividend decision concerns the appropriation of earnings of a firm.
The financial manager should determine the proportion of earning that should retain and that should be distributed to shareholders as dividends. Considering the objectives of the organization on the one hand, and the interest of shareholders on the other hand, it answers the question of how much, when to pay and in what from.

2.11. The Empirical Review

On the contribution of financial statement analysis to decision-making in institutions is vast and covers a range of topics. Below are some key findings from various studies:

1. Improvement in Investment Decisions Financial statement analysis helps investors and managers make informed decisions about where to allocate resources. Studies show that investors use financial ratios derived from balance sheets, income statements, and cash flow statements to evaluate the financial health of companies. For example, the analysis of profitability ratios, liquidity ratios, and solvency ratios can provide insights into a firm's operational efficiency and financial stability, which are crucial for investment decisions

2. Credit Risk Assessment Banks and financial institutions often rely on financial statement analysis to assess the creditworthiness of potential borrowers. Empirical studies have shown that ratios like debt-to-equity and interest coverage ratios are significant indicators of a company's ability to repay loans. Accurate financial statement analysis can thus help in reducing the risk of loan defaults.

3. Performance Evaluation and Management For internal decision-making, companies use financial statement analysis to evaluate their own performance. By comparing financial ratios over time or against industry benchmarks, management can identify areas of strength and weakness. Empirical research highlights that firms with robust internal financial analysis processes tend to perform better in terms of profitability and market share.

4. Corporate Governance and Fraud Detection Financial statement analysis also plays a role in corporate governance by providing transparency and accountability. Studies have indicated that irregularities in financial statements can be early indicators of

potential fraud or mismanagement. This is crucial for stakeholders who rely on accurate financial reporting for their decision-making.

5. Strategic Planning In strategic planning, financial statement analysis helps organizations understand their current financial position and project future performance. Empirical evidence suggests that companies that use detailed financial analysis for strategic planning are more likely to achieve long-term growth and stability.

2.12 Research Gap:

Identifying research gaps in the field of financial statement analysis and its contribution to decision-making can help guide future research and ensure that it addresses relevant and emerging issues. Here are some potential research gaps:1. Impact of Technology on Financial Statement Analysis Research Gap: While there has been considerable research on traditional financial statement analysis, the impact of emerging technologies such as artificial intelligence (AI), machine learning (ML), and big data analytics on financial analysis is less explored.

Specifically, how these technologies can improve the accuracy, efficiency, and predictive capabilities of financial analysis remains under- researched. Research Opportunity: Future studies could examine how AI and ML can be integrated into financial statement analysis to provide deeper insights and automate decision-making processes.2. Behavioral Aspects in Financial Decision-Making Research Gap: The behavioral biases of decision-makers when interpreting financial statement data have not been extensively studied. Most research focuses on the rational use of financial statements, assuming that decision-makers interpret data without bias. Research Opportunity: Exploring how cognitive biases (e.g., overconfidence, anchoring, and framing effects) affect the interpretation of financial statements and subsequent decision- making can provide a more nuanced understanding of the decision-making process.3. Integration of Non-Financial Information Research Gap: Traditional financial statement analysis largely ignores non-financial information, such as environmental, social, and governance (ESG) factors. The contribution of integrating these non-financial metrics into financial statement analysis for better decision-making is an underexplored area. Research Opportunity: Future research could focus on how non-financial information, when combined with financial data, influences decision-making and organizational outcomes

Conclusion These research gaps suggest numerous opportunities for further empirical studies that can enhance our understanding of the role of financial statement analysis in decision-making. Addressing these gaps can provide deeper insights into how financial analysis can be

optimized for various contexts, industries, and technological advancements, ultimately leading to more effective decision-making in institutions.

2.13 Conceptual Formwork

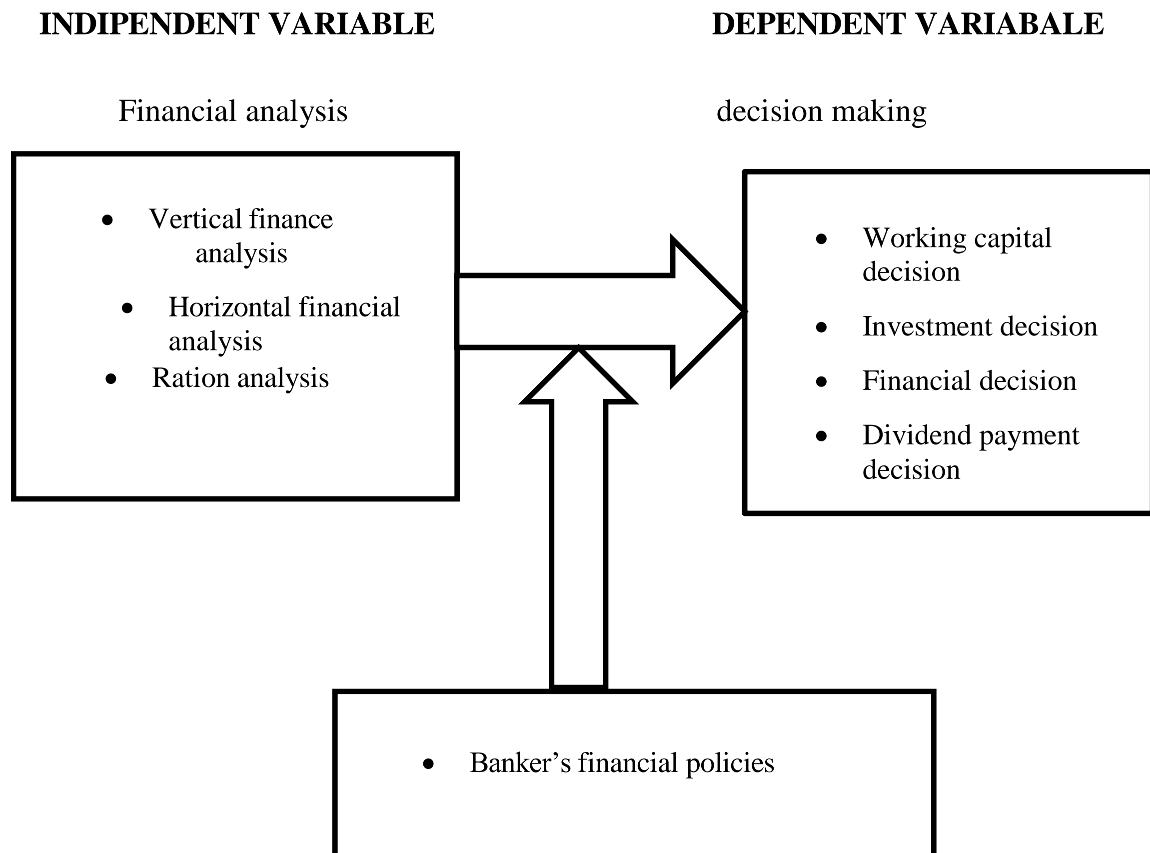

Figure 1:conceptual framework

Source: developed by researcher (2024)

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology sets the foundation for a research project by outlining the processes and techniques that ensure the study is scientifically valid, reliable, and aligned with its objectives.

The methodology consisted of research population, research design, sources of data, documentation techniques, variability &reliability, data analysis, limitation of the study and ethical consideration.

3.2 Research Design

Designing a research study using secondary data on the contribution of financial statement analysis to decision-making in institutions involves a structured approach to collect and analyze existing data sources, such as financial reports, annual statements, or other relevant documentation

1. Research Objectives The primary aim of this research is to understand how financial statement analysis (FSA) contributes to decision-making processes in institutions by analyzing historical financial data and decision outcomes. Key objectives may include: To determine which financial metrics (e.g., liquidity ratios, profitability ratios) are most used by institutions in decision-making. To assess the impact of financial statement analysis on the financial performance of institutions. To identify trends in decision-making that correlate with financial statement analysis outcomes.

2. Research Design Type This research adopts a descriptive and correlational research design, focused on identifying and describing patterns from historical financial data and examining the relationship between financial analysis and decision-making outcomes.

3. Data Sources (Secondary Data)The study relies on secondary data sources, including: Annual Financial Reports: Audited financial statements (income statements, balance sheets, cash flow statements) .

The research will conclude by summarizing how financial statement analysis contributes to institutional decision-making, backed by evidence from the secondary data. The study will also make recommendations on which financial metrics are most predictive of successful decision-making. Secondary provide second-hand information and commentary from other researchers. Examples include journal articles, reviews, and academic books. Thus, secondary research describes, interprets, or synthesizes primary sources so as it will be used in this research. at last the collected data was analyzed using Microsoft excel.

3.3 Population of the study

The research population for this dissertation comprised of existing financial databases especially financial statements and historical data, regulatory filings, and industry reports by commercial banks in Rwanda relevant to the field of financial statement analysis and decision-making. By drawing upon secondary data sources, this research aims to provide a comprehensive analysis and synthesis of existing knowledge and empirical evidence in the following key areas: Financial Databases which include Utilizing publicly available financial databases, this research accessed publicly aggregated financial statements data of Bank of Kigali. Those datasets provided comprehensive information on financial performance, balance sheet metrics, income statements, and cash flow statements, facilitating quantitative analysis and comparison across firms, industries, and time periods. Regulatory Filings and Industry Reports; Regulatory filings, including annual reports and industry-specific disclosures, represent another key source of secondary data. By analyzing these documents, the research examined the impact of financial statement analysis on decision-making, regulatory compliance, and financial reporting practices. Moreover, reports and market analyses offer valuable insights into company trends, competitive dynamics, and strategic considerations that influence financial statement analysis and decision-making processes. The study population for research encompassed commercial banks in Rwanda, with a particular focus on institutions such as the Bank of Kigali. This selection underscored the significance of these financial entities within the Rwandan context. The investigation encompassed that bank to gain insights into their operations, strategies, and impacts within the local financial landscape. Specifically, Bank of Kigali's inclusion provided valuable data for analysis and comparison with other commercial banks. By incorporating these institutions into the research framework, a comprehensive understanding of Rwanda's banking sector can be

achieved. This approach ensured a holistic examination of the role and dynamics of commercial banks, particularly Bank of Kigali, in Rwanda's economic ecosystem.

3.4 Sampling and sample size

To ensure the representativeness and reliability of the study findings, a systematic sampling approach was employed to select banks from the commercial banking sector in Rwanda. The population was comprised with all commercial banks operating in Rwanda. Given that there is a total of 16 commercial banks in Rwanda, a sample size of 10 banks was selected for inclusion in the study. This sample size stroked a balance between capturing the diversity of banking institutions in Rwanda and the practical constraints of data collection and analysis. The selection of a bank for the sample was based on stratification by size, with a proportional representation of small, medium, and large banks to ensure adequate coverage across the banking sector. Additionally, bank was selected based on its willingness to participate in the study and provide access to their financial statements and decision-making processes. By employing a systematic sampling approach and selecting a representative sample of commercial bank in Rwanda, this study aimed to generate robust insights into the impact of financial statement analysis on decision making within the banking sector of Rwanda.

3.5 Data collection Techniques and tools

Secondary data

This section explains the process that was used to get the necessary data and information for the analysis and eventual discussion of findings. It contains two subsections: the first section addresses the techniques that were used in data collection and the second the methods of data analysis.

Documentation

According to the documentation of finding result of obtain from the analysis data specific to bank of Kigali this include summarizing key finds, discussing implication of the result for decision making practice with in the bank this technique helped to gather information that is needed in this research

Observation technique

Author david silverman prominent qualitative researcher, highlights the importance of

participant observation in ethnography research, actively participating in decision making in the activity while also observing and documenting and practice relative financial statement analysis. This technique helped in gathering the information from personal observation. Respondents willingly give the required fair information. Observation involves data collection and other sourceson human being based on nonverbal behaviors in research.

3.6 Validity and Reliability Test

Ensuring the reliability of research instruments was crucial for achieving consistency and uniformity in the responses and information gathered. This entails thorough scrutiny of the research tools, assessing their relevance, clarity, and any ambiguities in data collection methods. The goal was to ascertain that the instruments yield dependable and consistent results upon repeated evaluations. By meticulously examining the clarity and precision of data collection tools, researcher aimed to minimize errors and enhance the reliability of the research findings. Furthermore, assessing the relevance of the instruments ensured that they effectively capture the necessary information pertinent to the research objectives. To attain both reliability and validity in the research process, the researcher planned to conduct the study using data sourced directly from the original website of the Bank of Kigali. By utilizing primary data from a reputable and authoritative source, the research aimed to enhance the credibility and trustworthiness of its findings. Relying on data directly obtained from the bank's website ensured accuracy and minimizes potential biases or inaccuracies associated with secondary sources. This approach underscored the researcher's commitment to upholding the integrity and validity of the research outcomes by utilizing reliable data from a trusted source.

3.7 Data Processing

Data processing, the refined dataset was then subjected to presentation and analysis using tools such as Microsoft Excel. This software facilitated the organization, visualization, and manipulation of data, enabling researchers to delve deeper into its intricacies. Through graphical representations, statistical computations, and other analytical techniques, researchers gained deeper insights into the underlying patterns and relationships within the data, thereby supporting evidence-based decision-making.

3.8 Methods of Data Analysis

The method referred to as sets of planned principles, regulations that allow a research analyze, collect data and information in order to arrive on result or goal set ahead of this study. The following methods used to make a relevant analysis: According to Donald R.Cooper & PamelaS.Schindler, (2003)

3.8.1 Analytical Method

This method used to analyze data collected and other information from different books, websites, and reports consulted during the research.

3.8.2 Historical Method

This method helped researchers to know the important passed events of BK in order to outline evaluation of the evaluation of the facts on the topics over the period studied, from 2020to 2023

3.8.3 Comparative

According to Grawitz (2001), Comparative method helps a good analysis of data by providing differences and cooperation of constant elements of the same type. This method helped researchers to make necessary comparisons between information collected from employees and manager of BK PLC

3.9 Limitation of Study

In secondary data analysis, the absence of vital information such as supporting documents posed a challenge in verifying the objectivity of the data, thereby constraining the thoroughness and breadth of the analysis. This limitation hampered the researcher's ability to ensure the data's freedom from personal biases or subjective opinions. Additionally, certain variables or facets of interest may have been overlooked or omitted in the initial study, further diminishing the completeness of the analysis. The inability to access comprehensive supporting documents hindered the researcher's capacity to delve deeply into the intricacies of the dataset and may resulted in gaps or uncertainties in the findings. Moreover, the researcher lacked control over the original collection methods of the secondary data, which introduced another layer of limitation. Without oversight over how the data was initially gathered, there was a risk of inconsistency or incompleteness in the dataset. This lack of

control undermined the researcher's ability to ascertain the reliability and accuracy of the secondary data, potentially impacting the validity of the subsequent analysis. Consequently, the researcher navigated these inherent constraints carefully and employed rigorous methods to mitigate biases and uncertainties in the secondary data analysis process.

3.10 Ethical Consideration

Accessing the Bank of Kigali's website was both permissible and convenient for obtaining detailed financial data, encompassing statements such as the statement of comprehensive income, statement of financial position, and statement of cash flows. The researcher intended to utilize this readily available resource to gather secondary data pertinent to the study. By navigating to the bank's website, the researcher aimed to extract comprehensive financial information necessary for analysis, including key indicators of performance and liquidity. This approach ensured the acquisition of reliable and up-to-date data essential for conducting thorough research and analysis.

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter involves the data gathered from the field, analysis and its interpretation. The data gathered was mainly in line with the research objectives and the overall purpose of research which was to assess the contribution of financial statement analysis to decision making of bank of Kigali PLC from 2020-2023. Under such tables, a short conclusion related the effectiveness of financial statement applied by Bank of Kigali PLC and the contribution of financial statement analysis to decision making of Bank of Kigali PLC were formulated.

4.2 The effectiveness of financial statement analysis applied in Bank of Kigali.

The first objective of this was to determine the effectiveness of financial statement analysis applied by Bank of Kigali and the findings are presented in this section.

4.2.1 Comparative financial statement of analysis Bank of Kigali PLC

This section contains horizontal analyses of the Balance Sheets and Profit or Loss Account Statements of Bank of Kigali PLC. This comparative analysis considers the period of four years and it took 2020 as base year and this method gave a clearer picture of the Bank of Kigali PLC"s financial position. In this section researchers analyzed the trend on asset of Bank of Kigali PLC. To effectively analyze this, researchers categorized these assets into two main categories current assets and fixed assets. And then come with the comparison of the total of all them. Therefore, results are presented below.

Table 4. 1: Comparative Analysis of Assets (Frw, 000)

		2020	2021	2022	2023
Current Assets	**Value**	385,281,968	515,954,637	641,060,943	806,004,550
	Trend rate	**100**	**33.92**	**66.39**	**109.20**
Fixed Assets	**Value**	918,722,518	1,074,418,346	1,212,933,490	1,314,111,592
	Trend rate	**100**	**16.95**	**32.02**	**43.04**
Total Assets	**Value**	1,304,004,486	1,590,372,983	1,853,507,516	2,120,116,142
	Trend rate	**100**	**21.96**	**42.14**	**62.59**

Source: Financial statements of Bank of Kigali PLC, 2020-202023

For analyzing the trend of assets over the period from 2020 - 2023, only the most important segments were considered. They were Fixed Assets, Current Assets and Total Assets. From the table above, there was a significant increase of assets from the base year to the following year (2021). Fixed assets increased to 16.95% more than base year levels. Current assets on the other hand, increased by 33.92%. This caused an overall increase of total assets about 21.96% percentage points above current year levels. In 2022, the amount of current assets increased by 66.39% and fixed assets increased by 32. which lead to the increase of 42.18% in total assets in comparison to the base year.

For 2023, Bank of Kigali's current assets were considerably increased compared with the previous year where current assets increased by 109.20%; fixed asset increased by 43.04% which automatically cause the overall increase of total assets of 62.59% compared to the previous year. The information, information above is very useful in banks decision because they indicate the proportion of both fixed assets and liquidity assets of the bank. This helps the banks management in evaluating whether the investment made in fixed asset is enough, whether were right basing on how much they are generating for the bank. On the other side it may gave the alert on the available liquidity so that the next decision would think on how it will keep enough liquidity to meet short term obligations.

Table 4.2: Comparative Analysis of Equity and liabilities in percentages

		2020(Frw,000)	2021(Frw,000)	2022(Frw,000)	2023(Frw,000)
Equity	**Value**	259,344,020	285,700,114	319,076,357	366,357,418
	Trend rate	**100**	**10.16**	**23.03**	**41.26**
Liabilities	**Value**	1,044,660,466	1,304,672,869	1,534,265,179	1,753,758,724
	Trend rate	**100**	**24.89**	**46.87**	**67.88**
Total (Equity + Liabilities)	**Value**	1,304,004,486	1,590,372,983	1,853,507,516	2,120,116,142
	Trend rate	**100**	**21.96**	**42.14**	**62.59**

Source: Financial statements of Bank of Kigali PLC, 2020-2023

As with assets, the same years are used and only the most significant items are represented. For 2021, there was an increase of 10.16% in equity compared to the base year levels. And on the other side liability increased by 24.89% which automatically lead to the increase of 21.96 in total equity and liability. And this is not good because the more business depends on liabilities is the more risk of fail in paying back and maintaining the sustainability of the business. In 2023, there was an increase in both equity and liability. Equity was increased by 41.26% and liability increased by 67.88% and as it mentioned on the results presented above, this goes hand in hand with total equity and liabilities. Briefly the above results clearly demonstrate that financial situation in this business is in good position because in all the years of the covered period its equity vary positively. On one hand this proves the effectiveness in use of both equity and realities. But on the other side it shows how well the investment decision made helps to increase both owners" equity and liabilities. This may be either through the investment decision that enabled the bank to generate a lot and increase the owners" equity or through how they didn't want the dominance of liability to equity.

4.2.2 Horizontal Analysis of Bank of Kigali PLC's Profit or Loss Statement

In this section researchers analyzed profit and loss statement of Bank of Kigali PLC where operating incomes and operating expenses in relative values as well as Profit before income tax and Profit of this bank was analyzed. And it is clear that a profit or loss statement shows performance from operations of a business. Therefore, the tables bellow presents the findings on this.

Table 4. 3 Operating income and operating expenses

		2020(Frw,000)	2021(Frw,000)	2022(Frw,000)	2023(Frw,000)
Operating incomes	**Value**	144,227,243	180,221,263	181,532,398	224,362,014
	Trend rate	**100**	**24.96**	**25.87**	**55.56**
Operating expenses	**Value**	45,173,553	63,029,641	82,827,482	95,937,605
	Trend rate	**100**	**39.53**	**83.35**	**112.38**

Source: Financial statements of Bank of Kigali PLC, 2020-2023

Looking at the table above it is clear that in all the covered period operating incomes and operating expenses goes hand in hand wherever operating incomes increased automatically operating expenses increased. And wherever it decreased expenses decreased double. And this shows the effectiveness of this bank in expenses management which lead to the considerable profit for the year. and this would not happen if bank doesn't take investment, working capital and financing decision after consulting the financial information from financial statement. But the figure above proves that everything goes well because the bank has been able to invest in the right products.

Table 4. 4. Comparative Analysis of Profit before income tax and Profit for the year

		2020(Frw,000)	2021(Frw,000)	2022(Frw,000)	2023(Frw,000)
Profit before income tax	**Value**	57,066,286	76,880,668	88,586,268	109,711,920
	Trend rate	**100**	**34.72**	**55.23**	**92.25**
Profit for the year	**Value**	38,433,289	51,894,970	59,855,802	74,817,679
	Trend rate	**100**	**35.03**	**55.74**	**94.67**

Source: Financial statements of Bank of Kigali PLC, 2020-2023

In the case of Profit before income tax and Profit for the year, both them were increased in 2021compared to the base year where profit before income tax increased by 34.72% and Profit for the year by 23.41% and this is due to the considerable effective expenses management. In 2021 Profit before income tax and Profit for the year significantly increased. Profit for the year increased by 35.03%% compared to 2020 and profit before income tax by 53.74%. This was due to the effective management of bank's expenses. In 2023 also things go well where profit before income tax increased by 94.67% compared to the base year. Therefore, these prove that the bank understudy recognized a considerable profit. This also help bank to understand well the profitability of this bank as well as contribution in building the country through the payment of taxes. This, in turn help bank in deciding how well they can minimize expenses and improve comprehensive income as well.

4.3 Effectiveness in common-size financial analysis applied by Bank of Kigali PLC

The following section concerns the vertical analyses of the same Balance Sheet and Profit and Loss Statements looked at during the Comparative Financial Statement Analysis. Again, only the most important elements of the statements were used. This analysis gives an idea of how many and how much elements make up a single item.

4.3.1 Vertical Analysis of Bank of Kigali PLC's Assets

This method helped researchers to further analyze compositions of items in subgroups. And the table below presents the proportion of fixed asset; current as well as its component to total asset

Table 4. 5 Vertical Analysis of Bank of Kigali PLC's Assets (Frw, 000)

Years	2020	%	2021	%	2022	%	2023	%
Total Assets	**1,304,004,486**	**100**	**1,590,372,983**	**100**	**1,853,507,516**	**100**	**2,120,116,142**	100
Cash in Hand	21,152,662	1.62	21,723,165	1.40	21,757,316	1.17	30,615,453	1.44
Balances with the National Bank of Rwanda	101,621,779	7.79	231,758,146	14.57	328,750,207	17.74	305,656,016	14.42
Due from Banks	107,102,581	8.21	77,839,613	4.89	48,979,707	2.64	251,404,182	11.86
Investment securities at amortized Cost	142,021,914	10.89	164,115,134	10.32	216,899,036	11.70	186,541,766	8.80
Investment corporate bond	12,166,178	0.93	12,703,795	0.80	12,069,536	0.65	18,531,463	0.87
Investment Specialized fund	1,216,854	0.09	7,814,784	0.49	12,605,141	0.68	13,255,670	0.63

Loans and advances to customers	851,099,810	65.27	990,267,321	62.27	1,134,512,318	61.21	1,244,843,264	58.72
Insurance receivable s	2,742,765	0.21	6,517,668	0.41	3,092,783	0.17	5,111,545	0.24
Reinsurance contract					2,203,173	0.12	2,515,513	0.12
Other Assets	17,605,631	1.35	25,810,132	1.62	19,111,508	1.03	12,552,527	0.59
Deferred income tax	6,102,616	0.47	9,546,653	0.60	10,647,966	0.57	4,734,412	0.22
Right of use assets	2,489,038		1,659,359	0.10	1,760,557	0.09	1,152,743	0.05
Assets classified as held for Sale	734,678	0.06	734,678	0.05	566,145	0.03	566,145	0.03
Property and equipment	29,483,594	2.26	29,608,750	1.86	30,057,613	1.62	32,352,686	1.53
Intangible Assets	8,464,386	0.65	10,273,785	0.65	10,494,510	0.57	10,282,757	0.49

Source: Financial statements of Bank of Kigali PLC, 2020-2023

In performing this analysis, the different items are split into their component parts. Assets are divided into Cash in Hand, Due from the National Bank of Rwanda, Due from other banking institutions, Financial assets measured at fair value through other comprehensive income, Non- current assets held for sale, Financial assets at amortized cost, Derivative financial instruments, Investment securities - held for trading, Investment securities - available for sale, Investment securities - held to maturity, Loans and advances to customers, Other assets, Right of use asset, property and equipment. Therefore, this would suggest their importance with regards to the bank's sphere of business. Another point worthy of note is the fact that the proportion of fixed assets continues to rise in general.

4.3.2 Vertical Analysis of Bank of Kigali PLC"s Equity and Liabilities

As this method was used to analyses assets of this bank within the covered period, in this section researchers used it to analyze the statement of financial position of Bank of Kigali PLC in terms of equity and liabilities.

Table 4. 6.Vertical Analysis of Bank of Kigali PLC"s Equity and Liabilities (Frw, 000)

	2020	%	2021	%	2022	%	2023	%
TOTAL (E + L)	1,304,004,486	100	1590372983	100	1853507516	100	2,120,116,142	100
Total Equity (E)	259,344,020	19.89	285700114	17.96	319242337	17.22	366,357,418	17.28
Total Liability (L)	1,044,660,466	80.11	1304672869	82.04	1,534,265,179	82.78	1,753,758,724	82.72
Current Liabilities	979,719,587	75.13	1,248,645,873	78.51	1,431,546,827	77.23	1,650,036,662	77.83
-Non-Current Liabilities	64,940,879	4.98	56,026,996	3.52	102,718,352	5.54	103,722,062	4.89

Source: Financial statements of Bank of Kigali PLC, 2020-2023

Total equity and liabilities is divided into equity, which is the part owned by shareholders in the Bank and liability, which is owned by creditors of the bank. Transforming the values in this statement into percentages gives information on which item the bank is more reliant on. Equity is mainly made up of the Stated Capital, Income Surplus Account and then Redeemable Preference Shares. In almost all the periods examined, liabilities were found to be more than half of total equity and liability. The consistent liability growth over equity is due to the use of external resource money more than shareholder's money. In comparing the elements of total liability, there are only current liabilities and non-current liabilities. Current liabilities made up the most portion of total liability from2020-2024. This analysis provide the real information on the financing position and this of cause help the bank to clearly understand it financial health and decide on financing issues. Whether they can use more liabilities or increasing the capital through shareholder's equities.

4.3.3 Vertical Analysis of Bank of Kigali PLC's Profit or Loss Statement

In this section researcher use vertical analysis with the main purpose of assessing percentage of each component of profit and loss account compared to the operating income. And this helps researchers to gain a picture of whether performance metrics are improving or

deteriorating. To make an effective comparison of the Profit or Loss Statement, income and expenses were considered separately. Since profits were recorded in all examined periods, income were greater than expenses in each year.

Table 4.7: Shares of net fees and commission and net interest income in operating income (Frw, 000*)*

	2020	%	2021	%	2022	%	2023	%
Operating Income	144,227,243	100	180,221,263	100	181,532,398	100	224,362,014	100
Net fees and commission income	12,796,749	8.87	19,859,425	11.02	29,167,427	16.07	43,288,034	19.29
Net Interest income	112,793,315	78.21	136,271,358	75.61	137,775,776	75.90	165,385,038	73.71

Source: Financial statements of Bank of Kigali PLC, 2020-202023

Looking at the table above it is clear that operating income were largely made up of net interest income. However other net fees and commission income were found to be at the lowest rate of the operating income. From 2020-2019,Net interest income 78.21%; 75.6175.9% and 73.71% of the operating income. It was also revealed that net fees and commission income were 8.87%;11.02%; 16.07% and 19.29% of the operating income. This means that net interest income make up 70% of operating income in all examined periods. Net fees and commission income made up the rest of operating income. Back to the relationship between this analysis and decision made at Bank of Kigali PLC would base on investing on these products and services that generated more commission and fees so that the bank continue to gain more and more income.

4.4 Ratios analysis

Analysis and interpretation of accounting ratios provide a skilled experienced analyst, a better understanding of the financial conditions and performance of the firm than what could have obtained only through a perusal of financial statements. Therefore, in this section researcher analyzed the performance of Bank of Kigali PLC through the profitability ratios.

4.4.1 Net Profit Margin Ratio

Net profit margin is a financial ratio that measures the efficiency of a bank's use of its assets in generating sales net operating income or sales income. Profitability was found to be the most important indicator of financial performance and in this section researcher examined whether the bank understudy was profitable in the covered period. Therefore, are presented below

Net Profit Margin= $\frac{\textit{income after tax} * 100}{\textit{total revenues}}$

Table 4. 8 Net Profit Margin ratio (in thousands Rwf)

Years	**2020**	**2021**	**2022**	**2023**
Net income (1)	38,433,289	51,894,970	59,855,802	74,817,679
Operating income(2)	102,468,483	144,227,243	191,248,095	224,362,014
Net profit margin (1/2)	**37.60**	**35.98**	**31.23**	**33.35**

Source: Annual reports of Bank of Kigali PLC (2020-2023)

From 2020 up to 2023 the ratios of net profit margin 37.60%; 35.98%; 31.23% and 33.35% respectively. This means that for RWF100, the bank got 37.60Rwf in 2020; 35.98Rwfs in 2021 and got 31.23 Rwfs in 2022. Therefore, BANK OF KIGALI PLC"s net profit margin had been increased from 2019 to 2022 and for 100 Rwf invested, the bank got 3.35 Rwf in 2023 and which means that they recognized performance. And this bank does not reach on this Net Interest Margin accidently, but they tried their best by just using and allocating their resource appropriately without forgetting how they minimize interest expenses. Also the general rule of thumb is that a 10% net profit margin is average, a 20% margin is good, whereas a 5% margin is a low profit margin. A higher net profit margin shows a company's ability to control costs and sell products at prices higher than costs. Referring to the above results it is clear that Bank of Kigali PLC have been able to effectively control costs and sell products at prices higher than costs since its net profit margin is above 20% in the covered period. Therefore, this only happened because the bank's management made all decisions basing on the right information such as investing in the products that permit BK to minimize the cost. Therefore, these kind of decision are only possible because they had enough information on bank's financial health through the information provided by financial statement analysis.

4.4.2 Return on Assets Ratio

The return on assets ratio is a profitability ratio which is a returns ratio. The return on assets ratio is also called the return on investment ratio. Return on assets allows the business owner to calculate how efficiently the company is using their total asset base to generate sales. Total assets include all current assets such as accounts receivable in addition to fixed assets such as plant and equipment. Therefore, the table below presents Bank of Kigali PLC"s return on assets ratio within the covered period.

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

Return on Assets $= \frac{\textbf{Net income}*100}{\textbf{Total Asset}}$

Table 4. 9 Return on Assets "ROA" (in thousands Rwf)

Years	2020	2021	2022	2023
Net income(1)	38,433,289	51,894,970	59,855,802	74,817,679
Total assets (2)	1,304,004,486	1,590,372,983	1,853,507,516	2,120,116,142
ROA% (1/2)	**2.95**	**3.26**	**3.23**	**3.53**

Source: **Financial statements of Bank of Kigali PLC from 2020– 2023**

The table above shows the Return on Assets ratio during the covered period. From 2020 up to 2023.The ratio of Return on Assets are 2.95%; 3.26%; 3.23% and 3.53%respectively. This means that, in 2020 for 100 RWF of invested they got 2.95RWF; in 2021 it got 2.95RWF, in 2022 got 3.22 Rwf and in 2023 for 100 RWF of invested they got 3.53 RWF. The above result, show that Bank of Kigali PLC, is profitable during the covered period. Because the standard ratio of Return on Assets is 1%. And the above result shows that the average of return on assets is 3.16%. Therefore, this means that Bank of Kigali PLC have been able to effectively use its assets so that they generate enough return. Back to the relationship between financial analysis and decision making it is clear that a good return on assets is determined by the right investment decision made by this bank that was done after consulting financial information from financial statement. Therefore, this allow researcher to confirm that financial statement analysis contribute to the success of the investment decision made by this bank.

4.4.3 Return On Equity

"ROE'" a measure of how well a bank used reinvested earnings to generate additional earnings, equal to a fiscal year's after- tax, that bellow table shows the ratio of Return on equity during ours period of study. Return on equity (ROE) measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every unit of shareholders' equity (also known as net assets or assets minus liabilities).

The formula:

Return on Equity $= \frac{\boldsymbol{Net\ income * 100}}{\boldsymbol{Total\ Equity}}$

Table 4. 10 Ratio of Return on Equity (in thousands Rwf)

Years	**2020**	**2021**	**2022**	**2023**
Net income(1)	38,433,289	51,894,970	59,855,802	74,817,679
Total Equity (2)	259,344,020	285,700,114	319,076,357	366,357,418
ROE% (1/2)	**14.82**	**18.16**	**18.76**	**20.42**

Source: **Financial statements of Bank of Kigali PLC from 2020 – 2023**

The table above shows that from 2020 up to 2023, the ratios of Return on Equity are as follow: 14.82%; 18.16%; 18.76% and 20.42% respectively. This means that, in 2020 for the 100Rwf investors have invested in bank, they generated in 14.86Rwfof benefit, and in 2021 for the 100Rwf investors have invested in bank, they generated in 18.16Rwf of benefit; in 2022 for100Rwf investors have invested in bank, they generated in 18.72 Rwf of benefit and in 2023; for the 100Rwf investors have invested in bank, they generated in 20.42Rwf of benefit. While average ratios, as well as those considered "good" and "bad", can vary substantially from sector to sector, a return on equity ratio of 15% to 20% is usually considered good. At 5%, the ratio would be considered low. Therefore, the Bank of Kigali recorded a good return on assets in the covered period. Therefore, the above ratios demonstrate that within this period Bank of Kigali PLC"s shareholders were in period of happiness since the average of income generated by their equity shows that for each 100 Rwf they invest they gain at least 18.04Rwf, and of course this has a strong relationship with

applied internal audit. Normally, a good return on equity is a good indicator of how well the investment decision made shareholders‟ equity was good and made through clear and enough information from financial statement.

Table 4.11 Capital adequacy ratios

Years	2020	2021	2022	2023
Core Capital	228,243,750	248,345,314	282,510,322	348,552,250
Risk Weighted Assets	935,537,941	1,183,985,798	1,421,131,718	1,564,859,566
Core Capital / Risk Weighted Assets	**24.4**	**20.98**	**19.88**	**22.27**
Total Qualifying Capital	229,692,798	249,633,549	283,525,237	349,057,406
Risk Weighted Assets	935,537,941	1,183,985,798	1,421,131,718	1,564,859,568
Total Qualifying Capital / Risk Weighted Assets	**24.55**	**21.08**	**19.95**	**22.31**

Source: BK Annual reports 2020 and 2023

The table above demonstrates that core capital to risk weighted assets were 24.40%; 20.98%; 19.88% and 22.27% respectively from 2020 to 2023. Normally this is good for Bank of Kigali PLC because this result ensure that it‟s most freely and immediately available resources to meet claims against deposit takers is enough because BNR‟s regulation requires banks to hold a minimum total of 10 % of core capital to risks weighted assets. And in most of the years under study bank of Kigali had more than 2 times of this. Also total qualifying capital to risk weighted assets is 24.55%; 21.08%; 19.695% and 22.31% from 2020 to 2023. This means that capitalization enables Bank of Kigali to mitigate the proportion of nonperforming loans because BNR‟s regulation requires banks to hold a minimum total of 12.5% of total qualifying capital to risk weighted assets and the bank under study exceed this percentage in each year of the covered period. Back to the link between capital adequacy and decision making in bank of Kigali PLC it is clear that they have a direct link because the more they ensured adherence to organization’s policies is the more the central bank

prudential regulations are respected and of course this attract the new investors to invest in this bank by just buying some share of BK at Rwanda Stock exchange.

4.4.4 Asset Quality

An asset quality rating is a review or evaluation assessing the credit risk associated with a particular asset. These assets usually require interest payments such as a loans and investment portfolios.

Table 4.12 Asset Quality Ratio

Years	2020	2021	2022	2023
NPLs	124,658,046	68,589,073	39,623,818	43,319,605
Total Loans	851,099,810	990,267,321	1,134,512,318	1,244,843,264
NPLs /Total Loans,%	**14.65**	**6.93**	**3.49**	**3.48**
Loan Loss reserve	76,435,791	82,842,869	79,624,764	87,764,856.00
Gross Loans	851,099,810	990,267,321	1,134,512,318	1,244,843,264
Loan Loss reserve / Gross Loans ,%	**8.98**	**8.37**	**7.02**	**7.05**

Source: BK Annual reports 2020 and 2023

Looking at the table above it is clear that Bank of Kigali PLC‟s management has been able to control and mitigate credit risk since the ratio of NPLs to total loans demonstrate that it was at the lowest rate with in this period of our study were it was 14.65% in 2020; 6.93% in2021; 3.49% 2022 as well as 3.48% in 2023. Loans loss reserve to gross loans ratio were 8.98% in 2020; 8.37% in 2021; 7.02% in 2022 and 7.05% in 2023. And BNR „s regulation stated that a strong asset quality ratio is 5% and below, and that a satisfactory asset quality ratio is >5% - 10%, which means that as it is demonstrate at the above results bank of Kigali PLC have been able to meet BNR‟s requirement in the covered period. Because even if the ratios are not strong, they are at satisfactory level. this also guide investors as well as the banks management on what do both in term of investment because whenever they analyze the loan portfolio the banks realized the sectors of activities that it should focus on through to the vibrant situation of the business in the sector. on the other side this guide the banks‟ decision on the reinforcement of the strategy again non-performing loan to ensure the overall assets quality.

Table 4.13 Earning Quality ratios

Years	2020	2021	2022	2023
Interest income	112,793,315	136,271,358	137,775,776	165,385,038
Total income	144,227,243	180,221,263	191,248,095	224,362,014
Interest income/ total income	**78.21**	**75.61**	**72.04**	**73.71**
Other income	31,433,928	43,949,905	53,472,319	58,976,976
Total income	144,227,243	180,221,263	191,248,095	224,362,014
Other income / total income	**21.79**	**24.39**	**27.96**	**26.29**

Source: BK Annual reports 2020 and 2023

As shown in the table above Interest income/ total income from 2020-2023 ware 78.21%; 75.61%; 72.04% and 73.71%respectively. On the other side the ration of other income / total income from 2020-2023 were 21.79%; 24.39%; 27.96% and 26.29% respectively. Therefore, this proves that the earning on this bank is dominated by interest income at the level of above 70% each year. Therefore, this has a direct link with applied corporate governance as it insured the efficiency in management of all risks against the interest generated by the Bank of Kigali PLC. the earning quality analysis help the management to clearly understand the main source of its revenue which in turn allow to decide well to invest more for the reason of keeping up further performance.

4.5 Contribution of financial statement analysis on decision making in Bank of Kigali PLC

The second objective of this study was to identify the contribution of financial statement analysis to decision making made by the Bank of Kigali PLC. Therefore, in this section researcher assessed the contribution of financial analysis on investment decisions, financing decision; working capital management decision and dividend decisions and the findings are presented in the tables below.

Table 4. 14.The contribution of financial statement analysis on working capital decision

		2020	2021	2022	2023
Working Capital ratio	**Current assets**	411,732,980	557,829,090	676,116,373	830,918,547
	Current liabilities	979,719,587	1,248,645,873	1,431,546,827	1,650,036,662
		0.42	0.45	0.47	0.50

Source: Bank of Kigali PLC financial statement 2020-2023

The table above demonstrate that current ratio were 0.42; 0.45; 0.47 and 0.50 respectively from 2020-2023. Normally, this shows that working capital ratio of the observed periods is generally very low because there all less than the minimum required level of 1.0 to employ an aggressive strategy of working capital control. This means that the situation is worse because current assets are not able to cover current liabilities. The bank might incur delay charges from its inability to meet its short-term obligations. Back to the objective of the study of finding out the contribution of financial statement analysis on working capital decision the information provided by this financial analysis due to ratio methods shows that Bank of Kigali PLC would make decision of raising up current assets to avoid any kind of liquid risk it would face. Otherwise the bank would not even be able to meet depositors withdraw.

Table 4.15 The contribution of financial statement analysis on investment decision

Year	2020	2021	2022	2023
Net income (1)	112,793,315	136,271,358	137,775,776	165,385,038
total assets (2)	1,304,004,486	1,590,372,983	1,853,507,516	2,120,116,142
Return On Investment(1/2)	**8.65**	**8.57**	**7.43**	**7.80**

Source: Bank of Kigali financial statement 2020-2023

The table above shows the Return On Investment ratio during the covered period. From

2020up to 2023.The ratio of Return on Investment are 8.65%; 8.57%; 7.43% and 7.80% respectively. This means that, in 2020 for 100 RWF of invested they got 8.65 RWF; in 2021 for 100 RWF of invested they got 8.57RWF; in 2022for 100 RWF of invested they got 7.43RWF and in 2023 it got 7.80RWF. Like ROA ratio the standard ratio for ROI also 1% and looking at the above results it is clear that in almost all the years of the covered period is more than seven times which is good for the investors. Back to the contribution of financial statement analysis on investment decision it is known that before making a decision on investing money in any business, a potential investor must analyze the business's ability to provide returns to its shareholders. Investors, business managers, stock advisors analyze this ability by calculating various ratios and percentages based on the company's financial statements. This analysis enables an investor to analyze a business's financial status and health. By converting the original financial numbers to ratios, it becomes easier to analyze the risks and trends in the market and the potential risks involved with the company. Briefly what we can keep in mind here is that the above results are a good financial metric that is widely that any investor who wants to invest in Bank of Kigali PLC can use to measure the probability of gaining a return from an investment and then decide to invest in. Therefore, return on investment helps Bank of Kigali PLC to clearly understand whether the previous investment has succeeded. This in turn supports them in deciding what to reinforce in their investment and what to maintain with the main purpose of ensuring better performance.

Table 4.16 The contribution of financial statement analysis on financing decision in Bank of Kigali PLC

Financial ratios		**2020**	**2021**	**2022**	**2023**
Liquidity ratios	Liquid Assets (1)	411,732,980	557,829,090	676,116,373	830,918,547
	Total Deposits(2)	790,811,261	974,494,626	1,075,188,572	1,374,342,881
	%(1/2)	52.06	57.24	62.88	60.46
Leverage Ratios analysis	Total debt (liabilities)	1,044,660,466	1304672869	1,534,265,179	1,753,758,724
	Equity	259,344,020	285,700,114	319,076,357	366,357,418
		4.03	4.57	4.81	4.79

Source: Bank of Kigali PLC financial statement 2020-2023

The ration of Liquid Assets to Total Deposits were 52.06%; 57.24; 62.88% and 60.46% respectively from 2020-2023. And this is good for banking institution because even though it use customers‟ deposit to generate income, it have to ensure that it keep enough liquidity to meet customers request when they immaturely want to withdraw their deposed money. Normally, one of financing source in banking industry is the deposit from customers and in the use of this source management of the bank has to ensure that they keep the minimum required liquidity to meet depositors withdraw. And of cause they would not be able to make the right decision on how much to keep when they didn't refer to the figure presented by financial statement particular by using liquidity ratios as one of financial ratios. Debts to equity ratio were 4.03; 4.57; 4.81and 4.79 respectively from 2020-2023. This indicates that more debt is used to fund this bank than equity. On the other side this ratio has an increasing trend from the beginning to end. And this is not bad in banking sector because it is even allowed to use 80% of customer's deposit in granting credit. And the high levels of deposit indicate good functionement of Bank. This also is very important in financing decision because the decision makers refer on it when deciding whether they may continue to use liabilities or if they would increase owners‟ equity to avoid a high dependency on liabilities.

Table 4. 17.The contribution of financial statement analysis on dividend payment decision

Years	**2020**	**2021**	**2022**	**2023**
Dividends Paid	4,785	12,305,031	26,086,425	37,586,770
Net income	38,533,134	51,894,970	59,724,310	74,817,679
Dividend Payout Ratio	**0.01**	**23.71**	**43.68**	**50.24**

Source: Bank of Kigali PLC financial statement 2020-2023

Looking at the results presents in the table above it is clear that the dividend payout ratios were 0.01%; 23.71%; 43.68% and 50.24% respectively from 2020-2023. This means that Bank of Kigali PLC paid 0.01% of its net income in 2020, 23.71% of its net income in 2021, 43.68% of its net income in 2022 and 50.24% of its net income in 2023. Normally financial statement analysis is very important in determining how much money a bank is returning to shareholders versus how much it is keeping on hand to reinvest in growth, pay off debt, or add to cash reserves (retained earnings). And of course if decision makers doesn‟t know how much bank have as net income they would not decide how much to pay as dividend. Otherwise if they do it without consulting financial statement bank would risk

lacking the amount to reinvest. Therefore, these allow researcher to confirm that financial statement analysis contributes a lot to the dividend payment decision in Bank of Kigali PLC.

4.6 Some of the decisions made in Bank of Kigali during the studied period

Table 4.18 Some of the decisions made in Bank of Kigali during the studied period

	2020	2021	2022	2023
Branch	68	68	67	67
Variation in number of branch		**0.0**	**-1.5**	**0.0**
POS	2813	2,723	2,731	2,490
Variation in number of POS		**-3.2**	**0.3**	**-8.8**
ATM	97	96	101	103
Variation in number of ATM		**-1.0**	**5.2**	**2.0**

Source: Bank of Kigali PLC financial statement 2020-2023

The results presented in the table above shows that there was no variation in number of branch in 2021 compared to 2020. But it decreased by 1.5% in 2022. But it remained in same position in 2023. Therefore, decisions of increasing branch or keeping them at the same level were taken after analyzing the financial statement and looking on what will help them to perform better. This decision was made after analyzing the profitability ration and find that even if they have main branch some are not helping the bank to generate enough income instead they spend a lot in rental fees. it is from that reason they took decision of reducing the number of ranch. Also the number of POS was decreased by 3.2% in 2021; increased by 0.3% and decreased by 8.8% in 2023. This decision was taken after analyzing the contribution of POS commission on the overall operating income. Then they decide to reduce these that are not generating enough revenue as it has. On the other side ATM number was decreased by 1%, however it increased by 5.2% in 2022 and by 2% in 2023. The decision of increasing the number of Automated teller machine was made to improve the quality of services delivered by this bank to customers where by approaching them through self-serving methods. This decision was made after a deep analysis of the commission Bank of Kigali PLC received through the use of Automated Teller machines. It from these information they

took decision of increasing their number through to the increase of the proportion of ATM revenue to the overall operating income.

SUMMARY OF THE FINDINGS CONCLUSION AND RECOMMENDATIONS

1. Summary of the finding

The purposes of this chapter were to determine the effectiveness of financial statement analysis applied in Bank of Kigali PLC as well as finding out the contribution of financial statement analysis to the decision making in Bank of Kigali PLC. The analyzed period was from 2020- 2023 using audited financial statements of this bank to make recommendations based on results obtained from financial methods of analyzing the data obtained. The analysis began with the Horizontal Analysis which dealt with items of bank's balance Sheets and Profit and Loss Statements. In the case of assets, there was an increasing character of each the elements year in year out. The most notable though was the rapid development of fixed assets due to huge investments in expanding the capacity of the bank understudy. With equities, it is noticed that they also grow accordingly since total equities and liabilities must be equal to assets. However, the difference here is that, while current and non-current liabilities grow, equity does not grow as fast like liabilities. The horizontal analysis of the Profit and Loss Statement displayed how Bank of Kigali PLC revenues fared against its costs. The alarming thing about this analysis is that revenues grow at almost the same rate with costs which meant that the bank was not using its assets efficiently to boost revenues or the company was not able to cut costs. The next method used was the Vertical Analysis which sought to describe the composition of elements in the Balance Sheet and Profit and Loss Statements. Assets were split into fixed and current assets and then current assets were subdivided current and fixed assets. For the composition of total assets, it is realized that fixed assets are larger and dominate the structure. Profitability ratios were looked at next. These are measures of efficiency with regards to the bank"s ability to internally generate profit from its assets or equity. Net profit margin ware 37.60%; 35.98%; 31.23% and 33.35% respectively. The ratios of return on Assets are 2.95%; 2.95%; 3.22% and 3.53%respectively. And the ratios of Return on Equity are as following: 14.86%; 18.16%; 18.72% and 20.42% respectively. It is from this researchers verified and confirmed the first hypothesis stipulating that "Bank of Kigali PLC apply financial statement analysis effectively". Also the contribution of financial statement analysis to the decision making in Bank of Kigali PLC were assessed and results demonstrate that, financial statement analysis contribute on investment decision in Bank of Kigali PLC where ROI ratio is 8.65%; 8.57%; 7.43% and 7.80% respectively. And of cause this investment return would not come accidently, but due

to the right decisions taken after consulting information provided by financial statement. The contribution of financial statement analysis on working capital decision also was assessed and results shows that current ratio were 0.42; 0.45; 0.47 and 0.50 respectively from 2020-2023. Normally, this shows that working capital ratio of the observed periods is generally very low because there all less than the minimum required level of 1.0 to employ an aggressive strategy of working capital control. This means that the situation is worse because current assets are not able to cover current liabilities. It is also observed that financial statement analysis contributes a lot on financing decision in I&M Bank where the ration of Liquid Assets to Total Deposits were 52.06%; 57.24; 62.88% and 60.46% respectively from 2020-2023. And this is good for banking institution because even though it uses it asset to generate it have to ensure that it keep enough liquidity to meet customers request when they immaturely want to withdraw their deposed money. Normally, one of financing source in banking industry is the deposit from customers and in the use of this source management of the bank has to ensure that they keep the minimum required liquidity to meet depositors withdraw.

On the issues of the contribution of financial statement analysis on dividend payment decision results shows that that the dividend payout ratios were 0.01%; 23.71%; 43.68% and 50.24% respectively from 2020-2023.

2. Conclusion

As a conclusion therefore it is clearly that the financial analysis in this bank were effectively done through horizontal analysis, vertical analysis and ratios analysis. it was also Remarque that financial statement analysis is very important in determining how much money a bank is returning to shareholders versus how much it is keeping on hand to reinvest in growth, pay off debt, or add to cash reserves (retained earnings). And of course if decision makers doesn't know how much bank have as net income they would not decide how much to pay as dividend. Therefore, it is from these the second hypothesis of this study stipulating that "Financial statement analysis contributes to the decision making in Bank of Kigali PLC". Have been assessed and confirmed

3. Recommendations

Based on the findings researcher recommends the following:

- The management of Bank of Kigali PLC should look for the means of disclosing bank's financial statement to the professional accountants in order to get advices and recommendations from these experts to get the fully disclosed financial statement on which financial analysis could be conducted in decision making.
- Every financial institution should ensure that all material facts as regard the assets and equity of the organization should be reflected in their yearly financial statement. As such, the financial institutions should adhere to the demand of subjecting their financial statement to statutory audit as a way of authenticating their contents.
- It is necessary to use the analysis tools of the financial statements before making a financial decision based on the analytical vision of the institution.

4.Suggestions for further study

Basing on the importance of financial statement analysis on decision making in banking industry, further research and deep analysis could be done on the following areas:

1. The contribution of financial statement analysis on successful dividend payment decisions. The contribution of financial statement analysis on the performance of financial institutions.

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Appendix