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Foreign exchange earnings performance of coffee industry in Rwanda: a case study of Maraba Coffee Cooperative

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FOREIGN EXCHANGE EARNINGS AND FINANCIAL PERFORMANCE OF COFFEE INDUSTRY IN RWANDA. 
A CASE STUDY OF MARABA COFFEE COOPERATIVE

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ABSTRACT

The profitability of any cooperative depends on the investment in foreign exchange earnings of its product that allows the maximization of profitability and increase financial performance (World Bank, 2003). The general objectives of this study was therefore to analyze foreign exchange earnings and financial performance of coffee industry in Rwanda, to analyze and interpret financial statement and daily financial events of Maraba coffee cooperative to ascertain financial performance and whether the relationship between foreign exchange earnings and financial performance. This study will contribute to the Government’s orientation, small farmers of coffee, Coffee Cooperatives, coffee exporters and Rwandan economy in general. The study used a case study research design whereby Quantitative method refers to the mathematical and statistical interpretation of the result. On the other hand qualitative research method as the subjective one explained the inner thoughts and emotions of the respondent. This study was conducted in Huye District and the targeted populations for this study precisely were 8 board members, 4 staffs and 1872 cooperative farmers’ members. The data collected using documentation, questionnaire and interview instruments. The researcher used the financial analysis and the statistical analysis with the help of the software Statistical Package for the Social Sciences (SPSS) for data presentation and interpretation. The findings of the study revealed that the increase of foreign earnings was followed by the increased expenses. From 2009 to 2010 foreign earnings increase of 6% but the expenses increased of 12%, whereas from 2010 up to 2011, foreign earnings increase of 99.87% while the expenses increased of 103.99% and from 2011 up to 2012, foreign earnings decreased of 2.27% but the expenses decreased of 0.46%. Maraba coffee cooperative had not perform financially due to the increased expenses and increased liabilities, particularly in 2010 and 2012 than 2009 and 2011. The uses of financial information analysis, daily financial events was not full considered in such as efficient management of foreign earnings; the Cooperative had not made proper financial decision in order to improve its financial performance during this period of four years. Therefore, there is no relationship between foreign exchange earnings and financial performance, the increased of foreign exchange earnings are followed by increased expenses and the increase of total assets also followed by increased liabilities as presented in table 4.14 and 4.15. As the cooperative indicates poor financial performance, it should improve the system of analysis and interpretation of the information from the income statements, to increase foreign earnings and minimize expenses; convert cooperative’s equity into profit to perform better financially.