

**FINANCIAL STATEMENTS ANALYSIS AND THE PERFORMANCE OF  
COMMERCIAL BANKS IN RWANDA  
A CASE STUDY OF BANK OF KIGALI**

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**ABSTRACT**

This study was undertaken to evaluate the role of financial statement analysis on financial performance of Bank of Kigali in the period of 2009 to 2012. The financial analysis though seem to be the key factor of performance and the banks have faced problems such as non-performing loans, dormant accounts and so on. The objective of this research as to identify role of income statement analysis on the liquidity position of Bank of Kigali, to find out contribution of income statement analysis on the profitability of Bank of Kigali, To assess impact of balance sheet analysis on the solvability of Bank of Kigali. The research design in this study was descriptive which is used as it is aimed to document the nature of existing variables, how they change overtime and structured around a set of guiding questions for description and diagnosing performance which income statements analysis have brought in order to show how financial statements analysis are in need and research is significantly benefits to the researcher, to Mount Kenya University and policy makers. The research was conducted on 163 personnel as population whereby a sample of 61 respondents was taken into consideration and income statements and balance sheet were analyzed to show financial position of BK. Through uses documentary, questionnaire, Interview, observation and sampling as techniques were significantly attain academic objective. In accordance with BKs personnel were get idea on importance of financial statements analysis. In accordance with Bank of Kigali mentioned that financial statements analysis strengthens profitability of banks, decision making, solvability and public image that lead to increase in market share. The debt ratio for BK is 87%, 83%, 105% and 80% in 2009. 2010, 2011 and 2012 respectively. This value indicates that the company has financed its assets on average of 88.7% of debts. Operating margin of BK in 2009 2010, 2011 and 2012 was 154%, 170%, 177% and 161% respectively. In other words, for each Rwf of sales, generates at least 0.5% remained as a profit from operations. This figure is significant when compared with the prior years. This shows that, BK.' profit margin is increasing and appreciable and years 2009 to 2012 show average net profit ratio of 50%. This is good news for investors (or owners) who expect to receive at the end of year share of their investments. A ratio of 50% as net profit is considered for financial institutions as sufficient. In this manner, common stockholders expect receiving high dividend. This figure below shows how much BK makes a high level of profits especially in 2011.

As it was evidenced from the findings Referring to findings from the study, respondents from Bank of Kigali, this objective has been significantly achieved as respondents agreed to the role of income statements analysis on positive liquidity position of banks indicated in table 6, 7,8and 9 at 100%, 100% and 19.7, 72.1 respectively and the data collected portray that financial statement analysis is as indicated in table 7 and 8at the percentage of 100%, 100%, 19.7 and 72.1 respectively.