INFLUENCE OF INFORMATION ASYMMETRY MANAGEMENT ON LENDING PERFORMANCE OF COMMERCIAL BANKS IN RWANDA

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Influence of Information Asymmetry Management on Lending Performance of Commercial Banks in Rwanda

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

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This thesis has been submitted for examination with our approval as University' Supervisors:

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DEDICATION

To all Commercial Bank Experts of Rwandan Commercial Banks dedicated to fulfilling strategies initiated to understand the Influence of Information asymmetry management on Lending Performance Commercial Banks in Rwanda by protecting both the Nation interests.

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LIST OF ACRONYMS/ ABBREVIATIONS

ADB	Agricultural Development Bank
ANOVA	Analysis of variance
BBGL	Barclay Bank of Ghana Ltd
BCR	Access Bank and Crane Bank
BNR	National Bank of Rwanda
BVD	Book Value of Total Debt
DSR	Detailed Seller Ratings
EAC	East African Community
EBIT	Earnings Before Interest and Taxes
EDPRS	Economic Development and Poverty Reduction Strategies
GDP	Gross Domestic Product
GFI	Global Financial Integrity
GNI	Gross National Income
GNP	Gross National Product
GOR	Government of Rwanda
HDI	The Human Development Index
PCA	Principal Component Analysis

RE	Retained Earnings
SCB	Standard Chartered Bank Ltd
SPSS	Statistical Package for Social Sciences
TA	Total Assets
WC	Working Capital
WGP	World Gross Product

DEFINITION OF TERMS

Adverse selectionmanagement A situation in which sellers have business information that buyers do not have, or vice versa, about some aspect of product quality in other words, it is a case where information asymmetry managementis exploited. Information asymmetry management also called information failure, happens when one party to a transaction has greater material knowledge than the other party. (Peter, 2004)

Commercial Bank A financial institution which accepts deposits from the public gives loans for the purposes of consumption and investment to make profit (IMF, 2015).

Information asymmetry management A situation where the parties to a contract have differing degrees of information, including‘hidden’information, concerning the terms, conditions and operational details of the contract with the strategies of managing its impacts,(Peter, 2004)

Information asymmetry management deals with the study of decisions in transactions where one party has more or better information than the other. (Hoppe & Schmitz, 2013)

Lending performance Performance loan is any loan in which interest and principal payments are less than 90 days overdue. (IMF,2015)

Moral Hazard management The risk that a party has not entered into a contract in good faith or has provided misleading information about its assets, liabilities, or credit capacity. In addition, moral hazard management also may mean a party has an incentive to take unusual risks in a desperate attempt to earn a profit before the contract settles. Moral hazards management can be present at any time two parties come into agreement with one another. Each party in a contract may

have the opportunity to gain from acting contrary to the principles laid out by the agreement. (Robert, 2018).

Propitious Selectionmanagement Wedefine the propitious selection management as occurring when risk-avoiding personalities both take physical precautions and buy financial security (insurance). “Propitious” or “Advantageous” managementposits that insureds differ not only in their probability of loss, but also in their aversion to risk. Moreover, the concept of Propitious Selection management assumes that riskiness and risk aversion are negatively correlated risk-averse individuals take more care, pose a lower risk of loss to their insurers, and value insurance coverage more than those who are less cautious and more prone to experience losses. If “belt-and-suspenders” types place such a high value on the reduction in risk provided by insurance that they are willing to pay more-than actuarially-fair premiums to achieve the certainty that insurance provides, they may not drop out of insurance pools even when they are cross-subsidizing their riskier compatriots.(Tsvetanka, 2006).

ABSTRACT

The purpose of this study is to assess the Influence of Information asymmetry management on the Lending Performance of Commercial Banks in Rwanda. In this study, the problem statement is lending performance, and specific objectives are to assess the influence of moral hazard management on lending performance of commercial Banks in Rwanda, to demonstrate the influence of adverse selection management, to understand the influence of propitious selection management on the lending performance of commercial banks in Rwanda and to analyze the moderating influence of political drive on the influence of information asymmetry management and lending performance of commercial banks in Rwanda. The primary data was collected through structured questionnaires; whereas secondary data through reading and analysis of relevant books, reports and journals. The researcher found out that Information asymmetry managementhas a statistically significant contribution tothe lending performance of Commercial Banks in Rwanda. The researcher recommends that the Government of Rwanda and civil society should diversify the propitious selection management policy and monetary regulation, determine a tangible and clear model to guide its target on Banking stability management, and tomake efforts to increase and sustain its participation in both the regional and international financial market.

CHAPTER ONE

INTRODUCTION

1.1 Background

1.1.1 Global perspective of information asymmetry management and lending performance

The component of information asymmetry management wasinitiated in the early 1970s. Since then it has become a valuable tool in the field of economics and it is used to explain a diverse set of phenomena thathappened in the world in the field of finance and Economics. Its significance was established well before the year 2001 by the developed sphere when the original authors of the theory, George Akerlof, Michael Spence, and Joseph Stiglitz received the Nobel Prize in Economic Sciences and took steps of operation, ((Helsinki, 2003).As were confirmed by different scholars such as (Patrick, 2015), information asymmetry management demonstrated tangible impacts since 2000, an especially undesirable singletondifferent financial corporate' business transactions, whereby financial corporate needed to undergo significant structural transformation amble them became economic growth drivers due to the market microstructure information; the perception has been a tremendous growth in developed sphere's manufacturing industries in the recent past (western Europe and Northern America). The most obvious example is perhaps the companies, where through the introduction of information technology related products in a transaction, electronic payments, security investments, and information exchange, companies now provide more diverse services to customers with less manpower.As a result of industrialization at present, the need for corporate finance emerge witha reason for minimizing the undesirable single impacts by the business managers needed in private companies that were mostly transferred from State Economic Enterprises. Asymmetric information was a useful tool designed to help in the management and control of the corporate-financial in Spain.To deploy financial performance strategies, Spanish firms have needed to invest in technology to promote information. For (Ana, Mário, & Rudolph, 2014), the Turkish accounting

profession has been in progress since the establishment of the Turkish Republic and is currently considering as complexity of Tunisian companies thataffect exports due to the low level of cost forecast information.

A world development indicators has revealed that poverty has been decreasing in all continents of the world except for Africa and failed to attain the millennium development goals (MDGs), (Gregory, 2011). Extreme poverty target despite over two decades of growth resurgence that began in the mid-1990s based on weak political factors which were affected the Commercial Banks in Africa brought as consequences neo colonization and dependencies for developing sphere to the developed ones, (Asongu & Kodila-Tedika, 2015). Aconsiderable amount of theoretical studies supporting the African position that information asymmetry management should be managed hereafter between lenders and borrowers affects the financial development of the African continent whereby reducing the efficient allocation of capital. In essence, lenders are most often confronted with issues of adverse selection management due to their lack of information on the characteristics of borrowers, especially when it comes to risks associated with the investment for which borrowers want to mobilize financial resources (Jappelli&Pagano, 2002).

1.1.2 Regional perspective of information asymmetry management and lending performance

The formal economic and social integration council and the East African Income Tax Board in 1940 initiated the East African Region financial business with, among other things, the commercial Banks services cooperation between Tanzania, Kenya, and Uganda and realized tremendous progress in regional cooperation and development, which also supported its economic development. In real economic terms, the region's combined Gross Domestic Product has risen over time from 1999 and has been affected by informationasymmetry management on both sides, (Eric, 2013). In late 2013 the East African Community (EAC) countries (Burundi, Kenya, Rwanda, Tanzania, and Uganda) after its joint protocol setting out the process and convergence criteria for an EAC monetary union which has been impacted by a different component of information asymmetry management such as Moral Hazard

management, Adverse Selection management, and Propitious Selection managementtook place in different aspect of Financial sectorsoffers numerous benefits; the path toward a common currency which presented significant challenges.According to (Grant, 2014).In 2014, the bloc finalized negotiations for region-to-region cooperation that assisted the bloc on export and import of goods and services, (Ombeni, 2007). The East Africa Community partner states began cooperating in their social economic development under a memorandum of understanding on development partnerships co-ordination in 1999. The cooperation agreement was strengthened by the adoption in 2010 of the EAC protocol on social economic development partnerships coordination, which fostered partnerships, diplomacy, and international engagements which should assist on the achievement of EAC Vision 2050, (Eric, 2013). Region members' States such as Tanzania, Kenya, and Rwanda have been starting the business forecast information which plays a vital role in the capital formation on Commercial Banks operating in Rwanda and people consider it the lifeblood of a growing economy. Therefore, it is very important to forecast cost information influenceively and efficiently. One of the major issues encountered by fund managers today in Tanzania is not the procurement of funds but also their meaningful deployment to generate maximum returns (Mohammad, 2013).

1.1.3 National perspective of information asymmetry management and lending performance

The 1960s and 1970s Rwanda's prudent financial policies, coupled with generous external Aids andGrants relatively favorable terms of trade, resulted in sustained growth in per capita income and low inflation rates which did not bring out a thoughtful on information asymmetry management based on its pillars of Moral Hazard management, Adverse Selection management, and Propitious Selection management had no significant influence on the national economy(Pablo, 2015).According to (Muyombano, Sakwa, Deya, & Ndabaga, 2018), from 2000after the terminated ofthe weak leadership of divisionism and tribalism which had led the country on the genocide perpetuated against Tutsis in 1994, Rwanda has envisaged a

set of national policies with the goal of transforming the agrarian subsistence economy into a sophisticated knowledge-based society. This was a great achievement exemplary for performance in the economy, social and political affairs supported by its vision 2020 set to respond on different components of information asymmetry management based on its pillars of Moral Hazard management, Adverse Selection management, and Propitious selection management.For (Minecofin, 2000), the Commercial Banks of Rwanda have improved greatly 72% of Rwandan based on the country's target adults which are financially included in information asymmetry management, with 42% of the Rwandan population in the formal financial system (23% served by commercial banks and 33% served by non-bank formal institutions), and 58% use informal financial mechanisms; The Banking sector is comprised of 10 commercial banks, 3 microfinance banks, 1 development bank, and 1 cooperative bank. The microfinance sector is comprised of 490 Institutions of which 11 are limited companies and 479 SACCOs (including 416 from UMURENGE SACCOs). There are 12 insurance companies (7 non-life insurers, 3 life insurers, and 2 public insurers); 1 public pension fund, the Rwanda Social Security Board, and around 40 private pension schemes; 105 operational forex Bureaus and finally 1 stock exchange. As the case study the researcher based on 10 Commercial Banks operating in Rwanda composed by Bank of Kigali, Bank Populaire du Rwanda, I &M Bank, Cogebanque, Ecobank, KCB, Equity, GT-Bank, Access Bank, and Crane Bank (BCR)

1.2 Statement of the problem

Since 2010, Rwanda coordinated its Financial strategies looking for different Information asymmetry management plans such as Moral Hazard management, Adverse Selection management, and Propitious Selectionmanagementwhich orienting CommercialBanks influence on the implementationwhereRwandan's aims to become a Middle Income Country (MIC) status by 2035 and High-Income Country (HIC) status by 2050.Several studies including (BNR, 2015)(Ryumugabe, 2016)(MINICOM, 2011)indicates the highest level ofNon-Performance Loans (NPLs) compared to the rest of the East African Statescausedbythe low Lending

performance of Commercial Banks in Rwanda, where non-performing loan ratio (NPLs ratio) increased to 6.2% as at end December 2015 compared to 6.0% recorded in 2014, the average value of non-performing loans for Rwanda since 2002 to 2011 was 23.76 percent with a minimum of 8 percent in 2011 and a maximum of 57 percent in 2002. In this thesis, the researcher aimed at developing the notion conceptually, specifically, built on the work of (Chepkoech & Francis, 2014) and(Rannenberg, 2012), whom their works were based on the Information asymmetric in credit markets, bank leverage cycles, and macroeconomic dynamics aspects formed the guiding philosophy of the entire research process.Based on the above studies, different challenges entitled gaps, different observations were perceived such as the population living below the poverty line to less than 30%; population living in extreme poverty to less than 9%, Unemployment Rate of 13.2% could be fixed by the strategies, however, it has no enough impact on lending performance of Commercial Banks in Rwanda.

1.3 Objectives of study

1.3.1 General objective

The general objective of the study is to analysethe influence of information asymmetry managementon lending performance of Commercial Banks in Rwanda.

1.3.2 Specific objectives

The specific objectives of the study are:

1. To assess the influence of moral hazard asymmetrymanagement on lending performance of Commercial Banks in Rwanda;

2.To demonstrate theinfluence of adverse selection management on the lending performance of Commercial Banks in Rwanda;

3.To evaluate theinfluenceofPropitious Selectionmanagement on the lending performance of Commercial Banks in Rwanda;

4.To determine the moderating influenceon the influence of information asymmetry managementandlending performance of Commercial Banks in Rwanda.

1.4 Research hypotheses

This study is generated by the following alternative hypotheses:

H_{01}: There is significant influence ofmoral hazard management on the lending performance of Commercial Banks in Rwanda;

H_{02}: There is the significant influence of adverse selection management on the lending performance of Commercial Banks in Rwanda;

H_{03}: There is significant influenceof Propitious Selection management on the lending performance of Commercial Banks in Rwanda;

H_{04}: There is moderating influence of political drive on the influence of information asymmetry managementon lending performance of Commercial Banks in Rwanda;

1.5 Significance of the study.

This study is important to various stakeholders in particular the Government of Rwanda, financial institutions, Commercial Banks in specific, different academicians, professionals, and researchers. In this work, the researcher aimed at developing the notion conceptually. Specifically, the researcher built on the work of (Richard, 2006), where the pillars determined such as Moral Hazard management, Adverse Selection management, and Propitious selection management.that influenced the lending performance of Commercial Banks in Rwanda. The Commercial Banks views strong Moral Hazard management, Adverse Selection management, and Propitious Selectionmanagementfor the commercial Banks as a driving force, which influencesthe Lending performance of Commercial Banks in

Rwanda. This study was timely as the Commercial Banks sought to continue implementing the relevant strategies for attaining the Rwandan Vision 2035.

This study is important to the decision makers and experts in Commercial Banks such as Banks and Insurances and Business people as it traced the influence of asymmetry information management and the Lending performance of Commercial Banks in Rwanda.To the Rwandan Commercial Banks dealing with the asymmetry information and Lending performance of Commercial Banks in Rwanda in general, the study challenges their strategic mindsets in a new realization of what constitutes and sustains competitive advantage. To the specific institutions that were surveyed, the study helped to inform their future debates and strategies, particularly leveraging on moral hazard management, Moral Hazard management, Adverse Selection management, and Propitious selection management vis-à-vis to the Working Capital (WC)and Retained Earnings(RE)supported by information asymmetric managed by Commercial Banks when its Total Assets (TA) and Book Value of Total Debt (BVD) as key indicators of the Lending performance of Commercial Banks in Rwanda.For future researchers, this study should assist them with tangible and scientific data that demonstrated the influence oriented and based on the Financials necessities and displays to achieve the lending performance of Commercial Banks by understanding the multidimensional of national strategies for transformation.

1.6 Scope of the study

This subsection focuses on the content scope, time scope, and geographical scope. The researcher divided the scope of the study into three parts to get accurate and update information concerning research objectives; this was with a focus on Staffs Commercial Banks operating in Rwanda such as Bank of Kigali, Bank Populaire du Rwanda, I &M Bank, Cogebanque, Ecobank, KCB, Equity, GT-Bank, Access Bank and CraneBank (BCR). The target population was 931, the sample size was 280 and the period was from 2000 to 2018.

1.7 Limitations of the study

Although the research reached its aims, there were some unavoidable limitations. First, this study was conducted on a small population since the participants of information asymmetry managementare few. Albeit, the study should have involved a larger number of respondents at different stages. The data of this study was collected from existed Commercial Banks operating in Rwanda, which is implementing the information asymmetry managementcomponent. Hence, the ability to generalize the results of this study depended upon the limitations of the small size of the research population and other factors mentioned. A replication of this study within different institutional environments were assisted to shed light on the influence of information asymmetry management on the Lending performance of Commercial Banks in Rwanda without forgetting the issue of languages that required a lot of energy to translate from the respondents' mother tongue.

Secondly, the measurement scales of several aspects within the sub-variables of the influence of information asymmetry management, such as Moral Hazard management, Adverse Selection management, and Propitious Selectionmanagementwhich influence the Lending performance of Commercial Banks in Rwanda, may have had limited accuracy of the measures of these aspects. Nevertheless, having reduced indicators per aspect is acceptable, particularly when another aspect of strategies has more than three indicators, it is recommended that statistics under re-specification of the information asymmetry managementmodel on a shortened scale require cross authentication studies to re-evaluate the size of the model and inspect its generalizability.

Thirdly, practical inferences suggested in the study were based on theoretical and empirical results requiring a holistic and comprehensive approach. It is difficult and sometimes incredible for an organization to undertake the whole task at one time due to limited resources of the organizations, especially in a developing sphere part like Rwanda. Though the relative importance of single abilities was reflected, future research is necessary to explore the model further to determine if there is an optimal level of competences.The accuracy of the research indicated a precise uniform march

in a continuous action of an error percentage of 0.05 (5%) in all the statistical and econometrics calculations. Albeit, this could not adequately prove a lack of error since the minute portion of 5% could just leave a small portion of a work that may not conclude this to perfection.

CHAPTER TWO

LITERATUREREVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who had carried out their researches in the same sphere of influence of asymmetry information asymmetry management and the Lending performance of Commercial Banks. The chapter specifically covers the theoretical and Empirical discussions, conceptual framework, Model, and research gaps.

2.2 Theoretical framework

Different theories including the theories on Moral Hazard management, Adverse Selection management, and Propitious Selection management made a base for this study. These theories included the Corporate governance under asymmetric information: Theory and evidence of(Chen-Wen & Victor, 2013); On Moral Hazard and Macroeconomics: "A model of moral-hazard credit cycles" of (Roger B. M., 2012).

2.2.1 Adverse Selection Theory

When two (or more) individuals are about to agree on a trade, and one of them happens to have some information that the other(s) do not have, this situation is referred to as adverse selection (Acerola& Stiglitz, 1969). In 2001, the Nobel Prize in Economic Science was awarded to Akerlof, Spence and Stiglitz “for their analyses of markets with asymmetric information”. Each of the three quoted papers investigates the implications of adverse selection on the product, labor and insurance markets respectively. According to Nwauko and Ashinze (2015) Spence in 1973 refers to a similar mechanism when workers “sell” their labor to firms and have private information about their skills. The literature on adverse selection then investigates arrangements that allow segmentation of the market according to unobserved quality, sellers signal the quality of their products by offering product-

warranties to customers, or workers signal their ability by getting academic degrees. It is important to emphasize that market segmentation does not primarily come from some information inherent to, say, warranties, but rather from menu of contracts offered to agents that leads to self-selection, revealing their private information.

2.2.2 Moral Hazard Theory

The framework often used to analyze moral hazard situations is the principal-agent problem, whereby one individual the principal wants to hire another individual theagent to perform a given task. However, once the contract has been signed, the agent can either take an action that is non-observable for the principal (hidden action), or obtain information about some characteristics of the environment that the principal cannot acquire (hidden information).As opposed to the previous case, in which agents were offered a menu of contracts, moral hazard situations imply that every agent is given the same contract; the contract must therefore take into account future information asymmetries, and hence address the incentives problem(Adam, Anders & Fred, 2013).In addition to adverse selection, moral hazards are also a result of asymmetric information. A moral hazard is a situation where a party shall take risks because the cost that could incur shall not be felt by the party taking the risk. A moral hazard can occur when the actions of one party may change to the detriment of another after a financial transaction. In relation to asymmetric information, moral hazard may occur if one party is insulated from risk and has more information about its actions and intentions than the party paying for the negative consequences of the risk(Alexandra, 2006).

2.2.3 Historical Cost Information Theory

This study was guided by historical cost theory, according to (John, 2008), cost control is concerned with past information and it requires consistency and comparability that is why it requires the accounting transactions to be recorded at their historical costs. This is called historical cost concept. Historical cost is the value of a resource given up or a liability incurred to acquire an asset/service at the time when the resource was given up or the liability incurred. In subsequent periods when

there is appreciation is value, the value is not recognized as an increase in assets value except where allowed or required by accounting standards. The concept of historical cost is important because market values change so often that allowing reporting of assets and liabilities at current values would distort the whole fabric of accounting, impair comparability and makes accounting information unreliable(Alzoubi, 2012).It is immediately clear that for financial statements to be meaningful, amounts of dissimilar items must be stated in similar units. Money becomes the obvious choice of "similar units". By converting different kinds of objects into monetary amounts, they can be dealt with arithmetically. Revenue that has associated expenses within a given accounting period should be reported in the same period. Matching the expense element to the revenue element makes it possible to assess accurately whether a profit or a loss occurred within that period(Chiyachantana, 2013).

2.2.4 Capital Structure Theory

A firm funds its operation with capital raised from varied sources of information.Javad, Hamed and Elham (2012)A mix of these various sources is generally referred to as capital structure. The capital structure has been defined as "that combination of debt and equity that attains the stated managerial goals (i.e.) the maximization of the firm's market value". The optimal capital structure is also defined as that "combination of debt and equity that minimizes the firm's overall cost of capital. The firm's balance sheet constitutes different proposition of debt instruments, preferred and common stock, which represents the capital structure of the firm. The capital structure is an unsolved problem, which has attracted both academics and practitioners as the objective of financial management is to maximize shareholder's wealth Elena, Raquel,Pérez, & Clara, (2011). The key issue here is the relationship between CS and firm's value, the firm's value is maximized when cost of capital is minimized. In a long term with the combination of low-cost source of financing (more debt) and expensive source of financing (less stock) in capital structure, a firm reaches a descending(Alexandra, 2006).

2.2.5 Risk Return Theory

The risk return theory developed by Olweny and Shipo in 2011 argues that information asymmetry and financial performance of organization are negatively associated. The risk return theory argues that increasing risks by increasing leverage of the organization leads to higher expected returns. This suggests that if an organization intends to increase its profits by increasing leverage, the equity to asset ratio (capital) has to be reduced. Hence, the risk return theory is relevant to this study, because the bankruptcy of organization should be affected by its working capital information.

Thesetup of an incentive model, considers the situation whereby an owner-manager operates a company. The owner–manager implements corporate governance G with the company's extrinsic value P(G), where P′(G) > 0, P″(G) b 0, and P (0) = 0, while outside investors obtain the company's intrinsic value of V(G), where V′(G) > 0, V″(G) b 0, and V (0) = 0. Outside investors then buy the company at a low or high stock price, as different owner managers enhance company value by revealing the investors' protection structure, such as regulations written in the company's charter and bylaws, creditors' protective covenants, and/or information disclosure to the markets and stakeholders. The timing of the events is sequenced as follows. t = 0 Initially, a company owner is the sole owner–manager and is the one who designs the company with different levels of corporate governance provisions. In the stock market, outside investors want to get a return on investment by buying stocks. As far as the logical concepts discussed in economics are concerned, V(G) may be regarded as the value of investing in the company for outside investors, which is also the benefit of investing in the company for outside investors. The payment for the purchase of company stocks is P(G), which can be taken as the cost of outside investors to invest in a company's stock. Therefore, V(G)–P(G) is the consumer surplus from investing. To promote the company through performance, owner-managers who decide whether outside investors will enhance the evaluation of a stock price will try hard to polish their companies up through corporate governance. Enforcing corporate governance costs, the owner manager a marginal cost c, which

belongs to the set C = {cL, cH}. Theownermanager thus can be either inefficient (cL) or efficient (cH), with respective probabilities λ and 1 – λ.The researchers note that Eqs. (1) and (2) describe the situations in which the differences between the owner–manager's type and the company’s type result in different levels of corporate governance provisions, whereas Eqs. (3) and (4) mean that the owner–manager prefers the evaluation of his company under corporate governance if the action will yield him a utility level superior to the status quo, which is assumed to be zero. The behavior of enforcing corporate governance thus gives the owner–manager a utility U by satisfying his participation constraints; otherwise, he will do nothing to enhance the company’s stock price. We hence define the first-best share value subscripted as FB, e.g. V′(GHFB) = P′(GHFB) and V′(GLFB) = P′ (GL FB) as the behavior of rewarding outside investors with a value that is consistent with the behavior by which outside investors evaluate company shares under corporate governance. It is inevitable for outside investors to face the cost caused by the owner manager in enforcing corporate governance. This reveals that outside investors rely on the owner–manager to enforce corporate governance provisions, but they can only get a sub-optimal share price (subscripted as SB, V (GH SB) and V (GL SB)). To ensure that the owner–manager will protect outside investors, the latter must pay different stock prices for companies with different levels of corporate governance provisions. In other words, the cost c of enforcing corporate governance is associated positively with outside investors' evaluation of stock price P and corporate governance G, ifthe researcher explains G as being the corporate governance provisions directed by the owner–manager. The researcher thus derives the different stock prices that the owner manager rewards outside investors by enforcing different levels of corporate governance provisions. Enforcing a higher level of corporate governance provisions, the owner manager gets a higher utility of UH =ΔcGL SB with a higher company share value P(GH FB) = UH + cHGH FB, since the first-best governance provisions GH SB = GH FB are enforced.However, by enforcing a lower level of corporate governance provisions GL SB b GL FB, the owner–manager does not get a higher utility – that is, UL = 0, because his company share value P(GLSB) = cLGLSB is lower due to the incomplete mechanism of corporate governance. As the levels of governance provisions play the role of an investor protection structure, higher stock

prices seem to be outside investor's evaluation of how well the owner manager enforces a higher level of corporate governance provisions. (Chen-Wen & Victor, 2013)**.** To analyze further the situation with corporate governance provisions and information disclosed, we attribute the influence of corporate governance on a managerial reward with both incentive and audit. The influences of incentive and audit function differently. The former sometimes induces the manager to make voluntary disclosures for the incentive reward. The latter on the other hand protect outside investors by mandatory disclosures from a pessimistic point of view. This presumption arises from Ghosh 2007 and Holt and DeZoort 2009. It could be that moral hazard may occur when outside investors evaluate the level of corporate governance, which results in the situation drawn.The board may guess a non-observable but productive effort from the owner manager, who may also affect the evaluation of his performance with his abilities at the same time with Drymiotes, 2008. This leads to situations that make it uneasy for shareholders to distinguish the performance between incentive and effort. As we note that the effort exerted by the owner manager of a company may be underestimated and reflected in the lack of efficient monitoring, there may be other factors affecting company performance and may lead to moral hazard. To distinguish the positive power of incentives from passive monitoring, in the next section we derive the theoretical model by splitting the discussion of efficient monitoring into two parts: incentives and audits. . Incentives to distinguish from the original model in the above section, we denote the model in this section with 2 as a subscript. Suppose the incremental stock price in the last section respectively yields benefits BP(GH) and BP(GL) to the owner manager. The benefits play the function of an incentive to encourage the enforcement of corporate governance by the owner manager. The benefits from an incremental stock price depend on the owner–manager's effort a, with the assumption that potential outside investors may buy the companies' shares depending on this stock price The effort an exerted by owner managers can be either 1 or 0, where ξ means that exerting effort to operate the company costs the owner manager a non-monetary disutility, which is normalized as ξ (1) = ξ and ξ (0) = 0. A risk-neutral owner manager is only one of two potential types, cH and cL, and the possibility of raising the company's stock price again P(GH2) and P(GL2) with respective probabilities ω

and 1 − ω thus depends on the owner manager's effort in the following discussion; Different levels of corporate governance provisions yield outside investors with differential benefits. To define this kind of effort, recall that companies with a higher level of corporate governance provisions imply that they have a better investor protection structure. In this section the scope of this effort concerns three issues: vested benefits of the incremental stock price to the owner–manager, maintaining the same level of corporate governance provisions, and the position to keep operating the company; Those issues help explain why we adopt mgr as the proxy of managerial compensation; No matter what the position the owner manager may entail, the owner manager owns the full expertise of running the company. Facing the challenge of independent directors, vested benefits of the incremental stock price incentivize the owner manager to keep the position. At the same time, maintaining the same level of corporate governance provisions on the other hand creates new challenges with the expertise of board members to the ownermanager; This tradeoff leads to a new dilemma for the owner–manager: risk the company or risk himself the basis of moral hazard.

2.2.6 Moral Hazard Theory and Macroeconomics

Much of macroeconomics theory follows from or responds to Keynes's General Theory of Employment, Interest and Money 1936; But the General Theory discusses of saving and investment at length without seriously considering financial intermediation or bank failures; (Roger B. M., 2012). His general Theory even ignores his own observations on how monetary policy can affect aggregate investment without changing interest rates. "There is normally a fringe of unsatisfied borrowers to whom a bank would be quite ready to lend if it were to find itself in a position to lend more". The existence of this unsatisfied fringe allows the Banking System means of influencing the rate of investment supplementary to the mere changes in the short term rate of interest." Keynes, Treatise on Money, 1930. Credit rationing may have seemed theoretically indefensible in 1936, but 35 years later, Stiglitz and Weiss (1981) derived it from moral hazard and adverse selection in finance. When an entrepreneur borrows from a bank to finance a new venture, the

probability of its success may depend on entrepreneurial efforts that a bank cannot directly monitor. To motivate such hidden efforts, the borrower must anticipate substantial profit from his venture's success moral hazard rents. This need to let borrowers keep enough profit from their success can impose an upper bound on the interest rate that banks can charge. So interest rates might not rise even when qualified eager borrowers cannot find funds. Problems of getting people to choose hidden actions appropriately are called moral hazard. Problems of getting people to share hidden information honestly are called adverse selection. Such problems of agents having different information are analyzed by modern information economics, which first developed in the 1970s, building on advances in game theory. Banks and other financial intermediaries earn profits by having better information about investments than their depositors, so a theory of banking depends on information economics; "Twenty years ago, there was no microeconomic theory of banking, for the simple reason that the general equilibrium model was unable to explain the role of banks. Since then, a new asymmetric-information paradigm has emerged that has been useful in explaining the role of banks and pointing out the weaknesses of the banking sector.The Moral hazard management in financial intermediation has an essential fundamental role at the heart of any capitalist economy; Problems faced by moral hazard in banking were evident at many stages of the recent financial crisis; A successful economy requires industrial concentrations of capital that are vastly larger than any typical individual's wealth. The mass of small investors must rely on specialists to do the work of identifying good investment opportunities. Individuals who hold such financial power may be tempted to abuse it for their own personal profit. Bankers and other financial intermediaries borrow much of what they invest, but their incentives to invest well depend on their having a stake in the profits of their investments (bank capital). When bank capital is too small, the abuse of trust can be profitable.In "Moral-hazard credit cycles," I show how macroeconomic fluctuations can be driven by moral hazard in financial intermediation. I assume investors can find good investments only through bankers, who may be tempted to divert funds to their cronies' bad investments. Such behavior is efficiently deterred by promising big late-career rewards for bankers who consistently deliver successful investments. The promise of one big bonus at the end can motivate good behavior

throughout an agent's career! This need to invest through intermediaries who have long-term career incentive plans can create complex macroeconomic dynamics. When there is a shortage of trusted financial intermediaries, aggregate investment is reduced, and employment may suffer; but then increased recruiting of young bankers can create a future surplus, as their responsibilities will grow until retirement under efficient incentive plans. The result can be a cycle of booms and recessions.Investment amounts are handled by different cohorts of bankers with 10-period careers, starting at time 1 with bankers investing only 80% of steady-state amounts. (Parameters: n=10, ρ=0.1, M=0.33, A=0.36, b=0.327)

Paul Krugman's view of what economists have to do: "First, they have to face up to the inconvenient reality that financial markets fall far short of perfection, that they are subject to extraordinary delusions and madness of crowds. Second, they have to admit that Keynesian economics remains the best framework we have for making sense of recessions and depressions. Third, they'll have to do their best to incorporate the realities of finance into macroeconomics." Paul Krugman, NYTimes, 6 Sept 2009 I agree strongly with Krugman's third point, that economists need to incorporate finance into macroeconomic theory. But we are unlikely to do this by using an old Keynesian theory that was developed when economists had no analytical models of banking or financial markets.

2.3 Conceptual Framework

A conceptual framework is a diagrammatical research tool intended to assist the researcher to develop awareness and understanding of the situation under scrutiny and to communicate this (Kandampully, 2008). A theoretical framework is used in research to outline possible courses of action or to present a preferred approach to an idea or thought. It can be defined as a set of broad ideas and principles taken from relevant fields of inquiry and used to structure a subsequent presentation.

In this conceptual framework in figure 2.1, there are demonstrating the linkage between the independent variable andthe dependent variable is outlined.

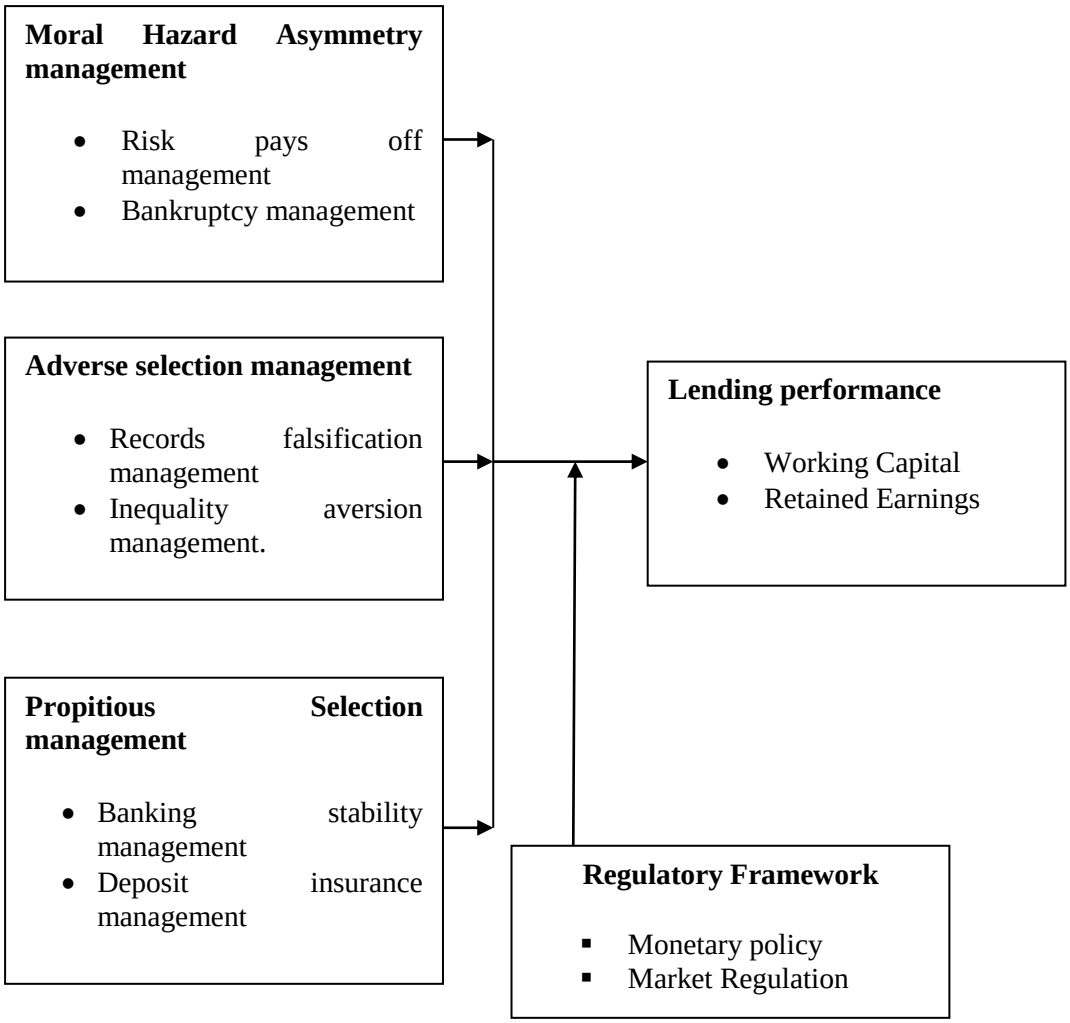

Figure 2.1: Conceptual Framework.

In figure 2.1, the conceptual framework gives an overview of the types of research variables that play roles in this study. The independent variables that are Informationasymmetry management also referred to as manipulating variable deal with all theories and practices related to the Commercial Banksplans. The linkage between these three components of Moral Hazard management, Adverse selectionmanagement, and Propitious Selection managementis that all of them are Information asymmetry management focusing to transform the Nation's Lending

performance of Commercial Bank in Rwanda. These pillars of Moral Hazard Management, Adverse selectionmanagement, and Propitious Selection management are like intertwine which means much times they are applied at the same cases and scenarios. For example, experts who have these skills and knowledge to construct tarmac roads need financial aspects to get materials. Many times, facilitated to accomplish the identified project.The researcher took into consideration different aspects by breaking down both Independent, dependent and moderating variables. Moral Hazard management (Risk pays off management and Bankruptcy management), Adverse selectionmanagement (Records falsification management and inequality aversion management), Propitious Selection management(Banking stability management and Deposit insurance management), the Lending performance of Commercial Bank in Rwanda (Working Capital (WC) and Retained Earnings(RE) were dependent variables while Unilateral Political Drive (Market Regulation and Value) as Moderating Variable.

2.4 Review of variables

Different Knowledge and results derived from the investigation, observation, experimentation, and experiences were done by different researches on similar work with Information asymmetry management (Moral Hazard management, Adverse selectionmanagement, andPropitious Selection management) as opposed to theoretical knowledge based on logical or mathematical assumptions to drive the study. The question of whether or not Information asymmetry management enhances to Lending performance of Commercial Bank in Rwanda and efficiency in resource used has long been debated, but still, no consensus is found among researchers and policymakers. In spite of numerous studies, there is little evidence of a significant positive influence of Risk pays off management and Bankruptcy management; Records falsification management and inequality aversion management; Banking stability management and Deposit insurance management; Working Capital (WC) and Retained Earnings(RE) Improvement should influence on the long-term growth of commercial banks in Rwanda. Politically important results show that Moral Hazard management, Adverse selectionmanagement, andPropitious Selection

managementas part of Asymmetry Information asymmetry management works better when Commercial Banks' strategies environment is conducive to their Lending performance' Commercial Bank in Rwanda.

2.4.1 Moral Hazard Management

Compilation of cases over the past two decades by the World Bank shows costs ranging up to 40 percent of Working Capital (WC) and Retained Earnings (RE),(Thomas, Hellmann, & Murdock, 2000)**.** Probably the best known examples are the savings and loan (S&L) crisis in the United States, which resulted in estimated losses of $180 billion or 3.2 percent of GDP, and the ongoing banking crisis in Japan, where some estimates of nonperforming loans approach 25 percent of Working Capital (WC) and Retained Earnings (RE). Prudential regulation is meant to protect the banking system from these problems. Traditionally, it has consisted of a mixture of monitoring individual transactions (ensuring, for instance, that adequate collateral was put up), regulations concerning self-dealing, capital requirements, and entry restrictions. In some countries, restrictions were placed on lending in particular areas: many East Asian countries, for example, used to have restrictions on real estate lending. Finally, many countries imposed interest-rate restrictions concerns about bank runs also led many countries to provide deposit insurance and to establish central banks to serve as lenders of last resort. For(Jassaud, 2015), the level of NPL ratios varies widely across the Euro area, but it remains at rather elevated levels in the majority of countries that were most affected by the financial crisis and this may have constrained credit origination in these countries. The Italian banking system appears to be the one most affected by the phenomenon of NPLs. During 2015, the stock of NPLs stabilized: at the end of the year, gross write-downs amounted to approximately €360 billion (18.1% of total outstanding loans) of which €210 billion were classified as bad debts; net write-downs amounts recorded in the balance sheets reached €197 billion and €87 billion respectively. The share of gross NPLs for the main Italian banking groups was 16.8%, compared with a European average of 5.8% (Bank of Italy, 2015). In particular, more than 80% of bank NPLs were in the corporate sector. High corporate NPLs reflect weak business profitability in a severe

recession, as well as the heavy indebtedness of many small and medium sized companies SMEs that often have less than 10 employees corporate NPLs, are among the highest in the Euro area. Inwestern countries, the NPLs have tripled since 2007, growing at around 20% annually since 2008 and reaching €333 billion in 2014, 24% of GDP or 16.8% of total loans, In the Developed sphere's banking system, NPLs cover four categories: bad debt (i.e. loans in a state of insolvency), substandard, past due and restructured loans. More than 80% of bank NPLs are in the corporate sector, reaching nearly 30% on average in 2014, with a significant percentage occurring in the South of the country, (Acharya & and Thakor, 2015).For (Boudriga, Taktak, & Jellouli, 2010), The high corporate NPLs ratio in a developed sphere such as the USA, European countries, Japan and China were reflecting the heavy indebtedness of many financial countries. In greater detail, looking at all types of NPLs and all sectors of economic activity, there appears to be a north-south divide, especially in terms of bad loans; The service sector and less technology-intensive sectors are most affected. In early 2009, most regions had bad debt ratios below 10%, by the end of 2014, most central and southern Italy regions saw their bad debt ratios increase above 20%. Moreover, loans are also backed by collateral and guarantees, although court times to access them are very long, the sample, consisting of developed sphere's Banks surveyed by the ABI Banking database, provides all microdata coming from bank balance sheets and income statements of all European countries commercial banks. As the threshold model of requires a balanced panel data, we had to drop some banks and observations from the sample; In addition, data availability problems imposed some cancellation of banks with incomplete information, leaving us with a dataset of 298 banks for the period from 2006 to 2014; Specifically, the dataset includes 66 stock banks, 23 cooperative banks, and 209 mutual banks, with a total number of 2,682 observations and Although the Researchers had to remove some banks, some banks sample represents in terms of assets value 77.2% of the total assets of Developed sphere banking system, (Demirgüç-Kunt & Tressel, 2008).

2.4.1.1 Risk pays off management

The Banking Supervision Annual report indicated that the number of licensed commercial and statutory banks remained at ten and three, respectively, in 2018 as it wasinfluenced of risk pays off on the lending performance of Commercial Banks, employing, in total, 5270 people compared to 5210in 2017.Banks continued to improve products and service offerings to remain relevant to the demands of the economy and sustain viable and profitable operations due to increased competition in the banking sector, along with evolving customer needs. Haque, (2015).Meanwhile, total assets for the banking sector increased by 9.4 percent from P83.5 billion in 2017 to P91.3 billion in 2018, while customer deposits rose by 8.9 percent from P63.6 billion in 2017 to P69.3 billion in 2018, constituting 75.8 percent of liabilities. Similarly, loans and advances increased by 7.7 percent from P54.2 billion to P58.3 billion in the same period, faster than the 5.6 percent growth in the prior year, and inconsequent, the financial intermediation ratio eased from 85.2 percent in 2017 to 84.2 percent in 2018. Notwithstanding, core indicators of financial sector depth and development show that the country's banking sector is relatively small in relation to GDP, (Peter & Ambrose, 2014). In Kenya, commercial banks experienced NPL of 5.3 percent of total loans of sh1.45 trillion during the period towards and after March 2013 up from 4.4 percent in the same period 2012. The value of gross nonperforming loans (NPLs) increased from Ksh.77.3 billion in June 2013 to Ksh. 79.7 billion in September 2013 representing a growth of 3.1 percent, (Onang'O, 2017).In terms of capital adequacy, banks largely reported capital adequacy and common equity Tier 1 capital ratios in excess of the respective 15 percent and 4.5 percent prudential and statutory minimum requirements,(Jihad, Dell'Ariccia, & Hui, 2018) though one bank, had a capital adequacy ratio of 13.3 percent which is below the prudential minimum requirement of 15 percent as in 2018 (Banking Supervision Annual Report, 2018). With regard to credit risk, generally, the composite credit risk for the banking sector was considered high and is expected to increase in the short- to medium-term due to the dominance in banks‟ loan books of the household sector credit, which is mostly unsecured. This makes the banking sector vulnerable to business restructuring and employment risks, particularly for state-owned entities. In

the meantime, the return on equity (ROE) and return on average assets (ROA) increased from 12.6 percent and 1.4 percent in 2017 to 16.1 percent and 1.9 percent, respectively in 2018. (Banking Supervision Annual Report, 2018). This indicates that the financial performance ratios were satisfactory over the period and were in line with international norms for banks of comparable size(Jihad, Dell'Ariccia, & Hui, 2018).The value of adjusted finding R-squared on the considering the risk pays off management was 0.873, indicating that the variation of 87.3 percent on the financial performance in Asian countries such China, Hong Kong, and Japan banks were illustrated a positive performance due to changes in nonperforming loans, capital adequacy, Impaired loan reserve ratio, and Loan Impairment Charge at a 95 percent confidence interval.Relationship between nonperforming loan ratio and financial performance is found to be negative and significant indicating that high nonperforming loan reduces the bank's ROA. Keeping other repressors constant, the results show that one unit rise in nonperforming loans decreases returns on assets by 0.10 units. (Ruziqa,2013).Other researchers who also found a negative impact includeCapital adequacy is said to increase the strength of the bank which improves the capacity of the bank to buffer or absorb impaired loan losses and ensure the bank can continue to run efficiently as a going concern. For(Shireen, 2018), The results show that capital adequacy was found to have a positive and significant influence on return on assets, Keeping other repressors constant, the results show that one unit rise in capital adequacy increases returns on assets by 0.06 units. Similar results were also found by Kosmidou, et al 2005 and Gizaw, 2015. The findings reveal that Chinese commercial banks depend on equity capital as the source of funding and it is used to enhance profitability which is evident by the increase in financial performance.All commercial banks are required to follow regulations of the central bank regarding different statutory issues of risk management; It is evident from the low standard deviations that credit risk management quality is similar among the used banks; The nonperforming loan ratio has a maximum value of 4.3 to a minimum of 0.85 percent with the mean and standard deviation 1.45 and 0.72 respectively which indicates there is low volatility among the ability of banks to manage credit risk. The minimum capital adequacy ratio is 3.86 percent with is lower than the regulatory requirement of 10 percent which means there are some banks that are

noncompliance as they have not been reaching the required level of Basel II standards, (Boahene, 2012). (Francis, 2013) added that the Impaired loan reserve ratio has a minim of 2.05 and a maximum of 4.46 with a standard deviation of 0.671 which is also low. The Loan impairment charges are very low which is desirable since it represents the actual loan charge-off, as it is evident with a minimum of 0.29 and a maximum value of 1.2 with a low standard deviation of 0.6 signifying a low variation among banks. The measure of financial performance ROA has a minimum value of 0.82 and a maximum of 1.4 with a very low standard deviation of 0.168 which is evident that the performance among banks is nearly similar.In the USA for instance, the Federal Reserve released a listing of the US largest banks ranked by consolidated assets expressed in Million US Dollars ($), in which the first three are JP Morgan Chase BANK, Bank of America, and Wells Fargo Bank with consolidated assets of 1.945.467, 1.433.716 and 1,373,600 respectively as of 31st December 2013. In China, the China Banking Regulatory Commission (CBRC)(2012) published a report, in which the three largest banks in China are, in order of decreasing size, Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB),and Bank Of China (BOC) with IPOs in 2006 of respectively US $22 Billions, US $17Billions and the US $13 billion added to their capital,(Fabrice, 2018).Furthermore, in Africa, on one hand, the Ghanaian banking system is made up of 26 banks operating in the country among which the first group of the six largest ones including Ghana Commercial Bank Ltd (GCB), Standard Chartered Bank Ltd (SCB), Barclays Bank of Ghana Ltd (BBGL), Ecobank Ghana Ltd (EBG), Agricultural Development Bank (ADB), and Standbic Ghana Bank. Their total operating assets cumulated increased by 95% from GH¢4.3billion (2007) toGH¢8.4billion (2010) according to the Bank of Ghana statistics. On the other hand, commercial banks have also been active in the Nigerian economy for many centuries now, (Almazari && Alamri, 2017).

The IMF Country Report N°13/146 of May 2013, Nigeria has a financial sector made up of thousands of financial institutions among which there exist 21 commercial banks with a total banking sector assets of N18.21 Trillion as at the end December 2011, which represented 53.6% of the country's GDP. The 3 biggest banks in

Nigeria include First Bank of Nigeria with total assets worth $18.6 billion approximately, followed by Zenith Bank PLC with $14.147 Billion and United Bank for Africa that has total assets of $11.901 Billion, (Tony ,. , 2009).In addition, commercial banking is also present and active in the northern part of the continent, namely in Egypt where Business Directory evaluated and compared the performance of banks nationwide. From a total of 39 commercial banks, the top 3 are the following: Commercial International Bank (CIB) with total assets of about $14.8 Billion and made profits of $ 319.4 Million, followed by the National SociétéGénérale Bank (NSGB) with $222.8 Million in profits and total assets of $9.6 Billion, and Credit Agricole Egypt (CAE) came third with profits of $68.3 Million with total assets totaling about $4.1 Billion. More so, banks have also evolved in Cameroon over the years and have played a key role in the financial system, (Tony &. B., 2009).The Cameroonian banking system is constituted of 13 commercial banks among which the first three banks are SociétéGénérale de Banques du Cameroun (SGBC), BanqueInternationale du Cameroun pour l'Epargne et le Crédit (BICEC), and Afriland First Bank with respective capital of 12,5Billion XAF, 12Billion XAF, and 15,8Billion XAF. And in terms of total assets, SGBC registered 668.661Billion XAF, followed by BICEC with 658.468Billion XAF and Afriland First Bank with 654.902 Billion XAF. Cameroon experienced a severe economic crisis in the early 1990s which resulted to a drop of 50% in the value of its currency, the CFA Franc which used tobe pegged to the former French Franc; Then, the banking system watched the failure of two major banks namely with the liquidation of Banque Meridien BIAO Cameroun (BMBC) in 1996, and Credit Agricole du Cameroun (CAC) in 1997.In the midst of sub-Saharan Africa's (SSA) best decade of economic growth since at least the 1970s, the East African Community (EAC) is among the fastest growing regions.8 Growth rates have picked up strongly in EAC countries over the last two decades outpacing the rest of SSA since 2000. During 2005–10, per capita income growth reached 3.7 percent a year in the EAC, compared to 3.2 percent for SSA as a whole, and almost quadruple the rate achieved in the previous 15-year period Part of the recent high growth is "catching up" after years of very poor growth in the last part of the 20th century the region suffered periods of severe civil strife and bouts of economic instability. Since then, the region has been

committed to strong policies. (Kimenyi, 2009). However, growth within the EAC has been uneven. Rwanda, Tanzania, and Uganda have had the longest periods of high growth. Uganda's growth acceleration started earlier than the other countries and has lasted more than 20 years, with per capita income growth averaging 3.4 percent a year during 1990–2010, Average per capita income in the EAC reached US$411 in 2010 close to the average of US$425 for SSA (excluding South Africa and Nigeria), but it remains low with wide variations within the region (from US$464 in Kenya to US$147 in Burundi)(Yabara, 2011).The EAC is now in its second decade. It has achieved a lot during this time. The community has grown from three to five countries, and other applications have been received which attests to the EAC's attractiveness. One reason is the strong macroeconomic track record of existing members. Since 2005, average per capita income growth in EAC countries was 3.7 percent, compared to 3.2 percent for sub-Saharan Africa as a whole, (Hamid, 2012). Inflation generally has been well contained. After averaging more than 20 percent in the 1980s and 1990s, inflation averaged 7 percent in the last decade. That said, of course, some countries have recently experienced higher inflation, partly on account of food and energy price shocks and partly because of a delayed monetary policy response. Foreign direct investment in the five EAC countries has also been strong, more than doubling to $1.7 billion during the past decade. Poverty remains too high but is generally trending down across the community remain in the 1 to 2 percent range in 2012–13. This is down from more than 3 percent in 2010. And the risks remain squarely on the downside.(Naoyuki, 2012). The clientele is private customers with an income of more than or equal to 500,000FCFA. It guarantees the holder phone support 7days/week and 24h/day on the number 33 42 29 09. Visa Electron: It is a universal payment and withdrawal card accepted worldwide at any time. The targeted clientele is customers with income between 200,000FCFA and 500,000FCFA and holders of checking accounts.Growth in Rwanda and Tanzania has been strong since the early 2000s. (Kolabo, 2012). After a period of stagnation, growth is picking up in Kenya the largest of the five economies averaging 1.9 percent per year since 2005 compared to minus 0.2 percent in 1990–2004, providing momentum for the region as a whole. Output declined in Burundi in most of the period since 1990 reflecting periods of political conflict but has shown signs of

recovery in recent years. With strong output growth, per capita incomes in the region are catching up,(Kasim, 2017).

Rwandan Commercial banks have adequate credit policies which are reflected in their banks' mission, goals, credit responsibility, collection policy, and credit evaluation policies ranging from Car loans, personal loans, overdraft, and mortgage at an interest rate ranging from 17.25% to 20% per year; Loan application period range from 1 day to 10 days depending on the type of loan; The maximum repayment period is 20 years even it was reduced to 5 years during the 2008/2009 international credit crunch. Pieces of evidence also show that six factors have influenced credit policy development and formulation in Rwanda, namely capital position, earnings, deposit variation, good macroeconomic environment, response to shocks, improved competitive position, and experience of loan officers. To limit credit risk, all the 3 banks assess the customer's creditworthiness with the help of 5Cs namely: Character, Capacity, Capital, Collateral, and Conditions. This indicates that each type of loan application must go through the loan description process, preferred maturity period, indication on maximum allowable amount, and provide an insurance cover. Rwanda's financial sector is still less connected to the rest of the global financial markets. As at the end of June 2019, Rwandan banks' off-shore financing stood at 8.1 percent of banks' liabilities. A large portion of bank funds is from customer deposits- at 77.1 percent of total banking system liabilities as at the end of June 2019. Deposits are mainly from residents (96.7 percent of total deposits) of which 74 percent of total deposits are denominated in local currency. Funds from an interbank account for 16.5 percent of total liabilities, (Nzioki, 2011). The relationship between Credit Risk Management and Loan Portfolio in Commercial Banks of Rwanda, the asset quality of Rwanda's banking system remains healthy, despite a slight increase in NPLs in 2016.In Urwego Opportunity Bank, this problem has been proved by the ratio of NPLs which is moved from 1.7% in 2015 to 14.8% in 2016, where the limit ratio was 5%. In UOB loan loss provisioning level has significantly increased in 2016 compared to 2015 indicates that 20.6% of the variation in the loan portfolio is explained by the variation in the Loan risk monitoring, Lending policies, Lending decision, and Recovery techniques (or 20.6% of the changes in loan portfolio could

be attributed to the combined influence of the predictor variables or 20.6% of the variance in the loan portfolio is explained uniquely or jointly by the predictor variables), (Pascasie, Sazir, & and Gedion, 2018). The extent to which commercial banks such as Equity Bank, I and M Bank, Ecobank used credits risk control in Credit Management findings was on 57% were indicated a great extent, 28% for a moderate extent whereas 15% for a low extent, which has implied on Rwanda Equity Bank used credit risk control in its Credit Management to a moderate extent,(Alice & Jaya, 2016)

2.4.2 The influence of adverse selection management on the lending performance of Banks.

The danger of adverse selection management on the lending performance of Commercial Banks created**a** financial crisis that might come from the central bank attempts to prop up their domestic currency by raising interest rates to extremely high levels, as occurred in Sweden when the interbank rate went to 500%. If such tight money policies are continued for very long, then there is a potential for the high interest rates to lead to increased information asymmetry management problems in the financial markets. One of the reasons that central banks often are forced to give up on pegging the value of their currency during a speculative attack is that they sensibly have concluded that attempts to keep the exchange rate fixed will have costly influences on the economy.

2.4.2.1 The importance of Records falsification management on the lending performance of Commercial Banks.

The US-based think tank Global Financial Integrity (GFI) has stated that countries such as India, China, Singapore, German, and Canada had the third highest trade-related illicit financial flow among 135 countries with USD 83.5 billion (Rs 6.1 trillion) or 3.1 percent of gross domestic product (GDP) escaping the tax net during 2008-2017 founded by the Records falsification management which impacted on the lending performance of Commercial Banks, (Bhati, 2015)

The vast majority of lending officials are honest has been growing at an average rate of between 8.5 percent and 10.1 percent a year over the ten-year period. Outflows are estimated to have grown at an average annual rate between 7.2 percent and 8.1 percent and inflows at a slightly faster pace, between 9.2 and 11.4 percent per year. Those growth rates translate to an estimated range for total IFFs of $2 trillion to $3.5 trillion in 2014; outflows are estimated to have ranged between $620 billion and $970 billion in that year, while inflows ranged between $1.4 trillion and $2.5 trillion (in 2014),(SBA, 2009). For (GFI, 2017) The combination of illicit outflows and inflows, arising from both balance of payments data and direction of trade statistics, leads to an estimate of IFFs at 14 to 24 percent of total developing country merchandise trade; the GFI classifies illicit flow funds as funds that are illegally earned, transferred or utilized across an international border. The primary sources of illicit flows include grand corruption, commercial tax evasion, and transnational crime. the same report demonstrated that the Trade-related Illicit Financial Flows in 135 Developing Countries: 2008-2017", for 2017, five countries with the largest identified value gaps were China at USD 457.7 billion, followed by Mexico at USD 85.3 billion, India at USD 83.5 billion, Russia at USD 74.8 billion, and Poland at USD 66.3 billion. For(ASSOCHAM, 2015) Financial Integrity Report, the total amount of illicit money moving out of some countries such as the USA, India, and China rose as records falsification to 439.59 billion USD (28 lakh crore INR) from 2003 to 2012. In 2012, India ranked third globally, with an estimated 94.76 billion USD (nearly 6 lakh crore INR) in illicit wealth outflows; With the passing of the new Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, financial institutions are under growing pressure to eliminate this malignancy affected the managementof lending performance of Commercial Banks.

In August 2014, the government of India announced a planned investment of 1,330 billion INR in the Digital India project that aims to provide universal mobile phone access, broadband access in 250,000 villages, and Wi-Fi hotspots in every city with a population of 1 million plus by the year 2018, (GFI, 2017).

As per Celent’s banking practice study, total bank IT spending across North America, Europe, and Asia-Pacific will grow to 196.7 billion USD in 2015, an increase of approximately 4.6% over 2014; The majority of the growth is expected to come from banks in the Asia-Pacific region: The spending of banks in this region is expected to grow by 5.6% in 2015 to 70.3 billion USD. The IT spend by Indian banking and securities companies in 2015 will be 15% more than the 46,600 crore INR spent in 2014have demonstrated a positive impact of the Records falsification management on the lending performance of Commercial Banks,(Tsvetanka & Peter, 2016).Currently, 74% of the Indian population has mobile phones. Mobile payment volumes have hence registered a steady rise. A recent study on e-commerce in India by Accel Partners estimated that shopping through mobile phones grew by 800% in 2013. It is expected to show a compound annual growth rate of 150% by 2016.Such technological solutions also expose customers as well as financial institutions to the risk of bank spoofing, hijacking of mobile phones, and SIM card cloning.

As per the Minister of Communications and IT, Government of India, cyber fraud cases worth 497 crore INR have been reported by the RBI and CBI since 2011 demonstrates that the Records falsification management has an important value when its accounted up to 75 percent and less than 30 days old. Accounts receivable are typically "aged" by the borrower before a value is assigned to them, (Jan, 2014). For (DHSSPS, 2011), the less value it holds. Some lenders don't pay attention to the age of the accounts until they are outstanding for over 90 days, and then they may refuse to finance them. Other lenders apply a graduated scale to value the accounts so that, for instance, accounts that are from 31 to 60 days old may have a loan-to-value ratio of only 60 percent, and accounts from 61 to 90 days old are only 30 percent. Delinquencies in the accounts and the overall creditworthiness of the account debtors may also affect the loan-to-value ratio. Equipment: If the equipment is new, the bank might agree to lend 75 percent of the purchase price; if the equipment is used, then a lesser percentage of the appraised liquidation value might be advanced. However, some lenders apply a reverse approach to discounting of equipment. They assume that new equipment is significantly devalued as soon as it goes out of the seller's door (e.g., a new car is worth much less after it's driven off the lot). If the collateral's

value is significantly depreciated, loaning 75 percent of the purchase price may be an overvaluation of the equipment. Instead, these lenders would use a higher percentage loan-to-value ratio for used goods because a recent appraisal value would give a relatively accurate assessment of the current market value of that property. For example, if a three-year-old vehicle is appraised at $15,000, that's probably very close to its immediate liquidation value, (DHSSPS, 2011).

United States provided assistance to 47 African countries through its Agency for International Development (USAID) that has 23 missions in Africa. In recent years, U.S. assistance to Africa saw a major increase, especially in health-related programs; Aid to Africa quadrupled from $1.1 billion in FY2006 to nearly $8.2 billion in FY2009 and in FY2010, and Africa received an estimated $8.09 billion and $6.9 billion in FY2011, which assisted on increasing the economic development of African countries, (Ted, 2011).The onset of the global economic crisis in late-2008 saw a marked slowdown in the pace of global economic growth, most notably in the advanced economies. Global growth, running at about 5 percent per annum in the pre-crisis period, fell to below 3 percent per annum during 2009-12, with an absolute decline in output recorded in 2009. The near-term outlook is for a marginal pick-up in activity in 2013, with the growth of the order of 3½ percent for the global economy and some 1½ percent in the advanced economies, with the balance of risks continuing to be tilted towards the downside,(DHSSPS, 2011).India ranked 85 among the 170 countries included in Transparency International's Corruption Perceptions Index 2014; This ranking has gone up by 9 points as compared to the country's rank of 94 out of 177 in 2013. Some of the key reasons for high corruption in India are the lack of a strong legal framework and enforcement of anti-corruption laws, red-tapes, and a result-oriented approach, (Tsvetanka & Peter, 2016).In principle,(Narlikar, 2003), found that all real resources supported by the management of Records falsificationtransfers from one country to another should be included in the Grant and aid of the Nations. For one element, many resource transfers can take disguised forms, such as the granting of preferential tariffs by developed countries to third world exports of manufactured goals. This permits developing countries to sell their industrial products in developed country markets at higher prices than would

otherwise be possible. The Obligations for sub-Saharan Africa projects under the DFA reached $846 million in FY1992 which determinants of NPLs in Central and Eastern Europe through fixed influence model and found that GDP growth rate, unemployment rate, and inflation had a negative and significant impact on NPLs. Similarly, Carlos (2012) used OLS model estimators to find that NPLs have a negative association with GDP growth rate but a positive association with unemployment ratebut dropped well below $800 million in subsequent years despite efforts by some members to increase the DFA appropriation to $1 billion or more, (Raymond, 2005). Congress last earmarked the DFA in the FY1995 appropriations legislation, when $802 million was appropriated, and DA for Africa has since been provided through the worldwide Development Assistance (DA) account was assisted to minimize the Records falsifications cases; In FY2009, Africa received $876.6 million and is expected to receive $1.07 billion in FY2010 in Development Assistance $1.01 billion for FY2011, (Ted 2011).;The United States was a leading humanitarian donor in the period of FY1999 to FY2009, the where provided over $10.1 billion to East and Central African countries and an estimated $2.2 billion to Southern Africa countries. In FY2010, (Ted, 2011).For (IFC, 2017), The Commercial bank's credit gap in African countries has proven to be an enduring structural feature across both developing and developed markets, even in countries that have enacted a variety of policy measures to support Commercial banks and enhance financialcovering: inclusion more broadly. In the world's developing markets, about half of the estimated 400 million SMEs,1 or 180 to 220 million Commercial banks, still have unmet credit needs totaling US$2.1 to US$2.6 trillion. NPLs in Nigeria banking system in 1989 at 2.9 billion while as in August 2009 before the intervention of CBN it stood at 2.508 trillion (Anomie, 2009). This continuous rise in NPLs with its associated consequences is unhealthy for the country's banking industry. High and consistent NPL will erode a bank's capital adequacy, reduce its profitability, and ultimately affects its intermediation function. Thus, the role of banks as agents of economic growth and development is hampered. The African Development Bank has estimated that USD 93 billion per year would be needed to address the deficiencies in the region's infrastructure, which implies a doubling of the existing investment levels and presents an enormous challenge for

sub-Saharan African economies; Therefore, large and innovative finance will be required if the region is to realize its economic potential. Against this background, regional integration and innovative products present an opportunity for commercial banks to play a more important role in infrastructure financing, but their small size constrains their contribution to this process, (Fengler, 2012).

Emerging markets and developing economies (EMDEs) registered an increase in economic growth, from 4.4 percent in 2016 to 4.8 percent in 2017, which is projected by the IMF to rise to 4.9 percent and 5.1 percent in 2018 and 2018 respectively;This growth was attributed to increased investment relative to GDP, as EMDEs leveraged capital inflows from advanced economies. Nevertheless, EMDEs have experienced powerful crosswinds in recent months including rising oil prices, higher yields in the United States, dollar appreciation, trade tensions, and geopolitical conflict. Growth in China, a major trading partner for Uganda, is projected to moderate from 6.9 percent in 2017 to 6.6 percent in 2018 and 6.4 percent in 2018, as regulatory tightening of the financial sector takes hold and external demand softens amidst higher tariffs by the United States. As of early 2018, the US dollar strengthened by over 5 percent in real influenceive terms since 2018, while some emerging market currencies depreciated sharply due to concerns about financial and macroeconomic imbalances. Core inflation in emerging markets also increased, reflecting pass-through influences from currency depreciation in some cases and second round influences of higher fuel and agricultural prices in others, (Hu & Chiu, 2004).

Debt burdens in several middle-income countries have risen significantly since 2008, given the conjunction of larger deficits and slower growth. South Africa's public debt rose from 27 percent of GDP at end-2008 to 41 percent of GDP by end-2012. For low-income countries, debt burdens have fallen sharply in several cases (such as Côte d'Ivoire, DRC, and Liberia) with the completion of multilateral debt relief processes but have drifted upwards since 2008 in a number of post-debt relief cases such as Tanzania and Uganda, (Montfort & Masafumi, 2013).For (Uganda, 2018), The performance of commercial banks in the East African community improved in

the year to June 2018 as the banking system remained resilient, with adequate capital and liquidity buffers.

The ratio of core capital to risk-weighted assets as of June 2018 was 21.8 percent, more than double the statutory minimum of 10 percent. Banks' asset quality also improved, with the ratio of non-performing loans to total loans decreasing from 6.2 percent to 4.4 percent during this period. A key development during the year was the introduction of the IFRS 9 accounting standard, which addresses the accounting of financial instruments and is, therefore, likely to increase provisioning and capital requirements for banks.The Growth in the East African region remained robust in the financial year 2017-18, with significant recovery occurring in Burundi. Regional growth rates averaged 6.3 percent, up from an average of 4.4 percent in the previous year 2016-17; increased real economic growth was mainly driven by the services sector, agriculture, and investment in infrastructure.

After two years of contraction following a sociopolitical crisis between 2014 and 2016, Burundi's economic growth recovered to 2.8 percent in 2016-17 and 4.0 percent in 2017-18(Diamond & Rajan, 2011), demonstrates Inflation rates in the East African Community (EAC) countries reduced to an average of 3.5 percent in 2017-18 from 8.1 percent in the previous year, with all countries registering single-digit inflation. The more conducive weather conditions that followed the droughts experienced in 2016 allowed for increased agricultural production, and this supported a substantial easing of inflationary pressure across the countries. Consequently, central banks in the region pursued more accommodative monetary policies to further support growth. For example, Rwanda reduced the monetary policy rate by 62 basis points to 5.7 percent, while Uganda and Kenya eased the central bank rate (CBR) by 100 basis points and 50 basis points to 9.0 percent and 9.5 percent respectively, over the same period, (Group, 2018).

Through a donor-backed national community-based health insurance system, Rwanda provides near-universal health coverage for basic primary care, with the cost fully or partially subsidized based on income level.49 as of 2015. About 39% of Rwandans reportedly lived below the poverty line, compared to 56% in 2006 and

78% in 1994.50. Some researchers have questioned the reliability of Rwanda's poverty statistics, noting that they are based on household-level survey data and may be subject to interference; the World Bank has rejected some of this criticism, asserting that Rwanda's official statistical methodology "is technically sound, (David & Jerome, 2006), As for (Minecofin, 2006), the total amount of US$ 984.9 million in 2014/15 from both traditional and non-traditional sources that was disbursed to 275 projects. The three major financers were the WB, USA, and AfDB, which together provided 51% of the total to ODA. In terms of the number of projects, the patterns have remained largely similar to those observed in the 2014/15 fiscal year. A large number of projects have been registered by the UN system represented by seven agencies reported to DAD-Rwanda, including One UN Fund, IFAD, and GEF. The US has been traditionally reporting at the program level hence a small number have been recorded under the category "number of projects".

Large multilateral agencies, including international Commercial Banks the World Bank, and African Development bank groups, have disbursed their funds to 23 and 22. The Official Development Assistance (ODA) has been a major part of external development finance received by Rwanda in the past two decades. It has to a large extent contributed to the implementation of an inclusive poverty-reducing growth model of the country, which has yielded, inter alia, a stable average economic development rate of 8-9% on average, reduced the poverty rate from 60.4% in 2011 to 39.1% in 2014. Additionally, improved governance, better management of public finances, a strengthened private sector, and an enhanced investment climate has led to the continuous growth of foreign private investments over the past decade, complementing public resources for development. Having demonstrated an extraordinary performance in the management of large amounts of ODA in the past, the Government of Rwanda (GoR) has documented remarkable in improving its influenceiveness. One evidence of this is Rwanda's high score 4.0 of the World Bank's Country Policy and Institutional Assessment (CPIA) index in 2015, compared to an average of 3.2 across Sub-Saharan Africa, (Minecofin, 2014). The GoR has applied efforts to reduce the reliance of the Rwandan economy on aid, which resulted in a decrease of ODA/GNI ratio - from close to 18.5% in 2000 to

11.0% in 2015, thus proving that “aid is truly influenceive if it progressively put itself out of business”. Illustrates the dependency of the economy of Rwanda on ODA compared with other countries with comparable income and similar geographic stance, (Minecofin, 2014).The Economic Development and Poverty Reduction Strategy 2013-2018 (EDPRS II) of Rwanda is the main framework that guides the allocation of financial resources, including external resources, to the development priorities of the country. Its overarching goal is “Accelerating progress to middle income status and better quality of life for all Rwandans through sustained average GDP growth of 11.5% and accelerated reduction of poverty to less than 30% of the population”. The recent interim review of EDPRS II (4) shows, that 40.7% of mid-term targets have been achieved, 14.8% are on track, and the remaining 44.4% are either on watch or on lagging behind, (Minecofin, 2015).

Rwanda claimed that grants to Rwanda between 1971 and 2011 had totalledthe US $170 million and that the total since 2004 was about US $115 million, invested in 39 projects Since 2011/12 DA has increased dramatically as the Government has negotiated concessional loans to invest in major infrastructure projects, (Eyakuze, Salim, & Hersi, 2012). The (OECD, 2015), data shows that Rwanda received funding from the Global Environmental Facility with the first grant in 2002 and consistent and increasing funding since 2009 rising from US$ 1.33 million to US$ 3.1 million in 2014. More recently funding has been provided by the Green Global Growth Initiatives - US$ 0.53m in 2013 and US$ 0.42m in 2014. Aid for Trade has increased significantly since 2006/8 both in absolute value and as a proportion of ODA, as have other official flows; between 2006/08 and 2013 ODA decreased by 0.6 percent but Aid for Trade increased by 124 per cent. At the same time OOFs increased by 1190 per cent and Troofs by 103.48 per cent; In 2013 Troofs accounted for 15.8 per cent of total DA for trade compared with 0.4 per cent in 2006/08, (OECD, 2015).

Available data on philanthropic giving shows that between 2006 and 2013 there was just over a 100 per cent increase, from US$ 10.1m to US$23.1m, with the number of funders increasing from 24 to 66 and recipients from 24 to 55. Over the period, the total amount of DA provided was US$144.0m. The apparent decline in 2014 is

probably due to incomplete data collection. However, the funding provided by one of the top philanthropic funders to Rwanda, the Gates Foundation, fell from US$13.09 in 2009 to US$4.82 in 2014, (OECD, 2015)

2.4.2.2Inequality aversion management

The Global Lending performanceflows increased by 25% in 2015, to USD 1 730 billion that was the highest level recorded since 2007 and thereafter financial crisiscaused by the inequality aversion which was not well managed. That jump shows that the lending performance of Commercial Banks recovery was strong in 2015 that surge in cross-border mergers and acquisitions to $721 billion, from $432 billion in 2014 and was the principal factor behind the global rebound. Those acquisitions were due to large corporate reconfigurations by multinational enterprises, including shifting their headquarters, for strategic reasons and for tax inversion purposes, (Roger M. G., 2011)**.** Thus, over the decade of 2003-2013, economic growth was sustained by the importance of inequality aversion management on the lending performance of Commercial Banks were averaging above 6%. This growth was largely driven by developed sphere Northern and Western European countries expansion in agriculture, construction, transport, and communications, the public sector, wholesale and trading, and, mining Although macroeconomic imbalances have resurfaced as evidenced by rising fiscal deficit and attendant inflation to 7.8% in 2014 from 7.0% in 2013 coupled with slow growth to 5% from 6.7% over the same period, weighed down by the sharp fall in copper prices and acute power outages, the government has continued with the reform agenda in order to foster economic diversification(Acharya & Saunders, 2006).

Between 2005 and 2013, a combination of strong economic growth and macroeconomic stability produced a favorable environment for banks' lending to the private sector supported by inequality aversion management in Emerging economic countries such as Brazil, Mexico, China, Singapore and India. In particular, from 2005, credit to the private sector increased, reaching 12.2% of GDP in 2008 from 4.8%, more than a decade after the start of the reform process in 1992. In 2008, bank lending represented 44% of banks' assets, up from 30% in 1998. However, the onset

of the global financial crisis in 2008curtailed bank lending, which shrunk to about 10.0% of GDP (15% of assets) in 2009 as banks shifted into safer assets. Concomitantly, banks' liquid and cash reserves at the central bank and investment in securities rose sharply from 2009 before leveling off in 2010 and have remained stable since then, (Afzal & Mirza, 2012).With outward flows of $576 billion, Europe became the world's largest investing region; multinational enterprises from Japan were the world's second largest investors, while investments from North America stayed close to their 2014 levels, dipping slightly to $300 billion, (OECD, 2015).

The Banks' reserves more than doubled to about 40% in 2009 from 16% in 2008 hadincreased its inequality aversion management on the lending performance of Commercial Banks. During the same period, the share of banks' assets held in Treasury securities also increased; However, since 2010, banks have scaled back their liquid asset positions and credit expansion has recovered but still below the level reached in 2008 before the global financial crisis intensified;

After a steep decline in 2010, bank credit to the private sector has increased, reaching 17.1% of GDP in 2014, the highest ever recorded. Although credit to the private sector has steadily increased, it remains far below the level in lower middle income country peers of 42.1%; this could reflect the high risk aversion of the banks operating in African countries, despite large liquidity hoardings. Liquid assets, measured narrowly hereby assets held at the central bank, have also picked up strongly in recent years, after a sharp fall in 2011, (Beck & De, 2014).

Developing economies also saw the inequality aversion management on lending performanceinflows reach a new high of $765 billion, up 9 per cent in 2014, because of the performance of Asia. Developing Asia received record annual inflows, with the inequality aversion management surpassing half a trillion dollars, and remained the largest the inequality aversion management recipient region in the world. However, flows to both Africa and to Latin America and the Caribbean faltered while flows to the transition economies declined further. Developing economies continue to comprise half of the top 10 host economies for the importance of inequality aversion management on the lending performance of Commercial Banks

flows, (Thomas v. G., 2015).Over the past two decades, China, Indian, Brazil's robust the inequality aversion management on lending performanceand rapidly expanding presence in global markets have greatly intensified its trade ties with Sub-Saharan Africa; China's remarkable 10 percent average growth rate between 2000 and 2012, has fueled a steadily rising demand for oil, minerals, and other primary commodities, many of which are abundant in Sub-Saharan Africa,(D'Alessandro & Zulu, 2017). The Selected sources of investment financing by categories of countries demonstrated from their Domestic saving/ GCF to Net private debt/ private investment in the period of 2000/2012. Non-oil Africa 17.2 to 2.2; Oil-rich Africa 158.8 to -3.3; Non-Africa 59.9 to 6.6 and Africa investment, in general, was 52.6 to 0.7.(Canton & van der Zwan, 2014)the Countries such as South African, Nigeria, Egypt, and Ethiopia demonstrates that economic indicators for the period 2005-2009; The real GDP growth has been increasing since 2000 has the importance of inequality aversion management on the lending performance of Commercial Banks where the growth rate was 5.3% for 2006 before falling to 5.1% in 2007 when the financial crisis started; However, as can be seen, the growth rate then drastically fell to 3.1% for 2008 before settling on a negative 1.8 % in 2009 reflecting the above mentioned influences of the financial crisis on the South African economy GDP growth; Inflation, which has remained outside the 3-6 % target band since 2007, peaked to 11.5% in 2008.Although some African countries such as South African, Nigerian and Egyptian banking sector has been relatively insulated from the direct impacts of the global financial-sector crisis through appropriate monitoring and supervision of the domestic banking sector, the negative contagion influences of the crisis had a negative influence on bank balance sheets (SARB, 2008: 2009); The aggregated balance sheet of the banking sector in South Africa equaled R1 677 billion in 2005; The sector's balance-sheet size then grew to R3 177 billion 2008 (135, 4 % of GDP), followed by a decline in asset growth during 2009, ending the year at R2 967 billion (118, 5 % of GDP); Banking sector assets comprise mainly loans and advances, followed by derivative financial instruments.The Home loans and term loans with inequality aversion strongly managedto represent African Centre for Economics and Finance 35 approximately 52% of the total assets while commercial mortgages represent 9.7%. On the liabilities side, deposits constitute a

significant percentage of banking-sector liabilities amounting to 79, 6% in 2008 and 85, 4% in 2009; Deposits by corporate customers which constitute the largest portion of banking sector deposits amounted to 42, 5% in 2009, followed by retail customers and bank deposits, which accounted for 22, 3 % and 13, 7%,(Ahokpossi, 2013).

Amitava (2013), demonstrates the ratio of ODA to the importance of inequality aversion management on the lending performance of Commercial Banks over the period 2000–2012 was 68.8 per cent for Africa compared to 23.1 per cent for other developing countries, the gap is even larger for public investment: 239.3 per cent for Africa compared to 84.3 per cent for other developing countries; The private sector in Africa has very low access to financial resources for investment. In 2011 domestic credit to the private sector in Africa was about 62 per cent of GDP compared to a world average of 129 per cent and 75 per cent for low- and middle-income countries. Within Africa, the share of domestic credit to the private sector in GDP is very low in many countries. For example, in 2011 it was 14 per cent in Algeria, 19 per cent in Burkina Faso, 15 per cent in Cameroon, 9 per cent in Equatorial Guinea, 15 per cent in Ghana and 9 per cent in Guinea. Others, 12 per cent in Guinea-Bissau, 16 per cent in Liberia, 18 per cent in the United Republic of Tanzania and Uganda, and 12 per cent in Zambia, (Burchill, et al., 2013). High lending rate charged by Commercial Banks in Africa is not conducive to the promotion of investment. Some of the countries on the continent with lending rates of more than 20 per cent in 2011 are The Democratic Republic of the Congo 44 per cent, the Gambia 28 per cent, Madagascar 53 per cent, Malawi 24 per cent, Sao Tome and Principe (27 per cent), Sierra Leone 21 per cent and Uganda 22 per cent. It should be noted that these rates are quite high relative to those observed in the more successful developing countries. For example, in 2011 the lending rate in China was about 7 per cent, in India 10 per cent, and in Malaysia 5 per cent, (Andy, Mullineux, & Victor, 2014).

The degree of financial intermediation in an economy can also affect investment;(Eric, 2013). It is well known that African countries have relatively low levels of financial intermediation as reflected in high interest rate spreads and margins. For example, in sub-Saharan Africa in 2011 the interest rate spread was 9

per cent compared to 5 per cent in East Asia and the Pacific, 6 per cent in South Asia, 7 per cent in Latin America and the Caribbean, and 7 per cent in low- and middle-income countries; It is interesting to note that the skewed distribution of credit towards the nonproduction sectors has also been observed in relatively big economies in Africa such as South Africa. Data for 2012 indicate that 35.9 per cent of bank credit went to the private household sector, 24.7 per cent to financial intermediation and insurance, 4.4 per cent to manufacturing, and 1.7 per cent to agriculture, hunting, forestry, and fishing, (Eurostat, 2015). The sectoral distribution of loans in Kenya for 2012 also shows that the household and trade sectors account for the bulk of lending. Interestingly, the manufacturing sector received only 13.5 per cent of loans even though its share of non-performing loans is relatively small, (IMF , 2015).

There are significant savings to be made from improved asset utilization in Africa; For example, a recent study indicates that electric power transmission and distribution losses in Africa were about 12 per cent of output in 2010. There is also direct loss of time and productivity due to traffic congestion, which by one estimate is as high as $8 billion per year in Cairo, $19 billion in Lagos, $0.89 billion in Dar es Salaam and $0.57 billion in Nairobi, reducing these, inefficiencies, for example through better project management and implementation, should be on the priority list of African Governments in the short to medium term. Given the limited resources that countries have at their disposal. One study suggests that if African countries had spent $12 billion on road maintenance in the 1990s they would have saved $45 billion in reconstruction costs, (Barsh, 2008).

Foreign direct investments into Africa totalled $66.4 billion for a sum of 705 projects in 2015. Egypt was the number one destination for inequality aversion management and lending performance of Commercial Banks in 2015, ENI invested between $6 billion and $10 billion in the Zohar gas field, (Burchill, et al., 2013).The Business Services, Sales, Marketing & Support, and Manufacturing were the top three business activities for the lending performance of commercial banks into Africa in 2015, (Dickson, Emad, & Joe, 2018), Despite being the fastest growing business

activity by capital investment in 2014, the value of Extraction projects dropped 32 percent in 2015 to $15.1bn. Infrastructure-related business activities such as Electricity, Construction, and ICT & Internet Infrastructure made up 13 percent of all projects into Africa and accounted for 44 percent of capital invested. Electricity, in particular, saw a 49 percent increase in capital investment and a 91 percent increase in project numbers, (IMF , 2015). Although concentrated in a few countries, Services lending performance accounted for 48 percent of Africa's total stock of lending performance more than twice the share of manufacturing (21 percent) and significantly more than the primary sector (31 percent). As in 2014, the Coal, Oil & Natural Gas sector ranked top for capital investment in 2015 with $15.7 billion invested. However, $12.2 billion was invested in Alternative/Renewable Energy. The clean energy sector saw a 23 percent increase in capital investment, whereas fossil fuel declined by 52 percent, (Ondiege, 2014).

Rwanda's 2010 Investor Perception Survey, which rates investor perceptions on core issues that impede or facilitate improvements in the investment climate, showed an increase in the composite Investor Perception Index from 60.17 in 2009 to 71.04 in 2010. The legal framework sub-index improved from 64.47 to 69.37 during this period while the governance sub-index improved from 76.85 to 85.47 thanks to improved investor confidence in the political and legal systems, (AfDB Group, 2014).According to (OECD, 2002), globally, FDI flows in 2015 rose by 38 percent to US$ 1.76 trillion from US$ 1.28 million in 2014, their highest level since the global economic and financial crisis of 2008-2009. A surge in cross-border mergers and acquisitions to US$ 721 billion, from US$ 432 billion in 2014, was the principal factor behind the global rebound. For (Brown, Sen, & Decoster, 2013), Inflows of foreign direct investment (FDI) have risen in recent years. Before 2006, annual inward FDI rarely exceeded $10 million. Since 2006, inflows have averaged just under $100 million a year. In 2014, around $200 million in FDI came into Rwanda. Though the country is welcoming greater levels of investment, aggregate lending performance inflows from 1999 to 2014 barely surpassed $1 billion. Interestingly, this figure falls below aggregate remittance inflows during the same period by about $50 million.In 2013, the value of merchandise exports of Rwanda increased

substantially by 22.7% to reach 620.5 million US$, while its merchandise imports increased slightly by 4.8% to reach 1 700 million US$. In 2013, 48.7% of Rwanda's merchandise exports went to developing countries outside the region, whereas 32.4% to other economies in sub-Saharan Africa and 17.8% to high-income economies, (NISR, 2015).Inequality aversion management and lending performance of Commercial Banks refers to inward investments in terms of equity and/or non-equity (debts) from non-residents and has been growing in importance in Rwanda. It is made up of the lending performance of commercial banks portfolio and other investments. As of 2013, there were investors from around 50 countries investing in Rwanda. FPI inflows are dominated by lending performance (60%) and are characterized by high-retained earnings. FPI increased from US$145.9 million in 2008 to US$427.7 in 2013. In the five years to 2013, its contribution to Gross Fixed Capital Formation grew by an average of 22.3 per cent a year and to GDP by an average of 12.8 per cent,(RDB, 2014).

Domestic credit to the private sector in Rwanda, which measures the financial resources provided to companies through bank loans, trade credit, and other sources, rose from 12.8 percent of GDP in 2012 to 17.6 percent in 2014.1 for the last three years, newest private-sector lending has been concentrated in three areas: hospitality, real estate, and construction, and manufacturing. The first quarter of 2015 is representative of this trend, as 41.9 percent of the $267 million in new loans went to commercial restaurants and hotels, another 36.2 percent to the real estate industry, and 4.4 percent to manufacturing, (Colombo, et al., 2015). Together, these 16 banks hold 67.6 percent of financial assets in the country, according to the BNR. Total bank assets at the end of the 2013/2014 fiscal year came to 1.8 trillion RWF supported by the lending performance of financial banks, or around $2.6 billion, a 28 percent increase from the previous fiscal year. Total deposits have grown from around $225 million at the end of 2000 to $885 million in 2010 and $1.6 billion by year-end 2014, (NISR, 2015) **.**In 2014, Rwandan banks reported a return on assets of 1.9 percent and a return on equity of 10.7 percent. While higher than the previous year, Rwandan banking sector profitability falls below the levels seen in its neighbours Kenya and Uganda. As banks across the region, the Rwandan banking industry continues to

have relatively high rates of nonperforming loans, around 6 percent of total loans, compared to a global average of 3 to 4 percent; It is in this context that banks in Rwanda and other East African countries maintain fairly high capital adequacy ratios. At the end of 2014, Rwandan banks maintained an average capital adequacy ratio of 24.2 percent, nearly 10 points higher than the regulatory minimum of 15 percent. Kenyan, Tanzanian, and Ugandan banks maintain similar capital adequacy ratios, (Colombo, et al., 2015).

World Bank (2015) in one of the more significant developments in recent years, the National Bank of Rwanda established a regular, quarterly debt issuance program in early 2014. Following its quarterly schedule faithfully, the BNR has completed five local-currency bond issuances since then, totalling 82.5 billion RWF, or roughly $115 million. The Government has made the attraction of investment in the lending performance of financial banks influenced by the inequality aversion managementand its role into the Rwandan economy a key policy priority and to this end created the Rwanda Development Board to integrate all agencies dealing with investment and venture capitalist. This took place at a time of strong growth in the lending performance of financial banks, with inflows growing at an average of 70.0 per cent a year between 2005 and 2009 and reaching a peak of US$ 119 million, before returning to US$ 42 million in 2010, (NISR, 2015).

Government has started borrowing on the international and domestic money markets to fund investment; It issued its first Eurobond in 2013 and raised US$400.00 million; Its interest rate stood at 6.2 per cent in 2015; In the fiscal year 2014/15 the Eurobonds accounted for 21.6 per cent of total public external debt, the rest being mainly concessional loans from multilateral traditional development partners and non-traditional bilateral partners, and they accounted for 46.3 per cent of the debt serviced in that fiscal year, (Zhu, 2015).The total volume of Lending performance of Commercial Banks investments in the 2015/16 fiscal year was estimated at US$ 1,976.5 million in thematic and foundational sectors together, of which external flows channeled from public sources have financed the above mentioned US$ 984.9 million;the lending performance of financial banks as the dominant (more than 80%)

portion of the lending performance of financial banksflows (FPI) (10) have increased in Rwanda almost tenfold during the past decade, and now constitutes 22% of the overall development finance envelop of the country and 4% of GDP. FPI envelop also includes portfolio investments involving the purchase of stocks, bonds, commodities, or money market instruments by non-residents. Other investments comprise long-term and short-term loans.(Minecofin, 2014). Rwanda'sinequality aversion management and lending performance of Commercial Banks to East African Community Partner States (EAC) increased by 7 percent compared to the same quarter of 2014. Kenya saw the largest increase in values of exports from Rwanda and this is mainly explained by an increase in values for "Other black tea (fermented) and other partly fermented tea" (14%) compared to the same quarter of 2014, (NISR, 2015). Rwanda's inequality aversion management and lending performance of Commercial Banks under multinational corporate have been divided into different groups: tourism, traditional export; non-traditional exports; re-exports, and; informal exports supported by theinequality aversion management and lending performance from of Commercial Banks sector increased by 14% in 2012 over 2011 reaching US$ 286 million. The inequality aversion management and lending performance Rwanda's traditional merchandise of Commercial Bankssaw a year on year decline of 12%, dropping from US$297.3 million in 2011 to US$262.9 in 2012. Coffee exports have not performed as well in 2012 as 2011 with a drop in the value of exports by 18% to US$60.8 million. The decline in coffee exports is largely the result of a fall in the average world price per kg of coffee by 36.5% (Index Mundi, 2012) in the past year. Rwanda coffee prices held up comparatively well to this price drop decreasing by 25.1%. The drop in prices was partially offset by an increase in coffee volumes exported, which were up 8.9% in 2012,(World Bank, 2014).

Asia is Rwanda's primary source of formal merchandise imports accounting for 32% of imports followed by EAC and Europe with 23% and 21% respectively. 15% of imports came from countries in the Middle Eastsupporting the lending performance of financial banks; within the energy and mechanism adopted by multinational corporate, informal imports have declined 35% over 2012 with drops in informal imports from all four neighbouring countries; Informal Imports from Uganda,

Rwanda's largest import origin, have dropped by 40%. Instability in the DRC Kivu Region and increase in informal taxes charged on the DRC side of the border and a change in border opening times in Goma have also been reduced from 24 hrs to just 12 hours has led to a decrease of 25% drop in imports from the Democratic Republic of Congo, (Lima, 2013). Lending performance of financial banksin Rwanda was on the account of lower inflows of new equity and loans compared to 2014; The big chunk of the lending performance inflows in Rwanda were loans from affiliates which amounted to US$ 210.9 million representing 55 percent, equity capital of US$ 110.0 million accounting for 29 percent while retained earnings were US$ 58.9 million accounting for 16 percent. Both equity capital and borrowing from affiliates inflows decreased by 15.5 percent and 32.6 percent in 2015, respectively compared to the level of 2014, while retained earnings increased by 235.3 percent from US$ 17.5 million in 2014 to US$ 58.7 million in 2015, (World Bank, 2015).

AFDB (2014) showed the strong performance in non-traditional exports, re-exports, and informal exports has resulted in all three areas increasing their combined share of Rwanda's lending performance from 44% in 2011 to 54% in 2012; The growth in lending performanceof commercial bank outside Rwanda's traditional export sector is positive, particularly the increase in non-traditional exports, as it reduces Rwanda's dependence on a few commodity sectors.

In terms of inequality aversion managementby Commercial Banksin Rwanda grew by 21.7 percent to US$ 1,401.9 million in 2015 from US$1,152.3 million in 2014, driven by a 37.3 percent increase in loans and 20.7 percent increase in equity capital despite a decrease of 49.1 percent in Retained Earnings (R.E) in 2015 compared to 2014, (Prudence, 2015). In Rwanda's non-traditional export sectors, several products have emerged this year with substantially higher exports than in 2011. Rwanda's main non-traditional exports include manufactured goods, horticultural goods, and other items such as hides and skins, livestock, and other various goods. Rwanda's manufacturing sector has been performing particularly well, with exports up 142% in 2012 over 2011. Manufacturing exports accounted for 46% of Rwanda's non-traditional exports until the end of September 2012, up from 40% in 2011, (Andy,

Mullineux, & Victor, 2014). With multinational corporate,(McQuaid, 2000), illustrated how in the inequality aversion management and lending performanceof the financial sector include: loan of the milling up 136% with total lending performance US$19.8 million; beverage exports up 116% with US$13 million in exports; and iron and steel exports up 231% with US$ 5.6 million worth of exports. The plastics up 263% with US$3.3 million worth of exports; cement and other construction material up 189% with US$3 million in exports; soaps and washing preparation up 293% with exports of US$0.6 million and; animal and vegetable fats up 1022% at US$0.54 million. Rwanda's largest manufacturing sector to see a fall in exports was footwear where exports saw a 25% drop from US$1.6 million to US$1.2 million. The footwear industry's main market was constrained by domestic currency crises that resulted in a collapse in demand. (Nkusi, 2015) assessed the partnerships in trade, taxation, the inequality aversion management, lending performance which has been supported by the United Nations of development Programme jointly with Rwanda Ministry of finance and planning and its external finance unit in developing a new Donor performance assessment framework. It was found out that it defined some baseline indicators and targets for cooperation in foreign direct investment, Current Standard" purchasing power parity" and taxation and climate change between the Government of Rwanda and development partners.

Cary (2009) shows how Rwanda has improved its international financial (financial bilateral and multilateral) on the reality 'phase. This is by exploring the invisible opportunity such as the Joint permanent commission which assisted on the exchange of the products, experiences, skills, and knowledge; the inequality aversion management, lending performance and supporting a lot on the cooperation through promoting good relations based on mutual respect and complementarity of sovereign nations and its positive impacts on the lending performance of commercial banks. The different financial sector to strengthening the government to oversee and guard the interests of Rwanda. The lending performance of financial banksin Rwanda includes three categories: equity capital, the loan from affiliates (shareholders, the parent or fellow companies), and retained earnings.(Nkusi, 2015). In 2015, the lending performance inflows reduced by 17.2 percent, from US$ 458.9 million in

2014 to US$ 379.8 million in 2015. The decline in the lending performance was mainly on account of lower inflows of new equity and loans compared to 2014; The East Africa Community was Rwanda's primary source of formal merchandise imports with 29% of imports coming from the East Africa Community and Democratic Republic of Congo region; This is closely followed by Asian countries on 28% of imports; The Middle East accounted for 18% of imports while 17% of imports came from European countries. For (World,Bank, 2017), the Growth in imports of capital and intermediary goods is commonly associated with growth in investment in production technology and increased demand for inputs from productive sectors; Both these sectors grew strongly in 2012; Over the same period, imports of consumer goods have increased by just 8.6%, typically consumer goods are associated with finished products. Rwanda's total trade of US$ 572.38million, higher by 0.13 percent over the first quarter of 2014 was made up of exports worth of US$ 101.90million, imports worth of US$ 432.61million, and re-exports valued at US$ 37.87million; The Total imports of Rwanda reduced by 1.75 percent in the first quarter of 2015 when compared to the same quarter of 2014 (US$ 432.61 million and US$ 440.30 million respectively) and rose by 3.89 percent over the fourth quarter 2014; Domestic exports rose by 10.22 percent during the period of first quarter 2015 (US$ 101.90 million and US$ 92.46 million respectively) over the same quarter of 2014 and reduced by 18.40 percent when comparing to the fourth quarter of 2014. Re-exports from Rwanda decreased by 2.35 percent in the first quarter of 2015 over the first quarter of 2014 (US$ 37.87 million and US$ 38.78 million respectively) and registered a decrease of 0.02 percent over the fourth quarter of 2014.

For the domestic exports side, the three top destinations were Kenya, the Democratic Republic of Congo, and the United Arab Emirates; The top five destination countries of Rwanda's exports in the first quarter of 2015 totalized US$ 62.37 million (61.21% of the total value of inequality aversion management and lending performance) while they totalized US$ 64.88 million in the first quarter of 2014 (around 70% of the total value of exports in that period); The commodity groups with the largest increase in values were: "Niobium, vanadium ores, tantalum and concentrates" (US$ 14.80 million); "Other black tea (fermented) and other partly fermented tea" (US$ 12.12

million). “Other unwrought gold (incl. gold plated with platinum), non-monetary” (US$ 11.78 million) and “Tin ores and concentrates” (US$ 11.41 million) and “Coffee, not roasted, not decaffeinated” (US$ 6.33 million), (NISR, 2015)

The inequality aversion managementfrom Rwanda’s lending performance of the financial sector dropped by 12%, from US$322.7million in 2014 to US$283.5million in 2015.(Amitava, 2013), Lending performance’s Commercial bank increased by 4% in 2015 over the same period in 2014 from US$59.6 million exported in 2014 to US$62 million in 2015. Even though coffee has seen an increase during 2015 the prices dropped by 12% in 2015, the decline has been attributed to a rise in the supply of coffee on the world market, especially from Brazil and Colombia, the major growers, (NISR, 2015).Tea exports in 2015 saw increased by 40% in value. Both tea prices and quantity increased with the average price now up 29% per kg and quantity up 9%. As Rwandan tea competes mainly with Kenyan teas where both quality and quantities of output were low this year. Furthermore, Rwandan tea is in high demand in the Middle East and with the removal of the embargo on Iran and reduced conflicts, the market demand for tea increased. Mineral exports are down 29% over 2014 with US$149 million exported during 2015. The four first recipients of the commercial bank’s inflows in 2015 were Information Communication and Technology sector with US$ 76.7 million, electricity, gas, and steam with US$ 76.1 million, lending performance with US$ 66.9 million, and financial and insurance activities with US$ 57.9 million; regarding stock, only four sectors represented 77 percent of all commercial bank in 2015, (NBR, 2015). ICT took the lead with US$ 435.6 million, followed by finance and insurance (US$ 281.4 million), manufacturing (US$ 186.7 million), and loan (US$ 173.3 million). The stock in these sectors increased by 31 percent, 20 percent, 13 percent, and 12 percent, (World Bank, 2015). The lending performance inflows into Rwanda in 2015, were dominated by financial inflows (79.8 percent). In terms of country of origin, most of the flows were mainly from Mauritius (US$ 155.6 million) followed by the United States of America (US$ 70.1 million), Kenya (US$ 51.5 million), and China (US$ 23.5 million) accounting for 63.1 percent of total FPC flows in 2015 and investing

mostly in finance and insurance, manufacturing and ICT sectors accounting to 56.8 percent of total inflows, (World Bank, 2015).

Inequality aversion managementin Rwanda increased by a small margin of 0.67% over the forty-year period and this is in sharp contrast to other countries such as Uganda, Tanzania, and Cameroon who'sthe lending performance accounted for about 30% of GDP.(Bhinda & Martin, 2009). Imports grew more rapidly (23.02%) when compared with exports (9.92%) over the study period. This is because Rwanda's economy has a few industrial opportunities creating the need for the importation of basic goods and services. The country's main exports are tea and coffee but the government has been promoting the diversification of the export base to include horticulture; The partial regression coefficient associated with exports implies that if exports are increased by 1%, GDP per capita will grow by 0.57%, holding the Moral hazard, inequality aversion management andPropitious Selection managementand lending performance of Commercial banks constant, (MINICOM, 2011)

2.4.3 Propitious Selection management

The contribution of Propitious Selection management on the lending performance of Commercial Banksis a prosperity projection used by countries, with honor to create own control, and have potential to the monitory value by providing the support on financial institutions activities,(Fang, 2014).

After instrumenting the lead bank's share, the result demonstrates that asymmetry of information with the syndicate participants to have a large economic cost reflected in the spread charged to the borrower: a 9% change in lead share (from 10% to 19%) translates to approximately a 29 basis points change in loan spread (Bryman, 2007). This estimate implies that information asymmetry within the lending syndicate accounts for approximately 4% of the total credit cost. This result is net of the reputation of the lead bank, and other important mechanisms used to moderate information asymmetry management. The starting sample includes information on 23,087 completed dollar-denominated loans, issued between 1993 and 2004 and

involving 9,931 different U.S. borrowers, while excluding regulated and financial industries identified as SIC 40 through 45 and 60 through 64; The central explanatory variable in the analysis loan share retained by the lead bank is available for approximately 30% of the casesas the contributions of Propitious Selection management on the lending performance of Commercial Banks.(Hilscher, 2014).

Since banking is a regulated industry, there are regulatory lending restrictions aimed at reducing banks' portfolio credit risk; In particular, loans to a single lender cannot exceed 15% of a bank's capital for uncollateralized loans and 25% for collateralized loans; But in addition to regulatory lending limits, banks have internal lending limits, often associated with their internal structure; These limits can be binding. Industry studies indicate that many banks with assets in excess of $1 billion have loan-size limits in the $2-$10 million range, (Naceur & Omran, 2017).As for(Kadioglu & Ocal, Effect of the Asset Quality on the Bank Profitability. International Journal of Economics and Finance, 9(7), 60., 2017), the economic significance of this coefficient is large: a 1% (10% to 11%) increase in lead bank share corresponds to a 3.26 basis points reduction in the average participant's premium; Thus, one standard deviation decrease in the fitted value of the lead bank share implies a 41 basis point or 28% increase in the loan spreadcontributed on the lending performance of Commercial Banks.However, the first stage regression indicates that the logarithm of facility amount is one of the central determinants of the lead bank share. One standard deviation change in the logarithm of facility amount implies a 9% change in the lead share; thus, conditional on economically sound variation in loan size, a 9% change in the lead share translates into an approximately 29 basis point change in loan spread. At an average LIBOR rate of 559 basis points and upfront fees of 40 basis points, information asymmetry within the lending syndicate accounts for 4% of the total credit cost.13 Although, 9% is still an economically large change in lead share because it is equivalent to a $24 million increase in lead bank exposure, (Kadioglu & Ocal, Effect of the Asset Quality on the Bank Profitability. International Journal of Economics and Finance, 9(7), 60., 2017).

2.4.3.1 Banking stability management

The contribution of Banking stability management on the lending performance of Commercial Banks according demonstrates Countries such as the USA, France, UK and Belgium, China, Japan and Brazil's average of liquidity risk in banks is 0.090; the average of credit risk is 5.294, the average of income diversity is 3.172, the average of size is 4.029%, and the ROA is 1.459%. Indeed, the CAR is 11.719%. Regarding the interaction between liquidity and credit risks, the Z-score, the loan growth, the loan assets, the ROE, the NIM, the liquidity gaps, the inflation, and the GPD, there are 2.57, 4.461, 0.562, 10.992, 0.045, 3.143, 2.097, and 5.361 respectively. Finally, banks have the highest volatility in ROE, CAR, credit risk, GDP, ROA, credit risk liquidity risk, income diversity, loan growth, Z-score, size, liquidity gaps, crisis, NIM, efficiency, loan assets, liquidity risk, and inflation inflows by 27.95, 13.429, 9.815, 5.087,2.533, 2.286, 1.339, 1.251, 1.096, 0.845, 0.842, 0.221, 0.434,0.154, 0.134, 0.091, and 0.071 respectively, (Agoraki & Pasiouras, 2011).The contribution level of Banking stability managementin the USA, Russian and China's efficient management enhances diversification of revenue stream as indicated by the 4.3043 mean with a .82212 deviation indicating moderate dispersion; The same scholar findings show that with regard to management efficiency leads to optimal operating expense within the firm, a 4.5652 mean indicated strong agreement while a .58977 deviation denoted minimal variation. Regarding efficiency in the management team promotes better investment ventures for the bank, a 4.3478 mean indicated strong agreement.

Concerning efficient management team ensures compliance with applicable laws and regulations, a 4.3913 mean indicated strong agreement. arker and Prodhan, (2017) in the past yearEastern Europe and Central Asia once again had the largest share of economies registering improvements, this shows that the Eastern Europe and Central Asia commercial banks hold more capital than required; this could imply that banks could prefer less risky investment, which results in lower profit. The average asset quality of the commercial banking sector in the stated period was as high as 15.52; This shows the existence of high exposure to credit risk and the relationship is

expected to be negative with profit; Another important factor, management efficiency, proxies by operating income to total income was 72.23 on average. It shows that in Kenya more than 70% of commercial banks' income is derived from the conventional intermediation (operating) function. For (Amitava, 2013).

The total average loans deposited by the commercial banks were 77.50%; this indicates that commercial banks in EAC countries such as Kenya, Uganda, Tanzania use 77.50% of customer deposit for on lending, This shows that banks keep more than the statutory liquidity requirement, Customer deposit is one of the cheapest sources of fund due to the high margin between deposit and lending rate that banks utilize to generate income, Moreover, the figure shows that commercial banks in the country target domestic resources, mainly customer deposit, for their banking business. In the developing sphere, the contribution of Banking stability management was improved the lending performance of Commercial Banks in Africa ($ in millions) during the period of 2008 to 2012 where Uganda improved almost 389.7 to 527.7, Kenya 634.4 to 751.4, South Africa 574.2 to 571.1, Nigeria 496.4 to 660.4, Zambia 293.5 to 400.7, Ethiopia 659.1 to 608.3, Tanzania 361 to 571.8, Sudan 666.3 to518.2, Mozambique 284.3 to 424.5, Somalia 161.1 to 82.3, and Liberia157.8 to 211.4. Rwanda108 to241.3, Namibia79.5 to 99.6, Botswana 59.6 to 71.8, Mali 161 to 171.7, Dem. Rep. Congo 80.8 to 261.8, Ghana 105.9 to 204.5, Malawi 57.8 to 201.6, Senegal100.8 to 119.8, Côte d'Ivoire57.6 to142.4, Madagascar 42.2 to 78.8, Angola14.2 to 72.8, Guinea29 to13.6, Benin82.6 to 29.1, Zimbabwe 5.1 to 109.9, Djibouti22.8 to 7.3, Sierra Leone 22.7 to 22.7 and Burundi 37.6 to 37.6 that affect positively these countries' targets, (Amitava, 2013).

Ashraf and Hu (2016) the contribution of Banking stability management on the lending performance of Commercial Banks improved the operations of different National Banks in Africa such as Egyptian, Ethiopian, Nigerian, Ghanaian, and Kenyan which have been going through a rough patch with its profits after tax having dropped to Sh138.1 million in the period to 2017 compared to Sh521 million reported over a similar period in 2016, (CBK, 2017).

The EAC member States central Banks like South Sudan reported that there exist 29 registered commercial banks operating in the country, 11 national banks 11 joint ventures, and 7 foreign-owned banks. The central bank also regulates 8 microfinance institutions and 84 forex bureaus. Statistics from the Bank of South Sudan on the financial soundness indicators for the banking sector in the country as contained in the IMF 2017 reports indicate that Asset quality measure in terms of non-performing loans against total loans rose from 18.7% in March 2014 to a high of 54.9% in September 2016. Liquidity expressed in terms of liquid assets to total assets decreased from 78.7% in March 2014 to a low of 46.7% in September 2016, (Fiske, 2004).

The Supervision Report as of 2011 out of the 43commercial banks 30 of them are domestically owned and 13 are foreign owned. In terms of asset holding, foreign banks account for about 35% of the banking assets as of 2011; In EAC member states such as Tanzania, Uganda, Rwanda, and Kenya commercial banks dominate the financial sector; In a country where the financial sector is dominated by commercial banks, any failure in the sector has an immense implication on the economic growth of the country; This is due to the fact that any bankruptcy that could happen in the sector has a contagion influence that can lead to bank runs, crises and bring overall financial crisis and economic tribulations. Despite the good overall financial performance of banks in Tanzania, Uganda, Rwanda, and Kenya, there are a couple of banks declaring losses. Moreover, the current banking failures in the developed countries and the bailouts thereof motivated this study to evaluate the financial performance of banks in Tanzania, Uganda, Rwanda, and Kenya. Thus, to take precautionary and mitigating measures, there is a dire need to understand the performance of banks and their determinants.(Ngaira & Miroga, 2018)

Inter-bank Market and Liquidity Distribution during the Great FinancialCrisis: The e-MID Case. In New Issues in Financial and Credit Markets Palgrave Macmillan, London the country’s banking sector has undergone substantial transformation particularly from the year 2005 where within three years the number of deposit accounts went up by 3.9 million, a growth rate estimated at 152%. Within the same

period, the branch network expanded by 60% while the ATM network grew from 323 units to 1,325. (Vento & La Ganga, 2010).

Thus, asset quality strongly determines the performance of commercial banks in Kenya. The other important bank-specific factor that determines the performance of commercial banks was management efficiency represented by operating profit to total income ratio was also significantly affect the performance of commercial banks. Its coefficient of a parameter with ROA, ROE, and NIM were 0.033, 0.0194, and 0.025 with a 99% confidence level for all the three relationships. This shows that management efficiency significantly affects the financial performance of commercial banks in Kenya. The other determinant was liquidity management represented by total loans to total deposit ratio. It was found that this ratio has no significant relationship with all three bank performance indicators(Vagizova & Batorshina, 2013). The relationship of macroeconomic variables with bank performance was analyzed. And it was found that GDP had -0.046, 0.004, -0.071 correlation coefficient with ROA, ROE, and NIM. However, except for NIM, the relationship was not significant even at a 90% confidence level. However, inflation has a significant negative relationship with the financial performance of commercial banks in Tanzania, Uganda, Burundi, Rwanda, South Sudan, and Kenya. It had -0.055, -0.0291, -0.0412 coefficients of parameters with ROA, ROE, and NIM with 95%, 90%, and 95% significance level respectively. (AFDB, 2018).

Loans account for the largest portion of EAC banking sector asset portfolio- the size of loans in total banking sector assets stood at 59 percent in Rwanda, 53.7 percent in Tanzania, 53.2 percent in Kenya, 43.8 percent in Uganda and 33.8 percent in Burundi. With this asset structure, the quality of loans determines profits, capital, and liquidity of banks in the region. Over the last 12 months, the NPLs ratio dropped in Rwanda, Uganda, and Burundi due to varying reasons that include write-offs and improved economic activities that improved corporate profits and accelerated new lending Credit risk in the region is further exemplified by a concentrated banking loan book, where building and construction account for 35 percent of banking sector loans in Kenya, 37 percent in Rwanda, 28 percent in Uganda, 23 percent in South

Sudan and 11 percent in Tanzania. Such a loan book implies that volatility in the housing market would weigh-on the EAC banking sector performance. (ECA, 2017)

The capital adequacy ratio - a measure of how influenceively banks can sustain a reasonable amount of loss - remained above the prudential limits of 15 percent across the region.(Pamela & Roger, 2016).

An open economy, Rwanda largely relies on exports to finance its external receipts at the tune of 41.1 percent as at 2018; The National Bank of Rwanda, therefore, monitors developments and vulnerabilities related to the global economy and the channels through which they can affect the Rwandan economy and the financial sector in particular; Sections below summarize the recent developments and outlook of the global economy and their potential impact on the Rwandan economy.(Bayarcelik & Taşel, 2012).Rwanda's financial sector is still less connected to the rest of the global financial markets. As at the end of June 2019, Rwandan banks' off-shore financing stood at 8.1 percent of banks' liabilities. A large portion of bank funds is from customer deposits- at 77.1 percent of total banking system liabilities as at the end of June 2019. Deposits are mainly from residents (96.7 percent of total deposits) of which 74 percent of total deposits are denominated in local currency. Funds from an interbank account for 16.5 percent of total liabilities.(RDB, 2014).

2.4.3.2 Deposit insurance management

The Market Regulation works to protect market integrity, to enforce rules that protect all market participants, and to act proactively to mitigate risks to prevent damage to the marketplace.

In the absence of changes in supermarket store sizes, retail sector TFP growth would have been 0.44% per annum rather than the actual 0.07% per annum (between 1997/98 and 2002/03). The EUKLEMS database implies that retail made up 4.4% of total economic output in 2007. This implies that economy-wide TFP growth would have been 0.16 percentage points higher in the absence of planning restrictions. On a

growth accounting basis, TFP growth can be directly compared with average annual Working Capital (WC) and Retained Earnings(RE) of 3.6% between 1997/98 and 2002/037. In 2005, the regulatory tax in the City of London is estimated at 8.89% compared to Frankfurt (3.31%), Stockholm (3.30%), and Milan (4.11%).(Haskel & Sadun, 2009). However, the fear by banks of potential risk is reflected in a decline in the performance of loan to deposit ratio (LDR) in late 2005, but recovers in 2006 and March 2007. Moreover, the net interest margin rises to 7.70, which indicates that banks are earning higher interest earnings from their investment activities than they pay for financing them. The problem is that the establishment of the IDIC in September 2005 coincided with government policy that hiked fuel prices by more than 114%, which fueled higher inflation expectations, which in turn induced a reversal of Bank Indonesia interest regime from cutting to hiking, all of which compounded bank risk expectations. The temporary nature of the spurt or hike in Bank Indonesia certificates variable and drop in loan deposit ratio may have more to do with efforts by banks to adjust to tight monetary policy regime at the time than a consequence of heightened perceived bank risk attributed to the establishment of the Deposit Insurance Corporation.(Muyanja, 2018). Aone-point reduction in the EPLR index that is representative of the difference between the UK and the US, an examination of the trend of demand deposits mobilized by commercial banks by type reveals some interesting findings. Although the general trend of demand deposits from private enterprises seems to be stable over time, at about 40% of total demand deposits, during the September 2005–March 2007 period, the trend is some notches downward from 40% in September 2005 to 37% in March 2007. Government entities (national, provincial, and regional governments) apparently show an increasing interest in keeping demand deposits in commercial banks over the period of observation as they “control” 30% of demand deposits in March 2007 from about 17.5% in 2000.(Bassanini & Cingano, 2016).

Nonetheless, there is a significant difference in investment credit (asset-weighted) channeled by the four bank types in the aftermath of the IDIC establishment, with foreign and joint venture banks channeling the highest level, followed by regional development banks, private national banks, and state-owned banks. Contrary to

expectations, state-owned banks shy away from channeling high levels of relatively riskier investment credit than foreign and joint venture banks, private national banks, and regional development banks. In general, investment credit showed significant growth since March 2007 reaching IDR169.83 trillion; The growth in investment credit in July, which was 25% higher than that in July 2006 (IDR135.7 trillion), was also higher than the growth posted by working credit and consumption credit of 22.13% and 18.64%, respectively,(Claus & Jera, 2016).Growth in the proportion of fixed-term contracts by 1% appears to reduce multi-factor productivity12 by up to 0.017% points that directly corresponds to GDP on a growth accounting basis. While the results are based on a sample that includes 15 European countries, they can be compared to recent (real) Working Capital (WC) and Retained Earnings (RE) in the UK of 1.3% in 2010. There is no significant impact on the proportion of part-time contracts on multi-factor productivity. (Ghinita, Damiani, Silvestri, & Bertino, 2009),

The research faced the difficulty of isolating the influence of the establishment of IDIC from other factors that occurred almost at the same time period, which included the influence of a phased 114% fuel price hike that went into influence between April and October 2005, a subsequent mini-crisis that slightly jolted the Indonesian economy in the lead up to the fourth quarter of 2006 and continued in the first quarter of 2007, and the use of simple research methodology, which employed a dummy variable to separate the ex-ante and ex post regimes with respect to IDIC establishment, and variance between the means, though deemed adequate given the exploratory nature of the research has an inherent weakness that they are not good measures of variability. Simulating the influence of changing the entry costs in the US from 1.7% of GDP per capita to 10% reduces total factor productivity by 0.8%. The literature indicates that planning regulation can change the relative price of factor inputs (e.g. land, office space, etc.) and therefore have a negative impact on productivity in specific sectors. For example, retail sector productivity growth would have been 0.44% per annum rather than the actual 0.07% per annum (between 1997/98 and 2002/03). Using EUKLEMS data, we can infer that productivity growth in the UK would have been 0.16 percentage points higher per annum in the absence of changes in supermarket store sizes. On a growth accounting basis, TFP

growth can be directly compared with the average annual GDP growth of 3.6% between 1997/98 and 2002/0314. (Poschke, 2009).

As the United Kingdom is among the top ten deregulated countries (as measured by the World Bank Doing Business indicators and the Fraser Institute of Economic Freedom Index), the main findings of these studies do not apply to the United Kingdom. Rwanda's firms have grown rapidly supported by the market regulation where around 150,000 firms opened in 2014 and they employ only 560,000 employments initiated, which was just 14% of the overall workforce. The pace of job creation in the formal enterprise sector has slowed down in recent years, expanding by around 8 percent between 2011 and 2012 compared to 14.5% between 2015 and 2016, (RDB, 2014).

2.4.4 Lending performance

The USA commercial Banks, especially New York, Washington, and Georgian currency were permanently and sharply devaluated; aLarge number of small banks collapsed during the financial crisis; many of them had significant outstanding debts, but this weakness could not touch the whole banking sector; In 1998 more than 150 banks had deprived licensee; But take into account that more than 80% of the clients 'deposits was sound and secure, the banking system crisis only spread out over Georgia which demonstrated the importance of the Lending performance of Commercial Bank; These events were impediments for foreign investment entries to Georgia and banking sector was negatively influenced from this tension. Individuals withdraw their savings and deposits from the banks and credit extension was slowdown rapidly; To avoid a crisis and to let the banks to satisfy the claims of the customers smoothly, the required reserves of commercial banks were reduced from 13% to 5 % in 2008. The Lending performance of Commercial Bank influenced by Information asymmetry management in countries such as Indian, Singapore, China, Russia, and some western countries' economies were influenced the agricultural economy and is the backbone of the development of the both sphere. (Mohan & Arul, 2016).Even after 60 years of independence, the economy in India is still handicapped in terms of infrastructure and other chronic problems of cultivators.

More than 70 percent of Indians depend on agriculture; 60 percent of industries are agro based; 50 percent of national income is contributed by the agricultural sector which is the largest foreign exchange earner to India. The beneficiaries include 75% in a rural area, 50 % from semi-urban area and 25% from an urban area from the agriculture sector, and the remaining 25% in rural,50% in semi urban, and 75% in urban area from small and cottage industrial sector. Thus the beneficiaries include 345 from the agriculture sector and 305 from the SSI sector.(Amaghlobeli & Nielsen,, 2010).The importance of the Lending performance of Commercial Bank influenced by Information asymmetry management in both developed and developing sphere was74.6 percent changes in financial performance in commercial banks in Kenya could be accounted to credit appraisal; It is also notable that there exists a strong positive relationship between the study variable as shown by 0.874; Due to the fact that difference between R square and Adjusted R square is small (0.001) shows that the independent variable was precise; for commercial banks in to realize the increased return on investments and thus financial performance, the banks must positively embrace written guidelines on loan asset lending and quality provided by the commercial banks to customers in order to afford attractive interest income that increases return on assets. (Arif, 2006). There is a positive correlation between the Lending performance of Commercial Bank influenced and Information asymmetry management which assisted on the increased profitability by 24.7%, the overall profitability improves as the volume of loans lent out to customer increases and negative correlation between operating cost and performance of commercial banks. Results show that a unit increase in operating cost will lead to a 27.6% decrease in profitability. The negative relationship between operating cost and profitability is an indication that the resources used by the credit department call for an extra expense in the firm which negatively affects profitability.(Djankov & Shleifer, 2007). The findings on the importance of the Lending performance of Commercial Bank influenced by Information asymmetry management in EAC member States reports such as one of Central Bank of Kenya, Tanzania and annual audited accounts of commercial banks, NPLs declined by 17.5%, from Kshs 70.7 billion in 2007 to KShs 58.3 billion in 2008. NPLs declined by 1.8% from KShs. 61.87 billion in 2008 to KShs. 60.74 billion in 2009. NPLs declined further by 5.1%

from KShs. 60.7 billion in 2009 to KShs. 57.6 billion in 2010. NPLs dropped by 10.1% from Kshs. 47.7 billion in 2010 to settle at Kshs. 42.9 billion in 2011. The decline in gross NPLs was attributable to recoveries and the improved credit appraisal monitoring standards that were brought by enhanced credit information sharing.(Ioannidou & Penas, 2010). Some developed and developing spheres such as UK, France, German, USA, Canada, China, brazil, Nigeria, Egypt, Japan, Turkey, and South African demonstrates the importance of the Lending performance ofbanking sector by reflecting on the fact that the share of nonperforming loans in the total portfolio decreased from 17.9 % in 2009 to 12.5 % in 2010; After the recovery of the system is 2010, the tendency of improving portfolio quality continued in 2011; The share of non-performing loans in the total portfolio dropped to 8.6% at the end of 2011; It increased insignificantly in 2012 amounting to 9.3% in parallel with banking sector profitability shrinkage compared to the previous year, which is mainly explained by an increase in loan loss reserves. It can also be noted that the relative improvement of non-performing loans in 2013 was observed due to the growth of the portfolio, the stability of the exchange rate, and reduction of interest rates, which rendered debt services easier for many borrowers.(Baltacı, 2014). The mean value of ROE, ROA, and NIM, profitability indicators of all banks, are 2.6%, 0.2%, and 7.3% respectively during the period of 2009-2013. Minimum values of profitability indicators (ROE, ROA, and NIM) were observed during the 2008-2009 global crises and the war with Russia; The mean value of capital adequacy ratio that embodies financial power for shock absorption and credit activity is above the minimum requirements determined by Basel, even the banking sector remained adequately capitalized in 2009. The share of non-performing loans in the total portfolio decreased significantly after the economic recession of 2009, equals to 37.4% on average.(Helhel & Varshalomidze, 2014). The developing sphere has demonstrated the importance of Lending performance provided by the Commercial Bank when improve theasset size and credit to deposit ratio have a statistically insignificant impact on the profitability of banks; One of two macroeconomic determinants of profitability included in this study, money supply (M2) had statistically positive impact at 10% significance level, the other variable, and namely inflation rate had a statistically insignificant impact on profitability. Some of the

studies which were carried out in the literature are inconsistent with some of our findings such as studies of Ata found that as a credit to deposit ratio and bank size increase, the profitability rate is affected positively, found in their study that the inflation rate is negatively related to theperformance of the banking system.(Webb, 2003). Countries such as India, Turkey, China's economies were based on different aspects even after 60 years of independence, the economy in these countries still handicapped in terms of infrastructure and other chronic problems of cultivators. More than 70 percent of Indians depend on agriculture; 60 percent of industries are agro-based; 50 percent of national income is contributed by the agricultural sector which is the largest foreign exchange earner to those countries, such an essential and key sector is neglected by financial institutions and especially by the banks Economy, (Mercan, 2006).

Countries in African such as South Africa, Nigeria, Egypt and Ethiopia ranked in the top 20 of world economies by size, the South African economy remains relatively small accounting for less than 1 per cent of global GDP, Despite being small by global standards, South Africa is the economic powerhouse of Africa, leading the continent in industrial output and mineral production and generating a large proportion of Africa's electricity (Brand, 2009). South Africa's economic performance during the first decade of freedom was impressive, with the favorable external environment and strong domestic demand helping raise Retained Earnings(RE) to 5 % on average in 2004–2007 and lowering the unemployment rate by 5%.(Kumbirai. & Webb., 2010), The real Retained Earnings(RE) in African countries has been increasing since 2000 supported bythe importance of the Lending performance of Commercial Bank; The growth rate was 5.3% for 2006 before falling to 5.1% in 2007 when the financial crisis started. However, as can be seen, the growth rate then drastically fell to 3.1% for 2008 before settling on a negative 1.8 % in 2009 reflecting the above-mentioned influences of the financial crisis on the South African Economy Retained Earnings(RE). Inflation, which has remained outside the 3–6 % target band since 2007, peaked to 11.5% in 2008.(Samad, 2004)

Although African countries such as the South African banking sector has been relatively insulated from the direct impacts of the global financial-sector crisis through appropriate monitoring and supervision of the domestic banking sector, the negative contagion influences of the crisis had a negative influence on bank balance sheets (SARB, 2008: 2009). The aggregated balance sheet of the banking sector in South Africa equaled R1 677 billion in 2005; The sector's balance-sheet size then grew to R3 177 billion 2008 (135, 4 % of GDP), followed by a decline in asset growth during 2009, ending the year at R2 967 billion (118, 5 % of GDP). Banking sector assets comprise mainly loans and advances, followed by derivative financial instruments. Home loans and term loans represent approximately 52% of the total assets while commercial mortgages represent 9.7%. On the liabilities side, deposits constitute a significant percentage of banking-sector liabilities amounting to 79, 6 % in 2008, and 85, 4 % in 2009. Deposits by corporate customers which constitute the largest portion of banking sector deposits amounted to 42, 5 % in 2009, followed by retail customers and bank deposits, which accounted for 22, 3 %, and 13, 7 %, (Rossouw, 2009).However,(Murinde, 2009)illustrated that the onset of the economic downturn bank performance deteriorated slightly. ROA decreased from 1.40% for the year 2007 to 1.17% in 2008 before finally settling on a low 0.80% for the year 2009, a consequence of the global financial crisis and a slowing down in the domestic economy.

The downward trend is also reflected in the ROE, which decreased from 24.01% in 2007 to 20.33% in 2008 before drastically decreasing to 13.65% in 2009, reflecting a decline of 35.56%. The downward trend is attributable to a decrease 70 60 50 40 30 20 10 0 2005 2006 2007 2008 2009 ROA ROE C/I 42 in loans and advances to customers as well as increased credit impairments owing to defaults which negatively impacted profitability. The trend reflected by ROA and ROE is also reflected in the cost to income ratio, which improved by 9.2% from 60.93 in 2005 to 55.32 in 2006 indicating better efficiency and profitability performance. The ratio continued to show signs of improvement, it strengthened by 6.79% from 51.53 in 2007 to 48.03 in 2008. The steady improvements in cost to income are mainly

ascribed to increasing net income reported by the banks which rose by 63% from R 17813 million in 2005 to R 29038 million in 2006 consequent of the lower loan loss provisions and relatively lower operating expenses experienced by the large banks during that period. The decline in the C/I ratio is a result of cost efficiency levels which Ncube (2009) in his study of efficiency levels in South African banks found to have significantly improved. However, from 2008 the C/I ratio continued to fall at a decreasing rate and eventually increased to 49.65 in 2009. Banks have adequate credit policies which are reflected in their banks' mission, goals, credit responsibility, collection policy, and credit evaluation policies ranging from Car loans, personal loans, overdraft, and mortgage at an interest rate ranging from 17.25% to 20% per year; Loan application period range from 1 day to 10 days depending on the type of loan; The maximum repayment period is 20 years even it was reduced to 5 years during the 2008/2009 international credit crunch. Pieces of evidence also show that six factors have influenced credit policy development and formulation in Rwanda, namely capital position, earnings, deposit variation, good macroeconomic environment, response to shocks, improved competitive position, and experience of Lending performance of Commercial Bank.(Moussu & Romec, 2013).

In East African countries, the importance of the Lending performance of Commercial Bankis not strongly improving the financial services access strategies. Access to financial services is still very low especially for the huge population in rural areas. For example, in Tanzania alone one in Six Tanzanians has access to financial services from formal institutions, this is to say over half of the population of Tanzania is excluded from financial services, looking at the economy of Tanzania whereby 80% of people are engaged in agricultural activity and are contributing over 56% of the economy,(Gwahula, 2013). The empirical findings under VRS (BCC Model) illustrated that the mean efficiency of East African commercial banks ranges from 0.86 (2008) to 0.81 (2011). Also, the selected banks were supposed to use a range 86 percent to 81 percent of available to maintain the same level of out; therefore, commercial banks were supposed to reduce input resources by 19 percent 2008, 43 percent 2009, 27 percent 2010, and 26 percent 2011 under CRS for them to

be technically efficient without affecting the outputs. On the other hand, commercial banks were supposed to reduce the input level by 16% (2008), 31% (2009), 18% (2010), and 9% (2011).(Kamau, 2011). The efficiency trend indicates most of the commercial banks in East Africa were inefficient in the year 2009, with technically efficient being the lowest compared with PTE and SE, thereafter increased sharply to reach 88%and 91% by the year 2010 and 2011 respectively. This is to say the inefficiency of the East African commercial was more concerned with poor utilization of input resources and not the scale of operations. Table 2 indicates the average efficiency results country wise including the number of selected efficient commercial banks with Kenya indicating more efficient commercial banks when compared to the other commercial banks within the EAC countries. The results show a significant relationship with socioeconomic factors such as level of economic development population size, regulatory framework, and level of institutional development. Under BCC and CCR model the number of efficient commercial banks which shows in there for four years to score 1, were Tanzania (42), Kenya (66), Uganda (61), Rwanda (11), and Burundi (21)(Gwahula, 2013).Rwanda the existence of some factors to be considered before allowing a loan to a client, where 52% of the respondents agree that before granting a loan they have to consider at the first level the quality of credit or the consistency of the loan request, then they have to make sure that there is Sufficiency of credit and collateral documentation and finally compliance with internal policies and procedures and applicable laws and regulations; In addition, 28% of the respondents have chosen compliance with internal policies and procedures and applicable laws and regulations as the factor considered, 12% indicates how loans are managed in B.K and it reveals a significant level that credits are well managed. Therefore, we would like to present the views of the respondents on the financial performance achieved by B.K and how far they do consider loan management's contribution to that performance.(Nduwayo, 2015). The importance of Working Capital (WC) provided by the Lending performance of Commercial Bank by the maximum and minimum values measure the degree of variations in the variables. From the table above, it is observed that customer deposits record a maximum value of 8.76 and a minimum value of 8.07. On average the mean value is 8.43 and the rate of deviation from the mean is 0.23. we can

observe that the bank size variable is positive meaning that it has a positive impact on profitability. Specifically, it implies that a unit change in the bank size by 1% should lead to a positive change in the bank performance by 0.131 units. (Brealey & Allen, 2008).

The importance of Working Capital (WC) provided by the Lending performance of Commercial Bankis increasing in size, profitability increases too; Also, the loan portfolio reads a maximum value of 0.91 with a minimum score of 0.54; The analysis shows that loan portfolio has an average score 0.76 with the rate of deviation from the mean of 0.1 The reserved variable shows a minimum value of 6.11 and a maximum value of 7.41; On average, the mean value is 6.83 with a rate of deviation of 0.52 from the mean. Again, the table shows that the size of the bank has a maximum score of 8.85 and a minimum value of 8.15. The mean value as seen on the table is 8.51 with a standard deviation of 0.23.(Brealey, 2006). As for the outstanding expenses variable supported by the importance of Working Capital (WC) provided by the Lending performance of Commercial Bankfrom the analysis reads a maximum value of 7.52 with a minimum value of 6.50. It is noticed that the mean value is 6.87 and the standard deviation is 0.54. Lastly, it is observed that the return on assets has a maximum value of 0.51 and a minimum value of 0.05. On average, the mean value is 0.31 with the rate of deviation from the mean of 0.14, (Brealey & Allen, 2008).

There are presently 263 financial institutions among them 27 are commercial banks (NRB, 2010), The market size of both the joint venture and domestic private banks has been increasing at the expense of the public sector banks, which are shrinking over time, The share of total assets of the joint venture banks has been increased to about 50% of total commercial bank assets, The introduction of joint venture banks infused modern banking and financial technology and new financial instrument in the financial system(Horton & Golden, 2015).The average ROAs of all the premeditated banks have been estimated positive demonstrates that in recent years, the performance of the banking system in Nepal is reasonable in terms of net profit. The average ROA of PSB (2.37%) was found higher than that of JVB (1.77%) and DPB (1.33%) due to having the utmost total assets. The earning performance of PSB was

satisfactory and no public banks were suffered from net operating loss. Among the public sector banks, the average ROA of RBBL bank was determined by 3.34% with a positive trend during the study period. The net profit to the total assets ratio of RBBL bank to gain profit seemed most attractive due to the proper mobilization of available resources than other public banks have appeared better position. The second position was for ADBL banks with an average ROA equaled to 1.94%. Over the study period, there was a positive trend in ROA. The last position belonged to NBL bank with average ROA equaled to 1.84% but ROA values computed during the study period were found positive. SCBL was maintained first place with ROA equaled to 2.51% among joint venture banks, while the second position was for NABIL bank (2.48%) and the last position belonged to NSBI (1.13%). The average ROA of BOK was noted 1.89% and this bank was ranked the first position among the domestic private banks. The second position was as for(Bolton & Ockenfels, 2009) LBL bank with ROA equaled to 1.82% and the last position belonged to NCCBL with ROA equaled to 0.43%. The customer deposits record a maximum value of 8.76 and a minimum value of 8.07. On average the mean value is 8.43 and the rate of deviation from the mean is 0.23. Also, the loan portfolio reads a maximum value of 0.91 with a minimum score of 0.54. The table shows that the loan portfolio has an average score of 0.76 with the rate of deviation from the mean of 0.1. The reserved variable shows a minimum value of 6.11 and a maximum value of 7.41. On average, the mean value is 6.83 with a rate of deviation of 0.52 from the mean. Again, the table shows that the size of the bank has a maximum score of 8.85 and a minimum value of 8.15. The mean value as seen on the table is 8.51 with a standard deviation of 0.23. The outstanding expenses variable from the table read a maximum value of 7.52 with a minimum value of 6.50. It is noticed that the mean value is 6.87 and the standard deviation is 0.54. Lastly, it is observed that the return on assets has a maximum value of 0.51 and a minimum value of 0.05. On average, the mean value is 0.31 with the rate of deviation from the mean of 0.14.(Klein, Lambertz, & Stahl, 2016). TheCredit policy from East African central banks has been directed to improve government fiscal balance by reducing borrowing from the banking system. For example in Tanzania 2010 commercial banks credit extended to the private sector was TSh 6,029.4 billion (2010) compared to Tsh4, 805.8 billion as the end of

December 2009 equivalent to an increase of 25.5 percent, credit was directed to various economic activities such as personal loans, business activities and transportation and communication (MOF 2010) on another hand annual growth in credit to the private sector during 2002-2010 averaged 28 percent in Uganda, 32 percent in Tanzania, and 15 percent in Kenya. This has resulted in to increase in private sector share per Retained Earnings(RE) from 8 percent to 16 percent in Uganda, 6 to 16 percent in Tanzania, and 25 to 33 percent in Kenya (IMF 2012). Despite the increasing trend of allocation of credits to the private sector, the interest rate spread is still very high, even if banking regulation in east Africa has permitted the penetration of foreign banks to operate in the economy.(Raphael, 2013).

Aikaeli (2008) the access to financial services is still very low especially for the huge population in the rural areas. For example, in Tanzania alone one in Six Tanzanians has access to financial services from formal institutions, this is to say over half of the population of Tanzania is excluded from financial services, looking at the economy of Tanzania whereby 80% of people are engaged in agricultural activity and are contributing over 56% of the economy. This situation is similar to other members of east African countries for example less than a third of the population in Uganda, Rwanda, and Burundi do not have proper access to financial services. The Mean efficiency of East African commercial banks ranges from 0.86 (2008) to 0.81 (2011). Also, the selected banks were supposed to use a range of 86 percent to 81 percent of available to maintain the same level of out. Therefore, commercial banks were supposed to reduce input resources by 19 percent 2008, 43 percent 2009, 27 percent 2010, and 26 percent 2011 under CRS for them to be technically efficient without affecting the outputs. On the other hand, commercial banks were supposed to reduce the input level by 16% (2008), 31% (2009), 18% (2010), and 9% (2011).(Samy, 2012).Rwandan commercial banks factors necessary for the performance such as Bank of Kigali, Bank Populaire du Rwanda, I &M Bank, Cogebanque, Ecobank, KCB, Equity, GT-Bank, Access Bank and CraneBank (BCR) are performs well (90%) while 10% of are still working at the basic level. However, all of these commercial banks still struggling with their performance. When asked to give reasons for their views, respondents said the bank reputation has gone high over the

recent years (43%) while 30% said the level of solvency in the bank is good and 27% said the bank customers are satisfied. The reasons given to have this level of working capital management is an influenceive tool of commercial bank performance in Rwanda.(AFSA, 2015). The customers of The Rwandan commercial banks such as Bank of Kigali, Bank Populaire du Rwanda, I &M Bank, Cogebanque, Ecobank, KCB, Equity, GT-Bank, Access Bank, and CraneBank (BCR) have increased (31%) while 39% are on a medium level of performance and 10% neither at the basic level. None of the contacted. 46% of the commercial bank customers strongly support that working capital management has led to customer satisfaction while 41% agreed and 13% neither agreed nor disagreed. None of the respondents either disagreed or strongly disagreed. 52% of respondents strongly agreed that the bank competitiveness has increased while 43% agreed and 5% neither agreed nor disagreed. None of the respondents disagreed or strongly disagreed.64% of the commercial bank's customers strongly that the bank performance has improved while 285 of the commercial bank's customers were strongly that it has improved and 8% neither agreed nor disagreed.82% the commercial bank's customers strongly that the bank has increased its 54 reputations while18% agreed and none of the respondents disagreed. (Falope, 2009).

2.4.4.1 Retained Earnings.

The advantage of Retained Earnings(RE) Improvement backed by the Lending performance of Commercial Bank in both developed and developing spheres such as the USA, UK, Brazil, Japan, France, Egypt, Nigeria, and South Africa have the significant proportion of Working Capital (WC) backed by the Lending performance of Commercial Bank inflows like into China came from neighboring regions and countries Hong Kong, Taiwan and Singapore in another hand. In particular, Hong Kong contributed about 45% of China’s GDP Growth Improvement backed by the Lending performance of Commercial Bank inflows. In addition, a large proportion of China’s GDP Growth Improvement backed by the Lending performance of Commercial Bank inflows, especially those from Hong Kong, belongs to the backflow of domestic funds (capital backflow). Xiao (2004) conducted a detailed

analysis of China's capital backflow in Working Capital (WC) and Retained Earnings (RE) improvement backed by the Lending performance of Commercial Bank and estimated that backflow accounted for 30%-50% of Working Capital (WC) and Retained Earnings (RE) backed by the Lending performance of Commercial Bank, far above the World Bank's estimate of one-fourth. Such capital backflow was only 20%-30% of capital flight.There are many different measures used to assess the development gap, each one offering an alternate way of dividing the world concerning how developed it is. For (Amitava, 2013) the most common indicators of development used in geography which are Working Capital (WC) and Retained Earnings(RE) under Gross National Product (GNP), GNP per capita, Birth and death rates, Retained Earnings (RE) (HDI), Infant mortality rate, Literacy rate, and Life expectancy level.(World Bank, 2011).

Based on these findings, (cfr appendix IV), the researcher decided to look at two indicators of Working Capital (WC) and Retained Earnings (RE) as the main component of consideration.The Growth of world gross product (WGP) is estimated to be 2.6 per cent in 2014, marginally better than the growth of 2.5 per cent registered in 2013, but lower than the 2.9 per cent projected in World economic situation and prospects as of mid-2014, (Saunders, 2015).Average incomes (as measured by Working Capital (WC) in England between the years 1270 and 1650 were £1,051 when measured in today's prices. The income of the average person grew immensely from an average of £1051 incomes per person per year increased to over £30,000 a 29-fold increase in prosperity one truly important event in the economic history of the world, the onset of economic development.Countries were improved their Working Capital (WC) and Retained Earnings (RE)at the certain level such as Asian Countries 'Working Capital (WC) and Retained Earnings (RE)were reached 1,467.74 USD in 2015, compared with 1,426.07 USD; their GDP Per Capita data were updated with an average number of 375.35 USD. (Amitava, 2013). The Working Capital (WC) and Retained Earnings (RE)gradually rebounded to a moderate growth rate of 6.49 percent in 2015, up by 0.75 percentage points from 5.75 percent in the year 2014. The growth was mainly driven by the industry sector, particularly, the construction sector with a growth of 10.33 percent, and by the strong

performance of the electricity sector with 7.44 percent growth in 2015.(Danielle, 2014).

The World Bank classifies countries into four income groups yearly whereby country economies are divided according to the 2008 Gross National Income (GNI) per capita. The following ranges of income are used: First, Low-income countries had GNI per capita of US$1,000 or less. Second, Lower middle-income countries had GNI per capita between US$1,000 and US$4,000. Third, Upper middle-income countries had GNI per capita between US$4,000 and US$12,300. Lastly, Fourth, High-income countries had GNI above US$12,300, (World Bank, 2011). The World Bank classifies all low-income countries and middle-income countries as developing. However, the use of the term is convenient was not intended to imply that all economies in the group are experiencing similar development or that other economies have reached a preferred or final stage of development; the classification by income does not necessarily reflect development status (World Bank, 2011)With the moderate Working Capital (WC) in 2015 has increased to Nu. 174,400.66 (US $ 2,719.11) from Nu160,464.09 (US$ 2,610.55) in 2014. It grew by 4.80 percent, which is an increase of 1.19 percentage points from 3.62 percent in 2014. The per capita Gross National Income amounted to Nu. 158,945.13 (US$ 2,478.14) with the growth of 2.59 percent as compared to 3.59 percent in 2014, (World Bank, 2015). The economy recorded a National Saving of Nu. 29,741.68 million in the year 2015 as against Nu. 35,015.78 million in 2014, down by Nu. 1,505.11million. Of the total national saving, government saving constituted Nu. 4,610.07 and private savings (Households, Private and Public Corporations) of Nu. 25,131.61, (UN, 2015). The investment in the economy was recorded at Nu. 71,286.96 million, of which Nu. 9,379.50 million was financed through capital transfer and Nu. 32,165.79 million through external borrowings, (UN, 2015).Despite the recent upturn, per capita income in SSA at the turn of the new century is 10 per cent below the level reached in 1980, and the gap is even larger compared to the level attained three decades earlier. Economic growth remains well below the UNNADAF target of 6 per cent per annum. For the region as a whole, only two countries, i.e. Mozambique and Uganda, met this target during the past decade. Growth rates needed to attain the more recent

target of reducing African poverty by half by 2015 are estimated to be even higher than the UN-NADAF target of 6 per cent. Based on recent trends, these targets are unlikely to be accomplished, (Edoho, 2015).

Moderate growth in agriculture and the poor performance of the industry has meant that much of the African growth in the past decade came from the services sector. Comparing 1997 with 1980, the share of services within GDP rose from 38.7 to 48.6 per cent as shares of agriculture and industry declined from 22.3 to 19.5 per cent and from 39 to 31.9 per cent respectively. Such a steep decline in the share of the industry at an early stage of industrialization and development suggests that the growth process in the region is highly fragile.(Rodrik, 2018). The Implicit GDP Deflator decreased from 7.28 in 2014 to 3.70 in 2015, down by 3.87 percentage points. Similarly, inflation of goods and services as measured by Consumer Price Index (CPI) also recorded at 4.58 percent 2015 that is a decline of 3.69 percentage points as compared to 8.27 in 2014. The economy recorded a National Saving of Nu. 29,741.68 million in the year 2015 as against Nu. 35,015.78 million in 2014, down by Nu. 1,505.11million. Of the total national saving, government saving constituted Nu. 4,610.07 and private savings (Households, Private and Public Corporations) of Nu. 25,131.61, (UN/DESA, 2015). The investment in the economy was recorded at Nu. 71,286.96 million, of which Nu. 9,379.50 million was financed through capital transfer and Nu. 32,165.79 million through external borrowings, (UN, 2015).EAC has become a significant regional market and vehicle for development and stability throughout East Africa. The community has a market of more than 150m people do, with almost a quarter of that population living in urban areas. The combined GDP of the community stands at $146bn, which, if it were a country, would rank it as the fifth-largest economy on the African continent behind Nigeria, Egypt, South Africa, and Algeria. The EAC Vision 2050 notes that GDP per capita in the region grew from $140 in 1960 to $790 in 2015. This compares poorly to the GDP per capita of South Korea, which grew from approximately $140 to $21,000 over the same period.(Brown, Sen, & Decoster, 2013). As such, the EAC is targeting much more aggressive growth over the next three decades. The EAC Vision 2050 sets the goal of increasing per capita GDP for the region ten-fold to $10,000, allowing the EAC to

achieve upper-middle-income status(Amitava, 2013). The ICG, the establishment of the EAC has led to a 0.45% increase in real GDP in the region and a 12% decrease in the statistical risk of bilateral conflict between member states. (Colombo, et al., 2015)Influenceive implementation of the common market protocols could also double welfare gains. The bloc continues its move towards integration and expansion. In 2016, it welcomed its sixth member, South Sudan. The country of almost 12m people provides a market for just under 10% of exports from within the regional bloc. Furthermore, South Sudan stands to gain significantly from regional integration. The nascent nation has a GDP per capita of $1111 but is designated as fragile and conflict-affected by the World Bank. Policymakers hope the EAC provided a path to development and stability for the country, (Fayissa & Nsiah, 2013).Rwanda now aspires to reach Middle Income Country (MIC) status by 2035 and High-Income Country (HIC) status by2050. This aspiration was carried out through a series of seven-year, underpinned by detailed sectoral strategies that are aimed toward the achievement of the Sustainable Development Goals. The NST1 came after the implementation of two, five-year Economic Development and Poverty Reduction StrategiesEDPRS (2008-12) and EDPRS-2 (2013-18), under which Rwanda experienced robust economic and social performances. Growth averaged 7.5% over the decade to 2018, while per capita growth domestic product (GDP) grew at 5% annually, (Government of Rwanda , 2011).The country entered a high period of economic growth in 2006, and the following year managed to register 8% economic growth, a record it has sustained since, turning it into one of the fastest-growing economies in Africa. This sustained economic growth has succeeded in reducing poverty and reducing fertility rates, with growth between 2006 and 2011 reducing the percentage of the country's population living in poverty from 57% to 45%.The country's infrastructure has also grown rapidly, with connections to electricity going from 91,000 in 2006 to 215,000 in 2011, (Eurostat, 2015).

Table2.1: The main economic indicators of Rwandan Working Capital (WC) and Retained Earnings(RE) backed by GDP Growth Improvement the Lending performance of Commercial Bank in the period of 1980–2017.

Year	**1980**	**1985**	**1990**	**1995**	**2000**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
GDP in $ (PPP)	2.11 Bln.	3.66 Bln.	3.96 Bln.	2.96 Bln.	5.00 Bln.	8.28 Bln.	9.32 Bln.	10.30 Bln.	11.68 Bln.	12.50 Bln.	13.58 Bln.	14.94 Bln.	16.56 Bln.	17.62 Bln.	19.30 Bln.	21.24 Bln.	22.80 Bln.	24.62 Bln.
GDP per capita in $(PPP)	453	643	614	541	667	938	1,036	1,120	1,229	1,289	1,358	1,465	1,577	1,640	1,754	1,884	1,973	2,080
GDP growth(real)	−3.6 %	5.5 %	0.4 %	24.5 %	8.4 %	9.4 %	9.2 %	7.6 %	11.2 %	6.3 %	7.3 %	7.8 %	8.8 %	4.7 %	7.6 %	8.9 %	6.0 %	6.1 %
Inflation(in Percent)	7.2 %	−1.1 %	4.2 %	56.0 %	3.9 %	9.1 %	8.8 %	9.1 %	15.4 %	10.3 %	2.3 %	5.7 %	6.3 %	4.2 %	1.8 %	2.5 %	5.7 %	4.8 %
Government debt(Percentage of GDP)	...	...	...	120 %	103 %	67 %	24 %	24 %	19 %	20 %	20 %	20 %	20 %	27 %	29 %	33 %	37 %	41 %

Source: *World Bank group 2018*

2.4.4.2 Working Capital

The main premise of the human development approach is that expanding peoples' freedoms is both the main aim of, and the principal means for sustainable development where the future of inequalities in human development in the 21st century is, that is, in their hands.Since 1990 the world affairs, especially the USA, Canada, Mexico, Belgium, China, Singapore, Egypt, Ethiopia, Japan, Nigeria, France, and others have made major strides by improved their Working Capital (WC) Backed by the Lending performance of Commercial Bank. The global Working Capital (WC) value has increased by more than a quarter and that of the least developed countries by more than half. This progress has been steady over time and across regions. The number of people living in low human development fell from 3 billion in 1990 to slightly more than 1 billion in 2014, (AfDB Group, 2014).Between 1990 after the Cold war and 2015, the income poverty in developing country regions fell by more than two-thirds; the number of extremely poor people worldwide fell from 1.9 billion to 836 million. The child mortality rate fell by more than half, under-five deaths fell from 12.7 million to 6 million, which increased the level of human capita, and productivity marked the economic development of the sphere.(World Bank, 2015). The improvement of Working Capital (WC) Backed by the Lending performance of the Commercial Bank model was re-estimated with all four index components (measured at the beginning of each five-year period) used as pre-determined variables in the model (and dropping initial GDP) Mexico, Belgium, China, France, Singapore, Egypt, Ethiopia, Japan, USA, Canada and others As expected, each of the four components used in the construction of Working Capital (WC) (log of GNI per capita, expected years of schooling, mean years of schooling, and life expectancy) have coefficients that are negative and significant (at the 5% level or lower). The only other variables in this model of Working Capital (WC) that remain significant are population (positive with a p-value of 0.063) and population growth, (Dyer & Chu, 2011).

The 2010 HDR introduced the MPI, which identifies multiple overlapping deprivations suffered by individuals in 3 dimensions: health, education, and standard of living. The

health and education dimensions are based on two indicators each, while the standard of living is based on six indicators. All the indicators needed to construct the MPI for a country are taken from the same household survey. The indicators are weighted to create a deprivation score, and the deprivation scores are computed for each individual in the survey. A deprivation score of 33.3 percent (one-third of the weighted indicators) is used to distinguish between the poor and no poor. If the deprivation score is 33.3 percent or greater, the household (and everyone in it) is classified as multidimensionality poor. Individuals with a deprivation score greater than or equal to 20 percent but less than 33.3 percent are classified as vulnerable to multidimensional poverty. Finally, individuals with a deprivation score greater than or equal to 50 percent live in severe multidimensional poverty. The MPI is calculated for 101 developing countries in the 2019 HDR, (Klugman, Rodríguez, & Choi, 2011).Work in various countries in the world forms by 7.3 billion people have contributed to this progress. Nearly a billion people who work in agriculture and more than 500 million family farms produce more than 80 percent of the world's food, improving nutrition and health. Worldwide, 80 million workers in health and education have enhanced human capabilities. More than a billion workers in services have contributed to human progress. In France, China, UK, German, Italy, Egypt, Japan, and India's Working Capital (WC) Backed by the Lending performance of Commercial Bank were improved by 23 million jobs in clean energy are increasing environmental sustainability, (World Bank, 2011). Working Capital (WC) and its components, 2010 and 2013 according to the region were characterized like these Very high human development 0.885 to 40,046; High human development 0.723 to 13,231; Medium human development 0.601 to 5,960; Low human development 0.479 to 2,904. In the other hands Arab States came first with 0.675 to 15,817; East Asia and the Pacific 0.688 to 10,499; Europe and Central Asia 0.726 to 12,415; Latin America and the Caribbean 0.734 to 13,767; South Asia 0.573 to 5,195 and Sub- Saharan Africa 0.468 to 3,152, globally (World) 0.693 13,723 that established a constructive perfection on the Lending performance of Commercial Bank. (UNDP, 2015). Inthe African continent, the Working Capital (WC) Backed by the Lending performance of Commercial Bankwas improved at 69 percent of adults had an account with a financial

institution, up 7 percentage points from 2014. That means more than half a billion adults gained access to financial tools in three years, in lending performance of commercial particular, inclusive e-commerce, which promotes the participation of small firms in the digital economy, is important because it can create new opportunities for traditionally excluded groups. In African countries such as Ethiopia, Nigeria, Egypt, Ghana, Kenya, Tanzania, Rwanda, and South Africa were worked up to an estimated 10 million small and medium enterprises sell on the Taobao platform; nearly half the entrepreneurs on the platform are women, and more than 160,000 are people with disabilities, (Demirguc-Kunt, Klapper, Singer, Ansar, & Hess, 2017).The highest Working Capital (WC) and Retained Earnings (RE)levels in Africa are in Algeria, Libya, Mauritius, Seychelles, and Tunisia. Thirty-six African countries (out of 44 countries worldwide) are classified in the low human development group; A gender wage gap outside agriculture is pervasive across all labor markets in sub-Saharan Africa, where, on average, the unadjusted gender pay gap is estimated at 30 per cent. Thus, for every $1 earned by men in manufacturing, services, and trade, women earn 70 cents. Gaps in earnings between women and There is a high economic cost when women are not more fully integrated into their respective national economies. Gender inequality in the labor market alone cost sub-Saharan Africa about USD 95 billion annually between 2010 and 2014, peaking at USD 105 billion in 2014.The comparison is based on the Working Capital (WC) mean value of the 53 African countries used in this Report's analysis compared with the Working Capital (WC) mean values of the developing and emerging market regions between 1990 and 2014. Africa has shown one of the best improvements in Working Capital (WC) between 1990 and 2014 but also has the lowest average levels of human development compared to other regions in the world.(UNDP, 2016). In East Africa, for example, Seychelles and Kenya, Rwanda, Uganda, and Tanzania have Working Capital (WC) and Retained Earnings (RE) improved Backed by the Lending performance of Commercial Bank values of 0.772 and 0.548, respectively, compared to Burundi and Eritrea of 0.400 and 0.391, respectively both well below the African average. Similar comparisons are noted in the other sub-regions, such as Cabo Verde (0.646) and Niger (0.348) in West Africa, and Gabon (0.684) and the Central African Republic (0.350) in Central Africa.

At the Rwandan level, the Working Capital (WC) improved Backed by the Lending performance of Commercial Bank value for 2018 is 0.536 which put the country in the low human development category positioning it at 157 out of 189 countries and territories. Between 1990 and 2018, Rwanda's Retained Earnings (RE) Backed by the Lending performance of Commercial Bankvalue increased from 0.245 to 0.536, an increase of 119.0 percent. Between 1990 and 2018, Rwanda's life expectancy at birth increased by 35.3 years, mean years of schooling increased by 2.7 years, and expected years of schooling increased by 5.4 years. Rwanda's Lending performance of Commercial Bank increased by about 126.5 percent between 1990 and 2018, (Horner, 2014). Rwanda's 2018 Retained Earnings (RE) of 0.536 is above the average of 0.507 for countries in the low human development group and below the average of 0.541 for countries in Sub-Saharan Africa. From Sub-Saharan Africa, countries which are close to Rwanda in 2018 Working Capital (WC) improved Backed by the Lending performance of Commercial Bank rank and to some extent in population size are Guinea and Togo, which have Working Capital (WC) and Retained Earnings (RE) Backed by the Lending performance of Commercial Bank ranked 174 and 167 respectively, (Egedy, Földi, Balogi, & Kovács, 2009).

2.4.5 Regulatory framework

Regulation Theory is a currently fashionable type of Marxist economic theory.

Regulation theory therefore sees the intimate interconnections between the economy and society. Most of its terminology is designed to allow you to talk about social and cultural systems alongside economic activity.

2.4.5.1 Theories of Regulations

The development and techniques of regulations have long been the subject of academic research.Twoo basic schools of thought have emerged on regulatory policy ,namely positive theories of regulation and normative theories of regulation.

Positive theory of regulation examines why regulation occurs.These theories of regulation includes theories of market power,interests group theories that describe stakeholders interests in regulation, and theories og Government opportunism that describe why restrictions on government discretion may be necessary for the sector to provide efficient services for customers Tenenbaum,(2013)

In general, the conclusion of these theories are that regulation occurs because:

-The Government is interested in overcoming information asymmetrieswith the operator and in aligning the operator's interest with the government's interests.

-Customers desire protection from market power when competition is no existent or ineffective.

-Operators desire protection from rivals.

- Operators desire protection from government opportunism.

-Normative theories of regulation general conclude that regulators should encourage competition where feasible , minimize the cost of information asymmetries by obtaining information and providing operators with incentives to improve their performance

-Provide for price structures that improve economic efficiency

-And establish regulatory processes that provide for regulation under the law and independence ,transparency,predictability,legitimacy and credibility for the regulatory system.

-principal agent theory addresses issues of information asymmetry , which in the context of utility regulation generally means that the operator knows more about its abilities and effort and aabout the utility market than does the regulator.In this literature,the government is the principal and the operator is the agent,whether the operator is

government owned or privately owned.Principal agent theory is applied in incentive regulation and multipart tarrifs. Bakovic,(2009)

2.4.5.2.Regulatory instruments

Basic regulatory strategies are :command and control, self regulation, incentive regulation and competition (Baldwin,Robert and Martin Cave,(2009).

a) Basic regulatory instruments.

Regulating infrastures: Monopoly, contracts and Discretion.

Infrasture regulation is a contracting problem and examines the choice of regulatory instrument.

Considers contract completeness, private contarcts, concession contracts, and discretionary regulation .Also examines variants of these contracts typs and hybrids.

Regulatory by contract: Is a new way to privatize electricity contribution (Bakovic, 2013)

ICT regulation: Describes how to write and issue a license to provide telecommunications services,including the objectives of licensing,the relationship with other regulatory instruments and with trade agreements,licensing new entrants versus incumbents,designing and auctioningspectrum licences,and how to maintain transparency. (Kopicki, Ron & Louis Tompson, 2015)

2.5 Critique ofthe existing literature

A critical review of previous literature shows that several conceptual and contextual Research gaps existed on the influence of asymmetry information asymmetry management on the lending performance of commercial banks in Rwanda. Some part of the sphere has been improved positively on the lending performance of commercial

banks in Rwanda, especially the teen commercial banks supported by the political drive based on the lending performance of commercial banks in Rwanda projection, which proved optimistic contribution on their nations.The second part of the *benefits* on this Information asymmetry management which caused the operation of the moral hazard, adverse selection, and Propitious Selection cases are influencing the financial service negatively when are not well managed, in another hand, there is a lending performance of Commercial Banks which should operate in positive aspect when Information asymmetry management pillars are well managed.Different findings of studies on the influence between Information asymmetry managementand lending performance of Commercial Banks have varied and have been controversial across financial institutions. Some studies have found bidirectional causality; others have shown unidirectional causality in either of the two series while others have found no influence between Information asymmetry managementand lending performance of Commercial Banks for different reasons.

The intensity of intra- and cross-group trade linkages still considering as dependent from South sphere to the northern sphere(Amitava, 2013), For example, the share of intra-group trade in the total trade of the Emerging.The South trade has increased by fourfold from 9 percent in 1960 to 36 percent in 2005. During this period, the share of the Emerging Southern trade with the North has declined from 83 percent to 50 percent. Similarly, in the total trade of Developing South, the share of trade with the Emerging South has jumped from 6 percent in 1960 to 25% in 2005. China has been an engine of the growth of intraregional trade in Asia. For example, China related intraregional trade flows grew by 12 times trade accounting for roughly 60% of intraregional trade within emerging Asia over the period 1990-2006.(Barsh, 2008). Based on these various kinds of literature, it has been noticed that information asymmetry managementplays a big role in the national socio-economic development of countries when it has well oriented on the national development policies. Many empirical studies have learnt the significance of Information asymmetry managementin terms of moral hazard, adverse selection, and Propitious Selection management in the financial area arena, but the social component

still underestimated,(Dyer & Chu, 2011).Today with the globalization era, countries do not need to have their only approaches, tactics, and strategies on their political system, which is not positioned on the lending performance of commercial banks' interests but having strategies that assist them to manage the moral hazard, adverse selection, and Propitious Selection managementthat are not only advantaging one group or state but also more of them,(UNEC, 2011).

Mackey and Jacobson (2011) provided his critics by demonstrating how the technical challenges should create new opportunities by establishing micro and small enterprises when is being recognized as a tool to generate additional sources of income; micro-enterprises are more flexible and adaptable to rapid changes than are bigger companies. On an individual level, starting up a business has sometimes been the only solution for certain segments of society, e.g. women, younger people, or workers who were previously employed in the public sector. Small-scale entrepreneurs, especially in the early stages, often lack the necessary information and tools needed for running their businesses. They are also in need of updated data about the market. It is therefore important to create appropriate frameworks that can offer support, guidance, and managerial tools to those willing to take the risk of entrepreneurship.In order to achieve all these values, Financial Institutions, particularly commercial banks ones which have to rewrite and reformulate their policies in order to maximize financial attraction as well as ensure credibility and favourability. The influence has to be open and competitive; policies have to be friendly to capital in and outflows. In the financial sector, the lending performance of commercial banksand improvement of people's welfare is the major and paramount issue that must be taken into consideration and solve it based on a well-formulated the Information asymmetry management stronglymanagedby the Commercial Banks.

2.6 Research gaps

A critical review of past literature showed that several conceptual and contextual research gaps existed on the implementation of the developmental policies and strategies

to the Rwandan National Institutions.Since 2010, Rwanda coordinated its Financial strategies looking for different Information asymmetry management plans such as Moral Hazard management, Adverse Selection management, and Propitious Selection management which orienting Commercial Bank's influence on the implementation of Rwandan's aims of becoming a middle-income country by 2020. This made Rwanda to be ranked by several international bodies such as Easy of Doing Business, Trading economics, Green Investment Application, Clean and Green Area; and lastly, (Campbell, 2007).

A number of studies including (BNR, 2015) (Ryumugabe, 2016) (MINICOM, 2011) indicate the highest level of NPLs compared to the rest of the East African States caused by the low Lending performance of Commercial Banks in Rwanda, where non-performing loan ratio (NPLs ratio) increased to 6.2% as at end December 2015 compared to 6.0% recorded in 2014, the average value of non-performing loans for Rwanda since 2002 to 2011 was 23.76 percent with a minimum of 8 percent in 2011 and a maximum of 57 percent in 2002 although the Rwandan Central Bank has strengthened bank supervision and regulatory measures, NPLs still remain high and this influences the lending performance of Commercial Banks in Rwanda. Three main reasons such as Dependency of Commercial Banks, High interest rate of 19%, low level of expertise, research and development which instills unfairness even though, Country monetary policy has been oriented sharply since 2010, largely as a low result of the lending performance of Commercial Banks.

Based on the above studies, different challenges entitled gaps, different observations were perceived such as the population living below the poverty line to less than 30%; population living in extreme poverty to less than 9%, Unemployment Rate of 13.2% could be fixed by the strategies, however, it has no enough impact on the lending performance of Commercial Banks in Rwanda. This is the reason why the researcher decided to carry out a study, which provided his contribution as Researcher on the said gaps by demonstrating, and verifying the existence of the Information asymmetry

management and its influence based on its different pillars on the management of Commercial Banks's lending performance in Rwanda.

2.7 Summary

The above chapter reviewed the various Information asymmetry managementinfluences theories and models that explain the independent and dependent variables. The reviewed theories are then critiqued for relevance to specific variables. The chapter also explored the conceptualization of the independent and the dependent variables by analysing the influences between the two sets of variables. In addition, an empirical review was conducted where past studies both global and local is reviewed in line with the following criteria, title, scope, methodology resulting in a critique. It is from these critiques that the research gap was identified.The Information asymmetry management strongly managed have been viewed by the researcher as an important influence on the lending performance of the commercial bank in Rwanda. With this Perspective of bringing light to this topic, the general introduction was highlighted, the objective of the study and research questions, scope of study, and other important key elements to be found in the introduction.

From the literature reviewed, both Moral Hazard management, Adverse Selection management, and lastly Propitious selection managementwere strong-minded. It was clear that there is a positive correlation with Information asymmetry management informationthat covers the components of Moral Hazard management, Adverse Selection, and lastly Propitious selection managementand were viewed as a great contribution to the lending performance of the commercial bank in Rwanda.

The research designs of this study were applied qualitative approach as a systematic subject approach used to describe life experiences and give meaning. The goals were gaining insight; exploring the depth, richness, and complexity inherent in the phenomenon through her specific approach which was a Case study that was described in-depth the experience of one person, family, group, community, or institution with the

method of direct observation and interaction through the subject. In practice, the following activities were undertaken on the selection of sample techniques; develop research instruments questionnaires); a collection of data (the research is going to use both primary and secondary data); Process the data (using SPSS software which assisted on the process) and the researcher was analyse, interpret and draw the conclusion and recommendations.

The study population was on the direct Institutions dealing with Information asymmetry management. These were officials of theBank of Kigali, Bank Populaire du Rwanda, I &M Bank, Cogebanque, Ecobank, KCB, Equity, GT-Bank, Access Bank, and CraneBank (BCR).The Different Instruments was used on data collection; questionnaires and interview secondary data shall also be used to check the trustworthiness of primary data. Data wereanalysed using scores of statistical and mathematical functions. These functionalities were done through Statistical Package for the Social Sciences SPSS software such as data transformations; data examination; descriptive statistics; correlation; T-tests; Linear Regression.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used in undertaking the study. It starts by explaining the research philosophy, the research design adopted target population, sample frame, sample and sampling techniques, data collection instruments, data collection procedures, pilot testing, and data analysis, and presentation techniques. Lastly, the analytic technique used to test the hypotheses is also presented.

3.2 Research Philosophy

The research philosophy is the role of financialinstitutions on maintaining the monetary stability and the political factor as the monetary regulator both as the fundamental actors of lending performance of commercial Banks.

3.3 The Research Design

A research design is a plan or an overall strategy for conducting the research. It is a means of ensuring that a research process is systematic and scientific enough so that the results obtained can be applied in real life (Prabhat & Meenu M., 2015). This study was mainly a descriptive research. Descriptive research studies are those studies, which are concerned with describing the characteristics of a particular individual or characteristics of a group (Kothari, 2004).

For Mugenda *et al* (2003) on the other hand define descriptive research as a process of collecting data in order to gain insight on the data patterns and answer questions concerning the status of the subject of study.(Sekaran, 2003), also contends that a descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation. A descriptive survey design was

adopted for this study because; first, it was used to quantitatively describe specific aspects of the population. Inferential statistics are used to determine the significant factors influencing the lending performance of Commercial Banks and test hypothesis. Finally, the study data used a sample of the population from Commercial Banks by utilizing questionnaires, from which research findings were generalized to the population.

3.4 Target population

The target population is an aggregation of study elements and refers to all members of a real or hypothetical set of people, events, or objects to which we wish to generalize the findings (Prabhat & Meenu M., 2015). The target population for the study was 931 from Bank of Kigali, Bank Populaire du Rwanda, I &M Bank, Cogebanque, Ecobank, KCB, Equity, GT-Bank, Access Bank, and CraneBank (BCR). The target population was 931, the sample size was 278 and the period was from 2000 to 2018.

Table3.1: Proportional stratified sample size

Targeted Banks	Target Population	Proportion (%)	Sample
Bank of Kigali	112	12.03	33
Bank Populaire du Rwanda	149	16.00	44
I &M Bank	87	9.34	26
Cogebanque	79	8.49	24
Ecobank	102	10.96	30
KCB	104	11.17	31
Equity	63	6.77	19
GT-Bank	103	11.06	31
Access Bank	68	7.30	20
Crane Bank (BCR)	64	6.87	19
Total	**931**	**100**	**280**

Source: Secondary data, 2000-2018

The selected sample units show a general representation of other Commercial Banks Organs in the study area that operate in different business activities (sectors).

3.5 Sampling Frame

The sampling frame was designed to cover Commercial Banks officials such as DGs, CEOs, Directors, Head of Units, Specialists, Experts, Professionals from Rwanda. A study sample is a subgroup or a fraction of the target population and is a representation of the study population (Roger M. G., 2011). Multistage sampling was used in this study. This was followed by systematic random sampling, by using random number table digits to identify the respondent. The next step involved the selection of the respondents from the sampling frame of potential respondents from each targeted institution.

3.6 Sampling Techniqueand sample size.

The sample size is the number of individuals from whom the researcher obtains the required information and is usually denoted by the letter *n*. The respondents for this study were the Experts from Bank of Kigali, Bank Populaire du Rwanda, I &M Bank, Cogebanque, Ecobank, KCB, Equity, GT-Bank, Access Bank, and CraneBank (BCR). In determining the sample size, this study adopted the formula and procedure for categorical data using the Fishers formula. According to (Singh & Masuku, 2014) reformulated the formula of Yamane 1967, provided a simplified formula to calculate the said sample sizes as it is below.

$$n = \frac{N}{1 + N(e^2)}$$

Where n is the sample size, N is the population size, and e is the level of precision 5% for our study

Thus, $= \frac{N}{1+N(e)2} = \frac{931}{1+931*(0.05)^2} = 279.7$, and then, n= 280 employees.

As for Singh *et al*, (2014) added that the proportional stratified sample size means that, the number of sampling units drawn from each stratum is in the proportion to the relative population size of that stratum.

3.7 Data Collection Methods

According to Kothari, (2004) questionnaires are popularly used data collection tools. Primary data was collected using structured to have a broad range of data to enhance data accuracy. The questionnaire had three parts. Part I comprised questions on respondents' information, Part II General information on the business, and Part III Information asymmetry management(that is, Adverse Selection management component) and lending performance of Commercial Banks

3.7.1 Primary Data

Primary data was collected from the Bank of Kigali, Bank Populaire du Rwanda, I &M Bank, Cogebanque, Ecobank, KCB, Equity, GT-Bank, Access Bank, and CraneBank (BCR). A Stratified random sampling methodology was employed since 280 officials

from different Commercial Banks working in the country were selected from 931.

3.7.2 Secondary Data

Secondary data was collected from financial reports of Commercial Banks operating in Rwanda and from the reports from MINECOFIN and BNR.

3.8 Data collection procedures

Saps ford*et al,* (2006) defined data collection as the process of gathering and measuring information on variables of interest in an established systematic fashion that enables one to answer stated research questions, test hypotheses, and evaluate outcomes. For this study, primary data was collected by administering questionnaires face to face and via mail. 280 questionnaires were distributed to officials to access the Information

asymmetry management influence on the Working Capital (WC) and Retained Earnings(RE) under the Lending performance of commercial banks in Rwanda.

3.9 Pilot Study

A pilot study is an imitation and a rehearsal of the main survey. A pilot study on data collection instruments was carried out to ensure that the items in the questionnaire are stated clearly, mean the same to target respondents and give the researcher an idea of approximately time taken to complete a questionnaire. According to (Green, 2014) it is used to improve the validity and relevance to the study objectives. Bank of Kigali, Bank Populaire du Rwanda, and I &M Bank officials competed the pilot test questionnaire as part of the target population. (Kothari, 2004)

The officials randomly selected from the commercial Banks were not part of the final study sample. Scientific researchers generally recommend 10% representation of the population (931) which was 93 respondents; In choosing the respondents for pilot

testing, the researcher utilized a simple random sampling method; The questions that had errors, omissions, ambiguous and irrelevant were re-defined and the questionnaire content, structure, and sequence were restructured to enhance the content validity and reliability. These improvements made the data collection instruments precise.

3.9.1 Validity Test of Research Instrument

Validity is about the accuracy of the data obtained in the study in representing the variables of the study (Saunders, 2015). (Creswell & Garrett, 2008) defined validity as to how well an instrument measures what it is intended to measure. The study used open-ended and close-ended questionnaires with Likert scale; Another important feature is the population for which the measure is intended, once some of these decisions were made and a measure was developed. This study established the validity of the research instrument with the help of the university supervisors and the pilot testing; In this study, the following measures were put place to ensure the items in the questionnaire produced valid data. Expert opinion: the comments of supervisors were incorporated into the instruments as a way of improving their validity. A pilot study: a pretest study was carried out among director general, directors, head of units, experts, specialist, and professional of information asymmetry managementimplementation, after which the results of the pilot data analysis were used to improve the validity of the instruments. Factor analysis: Validity test was also used on the research instrument using a method of Principal Component Analysis (PCA) to extract the factors. The criteria, as suggested by (Chou, 2006), was that factor loading greater than 0.40 were considered statistically significant for studies with sample size less than 200. Consequently, in this study, 0.40 was used as the cut- off for loadings since the sample size of the study was 280. The

higher the factor loadings were, the greater they were relating to the variable.

3.9.2 Reliability of Research Instrument

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda & Mugenda, 2003). According to (Kothari, 2004), reliability is the consistency of measurement. The Researcher contends that the more reliable a data collection instrument is the more consistent the measure would be. Reliability is the degree to which a test consistently measures whatever it measures

(Creswell & Garrett, 2008). This study employed Cronbach‘s coefficient alpha method to determine the internal consistency of the variables to be measured.

$$\alpha = \frac{K * r}{1 + (K-1) * \bar{r}}$$

Where:

K is the number of variables,

r- the bar is the average correlation among all pairs of variables.

The results found out the Cronbach ‘s alpha value for the overall questionnaire was 0.805 which indicated its high reliability because the value was greater than the generally agreed lower limit of 0.7.

3.10 Data Analysis and Presentation

3.10.1 Data analysis

To support the relationships as suggested in the model, the study used statistical and econometrics Package for Social Sciences (SPSS version 21) and used the SERVQUAL model to analyze the perception, multinomial model, and descriptive analysis. First, the researcher analyzed internal correlations to examine the relationships among the research variables. Second, the researcher conducted a standard multiple regression analysis to test for the direct influence of the independent variables on the Lending performance of commercial banks indicators such as Working Capital (WC) and Retained Earnings(RE) in Rwanda.

3.10.2 Data Presentation

Data analysis was conducted according to the research objectives and hypotheses. This included the need to analyze the influence of information asymmetry management on the Lending performance of commercial banks based on different Institutions of Rwanda. Before processing the responses, data preparation was done on the completed questionnaires by editing, coding, entering, and cleaning the data. Data collected were analyzed using descriptive, econometrics, and inferential statistics.

Descriptive statistics and econometrics were employed to summarize the survey data and provide immediate summary statistics for the various objectives. These included measures of central tendency and relationships. Inferential statistics utilized regression analysis was used to investigate the relationship(s) that had been hypothesized amongst the study variables. Analysis of variance (ANOVA) was also used to investigate if independent variables had a statistically significant influence on the dependent variable. As espoused (Mugenda & Mugenda, 2003) correlation technique is used to analyze the degree of relationship between the variables. Results were presented on frequency tables, charts, and graphs.

The independent variable level of participation influence was regressed on the dependent variable while controlling for the moderating variable. The moderating variable in the study was the political drive influence on the independent variable and the outcome variable. The model that defines how the dependent variable $'Y'$ was related to the

independent variables as indicated below.

3.11 Model specification

3.11.1 Multiple Linear Regression Model

The study employed a multiple linear regression model given by equation 3.4 below

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$ without the moderator, and

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_{3+} \beta_4 X_{4+} \varepsilon,$ with the moderator …….3.4

Where:

i. Y: Lending performance of commercial banks in Rwanda
ii. X_1 : moral hazard management
iii. X_2: adverse selection management
iv. X_3:Propitious Selection management
v. X_4: Political drive
vi. β_0: coefficient of intercept
vii. β1 – β3: The corresponding coefficients for the respective independent variables for Information asymmetry management
viii. ε: error term

The linear regression model is based on the following assumptions; the randomness of the error term, assumption of zero means of the error term, the assumption of constant variance, and assumption of normality of the variables. (Hosmer and Stanley, 2000) emphasize that regression methods have become an integral component of any data analysis concerned with describing the relationship between a response variable and one or more explanatory variables. The data were obtained from the questionnaires are the primarily quantitative analysedto identify the most statistically significant determinants of the Informationasymmetry management(moral hazard management, adverse selection management, and Propitious Selection management) with the variables that have the influence on the Lending performance of commercial banks in Rwanda.

3.12 Test of Hypotheses

ANOVA was used to determine whether there are significant differences between the independent variable's pillars and the Lending performance of commercial banks in Rwanda at a selected probability level (Creswell & Garrett, 2008). The conclusion is based on the p-values where, if the null hypothesis is rejected then the overall model is significant, and if the null hypothesis fails to be rejected the overall model is insignificant. The null hypothesis with a p-value greater than 0.05 was rejected and the p-value less than 0.05 we failed to be rejected.

3.12.1 Variable definition and measurement

Variable that were not be easily measured well be operationalized to make them measurable through their reduction into observable behavior or characteristics. The measurement of variables in this study was conceptualized as follow:

3.12.1.1 Measurement of independent Variable

In this study, the independent variable of the Information asymmetry management measured in three indicators of moral hazard management, adverse selection, and Propitious Selection management. The studymeasured the various components of adverse selection information asymmetry management strongly managed such as moral hazard, adverse selection, and Propitious Selection management with constructing infrastructures support, health services aids and education aids, and multinational corporations such as investment and tourism attraction, international trade, and foreign direct investmentwhich assisted and used by Commercial Banks in Rwanda.

In Information asymmetry management information strongly managed, the study measured the various component such as moral hazard, adverse selection management, which attracts international financial institutions (banks, microfinance, and insurances). This facilitates the availability of the means to investments, development, and donation.

The Lending performance of commercial banks provides different financial services that boost national development. This affects the community.

In addition, the moderating variable, which is a political drivewithmarket regulation**,** and price. These indicators represented the component of the Information asymmetry management andthe Lending performance of commercial banks in Rwanda.

3.12.1.2 Measurement of Dependent Variable

The dependent variable for this study is the Lending performance of commercial banks in Rwanda, which in this study was focused on Working Capital (WC) and Retained Earnings(RE)

3.12.1.3 Measurement of Moderating Variables

The study considered the moderating variable (Political drive). Factors considered under the Political drive like market regulation and Value (price).

Political will is not an easy concept to define let alone measure. This is because even though success or failure of many government objectives is often attributed to political will at the very top or the lack of it in case of failure, little research has been conducted to understand factors that determine political was beside the motivation for political survival a factor neutralized in most parts of Africa. Thus to measure several performance indicators have been put in place by the government which include; performance contract and accountability of the leadership was based on Rwanda's target to become a middle-income economy by the year 2020 under its Vision 2020. The Government of Rwanda (GOR) is also implementing a second phase of the Economic Development and Poverty Reduction Strategy (EDPRS), a medium term framework for the implementation of its development financial services aspirations under this Vision 2020. Achieving the medium term goals within the EDPRS was provided the assurance needed that Rwanda's long term objectives under the Vision 2020 were attained a performance based and accountability mechanism, in Local Governments, and later in

Central Government Institutions, has been the most fundamental effort in instilling performance practices within the public services.

These efforts were supplemented by performance based budget reforms the sector wide approaches and results based budgeting, which emphasize the use of results of services in planning and as a basis for allocating resources within sectors and public institutions. The Economic Development and Poverty Reduction Strategy EDPRS II (2013-18), by including measures for accountable governance for all public institutions, strongly backs these efforts. Finally, the specific adopted at The National Leadership Retreat in 2014 further demonstrate the Government's resolve to implement performance based practices across the public service. Key of these are:

To improve the preparation of institutional performance contracts so that they are outcome-based rather than output-based. To improve the preparation and evaluation of individual performance contracts in public institutions so that evaluation is based on the contribution of each civil servant to the overall mandate of the institution.

3.11 Diagnostic Tests

The focus was the assessment of existence of multicollinearity,homoscedasticity and test for normality and linearity in the study.

3.11.1. Linearity Test

Linearity of data will be tested using Kurtosis tests (Cooper&Schindler,(2001).

The study will employ univariate analysis to identify the determinants of effective disposal,the bivariate to establish the relationships among the determinants and multivariate to derive a model and validate it.Since the study will use multivariate analysis to develop a model ,assumptions like linearity will be tested.

3.11.2 Autocorrelation test

Autocorrelation occurs when errors terms are correlated with each other. This is contrary to the classical linear regression assumes that error terms should not be correlated with each other.

The presence of autocorrelation makes the statistical significance of the estimators unreliable making hypotheses testing spurious.

3.11.3 Multicollinearity Test

The simplest means of identifying collinearity is an examination of the correlation matrix for independent variables .The presence of high correlations which is normally higher than 0.90 is the first indication of substantial collinearity. The test for multicollinearity will be conducted to assess whether one or more of the variables of interest is high correlated with one or more of the other independent variables. The variance inflation factor will be used to evaluate the level of correlation between variables and to estimate how much the variance of coefficient is inflated because of linear dependence with other predictors. As a rule of thumb if any of the Variance Inflation Factor (VIF) is greater than 10, then there is a probability of a problem with multicollinearity Kothari (2004).

3.11.4 Heteroscedasticity test

Heteroscedasticity test whether the variance of errors from a regression model is dependent on the values of dependent variables . Ordinary least square regression assumes that error terms have a constant variance,Homoscedasticity. When the error term does not have a constant variance ,the error terms are said to be heteroscedacitic. The consequence s of heteroscedasticity are to have spurious results.This study adopted the Breusch-Pagan-Godfrey test which states that if significance values are less than 0.05 there is the absence of heteroscedasticity.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the results and findings of the study according to the research objectives and hypotheses. Frequencies mean and percentages were used to analyze data descriptively, while inferential statistics using regression analysis was conducted for the purpose of testing hypothesis and predicting the relationship between the independent and dependent variables.

4.2 Response Rate

The survey was conducted in July 2015- April 2019 covering commercial banks in Rwanda. 280 structured questionnaires were distributed to the DGs, CEOs, Directors, Head of Units, Specialists, Experts, Professionals from Rwanda. Out of the 280 questionnaires, all of them were filled and returned. This represented a 100% response rate. This response rate is considered satisfactory to make conclusions for the study. (Mugenda & Mugenda, 2003), observed that a 50% response rate is adequate, 60% good 70% rated very good, and above 95% excellent.

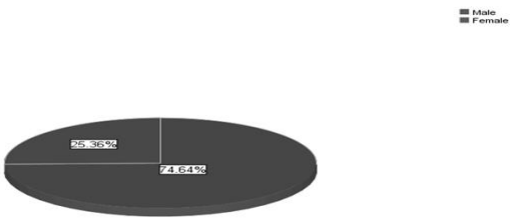

Figure 4.1: Gender of respondents

The response rate of 100% is therefore excellent. The recorded high response rate can be attributed to the data collection procedure, where the researcher obtained a research permit from the Ministry of Education of Rwanda, Directorate general of Science, Technology, and Research. Then, pre-notified the potential participants of the intended survey utilized a self-administered questionnaire where the respondents completed the questionnaires. The questionnaires were picked shortly after following up calls to clarify queries as well as prompt respondents to fill the questionnaires.

4.3 Respondent Gender Distribution

The 280 respondents who responded tothe questionnaires had 74.64% males and 25.36% females. This implies that males were the majority of our respondents compared to females.

4.4 Level of education

Respondents' qualifications varied greatly with a higher proportion of employees having university-level education at 59.64%, Post University at 40%, and college level at 0.36%.

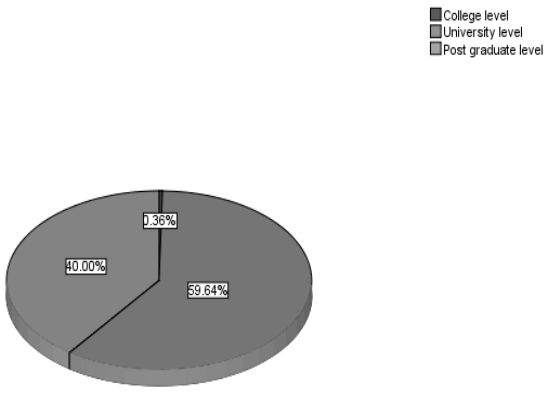

Figure 4.2: Level of education

4.5 Working experience in commercial banks

The results from table 4.1 show that majority had working experience of 3 to 5 years 93.2%, followed by over 5 years of working experience with 5.4% and less than 2 years with 1.4%.

Table 4.1: Working experience in commercial banks

Opinion	Frequency	Percent	Cumulative Percent
less than 2 years	4	1.4	1.4
3 to 5 years	261	93.2	94.6
Over 5 years	15	5.4	100.0
Total	280	100.0	

4.6 Types of commercial bank

The results from table 4.2 indicate that all respondents 100% worked for mixt commercial banks, this implies that there is neither respondent worked for accepting deposits commercial bank types nor lending of funds commercial banks types.

Table 4.2: Types of commercial bank

	Frequency	Percent	Cumulative Percent
Mixt commercial bank	280	100.0	100.0

4.7 How long has the commercial bank been in operation?

The results from table 4.3 indicate that majority of commercial banks had been in operation over 15years with 60.4%, followed by 11 to 15years with 32.5%, lastly 6 to 10years with 7.1%.

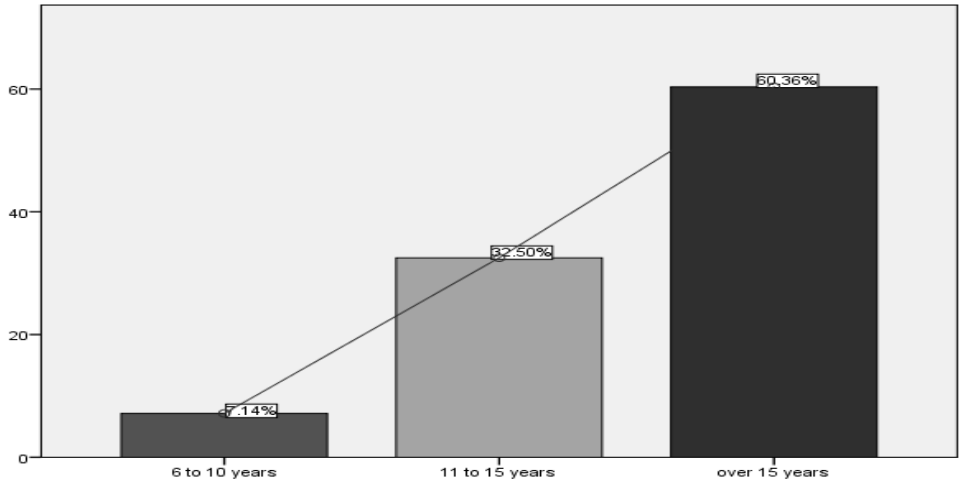

Figure 4.3: How long has the commercial bank been in operation?

Does your commercial bank face one of these three information asymmetry management(moral hazard management, adverse selection management, propitious selection management)?

The results from table 4.3 indicate that all respondents 100% confirmed that commercial bank faces one of these three information asymmetry management (moral hazard management, adverse selection management, propitious selection management.

Table 4.3: If yes which one and how do you use it to manage its influence on the lending performance of your commercial bank?

Opinion	Frequency	Percent	Cumulative Percent
Yes	280	100.0	100.0

4.8 Moral hazard management

The results from table 4.4 indicate that 46.4% of respondents face moral hazard management, 28.9% face propitious selection management, and 21.8 face adverse selection management, propitious, to manage its influence, they ask others for being sure.

Table 4.4: Moral hazard management

Opinion	Frequency	Percent	Cumulative Percent
Adverse commercial bank	61	21.8	21.8
propitious selection management	81	28.9	50.7
moral hazard management	130	46.4	97.1
Total	280	100.0	

4.9 Moral hazard management information

The results from table 4.5 show that 65.7% strongly agreed that the Moral hazard management under information asymmetry management indicates the process by which investors latent demands are ultimately translated into prices affect the lending performance of commercial banks in Rwanda, 31.1% agreed, 1.8% strongly disagreed while 1.4% disagreed.

Table4.5: Moral hazard management information

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	184	65.7	65.7
Agree	87	31.1	96.8
Disagree	4	1.4	98.2
Strongly disagree	5	1.8	100.0
Total	280	100.0	

4.10 The bankruptcy management

The results from table 4.6 show that 63.9% strongly agreed that the risks of ell managed as an aspect of moral hazard management has a positive impact on the investors latent demands and are ultimately translated into volumes of the lending performance of commercial banks in Rwanda, 32.5% agreed, 1.8% strongly disagreed while 1.8% disagreed.

Table 4.6: The bankruptcy management

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	179	63.9	63.9
Agree	91	32.5	96.4
Disagree	5	1.8	98.2
Strongly disagree	5	1.8	100.0
Total	280	100.0	

4.11 Moral hazard under management information asymmetry management

The results from table 4.7 reveal that 65.4% strongly agreed with the bankruptcy management under moral hazard management under information asymmetry management demonstrate and facilitates the ability of market participants to observe information about the trading process which improve the lending performance of commercial banks in Rwanda, 31.4% agreed, 1.8% disagreed while 1.4% disagreed.

Table 4.7: Moral hazard under management information asymmetry management

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	183	65.4	65.4
Agree	88	31.4	96.8
Disagree	4	1.4	98.2
Strongly disagree	5	1.8	100.0
Total	280	100.0	

4.12 Moral hazard management

The results from table 4.8 illustrate that all respondents 100% confirmed that moral hazard management under information asymmetry management with strongly oriented strategies can influence the lending performance in Rwanda.

Table 4.8: Moral hazard management

Opinion	Frequency	Percent	Cumulative Percent
Yes	280	100.0	100.0

4.13 Adverse selection management

The results from table 4.9 reveal that 83.2% confirmed that moral hazard management under information asymmetry management with a strongly oriented strategies can influence the lending performance of commercial banks in Rwanda in the sector of bill exchange discounting, 78.9% in the sector of term loan management, 67.5% in sector of current account management, 54.6% in sector of saving account management,40.4% in requiring deposit management, 36.8% in sector of safe custody management, 26.8% in sector of cash credit management, 17.9% in sector of overdraft management, 16.1% in fixed deposit management and 15.7% in sector of payment and withdraw management.

Table 4.9: The adverse selection management

	Cases					
	Included		**Excluded**		**Total**	
	N	**Percent**	**N**	**Percent**	**N**	**Percent**
Saving account management	153	54.6%	127	45.4%	280	100.0%
Current account management	189	67.5%	91	32.5%	280	100.0%
Fixed deposit management	45	16.1%	235	83.9%	280	100.0%
Requiring deposit management	113	40.4%	167	59.6%	280	100.0%
Term loan management	221	78.9%	59	21.1%	280	100.0%
Cash credit management	75	26.8%	205	73.2%	280	100.0%
Overdraft management	50	17.9%	230	82.1%	280	100.0%
Bill exchange discounting	233	83.2%	47	16.8%	280	100.0%
Safe custody management	103	36.8%	177	63.2%	280	100.0%
Payment and withdraw management	44	15.7%	236	84.3%	280	100.0%
Other moral hazard information asymmetry management informationasymmetry management	0	.0%	280	100.0%	280	100.0%

4.14 Records falsification

The results from table4.10 reveal that 65.4% strongly agreed that the adverse selection information asymmetry management is primarily concerned with maximizing shareholder value through long-term financial planning is affecting the lending performance of commercial banks in Rwanda, 31.8% agreed, 1.4% disagreed the same percentage disagreed.

Table 4.10: Records falsification

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	183	65.4	65.4
Agree	89	31.8	97.1
Disagree	4	1.4	98.6
Strongly disagree	4	1.4	100.0
Total	280	100.0	

4.15: Inequality aversion

The results from table 4.11 reveal that 63.2% strongly agreed that the records falsification under the adverse selection management under information asymmetry management is used to control and analyze the previous clients' information on different loan taken which should influence the next commercial bank's operations, 32.9% agreed, 2.5% strongly disagreed while 1.4% disagreed on The records falsification under the adverse selection under information asymmetry management information is used to control and analyze the previous client's information on different loan taken which should influence the next commercial bank's operations...

Table 4.11: Inequality aversion

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	177	63.2	63.2
Agree	92	32.9	96.1
Disagree	4	1.4	97.5
Strongly disagree	7	2.5	100.0
Total	280	100.0	

4.16 Adverse selection management

The results from table 4.12 show that 64.6% strongly agreed that The inequality aversion managed by the adverse selection management under information asymmetry management in Rwanda present numerous opportunities for Financial activities when the financial institutions take into a serious business occasion, 32.5% agreed, 1.4% strongly disagreed while 1.4% disagreed on the inequality aversion managed by the adverse selection management under information asymmetry management in Rwanda present numerous opportunities for Financial activities when the financial institutions take into a serious business occasion.

Table 4.12: Adverse selection management

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	181	64.6	64.6
Agree	91	32.5	97.1
Disagree	4	1.4	98.6
Strongly disagree	4	1.4	100.0
Total	280	100.0	

4.17 Adverse selection management

The results from table 4.13 illustrate that all respondents 100% confirmed the adverse selection management under information asymmetry management has an importance on the lending performance of commercial banks in Rwanda.

Table 4.13: Adverse selection management

	Frequency	Percent	Cumulative Percent
Yes	280	100.0	100.0

4.18 Propitious selection management

The results from table 4.14 indicate that among 280 respondents, 241 respondents equivalent to 81.1% confirmed that adverse selection management under information asymmetry management has an importance on the lending performance of the commercial bank in Rwanda in the area of money management, 197 respondents equivalent to 70.4% in the area of market failure management, 151 respondents equivalent to 53.9% in the area of private finance management and 105 respondents equivalent to 37.5% in the area of banking management.

Table 4.14: The propitious selection management

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
Money management	241	86.1%	39	13.9%	280	100.0%
banking management	105	37.5%	175	62.5%	280	100.0%
Market failure management	197	70.4%	83	29.6%	280	100.0%
Private finance management	151	53.9%	129	46.1%	280	100.0%
Other adverse selection management	2	.7%	278	99.3%	280	100.0%

a. Limited to first 280 cases.

4.19 The banking stability management is used to strengthen the efficiency

The results from table 4.15 show that 65.7% strongly agreed that the propitious selection management occurs when risk-avoiding personalities both take physical precautions and buy financial security (insurance) which stabilize the insurance market, 31.1% agreed, 1.8% strongly disagreed while 1.4% disagreed on the propitious selection management occurs when risk-avoiding personalities both take physical precautions and buy financial security (insurance) which stabilize the insurance market.

Table 4.15: The banking stability management is used to strengthen the efficiency

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	184	65.7	65.7
Agree	87	31.1	96.8
Disagree	4	1.4	98.2
Strongly disagree	5	1.8	100.0
Total	280	100.0	

4.20 Deposit insurance management

The results from table 4.16 show that 63.6% strongly agreed that The banking stability management are used to strengthen the efficiency allocating resources, assessing and managing financial risks, maintaining employment levels close to the economy's natural rate, and eliminating relative price movements of real or financial assets that affect the monetary stability or employment levels, 32.2% agreed, 1.8% strongly disagreed while 1.4% disagreed on the banking stability management are used to strengthen the efficiency allocating resources, assessing and managing financial risks, maintaining employment levels close to the economy's natural rate, and eliminating relative price movements of real or financial assets that affect the monetary stability or employment levels

Table 4.16: Deposit insurance management

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	178	63.6	63.6
Agree	93	33.2	96.8
Disagree	4	1.4	98.2
Strongly disagree	5	1.8	100.0
Total	280	100.0	

4.21 Contribution of propitious selection management

The results from table 4.17 show that 63.6% strongly agreed that the deposit insurance management should be used to ensure all commercial such as saving, fixed, current, recurring, term loan, cash credit, and bills exchange discounting to contribute on the lending performance of commercial banks in Rwanda, 32.2% agreed, 1.8% strongly disagreed while 1.4% disagreed on the deposit insurance management should be used to ensure all commercial such as saving, fixed, current, recurring, term loan, cash credit, and bills exchange discounting to contribute on the lending performance of commercial banks in Rwanda.

Table 4.17: Contribution of propitious selection management

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	178	63.6	63.6
Agree	93	33.2	96.8
Disagree	4	1.4	98.2
Strongly disagree	5	1.8	100.0
Total	280	100.0	

4.22 Propitious Selection Management Contribution

The results from table 4.18 illustrate that all respondents 100% confirmed propitious selection management contributes to the lending performance of commercial banks in Rwanda.

Table 4.18: Propitious Selection Management Contribution

	Frequency	Percent	Cumulative Percent
Yes	280	100.0	100.0

4.23 Influence of political drive

The results from table 4.19 show that 71.4% from respondents confirmed that propitious selection management contributes on the lending performance of commercial banks in Rwanda in the area of assets (loan, cash in hands, credit cards, trade finance, and investments) insurance management, 32.9% in area Liabilities (current account, saving account, fixed and deposits) insured management and 32.9% in the area of other financial assets (Insurance, investment services, and money transfers) insurance management.

Table 4.19: The influence of political drive

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
Liabilities (current account, saving account, fixed and deposits) insured management	92	32.9%	188	67.1%	280	100.0%
Assets (loan, cash in hands, credit cards, trade finance and investments) insurance management	200	71.4%	80	28.6%	280	100.0%
other financial asset (Insurance, investment services and money transfers) insurance management	92	32.9%	188	67.1%	280	100.0%
other propitious selection management	4	1.4%	276	98.6%	280	100.0%

4.24 Market regulation management

The results from table 4.20 show that 65.4% strongly agreed the political drive well oriented to the national interest has a positive influence on lending performance management on the lending performance of commercial banks in Rwanda, 31.1% agreed 2.1% strongly disagreed while 1.4% disagreed on the political drive well oriented to the national interest has a positive influence on lending performance management on the lending performance of commercial banks in Rwanda.

Table 4.20: Market regulation management

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	183	65.4	65.4
Agree	87	31.1	96.4
Disagree	4	1.4	97.9
Strongly disagree	6	2.1	100.0
Total	280	100.0	

4.25 Interest rate

The results from table 4.21 show that 64.3% strongly agreed on The market regulation management under the political drive is the main aspect provides the government to regulate the commercial banks' lending performance in Rwanda, 31.4% agreed 2.5% strongly disagreed while 1.8% disagreed on the market regulation management under the political drive is the main aspect provides the government to regulate the commercial banks' lending performance in Rwanda.

Table4.21: Interest rate

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	180	64.3	64.3
Agree	88	31.4	95.7
Disagree	5	1.8	97.5
Strongly disagree	7	2.5	100.0
Total	280	100.0	

4.26 Economic growth

The results from table 4.22 show that 63.9% strongly agreed that the value like interest rate well determined should facilitate the equilibrium strategies on both clients and providers of lending performance of commercial banks, 32.9% agreed 1.8% strongly disagreed while 1.4%disagreed on the value like interest rate well determined should facilitate the equilibrium strategies on both clients and providers of lending performance of commercial banks.

Table4.22: Economic growth

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	179	63.9	63.9
Agree	92	32.9	96.8
Disagree	4	1.4	98.2
Strongly disagree	5	1.8	100.0
Total	280	100.0	

4.27 Services in the largest sector of the Rwanda economy

The results from table 4.23 show that 65.4% strongly agreed that the economic growth benefit of higher living standards, real incomes, and ability to devote more resources improved the lending performance of the commercial bank in Rwanda, 31.4% agreed, 1.8% strongly disagreed while 1.4% disagreed on the economic growth benefit of higher living standards, real incomes and ability to devote more resources improved the lending performance of the commercial bank in Rwanda.

Table 4.23: The Services in the largest sector of the Rwanda economy

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	183	65.4	65.4
Agree	88	31.4	96.8
Disagree	4	1.4	98.2
Strongly disagree	5	1.8	100.0
Total	280	100.0	

4.28 Retained Earnings (RE)

The results from table 4.24 show that 65.0% strongly agreed that the services in the largest sector of the Rwanda economy and accounts for 53 percent of total Working Capital (WC) that improve not only the commercial bank's income but also the clients benefit, 31.8% agreed, 1.8% strongly disagreed while 1.4% disagreed on the services in the largest sector of the Rwanda economy and accounts for 53 percent of total Working Capital (WC) that improve not only the commercial bank's income but also the clients benefit.

Table4.24: Retained Earnings (RE)

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	182	65.0	65.0
Agree	89	31.8	96.8
Disagree	4	1.4	98.2
Strongly disagree	5	1.8	100.0
Total	280	100.0	

4.29 Retained Earnings (RE) fix at the natural level in the basis attraction for the FDI

The results from table 4.25 show that 64.3% strongly agreed that the important Retained Earnings(RE) fix at the natural level in the basis attraction for the FDI which impact the lending performance of commercial banks in Rwanda, 32.5% agreed, 1.8% strongly disagreed while 1.4% disagreed on the important Retained Earnings(RE)fix at the natural level in the basis attraction for the FDI which impact the lending performance of commercial banks in Rwanda.

Table 4.25: Retained Earnings (RE) fix at the natural level in the basis attraction for the FDI

Opinion	Frequency	Percent	Cumulative Percent
Strongly agree	180	64.3	64.3
Agree	91	32.5	96.8
Disagree	4	1.4	98.2
Strongly disagree	5	1.8	100.0
Total	280	100.0	

4.30 Inferential Statistics on the contribution of Information asymmetry managementand lending performance of commercial banks in Rwanda

The researcher used this module to provide his contribution based on the findings and the module given in the Methodology.

4.30.1 Joint Model Summary: contribution of the Information asymmetry managementand lending performance of commercial banks in Rwanda (Working Capital (WC))

Regression analysis was used to establish the contribution of the Information asymmetry management andlending performance of commercial banks in Rwanda (**Working Capital (WC)**). Precisely, the following linear model was used:

$$\boldsymbol{Y} = \boldsymbol{\beta_0} + \boldsymbol{\beta_1} X_1 + \boldsymbol{\beta_2} X_2 + \boldsymbol{\beta_3} X_3 + \varepsilon$$

Where; $\boldsymbol{Y}$ stands for the lending performance of commercial banks in Rwanda, while β_0 is the intercept (a constant), β_1, β_2,and β_3 are the slopes associated to the independent variables X_1, X_2 andX_3) and ϵ is the error term which is assumed to be independent,

identical and normally distributed random variable with a zero mean and a constant variance. In this study, X_1 denotes Moral hazard management, X_2 denotes Adverse selection management and X_3 denotes propitious Selection management. The findings were tabulated as shown in Table 4**.** 1.

Table 4.26 displays the summary of the model used which assess its best-fit to the data and its coefficient estimates in an attempt to investigate the influence of Information asymmetry management (moral hazard information asymmetry management, adverse selection information asymmetry management, and Propitious Selection management) on the lending performance of commercial banks in Rwanda in term of Working Capital (WC). From table 4.26, column 2, it is observed that R^2 which is the model's goodness of fit for the regression line obtained is 0.796 which means that 79.6% of variation on the dependent variable-lending performance of commercial banks in Rwanda is being explained by the variation in independent variable of Information asymmetric with only 20.4% of the variation in the dependent variable (lending performance of commercial banks in Rwanda) being attributed to the error-term introduced in the theoretical model or other variables other than Information asymmetry management.

Table 4.26: Contribution of information asymmetry management on the lending performance of commercial banks in Rwanda (Working Capital (WC))

Dependent Variable: Lending performance of commercial banks in Rwanda(GDP per capita)					
Sample: 280					
Included Observations: 280					
I. Variable: FPS	Coefficient		Std. Coefficient	t-Statistics	Prob.
	B	Std. Error	Beta		
1(Constant)	2.603	0.22		11.274	0.000
Moral hazard management	0.701	0.15	0.017	3.262	0.031
Adverse selection management	0.600	0.09	0.009	3.389	0.040
propitious Selection information asymmetry management	0.808	0.013	0.901	8.197	0.001
R	0.796		Mean dependent variable		1.877
R-squared	0.796		S.D. dependent variable		0.685
Adjusted R-squared	0.701		Durbin-Watson statistics		1.766
F-statistics	6.214		Standard Error of Estimate		0.256
Prob(F-statistic)	0.003				

Source: *Survey Data 2019.*

Regression line obtained is 0.796. This means that 79.6% of the variation in the dependent variable (lending performance of commercial banks in Rwanda) is being explained by the variation in independent variables with only 20.4% of the variation in the dependent variable (lending performance of commercial banks in Rwanda) being attributed to the error-term introduced in the theoretical model or other variables other than information asymmetry management.The correlation coefficient denoted in table 4.26, column 2 by R, between the variables under study, precisely between information asymmetry management and lending performance of commercial banks in Rwanda is 0.796.

From a statistical point of view, since R=0.796 is quite close to 1, this finding suggests that there is a positive and indeed strong association between the variables studied. Concretely, this From table 4.26, column 2, it is observed that R^2 which is the model goodness of fit for the suggests that any input in terms of information asymmetry management would lead to more lending performance of commercial banks in Rwanda. From table 4.26, column 2, it is observed that the computed F statistic (2, 212) is 6.214 and in column 2, the p-value for the overall regression relationship is (p = 0.003), which is less than 0.05 the level of significance. This indicates that the model used is a best-fit for the data used, given all assumptions of normality underlying the model.

The Durbin-Watson statistic of 1.766 < 2. indicates that there is a positive serial correlation among the observation. This could be the reason why the model did not capture much of the variations in the dependent variable. the same table illustrated that the regression equation deduced to understand this relationship was:

$$\boldsymbol{Y = 2.603 + 0.701X_1 + 0.600X_2 + 0.808X_3}$$

where Y is the lending performance of commercial banks in Rwanda, X_1 is moral hazard management, X_2 is adverse selection managementand X_3 is propitious Selection management. From the above equation, it can be observed in column 2 that there is a positive unstandardized beta coefficient of 0.701 for X_1(moral hazard management),

0.600for X_2 (adverse selection management),and 0.808 for X_3(propitious Selection management.This indicates that for every a unit change in moral hazard management increase in mean lending performance of commercial banks in terms of Working Capital (WC) in Rwanda by 0.701 units from 2.603 when keeping adverse selection information asymmetry managementand propitious Selection management constant; a unit change in adverse selection information asymmetry management should increase in mean lending performance of commercial banks in Rwanda in terms of Working Capital (WC)in Rwanda by 0.600 units from 2.603, when keeping moral hazard management and propitious Selection management constant; Finally, a unit change in propitious Selection management should increase in mean lending performance of commercial banks in Rwanda in terms of Working Capital (WC) in Rwanda by 0.808 units from 2.603, when keeping moral hazard management and adverse selection management constant.

However, the model indicates that Propitious Selection management (β=0.808) contributes more, followed by moral hazard management sources *(*β=0.701) and lastly adverse selection management (β=0.701) respectively in increasing lending performance of commercial banks in Rwanda. With a p-value of 0.003 < 0.05, in column 6, it can be concluded that information asymmetry managementhas a statistically significant influence on the lending performance of commercial banks in Rwanda) (F=6.214, R^2 = 0.796, Sig=0.003 at α=0.05). Table 4.26 displays also the standard error of the estimate, which read, in column 5, 0.256 that is a measure of standard deviation around the fitted line. This measure suggests that about 95% of the prediction error in the lending performance of commercial banks in Rwanda is less than ±1.96 (0.256) = 0.402. It can be further observed that, from the current findings, this significance can be extended to 0.01, or 99.99% confidence interval, since p-value of 0.003 remains much less than 0.01 or a 1% level of significance.

This finding is supported by the position of (Thomas, Hellmann, & Murdock, 2000), demonstrates that a compilation of cases over the past two decades by the World Bank shows costs ranging up to 40 percent of Working Capital (WC) and Retained Earnings (RE). Probably the best-known examples are the savings and loan (S&L) crisis in the

United States, which resulted in estimated losses of $180 billion or 3.2 percent of GDP, and the ongoing banking crisis in Japan, where some estimates of nonperforming loans approach 25 percent of Working Capital (WC) and Retained Earnings (RE).

For (Alice & Jaya, 2016) demonstrates that the extent to which commercial banks such as Equity Bank, I and M Bank, Ecobank used credits risk control in Credit Management findings was on 57% were indicated a great extent, 28% for a moderate extent whereas 15% for a low extent, which has implied on Rwanda Equity Bank used credit risk control in its Credit Management to a moderate extent.

As for (Minecofin, 2006), the total amount of US$ 984.9 million in 2014/15 from both traditional and non-traditional sources that was disbursed to 275 projects. The three major financers were the WB, USA, and AfDB, which together provided 51% of the total to ODA. In terms of the number of projects, the patterns have remained largely similar to those observed in the 2014/15 fiscal year. A large number of projects have been registered by the UN system represented by seven agencies reported to DAD-Rwanda, including One UN Fund, IFAD, and GEF. The US has been traditionally reporting at the program level hence a small number have been recorded under the category “number of projects”. Large multilateral agencies, including international Commercial Banks the World Bank, and African Development bank groups, have disbursed their funds to 23 and 22.

4.30.2 Joint Model Summary: contribution of the Information Asymmetric and lending performance of commercial banks in Rwanda Retained Earnings (RE))

Table 4.27 displays the summary of the model used to assess its best-fit on the data and its coefficient estimates to investigate the Information asymmetry management (Moral hazard management, Adverse selection management, and propitious Selection management)influence on the lending performance of commercial banks in Rwanda. From table 4.27, R^2 that is the model goodness of fit for the regression line is 0.905. This means that 90.5% of the variation in lending performance of commercial banks in

Rwanda is being explained by the Information asymmetry managementwith only 9.5% of the variation in the dependent variable (lending performance of commercial banks in Rwanda) being attributed to the error-term introduced in the theoretical model or other variables other than Information asymmetry management.

Table 4.27: Contribution of information asymmetry management on the lending performance of commercial banks in Rwanda Retained Earnings (RE)

Dependent Variable: Lending performance of commercial banks in Rwanda (Retained Earnings (RE))					
Sample: 280					
Included Observations: 280					
I. Variable: IAM	Coefficient		Std. coefficient	t-statistics	Prob.
	B	Std. Error	Beta		
1(Constant)	1.537	0.151		16.710	0.000
Moral hazard management	0.899	0.0101	0.960	9.581	0.001
Adverse selection management	0.5420	0.088	0.343	8.710	0.040
Propitious Selection management	0.970	.015	0.764	6.892	0.000
R	0.951		Mean dependent variable		3.82
R-squared	0.905		S.D. dependent variable		2.134
Adjusted R-squared	0.903		Durbin-Watson statistics		0.163
F-statistics	661.056		Standard Error of Estimate		0.66
Prob (F-statistic)	0.002				

Source: *Survey Data (2019)*

Same table 4.27 column 2, it is observed that the computed F statistic (3, 212) is 661.056 and in column 2, the p-value for the overall regression relationship is (p<0.0001), which is less than 0.05 the level of significance.

This indicates that the model used is overall significant, given all the assumptions of normality underlying the model. The Durbin-Watson statistic of 0.163<2 indicates that there is a positive serial correlation among the observation. This could be the reason why the model did not capture much of the variations in the dependent variable. From table 4.27, the regression equation deduced to understand this relationship was:

$$\mathbf{Y_{Retained\ Earnings\ (RE)}} = 1.537 + 0.899\mathbf{X_1} + 0.542\mathbf{X_2} + 0.970\ \mathbf{X_3}$$

where *Y* is the lending performance of commercial banks in Rwanda, $X_1$is moral hazard management, X_2 is adverse selection managementand X_3 is Propitious Selection management. From the above equation, it can be observed in column 2 that there is a positive unstandardized beta coefficient of 0.899 for X_1 (moral hazard management), 0.542 from X_2 (adverse selection management),and 0.970 for X_3 (propitious Selection management).This indicates that for every unit change in moral hazard management increases in lending performance of commercial banks in terms of Retained Earnings (RE)in Rwanda by 0.899 units from 1.537 when keeping adverse selectionand Propitious Selection management constant. A unit change in adverse selection management increases in the mean of lending performance of commercial banks in term of Retained Earnings (RE)in Rwanda by 0.542 from 1.537 when keeping the moral hazard management and propitious Selection managementconstant and Finally, a unit change in propitious selection management should increase in mean lending performance of commercial banks in term of Retained Earnings(RE)in Rwanda by 0.970 units from 1.537, when keeping moral hazard and adverse selection management constant.

However, the model indicates that propitious selection management (β=0.970) contributes more, followed by improving moral hazard management(β=0.899) and lastly adverse selection management(β=0.542) respectively in increasing lending performance

of commercial banks in Rwanda. With a p-value of 0.002 < 0.05, in column 6, it can be concluded that Information asymmetry management thas a statistically and econometrics significant influence on the lending performance of commercial banks in Rwanda where ($F=661.056$, $R^2 = 0.905$, $Sig=0.002$ at $\alpha=0.05$).

Table 4.27 displays also the standard error of the estimate, which read, in column 5, 0.66 that is a measure of standard deviation around the fitted line. This measure suggests that about 95% of the prediction error in information asymmetry management is less than ±1.96 (0.218) = 1.29. It can be further observed that, from the current findings, this significance can be extended to 0.01, or 99.99% confidence interval, since p-value of 0.002 remains much less than 0.01 or a 1% level of significance.

This finding is supported by the positions of(David & Jerome, 2006), who demonstrates that through a donor-backed national community-based health insurance system, Rwanda provides near-universal health coverage for basic primary care, with the cost fully or partially subsidized based on income level.49 As of 2015. About 39% of Rwandans reportedly lived below the poverty line, compared to 56% in 2006 and 78% in 1994.50. Some researchers have questioned the reliability of Rwanda's poverty statistics, noting that they are based on household-level survey data and may be subject to interference; the World Bank has rejected some of this criticism, asserting that Rwanda's official statistical methodology "is technically sound.

For (Minecofin, 2006), the total amount of US$ 984.9 million in 2014/15 from both traditional and non-traditional sources that was disbursed to 275 projects. The three major financers were the WB, USA, and AfDB, which together provided 51% of the total to ODA. In terms of the number of projects, the patterns have remained largely similar to those observed in the 2014/15 fiscal year. A large number of projects have been registered by the UN system represented by seven agencies reported to DAD-Rwanda, including One UN Fund, IFAD, and GEF. The US has been traditionally reporting at the program level hence a small number have been recorded under the category "number of projects". Large multilateral agencies, including international

Commercial Banks the World Bank, and African Development bank groups, have disbursed their funds to 23 and 22. The Official Development Assistance (ODA) has been a major part of external development finance received by Rwanda in the past two decades. It has to a large extent contributed to the implementation of an inclusive poverty-reducing growth model of the country, which has yielded, inter alia, a stable average economic development rate of 8-9% on average, reduced the poverty rate from 60.4% in 2011 to 39.1% in 2014.

Rwanda claimed that grants to Rwanda between 1971 and 2011 had totalledthe US $170 million and that the total since 2004 was about US $115 million, invested in 39 projects Since 2011/12 DA has increased dramatically as the Government has negotiated concessional loans to invest in major infrastructure projects, The (OECD, 2015), data shows that Rwanda received funding from the Global Environmental Facility with the first grant in 2002 and consistent and increasing funding since 2009 rising from US$ 1.33 million to US$ 3.1 million in 2014. More recently funding has been provided by the Green Global Growth Initiatives - US$ 0.53m in 2013 and US$ 0.42m in 2014.(Eyakuze, Salim, & Hersi, 2012).

4.31 Correlation coefficients analysis of information asymmetry management and lending performance of commercial banks in Rwanda (Working Capital (WC)) Moderated by Regulatory framework

Table 4.28 presents the Pearson Correlation coefficients result, provided result was obtained based on 0.05% the significance level and the number of 280 cases. The Pearson Correlation Coefficients is interpreted as follows values between 0 and 0.3 (0 and −0.3) indicate a weak positive (negative), values between 0.3 and 0.7 (0.3 and −0.7) indicate a moderate positive (negative), and values between 0.7 and 1.0 (−0.7 and −1.0) indicate a strong positive (negative) linear relationship through a firm linear rule. The Pearson Correlation coefficients are positively correlated for listed variables, this means that for the above variables varying in a positive direction and the strength of that is ranged between 0.7 and 1.0, which is a strong positive relationship.

Table4.28: Correlation coefficients analysis of information asymmetry management

	Frequency	%	Valid %	Cumulative %	
moral hazard	0.701	1	0.760	0.830	0.905
adverse selection	0.511	0.760	1	0.789	0.821
propitious Selection	0.812	0.830	0.789	1	0.881
Political drive	0.849	0.905	0.821	0.881	1

Source: *Survey Data (2019*

Table 4.29: Joint Model Summary: contribution of the Information asymmetric and Lending performance of commercial banks in Rwanda (Working Capital)

Dependent Variable: Lending performance of commercial banks in Rwanda (Working Capital (WC))					
Sample: 280					
Included Observations: 280					
I. Variable: IAM	Coefficient		Std. Coefficient	t-Statistics	Prob.
	B	Std. Error	Beta		
1(Constant)	1.794	0.283		2.336	0.02
Moral hazard management	0.753	0.23	0.34	6.445	.0021
Adverse selection management	0.685	0.121	0.654	2.318	0.039
Propitious Selection management	0.873	0.171	0.7214	2.059	0.003
Political drive	0.799	0.195	0.754	6.209	.000
R	0.885		Mean dependent variable		1.54
R-squared	0.783		S.D. dependent variable		0.46
Adjusted R-squared	0.751		Durbin-Watson statistics		0.94
F-statistics	7.957		Standard Error of Estimate		0.218
Prob(F-statistic)	0.002				

Source: *Survey Data (2019)*

Table 4.29 displays the summary of the model used which assessed its best fit to the data and its coefficient estimates in an attempt to investigate the influence of propitious Selection management on the lending performance of commercial banks in Rwanda (Working Capital (WC)) moderated by Political drive in Rwanda. From table 4.28, column 2, it is observed thatR^2 which is the model goodness of fit for the regression line obtained is 0.783. This means that 78.3% of the variation in the dependent variable-lending performance of commercial banks in Rwanda is being explained by the variation in the independent variable with only 21.7% of the variation in the dependent variable (lending performance of commercial banks in Rwandamoderated by Political drive) being attributed to the error-term introduced in the theoretical model or other variables other than information asymmetry management. The correlation coefficient, denoted in the same table, column 2 by R, between the variables under study, precisely between propitious Selection management and lending performance of commercial banks in Rwanda is 0.885. From a statistical point of view, since R=0.885 is quite close to one, this finding suggests there is a positive and indeed strong association between the variables studied. Concretely, this suggests that any input in terms of Propitious Selection management should lead to more lending performance of commercial banks in Rwanda. From table 4.28 column 2, it is observed that the computed F statistic (3, 212) is 7.957 and in column 2, the p-value for the overall regression relationship is (p = 0.002), which is less than 0.05 the level of significance. This indicates that the model used is the best fit for the data used, given all assumptions of normality underlying the model.

The Durbin-Watson statistic of 0.945< 2 indicates that there is a positive serial correlation among the observation. This could be the reason why the model did not capture much of the variations in the dependent variable. Table 4.36 displays also the standard error of the estimate, which read, in column 5, 0.218 that is a measure of standard deviation around the fitted line. This measure suggests that about 95% of the prediction error in the lending performance of commercial banks in Rwanda is less than ±1.96 (0.218) = 0.427. It can be further being observed that, from the current findings,

this significance can be extended to 0.01, or 99.99% confidence interval, since p-value of 0.002 remains much less than 0.01 or a 1% level of significance. From table 4.28, the regression equation deduced to understand this relationship was:

$$Y_{GDP\ PER\ CAPITA} = 1.794 + 0.753X_1 + 0.685X_2 + 0.873X_3 + 0.799X_4$$

where *Y* is the lending performance of commercial banks in Rwanda, X_1 is Moral hazard management, X_2 adverse selection management, X_3 is propitious Selection management and X_4 is political drive. From the above equation, it can be observed in column 2 that there is a positive unstandardized beta coefficient of 1.794. This indicates that a unit change in moral hazard management should increase in mean lending performance of commercial banks in Rwanda in terms of Working Capital (WC) by 0.799 from 1.794whenkeeping adverse selection management, Propitious Selection management, and political drive constant; A unit change in adverse selection managementshould increase in mean of lending performance of commercial banks in Rwanda in terms of Working Capital (WC) by 0.685 from 1.794, when keeping moral hazard management, propitious Selection management and political drive constant; A unit change in Propitious Selection management should increase in mean lending performance of commercial banks in Rwanda in terms of Working Capital (WC) by 0.873, when keeping Moral hazard management, adverse selection management and political drive constant. Finally, a unit change in political drive should increase in mean lending performance of commercial banks in Rwanda in terms of Working Capital (WC) by 0.799, when keeping moral hazard management, adverse selection management and propitious Selection management constant.However, the model indicates that improving propitious Selection management (β=0.873) contributes more, followed by Political drive (β=0.799), then Moral hazard management(β=0.753), and lastly adverse selection management (β=0.685) respectively in increasing lending performance of commercial banks in Rwanda in terms of Working Capital (WC). With a p-value of 0.002< 0.05, in column 6, it can be concluded that propitious Selection management has a statistically and econometric significant influence on the lending performance of commercial banks in Rwanda with (F=7.957, R^2 = 0.783 Sig=0.002 at α=0.05). This finding is supported by

the positions of (ECA, 2017) Loans account for the largest portion of EAC banking sector asset portfolio- the size of loans in total banking sector assets stood at 59 percent in Rwanda, 53.7 percent in Tanzania, 53.2 percent in Kenya, 43.8 percent in Uganda and 33.8 percent in Burundi. With this asset structure, the quality of loans determines profits, capital, and liquidity of banks in the region. Over the last 12 months, the NPLs ratio dropped in Rwanda, Uganda and Burundi due to varying reasons that include write-offs and improved economic activities that improved corporate profits and accelerated new lending Credit risk in the region is further exemplified by a concentrated banking loan book, where building and construction account for 35 percent of banking sector loans in Kenya, 37 percent in Rwanda, 28 percent in Uganda, 23 percent in South Sudan and 11 percent in Tanzania. Such a loan book implies that volatility in the housing market would weigh-on the EAC banking sector performance.

For (Bayarcelik & Taşel, 2012), demonstrates that an open economy, Rwanda largely relies on exports to finance its external receipts at the tune of 41.1 percent as at 2018; The National Bank of Rwanda, therefore, monitors developments and vulnerabilities related to the global economy and the channels through which they can affect the Rwandan economy and the financial sector in particular; Sections below summarize the recent developments and outlook of the global economy and their potential impact on the Rwandan economy

Rwanda's financial sector is still less connected to the rest of the global financial markets. As at the end of June 2019, Rwandan banks' off-shore financing stood at 8.1 percent of banks' liabilities. A large portion of bank funds is from customer deposits- at 77.1 percent of total banking system liabilities as at the end of June 2019. Deposits are mainly from residents (96.7 percent of total deposits) of which 74 percent of total deposits are denominated in local currency. Funds from an interbank account for 16.5 percent of total liabilities. (RDB, 2014),

Table 4.30 presents the Pearson Correlation coefficients result, the provided result was obtained based on 0.05% the significance level and the number of 280 cases. The

Pearson Correlation Coefficients is interpreted as follows values between 0 and 0.3 (0 and −0.3) indicate a weak Positive (negative), values between 0.3 and 0.7 (0.3 and −0.7) indicate a moderate positive (negative), and values between 0.7 and 1.0 (−0.7 and −1.0) indicate a strong positive (negative) linear relationship through a firm linear rule. The Pearson Correlation coefficients are positively correlated for listed variables, this means that for the above variables varying in a positive direction and the strength of that is ranged between 0.7 and 1.0, which is a strong positive influence.

Table 4.30: Correlation coefficients analysis of information asymmetry management

	Frequency	**%**	**Cumulative**	**%**
moral hazard	0.804	1	0.973	0.905
adverse selection	0.502	0.840	0.708	0.929
propitious Selection	0.901	0.973	1	0.891
Political drive	0.849	0.905	0.891	1

Source: *Survey Data (2019)*

Table 4.31 displays the summary of the model used to assess its best-fit on the data and its coefficient estimates to investigate the information asymmetry management (moral hazard management, adverse selection management, Propitious Selection management, and political drive), theinfluence on the lending performance of commercial banks in Rwanda.

Table4.31: Joint Model Summary: Information asymmetric and Lending performance

Dependent Variable: Lending performance of Commercial Banks in Rwanda (Retained Earnings (RE)						
Sample: 280						
Included Observations: 280						
I. Variable: FPS	Coefficient		Std. Coefficient	t-Statistics	Prob.	
	B	Std. Error	Beta			
1 (Constant)	2.598	1.13		11.719	.000	
Moral hazard	0.736	0.017	0.725	5.867	0.003	
Adverse	0.589	0.021	0.021	0.021	0.021	0.6
Propitious selection management	0.874	0.031	0.743	2.059	0.03	
Political drive	0.542	0.088	0.343	8.710	0.040	
R	0.830		Mean dependent variable		1.343	
R-squared	0.718		S.D. dependent variable		0.268	
Adjusted R-	5.757		Durbin-Watson statistics		0.945	
F-statistics	0.001		Standard Error of Estimate		0.211	
Prob (F-statistic)	0.483					

Source: *Survey Data (2019)*

From table 4.30, R^2 that is the model goodness of fit for the regression line is 0.718. This means that 71.8% of the variation in lending performance of Commercial Banks in Rwanda is being explained by the information asymmetry managementwith only 71.8.5% of the variation in the dependent variable (lending performance of commercial

banks in Rwanda) being attributed to the error-term introduced in the theoretical model or other variables other than information asymmetry management.

Same table 4.30, column 2, it is observed that the computed F statistics 0.001and in column 2, the p-value for the overall regression relationship is (p<0.483), which is less than 0.05 the level of significance. This indicates that the model used is overall significant, given all the assumptions of normality underlying the model. The Durbin-Watson statistic of 0.945<2 indicates that there is a positive serial correlation among the observation. This could be the reason why the model did not capture much of the variations in the dependent variable. From table 4.33, the regression equation deduced to understand this relationship was: **YRetained Earnings (RE) = 2.598+0.736X_1+ 0.589X_2 + 0.874X_3+ 0.542X_4**,where *Y*is the lending performance of commercial banks in Rwanda, X_1ismoral hazard information asymmetry management, X2 is adverse selection management, X3 is propitious Selection management, and X4 political drive. From the above equation, it can be observed in column 2 that there is a positive unstandardized beta coefficient of 0.736for X1 (moral hazard management), 0.589from X2 (adverse selection management) 0.874 for X3 (propitious Selection management), and 0.542for X4(political drive). This indicates that for every unit change in moral hazard information asymmetry management increase in the lending performance of commercial banks in Rwanda in term of Retained Earnings (RE)by 0.736 from 2.598 when keeping adverse selection management, propitious selection management and political drive constant; A unit change in adverse selection management increase lending performance of commercial banks in Rwanda in term of Retained Earnings (RE)by 0.589 from 2.598, when keeping the moral hazard, propitious selection management and political drive constant; A unit change in propitious selection management increases in mean the lending performance of commercial banks in Rwanda in term of Retained Earnings (RE)by 0.874 from 2.598, when keeping moral hazard, adverse selection management and political drive constant and Finally, A unit change in political drive increases in mean the lending performance of commercial banks in Rwanda in term of Retained Earnings (RE)by 0.736, when keeping moral hazard management, adverse selection

management and propitious selection are constant. However, the model indicates that propitious Selection management (β=0.874) contributes more, followed by moral hazard management(β=0.736), adverse selection management (β=0.589),and lastly political drive(β=0.542), respectively in increasing the lending performance of commercial banks in Rwanda with a p-value of 0.003 < 0.05, in column 6, it can be concluded that informationasymmetry managementhas statistically and econometrics significant influence on the lending performance of commercial banks in Rwanda with (F=0.483, R^2 = 0.718, Sig=0.003 at α=0.05). This finding is supported by the positions of (Danielle, 2014), the Working Capital (WC) and Retained Earnings (RE)gradually rebounded to a moderate growth rate of 6.49 percent in 2015, up by 0.75 percentage points from 5.75 percent in the year 2014. The growth was mainly driven by the industry sector, particularly, the construction sector with a growth of 10.33 percent, and by the strong performance of the electricity sector with 7.44 percent growth in 2015.For (World Bank, 2011) the World Bank classifies countries into four income groups yearly whereby country economies are divided according to 2008 Gross National Income (GNI) per capita. The following ranges of income are used: First, Low income countries had GNI per capita of US$1,000 or less. Second, Lower middle-income countries had GNI per capita between US$1,000 and US$4,000. Third, Upper middle-income countries had GNI per capita between US$4,000 and US$12,300. Lastly, Fourth, High-income countries had GNI above US$12,300, (World Bank, 2011).As for (Government of Rwanda , 2011) with the moderate Working Capital (WC) in 2015 has increased to Nu. 174,400.66 (US $ 2,719.11) from Nu160,464.09 (US$ 2,610.55) in 2014. It grew by 4.80 percent, which is an increase of 1.19 percentage points from 3.62 percent in 2014. The per capita Gross National Income amounted to Nu. 158,945.13 (US$ 2,478.14) with a growth of 2.59 percent as compared to 3.59 percent in 2014.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study, which sought to analyze the influence of information asymmetry management on the Lending Performance of Commercial Banks in Rwanda. The study was guided by specific objectives and hypotheses. This chapter, therefore, presents the summary of the research work, conclusions drawn from the study, recommendations, and areas of further research concerning data analysis.

5.2 Summary of the Findings

From the findings it was observed that the majority of respondents were male at 74.64%, The highest level of education for the majority of respondents is university degree with 59.64%, the majority having been in their positions for between three years to five years was 93.2%. The findings revealed that all respondents 100% worked for mixed commercial banks. The researcher has found that 60.36% of surveyed commercial banks had been in operation for over 15 years. 46.4% of commercial banks face moral hazard management issues. All respondents (100%) have confirmed that information asymmetry management **(**moral hazard management, adverse selection management, Propitious Selection management)**,** contributes to thelending performance of commercial banks in Rwanda. They used linear regression model and found that information asymmetry management contributes positively and significantly to thelending performance of commercial banks in Rwanda. Without moderator, it means that if there is an increase of one unity in moral hazard management, it should increase in mean lending performance by 0,701 from 2,603, when keeping adverse selection management and propitious selection management constant, etc. Propitious Selection management contributes more, followed by Moral Hazard Management and lastly Adverse selection management in increase of lending performance of Commercial banks in Rwanda. With

P value less than 0.05, it can be concluded that asymmetric information management has statistically influence on lending performance of Commercial Banks in Rwanda.

With moderator, it means that if there is an increase of one unity in moral hazard management, it should increase in mean lending performance by 0,753 from 1.794, when keeping adverse selection management, propitious selection management and Political drive constant, etc.Improving propitious selection management contribute more followed by political drive followed by moral hazard management and lastly adverse selection management increase lending performance. With P value less than 0.05, it can be concluded that asymmetricinformation management has statistically influence on lending performance of Commercial Banks in Rwanda.

5.2.1 Contribution of Propitious Selection management on the lending performance of Commercial Banks in Rwanda.

All respondents (100%) have confirmed that Propitious Selection management**,** contributes to the lending performance of commercial banks in Rwanda. They used linear regression model and found that propitious selection management contributes positively and significantly to the lending performance of commercial banks in Rwanda.

5.2.2 Influence of moderating effect on the lending performance of Commercial Banks in Rwanda.

All respondents (100%) have confirmed that moderating effect contributes to the lending performance of commercial banks in Rwanda.They used linear regression model and found that moderating effect contributes positively and significantly to the lending performance of commercial banks in Rwanda.

5.2.3 Influence of moral hazard management on lending performance of Commercial Banks in Rwanda.

All respondents (100%) have confirmed that moral hazard management contributes to the lending performance of commercial banks in Rwanda. They used linear regression model and found that information moral hazard management contributes positively and significantly to the lending performance of commercial banks in Rwanda

5.2.4 Importance of adverse selection management on the lending performance of Commercial Banks in Rwanda.

All respondents (100%) have confirmed that adverse selection management contributes to the lending performance of commercial banks in Rwanda. They used linear regression model and found that adverse selection management contributes positively and significantly to thelending performance of commercial banks in Rwanda.

5.3 Conclusions

In conclusion, the researcher brought out the summary based on the findings by demonstrating the role of each independent variable vis-à-vis to the dependent variable and its indicators for instance Working Capital (WC)and Retained Earnings (RE). Besides, this conclusion demonstrates the findings based on the level of contribution of each Information asymmetry managementpillars according to the two indicators of Working Capital (WC)and Retained Earnings (RE).

5.3.1 Influence of moral hazard asymmetry management on lending performance of Commercial Banks in Rwanda.

The researcher findings demonstrate that moral hazard management has tiedinfluence on the lending performance of Commercial Banks in Rwanda; where econometrics and statistical analysis shows positive contribution on Working Capital (WC)and on Retained Earnings (RE).The researcher findings demonstrate that 100% of respondents

confirmed that moral hazard management has contributedtothe lending performance of Commercial Banks in Rwanda. With a p-value, it can be concluded that moral hazard managementhas a statistically significant influence on the lending performance of commercial banks in Rwanda.

5.3.2 Influence of adverse selection managementand lending performance of Commercial Banks in Rwanda.

The researchers' findings demonstrate that the adverse selection management plays a positive role in the lending performance of Commercial Banks in Rwanda. The findings showed that 100% of respondents confirmed that adverse selection management has an influence on the lending performance of Commercial Banks in Rwanda. The statistical analysis shows the positive contribution of adverse selection managementon lending performance of Commercial Banks in Rwanda.With p-value, it can be concluded that adverse selection management has a significant influence on the lending performance of commercial banks in Rwanda.

5.3.3 Influence of propitious selection management on lending performance of Commercial Banks in Rwanda.

The researcher findings demonstrate that propitious selection management contributes to the lending performance of Commercial Banks in Rwanda, where the econometrics and statistical analysis shows the ties contribution of propitious selection management. It can be concluded that propitious Selection management has a statistic and econometrics strong significant influence on the lending performance of commercial banks in Rwanda.

5.3.4 The moderator Influence of regulatory framework oninformation asymmetry management on lending performance of Commercial Banks in Rwanda

The researcher findings demonstrate that political drive has a positive influence oninformation asymmetry management on the lending performance of Commercial

Banks in Rwanda; where econometrics and statistical analysis shows positive contribution on Working Capital (WC)and on Retained Earnings (RE).It can be concluded that political drivehas a statistic and econometrics strong significant on the influence of information asymmetry management on the lending performance of Commercial Banks in Rwanda.It can be concluded that political drive has a statistic and econometric strong significant on the influence of information asymmetry management on the lending performance of commercial Banks in Rwanda.

5.4 Recommendations

Based on the results, findings, and conclusions on the Study, the outlines of recommendations were determined. This was done in view of the study objectives.

5.4.1 Influence of moral hazard management and lending performance of Commercial Banks in Rwanda

The findings show that the Financial sector has achieved on its lending performance of Commercial Banks at the average rate of 76% on the areas such as Risk pays off management and Bankruptcy management supported by the moral hazard managementactivities. The big average rate of 76%, however, still leaves a gap of 24%. The Researcher, therefore, recommends that the Government of Rwanda and Civil society should diversify the moral hazard managementwith all financial bodies to accomplish these mentioned gaps. TheResearcher recommends that a monitoring of Rwanda's lending financial performance on a regular basis should be taken into consideration in order to understanding trends, patterns in the financial aspect and provides an opportunity to highlight emerging issues onboth business components. This is of fundamental importance to achieve Rwanda's lending financial performance and eliminate the poverty existing in the country.

The Free movement and financial sector included, is vitally fundamental in achieving lending financial performance targets. A clear capacity building to the implementers and

oriented Research and Development should support them. This is the reason why the Government of Rwanda is recommended to set a specific financial information asymmetric target to be achieved. Besides, it should make efforts to increase and sustain its participation in both the regional and international financial markets.

5.4.2 Importance of adverse selection management on the lending performance of Commercial Banks in Rwanda

The findings show that the adverse selection management has a feeble influence on the lending performance of Commercial Banks in Rwanda at the average rate of 49.9% on the areas such as Records falsification management and inequality aversion management supported by the moral hazard management activities with almost gap of 50.9%. The Researcher, therefore, recommends that Financial institutions and Civil society to diversify the adverse selection management by change the mechanism and strategies used to make sure is well oriented to the positive influence to achieve theWorking Capital (WC) and Retained Earnings(RE) operation. The Rwandan Financial sector and civil society understand the government policy and strategies to maintain financial partnership support the implementation ofadverse selection management on achieving on the lending performance of Commercial Banks in Rwanda.The Financial sector and Government of Rwanda should understand the influence of movements in financial, which is meeting many counteracting factors that influence the buying and selling of goods and services to and from the financial market. Some external factors are very likely to have an impact on Rwanda's lending performance of Commercial Banks.

5.4.3Contribution of Propitious Selection management on the lending performance of Commercial Banks in Rwanda

The study recommends that the government of Rwanda should diversify the Propitious Selection management policy and monetary regulation to make sure its influence becomes strong maintain and visible in order to ensure lending provided by Commercial Banks in Rwanda are well performance.

The Researcher recommends that Rwandan Financial institutions in charge of Propitious Selection managementshould keep the focus on the Country' Visions by determining the specific lending targets to assist the transformation ofRwanda into a Middle Income Country (MIC) status by 2035 and High-Income Country (HIC) status by 2050 nation where Rwandans are wealthier, healthier, educated and generally more prosperous and promote even up to the local level.

Reference is made to the findings, which demonstrates the achievement of the lending performance of commercial banks in Rwanda on an average rate of 85% supported by the strong positive implementation of Propitious Selection managementin different areas. These areas include Banking stability management and Deposit insurance management. The average rate of 15% that is not met shows gaps in Propitious Selection management that result in frequent Financial Analysis of Commercial Banks' expertise, high credit interest rate between 18% and 22%, failure to protect minority Businesses, and high taxes rates. The researcher, theretofore, recommends that the Government of Rwanda and civil society should boost a strong policy monetary and monetary regulation on these sectors mentioned. The Rwandan National Businesspeople are focusing on exporting more than looking at National production "made in Rwanda" where almost 89% of the merchandise is imported by using physical currencies and this makes fail the national markets inside and outside the country. The government and civil society should determine a tangible and clear model to guide its target on Banking stability management and Deposit insurance management. This will resolve different challenges that made the country to be position 38 from 29, with a reduction score of 76.5 from 77.88 according to EAC report on cost and ease of doing business, (Bonga & Mahuni, 2018).

5.4.4The moderator Influence of regulatory framework on information asymmetry management on lending performance of Commercial Banks in Rwanda

The Researcher recommends that the Government of Rwanda's Monetary policy and Financial Market Regulation on the Lending performance of commercial banks and its

application should be more friendly and attractive to local and foreigners' business actors. This will encourage the community to be determined and oriented hence not sitting down and waiting for community' welfare support; overly, they will then pay the dues and taxes revenue. The findings show that the Financial sectors in Rwanda has achieved an average rate of 78.3% on a political drive on Information asymmetric to lending performance of Commercial Banks supported by Financialmarket regulation, equilibrium regulation, low level of corruption, political goodwill, peace, and security. However, almost 21.7% still misplaced. The Researcher recommends, therefore, that the Government of Rwanda and Civil Society should enforce its equilibrium strategies where the beneficiaries (consumers) and providers (producers) feel interested to consume and invest based on their income revenue and monetary policy strongly oriented on the public interest.

The Researcher recommends that the business competition and consumer protection policy in its nature, should promote equality by providing a fair business framework and with efficient and influenceive implementation in where financial operators are to get the same opportunities and chances to compete with each other.

5.5 Areas for Further Research

A replica of this study can be carried out with a wider scope to include other state financial corporations and see whether the findings hold are true. Future studies should apply different research instruments like interview guide and Focused Group Discussions to involve respondents in conferences, which will generate detailed information. The outcome will demonstrate how informationasymmetric influenceon thelending performance of Commercial Banks of other countries. This study can, however, also be applied to other geographical areas as the information asymmetric in any country. This would help in influencing thelending performance of Commercial Bankswhatever class it may be classified as; developed or developing sphere. Another of the applications of this study would be to extend the framework to the whole East African Region and the world in general. The multiple-case analysis would, therefore,

allow for greater generalizability and making assumptions about the financial development strategy of Rwanda in the international arena.Finally, in this study the strategizing instances analyzed were initiated and executed by either formal or informal regional and International institutions; however, the types, availability, role, importance, and influence of these institutions on the lending performance of Commercial Bankswere not deliberated. Paying closer attention to the local institutional landscape would afford an opportunity to obtain valuable knowledge concerning its influence on the business environment and govern the necessary potentially institutional changes. In addition, a deeper understanding of local institutions would allow foreign financial business actors to develop adequate strategies, foresee, and respond proactively to possible difficulties arising from the specifics of the institutional landscape.

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APPENDICES

Appendix I: Questionnaire

Re: ANALYSE THE INFLUENCE OF ASYMMETRY ON LENDING PERFOMANCE OF COMMERCIAL BANKS IN RWANDA

Dear Respondent,

I would like to request for your support by respond on this academic research questionnaire avail to you.

This Research questionnaire focus on the academic Thesis under Research Topic entitled: “Influence of Asymmetry Information on Lending Performance of Commercial Banks in Rwanda” will assist me to come up with my contribution as Ph.D. Scholar. Please note that your responses are anonymous and confidential and should be used by the researcher only for the purposes of research. There is no right or wrong answers. Please answer all questions to the best of your knowledge.

Regards

Mukasafari Chantal

1. Kindly indicate your gender

Male ☐

Female ☐

2. Please indicate the highest level of education you have ever attained

a) Secondary level ☐

b) College level ☐

c) University level ☐

d) Post graduate level ☐

3. How many years have you worked in this Commercial Bank?

a) Less than 2 years ☐

b) 3 to 5 years ☐

c) Over 5 years ☐

5. What is the type of your Commercial Banks?

a) Accepting Deposits Commercial Bank ☐

b) Lending of Funds Commercial Bank ☐

c) Mixt commercial Bank ☐

5. How long has the Commercial Bank been in operation?

a) 1 to 5 years ☐

b) 6 to 10 years ☐

c) 11 to 15 years ☐

d) Over 15 years ☐

Does your commercial bank faces one of these three Information asymmetry management informationasymmetry management (*moral hazard information asymmetry management, adverse selection information asymmetry management, Propitious Selection information asymmetry management management)?*

a) Yes ☐

b)No ☐

If yes, which one and how do you use it to manage its influence on lending performance of your Commercial bank?

……
……
……

The influence of moral hazard information asymmetry management on lending performance of Commercial Banks in Rwanda;

This section aims to establish ***The influence of moral hazard information asymmetry management on lending performance of Commercial Banks in Rwanda***. Please kindly indicate your settlement or otherwise using the following statements like Key: **1**= strongly Agree, **2**= Agree; **3** = Disagree; **4**= Strongly Agree

N0	**Statements**	**Strongly Agree (1)**	**Agree (2)**	**Disagree (3)**	**Strongly disagree (4)**
01	Moral hazard information asymmetry management information management indicates the process by which investors latent demands are ultimately translated into prices affect the lending performance of Commercial Banks in Rwanda				
02	The Risk pays off well managed as an aspect of Moral hazard information asymmetry management information has an positive impact on the investors latent demands and are ultimately translated into volumes of the lending performance of Commercial Banks in Rwanda.				
03	The Bankruptcy management under Moral hazard information asymmetry management informationasymmetry management demonstrate and facilitates the ability of market participants to observe information about the trading process which improve the Lending performance of commercial Bank in Rwanda.				

Do you think Moral hazard information asymmetry management informationasymmetry management with strong oriented strategies can influence the Lending performance of Commercial Banks in Rwanda?

Yes ☐ No ☐

If yes, in which sectors of Commercial Bank?

Saving account management	❑
Current account management	❑
Fixed deposit management	❑
Requiring deposit management	❑
Term loan management	❑
Cash credit management	❑
Overdraft management	❑
Bills exchange discounting	❑
Safe custody management	❑
Payment and Withdrawal management	❑
Other Moral hazard information asymmetry management informationasymmetry management(specify) ……. …….	❑

If No, Why…….....

…….

The importance of adverse selection information asymmetry management on lending performance of Commercial Banks in Rwanda;

This section aims to assess the importance of adverse selection information asymmetry management on lending performance of Commercial Banks in Rwanda. Please kindly indicate your settlement or otherwise using the following statements like Key: **1**= strongly Agree, **2**= Agree; **3** = Disagree; **4**= Strongly Agree

N0	**Statements**	**Strongly agree (1)**	**Agree (2)**	**disagree (3)**	**Strongly disagree (4)**
01	The Adverse selection information asymmetry management informationasymmetry management is primarily concerned with maximizing shareholder value through long-term financial planning is affecting the Lending performance of Commercial Banks in Rwanda				
02	The Records falsification under the Adverse selection information asymmetry management information is used to control and analyze the previous clients information on different loan taken which should influence the next Commercial Banks operations.				
03	The inequality aversion managed by the Adverse selection information asymmetry management informationasymmetry management in Rwanda presents numerous opportunities for FDI when the Financial Institutions take into as serious Business occasions.				

On your experiences, does Adverse selection information asymmetry management informationasymmetry management has importance on lending performance of Commercial Banks in Rwanda?

Yes ☐ No ☐

If Yes, which area as illustrated in the table below?

Money management	❑
Banking management	❑
Market failure management	❑
Private finance management	❑
Other Adverse selection management (specify) ……. …….	❑

If no, why?.....

……

The contribution of Propitious Selection Information asymmetry management on lending performance of Commercial Banks in Rwanda;

This section aims to assess the contribution of Propitious Selection Information asymmetry management on lending performance of Commercial Banks in Rwanda. Please kindly indicate your settlement or otherwise using the following statements like Key: 1= strongly Agree, 2= Agree; 3 = Disagree; 4= Strongly Agree

N0	Statements	Strongly agree (1)	Agree (2)	disagree (3)	Strongly disagree (4)
01	The Propitious Selection Information asymmetry managementoccurs when risk-avoiding personalities both take physical precautions and buy financial security (insurance) which stabilize the insurance Markets				
02	The Banking stability managementare used to strengthen the efficiently allocating resources, assessing and managing financial risks, maintaining employment levels close to the economy's natural rate, and eliminating relative price movements of real or financial assets that affect the monetary stability or employment levels.				
03	The Deposit insurance management should be used to insure all commercial such as saving, fixed, current, recurring, term loan, Cash credit and Bills exchange discounting to contribute on the Lending performance of Commercial Banks in Rwanda.				

On your experiences, does Propitious Selection Information asymmetry management contributes on the Lending performance of Commercial Banks in Rwanda?

Yes ☐ No ☐

If Yes, which area as illustrated in the table below?

Liabilities (current account, saving account, fixed and Deposits) insured management	❑
Assets (loans, cash in hands, credit cards, trade finance and investments) Insurance management	❑
Other financial aspect (Insurance, investment services and money transfers) insurance management.	❑
Other Propitious Selection management (specify) …… ……	❑

If no, Why?.....

……

The moderating influence of political drive on the influence of asymmetry information asymmetry management on lending performance management on lending performance of Commercial Banks in Rwanda

This section aims to assess the moderating influence of political drive on lending performance of Commercial Banks in Rwanda. Please kindly indicate your settlement or otherwise using the following statements like Key: 1= strongly Agree, 2= Agree; 3 = Disagree; 4= Strongly Agree

N0	Statements	Strongly agree (1)	Agree (2)	disagree (3)	Strongly disagree (4)
01	The political drive well oriented to the nation interest has a positive influence on				

	lending performance management on lending performance of Commercial Banks in Rwanda				
02	The Market Regulation management under the political drive is a main aspect provides by the Government to regulate the commercial banks' lending performance in Rwanda.				
03	The Value like interest rate well determined should facilitate the equilibrium strategies on the both clients and Providers of lending performance of Commercial Banks.				

Question on Dependent Variable: The importance of Lending performance of Commercial Banks in Rwanda when the Asymmetry Information are strongly managed

This section aims to assess the importance of Lending performance of Commercial Banks in Rwanda when the Asymmetry Information are strongly managed. Please kindly indicate your settlement or otherwise using the following statements like Key: 1= strongly Agree, 2= Agree; 3 = Disagree; 4= Strongly Agree

N0	Statements	Strongly agree (1)	Agree (2)	disagree (3)	Strongly disagree (4)
01	The economic growth benefit of higher				

	living standards, real incomes and ability to devote more resources improved the Lending performance of Commercial Banks in Rwanda				
02	The Services is the largest sector of the Rwanda's economy and accounts for 53 percent of total GDP growth that improving not only the commercial bank’s income but also the Clients benefits				
03	The important Human Development Index fix at the national level is the basis attraction for the FDI which impact the lending performance of Commercial Banks in Rwanda.				

Appendix II:List of Selected Commercial Banks in Rwanda

Banks	LocationPhysical Address
Bank of Kigali	KigaliCity(250)788143000
Banque Populaire du Rwanda	KigaliCity(250)78857559
I &M Bank	Kigali City(250)788595200
Cogebanque	Kigali City(250)788597500
Ecobank	Kigali City(250)788161000
KCB	Kigali City(250)252570620
Equity	Kigali City(250)788190000
GT-Bank	Kigali City(250)788149600
Access Bank	Kigali City07002255222377
	Kigali CityPo Box 4312,
Crane Bank (BCR)	

Appendix III: Lending Performance of Commercial Banks

NPL Ratio	2016	2017	2018	2019	2020
	%	%%	%	%	
BK	6.5	6.9 4.5	6.6		4.9
BP	8.9	7.5 5.4	9.7		6.3
I &M Bank	1.73	1.07 1.49	4.3		1.73
Cogebanque	6.38	4.30 6.13	3.17		4.73
KCB	6.13	4.73	3.15	4.30	6.38
Equity	6.9	5.89 6.1	5.3		4.74

Appendix IV: Human Development Index

2015 Human Development Index – Highest Rankings

Country	Human Development Index (HDI) Value 2014	Life expectancy at birth (years) 2014	Expected years of schooling (years) 2014	Mean years of schooling (years) 2014	Gross national income (GNI) per capita (2011 PPP $) 2014	GNI per capita rank minus HDI rank 2014
Norway	0.944	81.6	17.5	12.6	64,992	5
Australia	0.935	82.4	20.2	13.0	42,261	17
Switzerland	0.930	83.0	15.8	12.8	56,431	6
Denmark	0.923	80.2	18.7	12.7	44,025	11
Netherlands	0.922	81.6	17.9	11.9	45,435	9
Germany	0.916	80.9	16.5	13.1	43,919	11
Ireland	0.916	80.9	18.6	12.2	39,568	16
United States	0.915	79.1	16.5	12.9	52,947	3
Canada	0.913	82.0	15.9	13.0	42,155	11
New Zealand	0.913	81.8	19.2	12.5	32,689	23
Singapore	0.912	83.0	15.4	10.6	76,628	-7
Hong Kong, China (SAR)	0.910	84.0	15.6	11.2	53,959	-2
Liechtenstein	0.908	80.0	15.0	11.8	79,851	-10
Sweden	0.907	82.2	15.8	12.1	45,636	-1
United Kingdom	0.907	80.7	16.2	13.1	39,267	9
Iceland	0.899	82.6	19.0	10.6	35,182	12
Korea (Republic of)	0.898	81.9	16.9	11.9	33,890	13

2015 Human Development Index – Lowest Rankings

	Human Development Index (HDI)	Life expectancy at birth	Expected years of schooling	Mean years of schooling	Gross national income (GNI) per capita	GNI per capita rank minus HDI rank
Country	Value	(years)	(years)	(years)	(2011 PPP $)	
Côte d'Ivoire	0.462	51.5	8.9	4.3	3,171	-24
Malawi	0.445	62.8	10.8	4.3	747	13
Ethiopia	0.442	64.1	8.5	2.4	1,428	2
Gambia	0.441	60.2	8.8	2.8	1,507	-2
DRC	0.433	58.7	9.8	6.0	680	11
Liberia	0.430	60.9	9.5	4.1	805	7
Guinea-Bissau	0.420	55.2	9.0	2.8	1,362	-1
Mali	0.419	58.0	8.4	2.0	1,583	-8
Mozambique	0.416	55.1	9.3	3.2	1,123	1
Sierra Leone	0.413	50.9	8.6	3.1	1,780	-16
Guinea	0.411	58.8	8.7	2.4	1,096	0
Burkina Faso	0.402	58.7	7.8	1.4	1,591	-13
Burundi	0.400	56.7	10.1	2.7	758	1
Chad	0.392	51.6	7.4	1.9	2,085	-22
Eritrea	0.391	63.7	4.1	3.9	1,130	-6
Central African Republic	0.350	50.7	7.2	4.2	581	1
Niger	0.348	61.4	5.4	1.5	908	-5

Source: World Bank Group report, 2015