

**THE ROLE OF FINANCIAL STATEMENT ANALYSIS ON
DECISION MAKING IN TANZANIAN BANKING INDUSTRY:
THE CASE OF CRDB BANK PLC; DAR ES SALAAM**

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MAKING IN TANZANIAN BANKING INDUSTRY:
THE CASE OF CRDB BANK PLC; DAR ES SALAAM**

**By
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**A Dissertation submitted in Partial/Fulfillment of the Requirement for the Award
of the Degree of Masters of Science in Accounting and Finance (MSc A&F) of
Mzumbe University**

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **The Role of Financial Statement Analysis on Decision Making in Tanzanian Banking Industry: The case of CRDB Bank PLC; Dar es Salaam**, in partial/fulfillment of the requirements for award of the degree of Masters of Science in Accounting and Finance (MSc A&F) of Mzumbe University.

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DEDICATION

This thesis is dedicated to my beloved God, for his wonderful blessings all my life. I also dedicate this work to my whole family for their support towards my studies

LIST OF ABBREVIATIONS

BOT	Bank of Tanzania
CRDB	Community Rural Development Bank
EPS	Earnings per Share
FSA	Financial Statement Analysis
GAAP	General Accepted Accounting Principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
MD&A	Management's Discussion and Analysis
NBFIs	Non Bank Financial Institutions
SME	Small and Medium Enterprises
TSHS	Tanzanian Shillings
URT	United Republic of Tanzania

ABSTRACT

Financial statement analysis has been used to assess a company's likelihood of financial distress — the probability that it will not be able to repay its debts. Despite unprecedented challenges, the financial statements analysis for CRDB Bank Plc reveals the need for a continued enhancement of loss provisioning for the accounts that fail to honour their instalments as to realize maximum profit. The general objective of the study was to examine the role of financial statement analysis on decision making.

Case study research design was utilized in the methodology. A sample of 30 respondents was used. Data were collected using documentary review, interview, and questionnaires and analyzed qualitatively through horizontal and content analysis techniques.

The findings revealed that CRDB Bank Plc achieved a tremendous increase of cash and balance with the Bank of Tanzania with the increase by 4.8% from 28.4% respectively. In view of that it decreased its deposits and balances with other banks by 35% in 2012/11 from 28.7% of previous years. However, there was a slight change on loans and advances to customers to 26.4% from the previous 27.2%. Total assets increased by 13.3% from 17.7% of the previous accounting year. stakeholders' perception of the adequacy of financial analysis statements on liabilities show that deposits for customers increased by 7.5% from 19.3% of previous years, while other liabilities decreased by 12.2% from the increased amount by 49.7% in previous years. Moreover the results show that total liabilities increased by 12.2% from 18.7% of previous years. Retained earnings on the other hand increased by 32.9% from 11.3% of previous years. income statement on business revenue, expenses and the resulting profit and loss for the 2012/11 and 2011/10 on CRDB Bank Plc. The financial status shown by CRDB Bank Plc need to be maintained through the enhancement of good flow of deposits, savings and repayment arrangements to enable it serve its members while enhancing quality decisions for better service provision.

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CHAPTER ONE

BACKGROUND INFORMATION

1.0 Introduction

This chapter presented the background information regarding the role of financial statement analysis on decision making in banking industry. It describes the background of the problem, statement of the problem, research objectives and questions, significance, scope, limitations and organisation of the study.

1.1 Background of the problem

Financial statement analysis has been used to assess a company's likelihood of financial distress — the probability that it will not be able to repay its debts (Cooper and Dart, 2009). According to Hermanson *et al* (1992) financial statement analysis consists of applying analysis tools and techniques to financial statements and other relevant data to show important relationships and obtain useful information. Therefore, financial statement analysis can be defined as the breaking down, interpretation, and translation of data contained in financial statements to provide information and show important relationships among the items of financial statements and drawing conclusion about the past performance, current financial position, and future potentials of a business (Russeil, 2003). Financial statement analysis provides business owners with the basic tools for determining how well their operations perform at all times (Virginia Small Business Development Centre, 2011). These statements analysed are concise reports designed to summarize financial activities for specific periods. Therefore, owners and managers can use financial statements to evaluate the past and current financial condition of their business, diagnose any existing financial problems, and forecast future trends in the firm's financial position (Russeil, 2003).

The first causes of financial statement analysis can be traced back to the last stages of America's drive to industrial maturity in the last half of the Nineteenth century as the

management of enterprises in the various industrial sectors transferred from the enterprising capitalists to the professional manager (Brown, 1955). As the financial sector became a more predominate force in the economy, the need for financial statements analysis increased accordingly (Mohamed, 2009). Financial statement analysis can be applied from two different directions according to Macur and Gustafson (2011). Vertical analysis which is the application of financial statement analysis to one set of financial statements whereby, we look “up and down” the statements for signs of strengths and weaknesses and horizontal analysis which looks at financial statements and ratios over time. In horizontal analysis, we look for trends -- whether the numbers are increasing or decreasing; whether particular components of the company’s financial position are getting better or worse. However, viewed on the surface, the truths about the results and the financial position of a business hidden in them remain veiled (Russeil, 2003).

Van Horne and Wachowicz (2005) say that to evaluate the firm's financial condition and performance, the financial statement analysis needs to perform checkups on various aspects of a firm's financial health. Different researchers have showed an interest on the financial analysis results but yet failed to establish how effective and efficiency financial statements analysis roles on decision making are (Macur and Gustafson, 2011). Sharma *et al*, (2001) in their study stated that financial statements analysis are prepared primarily for decision making, but the information provided is not an end in itself and no meaningful conclusion can be drawn from these statements alone. Thus, the proper use of accounting ratios assists management in communicating information which is pertinent and purposeful for decision makers to ensure the effectiveness of management in the enterprise. By analysing the report given from financial statement analysis, the overview of banking industry’s performance becomes vivid. Bittel *et al*. (1984) observed that managers want information because they need to make decisions. With financial statement analysis, informed decisions may be reached by the firm’s management.

Thus, this study examined the role of Financial Statements Analysis in decision making as revealed from 2008 to 2012 CRDB Bank Plc annual reports.

1.2 Statement of the problem

Companies Act of 2002 (s.151-166) requires companies to prepare and maintain books of accounts. It is clear that managers of corporations are required to make financial statements in order to comply with the legal requirements or to guide them to see the strength or weakness of their business operations and hence leading into desired decision making. Decision-making calls information and the proper use of information is an important part of decision-making (Cooper and Dart, 2009). In lieu of this, CRDB Bank Plc reports for the year 2008 to 2012 show a sustained growth and enhancement of Bank's services and capabilities.

The most significant financial statements that should be taken into account when examining the entire business quality and make decision for the future are balance sheet, income statement, cash flow statement and statement of changes in owner's equity.

Balance sheet is the fundamental financial statement that represents company's financial position and is the basic for estimating the security of business. It includes the following elements: Assets, liabilities and Owner's equity. Income statement represents company's performance for a particular time of period. It includes revenue, expenses and their differences that can be profit or loss. The cash flow statement contains the information's about cash receipts and cash expenditure as well as the difference that is cash flow.

Statement of changes in owner's equity shows all transaction which refers to profit or loss for a particular time of period. In order to improve the usage of financial information in the context of decision making process, we need to analyse financial statement.

However, even though various scholars had researched concerning the key roles of financial statements in decision making especially in banking industry ,yet a detailed research work was required to determine the extent at which balance sheet and income statement had become a tool for decision making towards improving the bank performance, thus the study was raised.

For example, the total assets of the bank grew by 28% from Tsh 1,450 billion at the end of December 2008 to Tsh 1,855 billion in 2009. Deposits grew by 27.3% to reach Tsh.1, 621 billion at the end of December 2009. The bank achieved a pre-tax profit of Tsh. 62 billion making a slight increase from Tsh. 60 billion realised in the previous year. After tax profit was Tsh. 46 billion being 15% higher than the Tsh. 40.5 billion in 2008 (CRDB Bank Plc Report, 2009). On the other hand, the total assets of the bank grew by 24% from Tsh. 1,855 billion at the end of December 2009 to Tsh 2,305 billion in 2010. Deposits grew by 25% to reach Tsh. 2,019 billion at the end of December 2010. The bank achieved a pre-tax profit of Tsh 66 billion being an increase of 7% from Tsh 62 billion realized in the previous year. After tax profit was Tsh. 48 billion being 4% higher than Tsh. 46 billion recorded in 2009 (CRDB Bank Plc Report, 2010). Moreover, the bank continued to command the largest balance sheet in the banking industry. Total assets grew by 18% from Tsh. 2,305 billion at the end of December 2010 to Tsh 2,714 billion in 2011 with loans and advances portfolio registering an increase of 27% to Tsh 1,429 billion up to Tsh 1,123 billion at 31st December 2010. The bank achieved a pre-tax profit of Tsh 51.01 billion down from Tsh 64 billion realized in 2010. After tax profit was Tsh. 37.71 billion from Tsh. 47 billion in 2010 (CRDB Bank Plc Report, 2011).

CRDB Bank Plc management has progressively maintained its leading role although with challenges among commercial banks in Tanzania. It has created an environment conducive for the growth and success, from this view the researcher intended to establish the actual rate of growth of CRDB bank through key ratios; such as current ratio,net profit margin,asset turnover,return on assets,return on equity,earning per

share, dividend payout ratio, dividend yield and debt to total asset for a trend of five years consecutively from 2008 to 2012 which other studies had not focused through using balance sheets and income statements.

Despite unprecedented challenges, the financial statements analysis for CRDB Bank Plc reveals the need for a continued enhancement of loss provisioning for the accounts that fail to honour their instalments as to realize maximum profit. However, little or no research has been done to examine the role of financial statement analysis. It is from this background that this study examined the role of financial statement analysis (balance sheet and income statement) in decision making as revealed from 2008 to 2012 CRDB Bank Plc annual reports.

1.3 Research Objectives

The research objectives were divided into two, which are; general objective and specific objectives as shown hereunder.

1.3.1 General Objective

The general objective of the study was to examine the role of financial statement analysis on decision making in the banking industry with reference to CRDB Bank Plc.

1.3.2 Specific Objective

- a) To examine the importance of using financial statements analysis as pillars to draw conclusions upon which decisions are made at CRDB Bank Plc
- b) To explore the staff and shareholders' perception of the adequacy of financial statement analysis at CRDB Bank Plc
- c) To examine the extent at which financial statement analysis at CRDB Plc leads to desired decision making
- d) To interpret key financial ratios and their significance for decision making

1.4 Specific Questions

The use of financial statement analysis is the main aspect in decision making. According to Charles (1989) financial statement analysis is not the end in its self but it is intended to provide information that is useful in making business and economic decisions.

The motivation to examine the role of financial statement analysis on decision making at CRDB Bank Plc stems from its performance indicators envisaged from 2008 to 2012. This necessitates the need to answer the following questions as follows: What is the importance of using financial statement analysis at CRDB Bank Plc as pillars to draw conclusions upon which decisions are made? What are staff and shareholders' perceptions of the adequacy of financial statement analysis at CRDB Bank Plc? To what extent does financial statement analysis at CRDB Bank Plc lead to desired decision making? And are there key financial ratios significant for decision making?

1.5 Significance of the study

- a) This study was of importance to the researcher as it equipped her knowledge of financial statement analysis and interpretation of data for managerial purpose.
- b) To other researchers studying on a related subject, this study served as a reference to enhance their work. Also, the study served as a basis for further research into the role of financial statement analysis on decision making processes.
- c) This study was important for the researcher for the fulfilment of Masters of Science in Accountancy and Finance (MSc A & F) as the requirement of Mzumbe University.

1.6 Scope of the Study

The study focused on the role of financial statement analysis on decision making at CRDB Bank Plc headquarters. The study concentrated on audited financial statements for five years from 2008 to 2012 collected from CRDB Bank Plc. In lieu of this the examination of the importance of using financial statements analysis as pillars to draw conclusions upon which decisions are made, exploration of the stakeholders' perception of the adequacy of financial statement analysis and the examination of the extent at which financial statement analysis leads to desired decision making were examined.

1.7 Limitation of the study

The limitations of the study were as follows;

a) Response rate

It was expected that the response rate would be low due to respondents been in a hurry, very busy with their daily activities and others would not be present at their working place sometimes. However, continuous follow-ups of respondents enabled the completion of the task.

b) The study aimed at having a face to face interview to the management. However, this was not done, thus hindered the possibility of getting additional information that was necessary for the study.

1.8 Organisation of the study

The study consisted of six chapters. The first chapter was the background information. The second chapter presented the literature review, the third chapter discussed the research methodology, the fourth chapter presented findings, the fifth chapter discussed the research findings and the six chapters presented the conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presented a review of literature whereby, identified concepts were discussed. It is based on theoretical literature review, empirical literature review and finalizes with the conceptual framework.

2.1 Theoretical Literature Review

The main features of financial analysis according to Coley (2000) are as follows; to present the complex data contained in financial statements in simple and understandable form; to classify the items contained in financial statements in convenient and rational groups and to make comparisons between various groups to draw various conclusions. Wild *et al*, (2007) state that the purpose of financial statement analysis is to help users make better business decisions. Internal users want information to improve company efficiency and effectiveness in providing products and services. External users want information to make better and more informed decisions in pursuing their goals in order to evaluate company's past and current performance, current financial position, future performance and risk (Goel and Rajesh, 2004). Moreover, the purpose of financial analysis according to Russeil (2003) depends on the needs of the person who is analyzing these statements as; i) to know the earning capacity or profitability. The overall objective of a business is to earn a satisfactory return on the funds invested in it, consistent with maintaining a sound financial position.

Financial analysis helps in ascertaining whether adequate profits are being earned on the capital invested in the business. It is also disclosed by analysis of financial statements whether these profits are increasing or decreasing over the years (Russeil, 2003). For this purpose, the financial statements of a few years are taken into account to compute the change in profits over the years; ii) to know the solvency. It can be ascertained from the

financial analysis whether the business is in a position to pay its short-term and long-term liabilities in time; iii) to know the financial strength. The purpose of financial analysis is to assess the financial potential of the business; iv) to make comparative study with other firms. The other purpose of analysis is to help the management to make comparative study of the profitability of various firms engaged in the same trade. Such comparison helps the management to study the position of their firm in respect of sales, expenses, profitability and working capital in comparison to other firms (Finney and Miller, 2003).

On the other hand, Russeil (2003) provides the purpose of financial analysis as; v) to know the capability of payments of interest and dividend. The purpose of analysis is to assess the whether the firm will have sufficient profits to pay the amount of interest in time and whether it has the capacity to pay the dividend in future at a higher rate. Also indicates the number of times the profit is in comparison to interest. Analysis further indicates the extent to which the profit of the firm may decrease without in any way affecting its ability to meet interest and dividend obligations; vi) to know the trend of the business. When data about sales, cost of production, profits etc are compared for two or more years of a firm, they indicate the direction in which a business is moving. If sales are increasing continuously along with increase in profit margins, it is an indication of a health growth trend of the business. Such analysis helps in ascertaining whether the business is progressive or not; vii) to know the efficiency of management. Again, the purpose of financial analysis is to judge the financial policies adopted by the management are proper or not. For example, if the actual ratios calculated on the basis of financial statements are in accordance with their standard ratios, the policies of the management may be said to be proper and efficient; viii) to provide useful information to the management.

Finney and Miller (2003) stated that the objective of financial analysis is to find out the shortcomings of the business so that the management can take remedial measures to

remove those shortcomings. Financial statement analysis is largely a study of relationship among the various financial factors in a business, as disclosed by a single set of statements and a study of the trends of these factors as shown in a series of statements (Myres, 2004)). It is mainly concerned with the understanding of company accounts and interpretation of the published financial statements to enable legitimate users to make informed economic decisions (Chang and Most, 2005). This necessitates decision-making as Collins (1999) defines decision as the act of making up one's mind by collecting, sharing and gathering significant ideas from different sources. At the end decision-making is to make a choice or judgment about something, especially after a period of not knowing what to do or in way that ends in disagreement (Alam, 2008). Moreover, Fullan (1982) asserts that decision-making is the process of identifying and choosing alternative courses of action in a manner appropriate to the demand of the situation.

2.1.1 Banking Industry in Tanzania and Its Challenges

A bank's primary purpose is financial intermediation; as it accepts deposits that are usually short-term in nature, have relatively quick interest rate adjustments possible; make loans in variety of maturities and fixed and variable rates (Cooper and Dart, 2009). Moreover, banks make money through an interest rate spread and by charging for services provided. The goal of bank management is to maximize the value of the bank (Virginia small business development centre, 2011). According to Bank of Tanzania (BOT) there were 45 institutions in the banking sector in 2012. These include; 8 large banks, 19 medium banks, 14 regional and small banks and 3 non-bank financial institutions (NBFIs) (Ernest and Young, 2012). Ernest and Young (2012) reported that the sector's balance sheet continued its growth after analysing their financial statement with total assets increasing by 16% (26% in 2010). This growth is contributed mainly by cash and bank balances with BOT which grew at 34% (18% in 2010) and loans and advances which grew by 29% (21% in 2010). On liabilities side, customers deposits increased by 16% (25% in 2010) and paid up share capital grew by 21% (31% in 2010).

Likewise, net interest grew by 25% in 2010. This growth resulted from 23% growth in interest income which grew quicker than interest expense which grew at only 14%. The position for bad debts reduced by 13% in 2012 (compared to an increase of 40% recorded in 2010). Non-interest income grew by 9% (35% in 2010) and non-interest expense grew by 22% (compared to 17% in 2010).

Banking operations are affected by various challenges such as brand and marketing strategies, products, communications infrastructure, controls and systems as well as the most important resource: people (Ernest and Young, 2012). For banks with lending products, the perfection of securities and debt management provide some key challenges. Also, accurate identification and valuation of pledged properties is vital (Cooper and Dart, 2009).

2.1.2 Importance of Financial Statement Analysis for decision making

Effective financial statement analysis is critical to effective business management decision-making (Amedu, 2012). Business decision making is both art and science. A business owner must pay close attention to numerical information included on income statements and balance sheets to understand what is working, and to avoid spending money unnecessarily (Russeil, 2003). According to Oyenrinde (2009) financial statement analysis is important in various aspects as follows; i) to management. The management can measure the effectiveness of its own policies and decisions, determine the advisability of adopting new policies and procedures and document to owners, the results of their managerial efforts; ii) to investors. Investors and shareholders of the business are interested in the longevity of the business enterprise and therefore, they want to know the earning capacity of the business and its prospects for future growth and prosperity. Analyses of financial statements of a company help them a great deal in assessing the capacity of the business to pay dividend at a higher rate and also the safety of their investments; iii) to creditor. Short-term creditors want to know the liquidity of

the business, to know whether the company will have sufficient current assets and cash to pay their debts or not.

Furthermore, Oyenrinde (2009) argue that, iv) to Government. Government can judge on the basis of analysis of financial statements, which industry is progressing on the desired lines and which industry needs financial help. Government can take decision to reduce the excise duty in those industries where the profit margins are low in comparison to the cost of production. On the contrary, if the profit margins are too high in comparison to the cost of production, Government can increase the excise duty or can enforce the price regulation; v) to financial institutions. All the financial institutions which provide finance to the industries such as Banks, Insurance companies, Unit Trust etc. want to know the profit earning capacity of the business and its long-term solvency. They want to assess not only the present position but also its likely position in the future; vi) to employees. Employees are helped in determining the profitability of the business enterprise. They can ascertain as to how much bonus and increase to their wages is possible from the profits of the company. It also helps the trade unions in negotiating wages agreements; vii) to stock exchange authorities. They analyze the financial statements of a company to determine its price earnings ratio and earnings per share with the help of such analysis, the market price of a company's share are determined;

However, Oyenrinde (2009) points out that, viii) to tax authorities. They analyze the financial statements of a company to know whether the financial statements have been prepared in accordance with the legal provisions and whether the figures of production, sales and profits are correct for the purpose of assessment of excise duties, sales tax and income tax respectively; ix) for researchers. Analysis of financial statements of a company is of much importance to a researcher who is conducting research in respect of the profitability, efficiency, financial soundness and future growth potential of that company; x) for other parties. Some other parties may also be interested in the analysis

of financial statements of a company from their own point of view, such as, economists, trade associations and consumer organization.

2.1.3 Building blocks of financial statement analysis

Wild *et al*, (2007) stated that financial statement analysis focuses on four building blocks namely; a) liquidity and efficiency which is the ability to meet short-term obligations and to efficiently generate revenues; b) solvency which is the ability to generate future revenues and meet long-term obligations; c) profitability which is the ability to provide financial rewards sufficient to attract and retain financing; and d) market prospects which is the ability to generate positive market expectations.

2.1.4 The Components of Decision Making

2.1.4.1 Decision environment

Robert (1998) argue that the decision environment would include all possible information, all of it accurate, and every possible alternative. However, both information and alternatives are constrained because the time and effort to gain information or identify alternatives are limited.

2.1.4.2 Decision Model

Amedu (2012) states that decision model can be used to represent a productive system in mathematical terms. A decision model is expressed in terms of performance measures, constraints, and decision variables. The purpose of such a model is to find optimal or satisfactory values of decision variables which improve systems performance within the applicable constraints. The models can then help guide management decision making when chosen and agreed to be utilized. The decision model is an integral part of financial management. It is completely compatible with financial ratios analysis and derives all the data that it needs from information extant in the financial statements of the company. The following decision criteria can be incorporated in banking industry as proposed by Macur and Gustafson (2011) in Table 2.1.

Table 2.1: Decision Criteria in a Business Firm

Corporate Objective	Decision Criteria
Customer management improvement	-Customer calls -Customer turnover -Customer satisfaction
Financial soundness improvement	-Free cash flow -Debt management
Market position improvement	-Market share enhancement -Brand loyalty -Ability to attract new customers -First to the market
Technology development enhancement	-Technology development -Innovation enhancement

Source: Macur and Gustafson, 2011

2.1.4.3 The effects of using a decision model

A decision model has great impact on the profits of the company. It forces the management to rationalize the depreciation, inventory and inflation policies (Russeil, 2003). It warns the management against impending crises and problems in the company. It specially helps in following areas; a) the management knows exactly how much credit it could take, for how long (for which maturities) and in which interest rate. It has been proved that without proper feedback, managers tend to take too much credit and burden the cash flow of their companies (Cooper and Dart, 2009); b) a decision model allows for careful financial planning and tax planning. As profits go up, non cash outlays are controlled, tax liabilities are minimized and cash flows are maintained positive throughout; c) as a result of all the above effects the value of the company grows and its shares appreciate.

2.2 Empirical Literature Review

Cooper and Dart (2009) in their study found a wide range of different user groups who are interested in the information disclosed in corporate annual reports, but there was no agreement on whether these reports should serve the needs of all users. Moreover, disclosing all possible information was perceived as arduous as it involves costs in preparing, auditing and disseminating the information. Also businesses may suffer serious consequences if they disclose sensitive information. In lieu of that, participants also identified several areas of concern, including delays in the availability of annual reports, the lack of credibility of financial information, and lack of access to financial reports. In respect of disclosure of the 62 information items which user groups perceived as important for their decision making, the analysis showed that the level of disclosure seemed to be low with an overall average of 61%. The extent of disclosure varied widely within the sample firms (between 33% and 90%). While the disclosure level of the banking sector was the highest (64%), the insurance sector scored the lowest (57%) and industrial and services sector scores were almost the same (62% and 61% respectively). This finding showed that there is a gap between the disclosure level and users' information needs even within the most regulated sector of banking. However, their study could not examine the importance of financial statement analysis in decision making in banking industry.

A survey study of bank lending officers revealed that half of them would refuse to loan to company that did not submit financial statements, even though these might not be explicitly requested. Bank lending officers exhibited no preference for inventory or depreciation methods, but believed that consistence in the use of accounting methods is important.(Stephens,1980).

An extensive study was made of ratio tests in the prediction of bankruptcy. All non liquid asset ratios performed better than any of the liquid asset ratios including the highly touted current ratio and acid test ratio, for anywhere from one to five years in

advance of bankruptcy. The researcher explained that a firm with good profit prospects in poor liquid asset position rarely has trouble obtaining necessary funds. Another surprising discovery was that the failed firms tended to have less rather than more inventories contrary to what the literature might suggest.(Beaver,1998).

All groups in the USA regarded financial statements as the most important source of information for investment decisions. In the United Kingdom only institutional investors made the judgement. Financial analysts regarded communications with management as the most important source whereas individual investors preferred newspapers and magazines. Financial statements were found to be equally important for “buy decisions” as for “hold or sell decisions”. (Chang and Most, 1991).

John (2007) in his study on financial statement analysis identified the different kinds of accounting records and the extent to which these records were used in generating accounting information, finding out, whether accounting information were used in various decisions made by SMEs. Additionally, the study explored the extent to which SMEs used accountants as a source of expert advice. Furthermore, the results indicated that all user groups view an annual report as the most important source of information, followed by stock market publications, contact with the company’s management, advisory services by stock brokers, and advice of friends. Tips and rumours were ranked the least important sources of information. Fund managers were the greatest users of annual reports as they were more concerned about long-term investment. Not surprisingly, results showed that individual investors used annual reports were the least users. This is because most of these investors are non-professional traders who are short-term investors and rely heavily on technical analysis rather than fundamental analysis. On the other hand, Macur and Gustafson (2011) in their study on financial statement analysis affirmed that with regard to whether or not corporate annual reports meet the needs of different user groups, the overall result indicates that about 56% of users perceived the level of disclosure was not sufficient. This finding reflects the

dissatisfaction expressed by user groups, mainly by institutional investors, bank credit officers, and fund managers who rely more heavily on corporate annual reports to make economic decisions than other user groups. However, their studies could not explore stakeholders' perception of the adequacy of financial statement analysis.

When looking to improve their performance, banks compare the performance of their peers and evaluate the trend of their financial performance over time. Tarawneh (2006) in his study measured the performance of Oman commercial banks using financial ratios and ranked the banks based on their performance. The study utilized FRA to investigate the impact of asset management, operational efficiency and bank size on the performance of Oman commercial banks. The findings indicated that bank performance was strongly and positively influenced by operational efficiency, asset management and bank size. Kiyota (2009) in a two- stage procedure investigated the profit efficiency and cost efficiency of commercial banks operating in 29 Sub-Saharan African countries during 2000-2007. The article employs the SFA for the estimation of profit and cost efficiency, financial ratios and the Tobit regression to provide cross-country evidence on the performance and efficiency of African commercial banks. The findings based on a range of performance ratios as well as stochastic cost and profit frontier estimation, suggest that foreign banks tend to outperform domestic banks in terms of profit efficiency as well as cost efficiency. The results are also in line with the research by Kirkpatrick *et al* (2007) who used a sample of 89 banks from Sub-Sahara African countries for the period 1992-1999 and found that banks are on average 67% profit efficient and 80% cost efficient, as indicated by the results from both the distribution free approach and SFA methods. Mohamed (2009) revealed that, the key information required by banks in the lending decisions were Balance sheet, Income statement, Business plan and Budget for the next years. The study further discovered that there is other information required by banks in their lending decisions. These include stock and debtors list, residential assurance of the borrower, availability of collateral and integrity of the borrower. The conclusion reached is that, the quality of the financial statements

analysis information is something very crucial in lending decisions process as it influences the lending decision. Moreover, their studies could not examine the extent at which financial statement analysis leads to desired decision making.

2.3 Conceptual framework

The conceptual framework that guides the investigation as it is defined as an abstract idea or a theory used to develop new concepts or to reinterpret existing ones (Kothari, 2004). It gives the relationship between the independent and dependent variables.

The researcher established the relationship that exist between independent variables, which included the elements such as, Predicting firm's performance, Influence of investors to buy shares, presence of cash to cover short term obligations, Proper use of firm's assets to attain earning power, realization of sales slump and how it enables the cutting of advertising expenses due to lower sale of product with decisions making as dependent variable towards meeting short term and long term firm's obligations.

In predicting firm's performance, cash in and out flows are key information that enable the management to decide on the ways to control cash while allowing the presence of cash to cover short and long term obligations. By doing so, the Income statement and Balance sheet are used to decide on how to manage operations, debts as well as improving the cash flows to attain positive profitability through the use of profitability ratios. It is from that background that the management that controls the running of the organization influences investors to buy shares as envisaged by CRDB Bank Plc that has been able to list at Dar es Salaam Stock Exchange to let investors make better and more informed decisions to buy shares from the evaluation of the firm's past and current performance as well as future performance and risk from the published reports. This would be and has been so by putting its financial statements on open places and website for easy accessibility among internal and external customers. However, proper use of firm's assets to attain earning power influences the management decisions that enable market share enhancement through attracting new customers. But, while realizing sales

slumps the firm identifies problem loans and puts strategies for reimbursement and ultimately come out with decisions to improve its technological innovations by enabling customers access the services promptly; hence enabling the cutting of advertising expenses in order to lower the sale of products and ensuring that capital preservation is always the foremost priority. Therefore, the decisions reached by the management enable the organization to meet short term and long term firm's obligations.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter provided a methodology adopted in the study under the following parts; study area; research design; sample size; sampling procedures; data collection tools, data analysis techniques, ethical considerations and budget.

3.1 Study Area

The study was conducted at CRDB Bank Plc Headquarters, Dar es Salaam. CRDB Bank Plc management has progressively maintained its leading role although with challenges among commercial banks in Tanzania. It has created an environment conducive for the growth and success. Despite unprecedented challenges, the financial statements analysis for CRDB Bank Plc reveals the need for a continued enhancement of loss provisioning for the accounts that fail to honour their instalments as to realize maximum profit. It is from this background that this study examined the role of financial statement analysis in decision making as revealed from 2008 to 2012 annual reports.

CRDB Bank Plc is a commercial bank in Tanzania. It is one of the commercial banks licensed by Bank of Tanzania, the national banking regulator. CRDB Bank was formed when the former Cooperative Rural Development Bank which was wholly government owned was privatized, recapitalized and restructured. DANIDA played a significant role in re-structuring the new institution and is a part owner of the new bank (URT, 2009). CRDB Bank Plc is a leading, wholly-owned private commercial bank in Tanzania. The Bank was established in 1996 and has grown and prospered over the years to become the most innovative, first choice, and trusted bank in the country. CRDB Bank Plc has been recording progressive profit every year since its foundation and has paid dividends annually. The Bank reached an important milestone recently and was listed on the Dar es Salaam Stock Exchange on 17th of June, 2009.

CRDB Bank Plc offers a comprehensive range of Corporate, Retail, Business, Treasury, Premier, and wholesale microfinance services through a network of over 85 branches, 250 ATMs, 15 Depository ATMs, 12 Mobile branches, 900 Point of Sales (POS) terminals and scores of Microfinance partners institutions. The Bank also operates through Internet and Mobile banking services. The bank provides commercial banking services to individuals, small-to-medium sized corporate clients and large corporations. It has nine departments namely; department of finance and administration; retail clients and marketing; credit; internal audit; treasury; international banking and institutional clients; operations; secretarial and human resources (CRDB Bank Plc Report, 2011).

3.2 Research design

Case study research design was used in this study because of time and cost considerations. This involves collecting empirical data, generally from only one or a small number of cases. It usually provides rich details about those cases of a predominantly qualitative nature (Ndunguru, 2006). A case study generally aims to provide insight into a particular situation and often stresses the experiences and interpretations of those involved. It uses direct observation to give a complete snapshot of a case that is being studied. It is useful when not much is known about a phenomenon (Ball, 1981).

3.3 Sample size

The sample size of 30 respondents out of 75 respondents from the total population of CRDB headquarters employees was purposively and randomly selected. This sample size was equivalent to 40% of the whole population, hence fulfilling the argument of Cooper and Schindler (2008) who argued that, for any valid and reliable study to be carried; its sample shouldn't be less than 30% of its population.

This involved managing director, deputy managing director, nine (9) heads of department, fifteen (15) staff and four (4) shareholders as indicated in the table 3.1 below.

Table 3.1: Distribution of respondents

S/N	Category	Population	Sample size	Method employed
1	Managing director	1	1	Purposive sampling
2	Deputy managing director	1	1	Purposive sampling
3	Heads of department	9	9	Purposive sampling
4	Shareholders	39	4	Random sampling
4	Staff	25	15	Random sampling
	Total	75	30	

Source: Researcher, 2014

3.4 Sampling Procedure

Two sampling procedures were utilized namely; purposive and random sampling.

3.4.1 Purposive sampling

Purposive sampling procedure was used to select the targeted respondents as indicated in Table 3.1 because they were considered to be the key derived from the position or the roles they played in relation to a particular activity. This method was used as it is a non-random sampling procedure thus respondents were selected purposively in order to attain the objectives (Ball, 1981).

3.4.2 Random Sampling

This method was utilized as each respondent had the same and independent chance of being selected. To obtain respondents simple random sampling procedure was used as follows. A complete list from CRDB Bank Plc was obtained. Every employee, shareholder and management was given a unique number and the lottery technique of simple random sampling was used. Every name as well as its serial number was written

on a piece of paper. All the pieces of paper were mixed and the numbers of pieces of paper corresponding to the numbers of predetermined samples were picked randomly. Lastly, the employees and management whose names appeared on the picked pieces of paper were requested to appear for the purpose of entering into interview or answering the questionnaire.

3.5 Data collection tools

Primary and secondary data collection tools were used to get information from respondents.

3.5.1 Primary data collection tools

Primary data collection tools were used by the researcher to collect data from the field. This included; interview and questionnaires.

a) Interview

The researcher used written interview to obtain data from the managing director and deputy managing director. The written interview question were left to CRDB Bank Plc headquarters and picked after a month. The information that was intended to be obtained included; the importance of using financial statement analysis, the rate at which financial statement analysis at CRDB Bank Plc lead to desired decision making, how the financial statement analysis become a condition for the firm to grant loans to borrowers and for monitoring the success of business, the value of financial statement analysis in improving the nature and extent of any loss, how financial statement analysis helped the management to change sales instruments' credit and collection policy when they become too tight to customers. All these data helped the researcher to support documentary review as a major source of information that finally helped to draw the conclusion arrived from the analysis.

b) Questionnaires

The questionnaires were left at CRDB Bank headquarters to be provided to heads of department, staff and shareholders; later were collected from the CRDB Bank Plc representative after one month. These consisted of properly constructed open and close ended questions in order to make it easier to obtain precise answers from the respondents. Expert opinion were sought for in order to validate the content and the structure of the questionnaire during the pilot study. These complemented and supplemented information obtained from documentary review in relation to: condition for the firm to grant loans to borrowers and for monitoring the success of business needed by perspective buyers to negotiate a sale price and commit to the purchase; value for financial statement analysis to prove the nature and extent of any loss; relationship between financial statement analysis and investment decision making; how financial statement analysis influences investors to buy shares from the firm, how financial statement analysis predicts the future financial stand of the firm; and importance of financial statement analysis as a pillar to draw conclusions upon decision making.

3.5.2 Secondary data collection tools

The researcher utilized annual financial statements (Income statement and Balance Sheet) of 2008 to 2012 which helped to access accurate and reliable data and were used to compare the percentage changes in financial statements from one period to another (as per appendix v).

3.6 Data analysis techniques

Data collected from balance sheet and income statement were analysed qualitatively through horizontal analysis while data from written interviews and questionnaires were analyzed using content analysis. Content analysis involved breaking the recorded information into meaningful smallest units of information, subjects and tendencies and was presented as a text. Moreover, horizontal analysis of financial statements using balance sheet and income statement was used to compare the percentage changes in

financial statement from one period to the other as provided from the CRDB Bank Plc reports of 2008 to 2012. Ratio analysis was done qualitatively as per Appendix 1.

3.7 Ethical considerations

In order to ensure ethical conduct in the study all respondents were informed about the study in order to have willingness to cooperate. The information provided by respondents was treated as confidential and for academic purposes only. This enabled respondents to cooperate with minimum risk. Other ethical considerations included briefing the respondents as to the purpose of the research, their relevance in the research process, and expectations from them. Again plagiarism, fabrication of data was avoided, privacy maintained, and anonymity of respondents was ensured.

3.8 Budget

The study cost a total of TZS 5,405,400/= and the fund was financed by the researcher herself.(see appendix 5).

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.0 Introduction

This chapter presented and discussed the research findings arising from the research study. It presents the research findings which are presented focusing the research objectives.

4.1 Importance of using financial statements analysis as pillars to draw conclusion upon which decisions are made

The first objective of the study was to examine the importance of financial statements analysis as pillars upon which decisions are made. For that case balance sheet reports from 2008 to 2012 were reviewed and analysed horizontally with the incorporation of questionnaires and interviews done to respondents as shown in table 4.1 and (appendix 5).

Table 4.1: Balance sheet extract for decision making for the period 2008- 2012

	2012	2011	2010	2009	2008
	Tshs million	Tshs million	Tshs million	Tshs million	Tshs million
ASSETS					
Cash & Balance with BoT	469,088	447,450	348,538	313,654	184,642
Deposits and balances with other banks	136,910	210,702	295,413	252,605	140,456
Government securities	518,654	493,735	426,546	252,977	205,720
Other securities	-	200	600	1,617	3,703
Available for sale investments	-	-	-	729	-
Loans and advances to customers	1,806,965	1,429,262	1,123,348	949,505	836,803
Investment in TMRC	-	-	600	-	-
Derivatives	-	122	-	-	-
Other assets	26,561	39,407	35,590	31,115	44,828
Leased premises	-	3,440	10,311	6,723	3,336
Other investments	1,200	1,200	-	-	-
Refurbishment costs	-	12,037	-	-	-
Intangible assets	13,740	13,897	11,888	3,633	1,183
Property and equipment	73,694	49,128	41,661	35,148	25,567
Non-current assets held for sale	-	-	-	-	3
Prepaid operating leases	3,562	-	3,286	734	401
Taxation recoverable	2,758	11,816	5,543	4,764	352
Investment in subsidiary	16,889	728	-	-	-
Deferred tax assets	3,852	-	-	326	1,592
Defined benefit assets	-	-	521	501	-
TOTAL ASSETS	3,073,763	2,713,124	2,304,573	1,854,029	1,449,318

Source: Research data, 2014

The findings in Table 4.1 show the horizontal analysis of the assets for the period under study. During the year ending 2012 CRDB Bank Plc achieved a tremendous increase of cash and balance with the Bank of Tanzania with the increase by 4.8% from 2011. The increase in 2011 indicates an increase of 28.4% when compared to 2010. From 2009 to 2010 the bank increased its cash and balance with the Bank of Tanzania by 11.1%. The results also show that there was a significant increase of 69.9% in the cash and balances with the BOT from 2008 to 2009.

In 2012 CRDB plc decreased its deposits and balances with other banks by 35% from (2011). The results also shows that the deposits and balances in 2011 decreased by 28.7% from 2010. In 2010 the increase was 16.9% from that of 2009 while the deposits in 2009 increased by 79.8% when compared with the deposits balances in 2008.

Along with decreasing deposits, the bank increased its government securities by 5.1% in 2012 from 2011. In 2011 the findings shows that government securities increased by 15.7% from 2010. In 2010 and 2009, government securities increased by 68.6% and 22.9% respectively. In 2012 there was a slight change on loans and advances to customers as it increased by 26.4% from 2011. The loans also increased by 27.2% in 2011 when compared to the previous year while encountering a drastic increase of 18.3% in 2010 and by 13.5% in 2009 from 2008.

In 2012 total assets increased by 13.3% from 2011. The increase in 2011 was 17.7% more of the previous accounting year. Moreover, total assets in 2010 increased by 24.3% compared to the increase of 27.9% in 2009 (see appendix 5).

4.2 Staff and shareholders' perception of the adequacy of financial statements analysis

The second objective was to explore staff and shareholders' perception of the adequacy of financial statements analysis. For that case the researcher analysed the firms' liabilities in order to seek for the perception of staff and shareholders on issues that may render hesitations in investing in that firm for the 5 years. Table 4.2, and (appendix 5) show the results.

Table 4.2: Balance sheet extract for decision making for the period 2008- 2012

	2012	2011	2010	2009	2008
	Tshs million	Tshs million	Tshs million	Tshs million	Tshs million
LIABILITIES & SHAREHOLDERS' FUNDS					
Deposits from customers	2,590,119	2,408,986	2,019,937	1,621,452	1,273,601
Deposits due to other banks	153,580	2,901	16,830	3,776	3,351
Other liabilities	33,879	38,567	25,754	19,259	29,704
Subordinated debt	-	1,920	1,920	1,920	1,920
Derivatives	-	-	202	-	-
FSDT Grant	-	-	-	-	60
Deferred income tax liability	-	280	51	-	-
Defined benefit liability	-	8,137	7,588	6,085	-
Total Liabilities	2,760,805	2,460,791	2,072,282	1,652,492	1,308,636
EQUITY CAPITAL AND RESERVES					
Share capital	54,413	54,413	54,413	54,413	24,733
Share premium	18,765	18,765	18,765	18,765	-
Retained earnings	234,469	176,410	158,407	126,803	115,921
Statutory reserve	2,456	1,154	57	352	26
Defined benefit reserve	-	955	-	-	-
Revaluation reserve	2,855	636	826	1,017	-
TOTAL CAPITAL	312,958	252,333	232,468	201,350	140,680
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	3,073,763	2,713,124	2,304,750	1,853,842	1,449,316

Source: Research data, 2014

The findings in Table 4.2 indicate how users of financial statements such as creditors and owner investments that supplied the resources may make decisions on whether to continue investing or withdrawing their resources. CRDB Bank Plc financial statements on liabilities for 2012, and 2011 show that deposits for customers increased by 7.5% from 19.3% of previous years, while other liabilities decreased by 12.2% from the increased amount by 49.7% in previous years. Moreover the results also show that total liabilities increased by 12.2% from 18.7% of previous years. Retained earnings on the other hand increased by 32.9% from 11.3% of previous years. This necessitated the increase of total capital by 24% from 8.5% of previous years. Furthermore, total liabilities and shareholders' funds increased by 13.3% from 17.7% of previous years.

Also in the years 2010 and 2009: deposits from customers increased by 24.5% from 27.3% of previous years while other liabilities increased by 33.3% from the decreased 35.2% of previous years. Likewise, total liabilities increased by 25.4% from 26.3% of previous years. However, retained earnings increased by 24.9% from 9.4% of previous years. On the other hand, total capital increased by 15.5% from 43.1% of previous years. Finally the results show that total liabilities and shareholders' funds increased by 24.3% from 27.9% of previous years.

In 2008 deposits from customers increased by 25.6% while deposits due to other banks grew by 92.6%. Likewise, other liabilities increased by 45.3% although subordinated debt decreased by 4.7%. Moreover, the total liabilities increased by 26%, retained earnings increased by 45.6%. Furthermore, the total liabilities and shareholders' funds increased by 26.8% paving a way for stakeholders to perceive the results as adequacy for their investments.

4.3 The extent of financial statements at CRDB leading to desired decision making

The third objective was to examine the extent to which financial statements analysis at CRDB led to desired decision making. The researcher used the Income statement reports from 2008 to 2012 to ascertain the analysis as indicated in table 4.3 below:

Table 4.3: Income statement extract for the period 2008- 2012

	2012	2011	2010	2009	2008
	Tshs million	Tshs million	Tshs million	Tshs million	Tshs million
Interest income	261,614	188,357	156,685	143,319	110,286
Interest expense	(55,464)	(34,972)	(35,511)	(35,925)	(20,846)
Net interest income	206,150	153,385	121,174	107,393	89,440
Loan impairment charges	26,403	(31,216)	(20,357)	(18,174)	(5,019)
Net interest income after loan impairment charges	179,747	122,169	100,817	89,219	84,420
Fee and commission income	71,957	56,608	46,243	39,066	30,634
Fee and commission expense	(7,380)	(892)	(471)	(414)	(540)
Net fee and commission income	64,577	55,716	45,772	38,652	30,093
Net foreign exchange income	22,252	1,549	22,081	15,244	13,040
Other operating income	178	98	487	183	356
General and administrative expenses	72,544	(75,118)	(61,874)	(43,459)	(35,157)
Staff costs	72,314	(55,539)	(44,193)	(37,968)	(32,989)
Net gain/loss on fair value derivatives	-	122	(202)	-	-
Profit before tax	103,908	48,997	62,888	61,871	59,764
Tax charge	(26,102)	(12,675)	(16,533)	(15,814)	(19,507)
Profit for the year	77,806	36,322	46,355	46,057	40,256
Other comprehensive income					
Net actuarial gain on defined benefit plan	-	1,274	-	1,016	-
Deferred tax on actuarial gains	-	(319)	-	510	-
Other comprehensive income for the year	-	955	-	-	-
Total comprehensive income for the year	77,806	37,277	46,355	47,583	40,256

Source: Research data, 2014

The findings in Table 4.3 show the income statement on business revenue, expenses and the resulting profit and loss for the five years on CRDB Bank Plc. The results in 2012 and 2011 indicate that interest income grew by 38.9% from 20.1% of previous years while interest expense decreased by 58.6% from the attained decrease of 3.4% of the previous years. Likewise, net interest income increased by 34.4% from 26.6% of the previous years. The increase was largely due to growth in interest income due to favourable yields on term loans to partner affiliates. Along with that, loan impairment charges decreased by 15.4% from 20.8% of previous years while fee and commission expenses decreased by 7.3% from the decrease of 4.8%. However, Net fee and commission income increased by 15.9% from 21.7% while the general and administrative expenses decreased by 7.55 from the decrease of 6.3% of previous years. Regarding profit before tax that increased by 112% from the decrease of 22.1% the profit attained for the year increased by 114.2% from the decrease of 21.6% of previous years. Finally the comprehensive income for the year increased by 108.7% from the decrease of 19.5% observed in previous years that led to desired decision making.

In 2010 and 2009 interest income increased by 9.35 from the increase of 29.9% of previous years while interest expense decreased by 3.6% for the decrease of 21.4%. Moreover, net interest income grew by 12.8% from the increase of 20%, yet loan impairment charges decreased by 1.8% from the decrease of 52.5% of previous years. It is reported that fee and commission expense decreased by 4.2% from the decrease of 5.4% while net fee and commission increased by 18.4% from the increase of 28.4% of previous years. However, net foreign exchange increased by 44.8% from the increase of 16.9% while profit before tax increased by 4.1% from the increase of 3.5% of previous years. Furthermore, profits for the year increased by 3.1% from the increase of 14.4% while the total comprehensive income for the year decreased by 0.2% from the increase of 18.2% of previous years.

In 2008 interest income increased by 23.7%, while interest expense decreased by 17.3% with net interest income increase of 23.6% when compared to previous year. However, fee and commission income increased by 15.1% while fee and commission expense decreased by 98.6%. Likewise, other operating income decreased by 45.5%, the total operating income increased by 20.8% while the operating expenses decreased by 5.9%. In addition, profit before tax increased by 15.6 and the profit for the year increased by 7.8% (see appendix 5).

The income growth during the period was driven by growth of wholesale microfinance lending, well diversified income from non-core products and services, proactive risk management and discipline on expenses.

4.4 Ratio analysis results

In this section, the researcher analysed and interpreted the key financial ratios computed from the Income Statements and Balance Sheets of CRDB Bank Plc for the period of 2008- 2012 in order to determine the liquidity position, long term solvency and profitability of a firm. The table below summarises the findings:

Table 4.4: Key Ratios for the period 2008 – 2012

Ratio	Measure	2012	2011	2010	2009	2008
Current ratio		0.23:1	0.27:1	0.17:1	0.19:1	0.14:1
Net Profit margin	%	19.00	17.00	18.00	20.00	30.00
Asset turnover	Times	0.14	0.09	0.12	0.13	0.17
Return on assets	Times	0.03	0.01	0.02	0.03	0.05
Return on Equity	%	125.00	-91.00	-43.00	-36.00	186.00
Earning per share	Tshs	37.00	17.13	21.30	22.62	16.20
Dividend Payout ratio	Times	0.30	0.53	0.37	0.32	0.36
Dividend yield	%	0.13	0.69	0.85	0.90	0.016
Debt to total asset	Times	1.12	1.10	1.12	1.13	1.11

Source: Researcher based on CRDB bank plc financial reports 2012 – 2008.

Computed key ratios helped the researcher to analyse how the company has been improving or deteriorating over the past five years (see appendix 1). In case of Current ratio: In 2009, the current ratio increased by 0.05 when compared to 2008. In 2010 the ratio decreased by 0.02. In 2011 the ratio improved by 0.10. However, in 2012, the rate decreased by 0.04.

Moreover, Net Profit margin: for three years consecutively, the margin has decreased by: 10% (2009), 2% (2010) and 1% (2011). In 2012, the margin improved by 2%. Return on assets ratio measured the profitability of the average income per average total assets of a firm in order to show how company's assets are generating profit. Return on Assets ratio results show that for the four years consecutively ROA has been decreasing by: 0.02 (2009), 0.01 (2010), 0.01 (2011). In 2012 the ratio increased by 0.02 from 2011.

Likewise, Return on Equity: For three consecutive years decreased by 222% (2009), 13% (2010), 48% (2011). In 2012 the ratio increased by 216% from 2011. Earning per share: The ratio decreased for three years consecutively by Tshs 6.42 (2009), Tshs 1.32 (2010) and Tshs 4.17 (2011). In 2012 the ratio increased by Tshs 19.87 from 2011.

Dividend payout ratio: The ratios was 0.36 in (2008),0.32 (2009),0.37(2010),0.53(2011), and 0.34 (2012). **Dividend yield:** The ratio increased by 0.88 in (2009), decreased by 0.05(2010),0.16 (2011) and 0.56 (2012). **Debt to total asset:** The ratio increased by 0.01 (2009),decreased by 0.01 (2010),0.01 (2011) and improved by 0.01 in 2012.

CHAPTER FIVE

DISCUSSION OF THE FINDINGS

5.0 Introduction

This chapter discusses the findings based on the objectives of the study as follows.

5.1 Importance of using financial statements analysis as pillars to draw conclusion upon which decisions are made

The findings from the study show that CRDB Bank Plc achieved a tremendous increase of cash and balance with the Bank of Tanzania with the increase by 4.8% from 28.4% respectively. In view of that it decreased its deposits and balances with other banks by 35% in 2012/11 from 28.7% of previous years. Along with decreasing deposits, it increased its government securities by 5.1% from 15.7% respectively. However, there was a slight change on loans and advances to customers to 26.4% from the previous 27.2%. Total assets increased by 13.3% from 17.7% of the previous accounting year. This resulted from the board decisions that turned around the loan portfolio which had deteriorated following the global financial crisis thereby enhancing loan provisioning for the accounts that failed to honour their instalments.

The findings are in line with CRDB Bank Plc board decisions made in 2010 to have strong connections with customers for retail and corporate banking, enhancing innovations from the installation of new ATMs and point of sales machines. Likewise, it carried out product promotions and enhanced corporate sustainability. The Managing Director wrote when asked that to recommend on customer satisfaction as follows; *'have customers been satisfied on the return on investment presented for 2008 to 2012 annual reports that made them to obtain profit and provided with dividends to shareholder'*

As we listen to our customers, we appreciate that their needs are changing, that's why CRDB Bank is also changing to be able to offer customers what they want and expect from us to better match and possibly exceed customers' expectations.

The results and decisions are in line with Wild *et al*, (2007) who stated that the purpose of financial statement analysis is to help users make better business decisions. As internal users want information to improve company efficiency and effectiveness in providing products and services; external users want information to make better and more informed decisions in pursuing their goals in order to evaluate company's past and current performance, current financial position, future performance and risk.

However, CRDB Bank Plc increased its cash and balance with the Bank of Tanzania with the increase by 11.1% from 69.9% respectively. It also increased its deposits and balances with other banks by 16.9% from 79.8% in respective years. Along with increasing deposits, it increased its government securities by 68.6% from 22.9% respectively. Furthermore, other securities decreased by 62.8% from 56.3% in 2009/8 while encountering a drastic increase of loans and advances by 18.3% from 13.5%. Total assets increased by 24.3% from 27.9% of the 2009/8 accounting year. This resulted from the board decisions made in 2010 that enhanced strong connections with customers for retail and corporate banking, enhancing innovations from the installation of new ATMs and point of sales machines.

Likewise, CRDB Bank Plc in 2009/8 increased its cash and balance with the Bank of Tanzania with the increase by 8.9%. However, it decreased its deposits and balances with other banks by 26% in respective years. Along with decreasing deposits, it increased its government securities by 70.8%. Furthermore, other securities decreased by 41.8% while recovering a drastic increase of loans and advances by 42.2%. Moreover, total assets increased by 26.8% for the accounting years. This resulted from the board

decisions made in 2009 to have a cutting edge technology in the market by upgrading its SMS Banking that enabled customers to bank through their cellular phones thereby bringing services closer to customers.

The results are in line with CRDB Bank Plc board decisions made in 2009 to have a cutting edge technology in the market by upgrading its SMS Banking that enabled customers to bank through their cellular phones thereby bringing services closer to customers. Likewise, it tailored SME programme in all branches that raised its loan portfolio by almost 95% from Tshs.60 billion in 2008 to Tshs. 118.1 billion at the end of 2009. Shareholders stated when asked to recommend on assets attained *'have shareholders been satisfied on the return on assets presented each year as the management employed well their assets'* as follows;

Asset growth was accelerated with focus directed towards deposit accumulation and liability management. As the results, customer deposits increased by a solid 28% to Tshs. 1,621 billion, reflecting our customers' strong underlying confidence in the bank while total assets growth reached Tshs. 1,855 billion from Tshs. 1,449 billion recorded in 2008.

The results and decisions are in line with Kiyota (2009) who stated that bank performance is strongly and positively influenced by operational efficiency, asset management and bank size. Thus, internal and external users of financial statements become interested on the way assets are managed as well as the company's operational efficiency that necessitate lending decisions process by these users.

Therefore, it can be envisaged that with the financial statement analysis made becomes a pillar to draw conclusions and decisions pertaining the company's performance.

5.2 Staff and shareholders' perception of the adequacy of financial statements analysis

Furthermore, staff and shareholders' perception of the adequacy of financial analysis statements on liabilities show that deposits for customers increased by 7.5% from 19.3% of previous years, while other liabilities decreased by 12.2% from the increased amount by 49.7% in previous years. Moreover the results show that total liabilities increased by 12.2% from 18.7% of previous years. Retained earnings on the other hand increased by 32.9% from 11.3% of previous years. This necessitated the increase of total capital by 24% from 8.5% of previous years. Furthermore, total liabilities and shareholders' funds increased by 13.3% from 17.7% of previous years. This resulted from the Bank's decisions to enhance loss provisioning for the accounts that failed to honour their instalments while upgrading its core banking system to match with expanding operations.

The results and decisions are in line with Robert (1998) who argued that the decision environment normally include all possible information, all of its accurate and every possible alternative. Thus, by enhancing loss provisioning while upgrading its core banking system, CRDB Bank Plc was able to increase its loan portfolio by 27% to Tshs. 1,429 billion from Tshs. 1,123 billion in 2010. In addition, deposits from customers increased by 24.5% in 2009 from 27.3% of previous years while other liabilities increased by 33.3% from the decreased 35.2% of previous years. Likewise, total liabilities increased by 25.4% from 26.3% of previous years. However, retained earnings increased by 24.9% from 9.4% of previous years. On the other hand, total capital increased by 15.5% from 43.1% of previous years. Finally the results show that total liabilities and shareholders' funds increased by 24.3% from 27.9% of previous years. This resulted from the board decisions of using a relative efficiency in using total resources to product output at CRDB Bank Plc and the bank was able to provide sufficient cash to customers to cover their short term obligations when reflecting financial statements given.

The results are in line with CRDB Bank decisions made on 2011 to enhance loss provisioning for the accounts that failed to honour their instalments while upgrading its core banking system to match with expanding operations. These enabled the firm to increase the loan impairment charges from Tshs. 20.4 billion in 2010 to Tshs. 31.2 billion in 2011. Additional information from staff showed that;

With increased lending, the Bank was able to raise its interest income while reducing interest expenses, producing a net interest income of Tshs.157.4 billion compared to Tshs.125 billion the year 2010. Along with that, net fees and commissions also grew by Tshs. 11.3 billion to Tshs.58 billion.

On the other hand, deposits from customers increased by 25.6% while deposits due to other banks grew by 92.6%. Likewise, other liabilities increased by 45.3% although subordinated debt decreased by 4.7%. Moreover, the total liabilities increased by 26%, retained earnings increased by 45.6%. Furthermore, the total liabilities and shareholders' funds increased by 26.8%. This resulted from the Bank's decisions made in 2009 in the area of product development focus that was put on re-packaging and enhancing features of existing products in line with changing customer demands.

The results in 2010 and 2009 are in line with staff and shareholders' opinions that there has been a relative efficiency in using total resources to product output at CRDB Bank Plc and the bank was able to provide sufficient cash to customers to cover their short term obligations when reflecting financial statements given. Heads of department replied when asked to state the importance of financial statement to predict the future financial stand of the firm as follows;

The performance envisaged was coupled by dedicated staff and strong management. In lieu of that the bank was able to grow its assets from Tshs. 1.86 billion in 2009 to Tshs.2.3 billion in 2010 that became a growth of over 24%. With that the bank was able to make a pre tax profit of Tshs.65.6 billion that showed a robust growth of 5%.

The findings and discussions can be concluded that with the challenges the bank faced in year 2010, it kept flourishing as affirmed from the views of shareholders that the profit was attained given the level of sales put. This observation is in line with Virginia small business development centre (2011) that argued that banks make money through an interest rate spread and by charging for services provided whereby the goal of bank management is to maximize the value of the bank.

The results in 2009 and 2008 are in line with CRDB Bank decisions made in 2009 in the area of product development focus that was put on re-packaging and enhancing features of existing products in line with changing customer demands. That decision enabled the bank to end the year on a positive profitability note, positing a pre-tax profit of Tshs. 62 billion compared to Tshs. 60 billion for 2008. Along with that asset growth was accelerated with focus directed towards deposit accumulation and liability management. The net loan portfolio grew by 14% to Tsh 950 billion compared to Tshs. 837 billion in 2008. Heads of department highlighted when asked that ‘have staff and shareholders’ *views justified the profit attained given the level of sales put*’;

With the challenges we faced in that period, we were able to respond to the crisis by taking precautionary and corrective measures with a particular focus on loans, liquidity, asset quality, risk and cost management without changing our basic strategies.

The results and decisions are in line with Russeil (2003) who insisted that owners and managers can use financial statements to evaluate the past and current financial condition of their business, diagnose any existing financial problems and forecast future trends in the firm’s financial position. By doing so, efforts on risk mitigation, and target selective business growth opportunities while implementing cost management measures across all areas of business and ensuring capital preservation may be the foremost priority.

5.3 The extent at which financial statements analysis at CRDB leads to desired decision making

Finally, income statement on business revenue, expenses and the resulting profit and loss for the 2012/11 and 2011/10 on CRDB Bank Plc. The results indicate that interest income grew by 38.9% from 20.1% of previous years while interest expense decreased by 58.6% from the attained decrease of 3.4% of the previous years. Likewise, net interest income increased by 34.4% from 26.6% of the previous years. Along with that, loan impairment charges decreased by 15.4% from 20.8% of previous years while fee and commission expenses decreased by 7.3% from the decrease of 4.8%. However, Net fee and commission income increased by 15.9% from 21.7% while the general and administrative expenses decreased by 7.55 from the decrease of 6.3% of previous years. Regarding profit before tax that increased by 112% from the decrease of 22.1% the profit attained for the year increased by 114.2% from the decrease of 21.6% of previous years. Finally the comprehensive income for the year increased by 108.7% from the decrease of 19.5% observed in previous years. This resulted from the Bank's decisions that enhanced performance in information technology and communications infrastructures, improving customer services as well as enhancing the bank's funding and capital management.

The results in 2012, 2011 and 2010 are in line with CRDB Bank Plc decisions that enhanced performance in information technology and communications infrastructures, improving customer services as well as enhancing the bank's funding and capital management. The decisions enabled the bank to raise its interest income while reducing interest expenses that produced a net interest income of Tshs. 157.4 billion compared to Tshs. 125 billion in previous years. Heads of department were in opinion that 'the management has been keen enough to realized external and internal factors that cause sales slump';

Fixed income and money markets activities contributed significantly to the bank's interest income and efficient management of funds. As the results, the bank held sufficient liquidity when interest rates rose sharply. In addition, the management was able to monitor inventories for the purpose on minimizing the cost while making sure that proper utilization of resources is maintained.

Also CRDB Bank Plc made decisions to invest on corporate and retail banking including microfinance services through its subsidiary company. These decisions enabled the bank to record a revenue growth in foreign exchange income of Tshs. 22 billion in 2010 which is 10% off bank's total operating income compared to Tshs. 15 billion in 2009. However, the decisions enable the bank to improve its money market activities that contributed significantly to interest income that the bank earned in the year. In addition, the bank increased its net loan portfolio by 185 to Tshs.1,13 billion from Tshs.1,621 billion in 2009.

The results and decisions are in line with Macur and Gustafson (2011) who argued that when a bank involves itself in corporate and retail banking there is a possibility of increasing revenue income. These encourage customer deposits that result into tremendous income growth if the business environment is conducive

In 2008 bank implemented its decision to review a treasury management system that improved the management of risk in the bank by changing risk management practices. The decision resulted into growth in customer deposits by 26% and net loan portfolio increase by 42% as heads of department emphasized on introducing two mobile branches offering full banking services through teller cubicles and ATMs will attain the goals the bank maintained its innovative lead.

The results and decisions are in line with Cooper and Dart (2009) who affirmed that investing in treasury management system reduces risks thus rendering a bank to provide clients with better products and services

5.4 Ratio analysis

The current ratio for CRDB and the industry of 2:1 was considered safe. Ratios below one indicate that the bank is not liquid enough to meet its short term obligations immediately when they fall due. .

Net Profit margin which measures the net profit of a firm with respect to sale shows that for three years consecutively, the bank's margin has been decreasing by: 10% (2009), 2% (2010) and 1% (2011). In 2012, the margin increased by 2%. The income growth during the period ending December, 2012 was driven by growth of wholesale microfinance lending, well diversified income from non-core products and services, proactive risk management and discipline on expenses. The ratio indicates that the firm is performing well since for a healthier firm, the net profit margin should neither be high nor low.

The Return on Assets (ROA) ratio which is an indicator of how profitable firm's assets are in generating profit shows that for the four years consecutively ROA has been decreasing by: 0.02 (2009), 0.01 (2010), 0.01 (2011). In 2012 the ratio improved by 0.02 from 2011. A decrease of a Return on Assets ratio was due to fall in operating profit during the period this implies that the management of the firm was not able to utilize its total assets to generate profit. The increase of return ratio on assets in 2012 implied that the management of the firm utilized its total assets to generate profit which made the firm able to pay dividend to its shareholders in the year.

Return on Equity ratio which measures the profitability of the firm with respect to total capital employed. This result shows that for three consecutive years the return on equity

decreased by: 222% (2009), 13% (2010), 48% (2011). In 2012 the ratio improved by 216% from 2011. The deep fall of return on equity ratio was generally unfavourable meaning that the firm was inefficient in generating income on new investments. However, in 2012 the ratio increased due to addition of six branches, launching of enhanced mobile banking (simbanking), expansion of service delivery channels whereby counters at Tanzania Posts Corporation was extended, new ATMs and point of sales devices were installed and introduction of direct sales team.

Earning per share which measures the profit available to the equity holders' per share basis. External decision makers often consider earnings per share to be the best single measure for summarising a corporation's performance in order to evaluate the return on investments, risk of a company and to predict future cash flows per share. The decrease for three years consecutively of Tshs 6.42 (2009), Tshs 1.32 (2010), and Tshs 4.17 (2011) was due to dramatic increase on loan impairment charges and malfunctioning of the foreign exchange trading computer system. However, in 2012 the ratio improved by Tshs 19.87 from 2011 as result of the board's reviewed dividend policy in 2010 to the effect that annual dividend payment should at least be 35 percent of net profit earned, provided that the business and regulatory requirements are met.

Dividend payout ratio shows what percentage share of the net profit after taxes and preference dividend is paid to the equity holders the slight drop back of the ratios was due to focused management on maintaining and developing opportunities for growth on conservative and sustainable basis in order to ensure capital liquidity adequacy through protection and value creation for both customers and shareholders 0.36 in (2008), 0.32 (2009), 0.37 (2010), 0.53 (2011) and 0.34 (2012). Generally the results shows that the company is performing well that as the ratios indicates though investors preferred high dividend payout ratio.

Dividend yield which shows how much a company pays out in dividends each year relative to its share price showed that investors use the dividend yield ratio to know how much dividends they are getting for every Tshs invested in the firm. The results show that ratio increased by 0.88 in (2009), decreased by 0.05 (2010), 0.16 (2011) and 0.56 (2012) this implies that CRDB bank plc paid dividends to its investors through out the period despite of the increase and decrease of its profits.

Debt to total asset ratio is a measure of the relationship between the capital contributed by creditors and the capital contributed by the shareholders. It also shows the extent to which shareholders' equity can fulfil a company's obligations to creditors in the event of liquidation. The ratio increased by 0.01 (2009), decreased by 0.01 (2010), 0.01 (2011) and improved by 0.01 in 2012. The decrease resulted from loan portfolio which had deteriorated following the global financial crisis thereby enhancing loan provisioning for the accounts that failed to honour their instalments. This implies that the firm has ability to cover its short term obligations as the firm should have neither have a high ratio nor a low ratio.

5.5 Summary

The study questions were answered by respondents and analysed by a researcher as reflected from the study findings something that makes the study to have answers as follows;

With regards to financial statement analysis as a pillar to draw conclusions and decisions pertaining the company's performance, the findings showed that earnings for CRDB Bank Plc resulted from the board decisions that turned around the loan portfolio which had deteriorated following the global financial crisis thereby enhancing loan provisioning for the accounts that failed to honour their instalments. Likewise, in respect to staff and shareholders' perception, the results are concluded that with the challenges the bank faced in different years, it kept flourishing as affirmed from the views of these staff and shareholders that the profit was attained given the level of sales put. This

resulted from the Bank's decisions to enhance loss provisioning for the accounts that failed to honour their instalments while upgrading its core banking system to match with expanding operations.

Moreover, in respect to the extent to which financial statement analysis led to desired decisions, CRDB Bank Plc decisions enhanced performance in information technology and communications infrastructures, improving customer services as well as enhancing the bank's funding and capital management. The decisions enabled the bank to raise its interest income while reducing interest expenses that produced a net interest income. Therefore, the bank implemented its decision to review a treasury management system that improved the management of risk in the bank by changing risk management practices. In addition, to the ratio analysis for CRDB that could not attain the industry current ratio of 2:1 was considered safe as it indicated that the bank is not liquid enough to meet its short term obligations immediately when it falls due. Therefore, the income growth was driven by growth of wholesale microfinance lending, well diversified income from non-core products and services, proactive risk management and discipline on expenses. The ratio indicates that the firm is performing well since for a healthier firm to have productivity, the net profit margin should neither be high nor low.

Furthermore, the study limitations included; low response rate due to respondents been in a hurry, very busy with their daily activities and others were not present at their working place sometimes. However, continuous follow-ups of respondents enabled the completion of the task. Yet, the absence of face to face interview to the management hindered the possibility of getting additional information that was necessary for the study. Therefore, the results obtained from this study could not be generalized because the study was based only on CRDB bank plc for the period of 2008 – 2012, whereby if the same study could be performed on different period of time in the same bank or the same period for different firms in the banking industry; the results could be quite

different from those obtained within five years in CRDB bank plc as the banking sector is growing day to day.

The study was important to the researcher as it equipped her knowledge of financial statement analysis and interpretation of data for managerial purpose. To other researchers studying on a related subject, this study served as a reference to enhance their work. Also, the study served as a basis for further research into the role of financial statement analysis on decision making processes. It is concluded that understanding financial statements analysis provides business owners as one of the most important tools for reducing the considerable risk involved in starting and growing a business. Yet, financial statement analysis done for CRDB Bank PLC was vital for the enhancement of its performance. Therefore, there is a need to conduct more documentary review on CRDB Bank Plc financial statement analysis and its implications in other financial institutions in Tanzania.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.0 Introduction

This chapter discusses the conclusions, recommendations and areas for further research. It commences with the conclusion, recommendations, finally the need for further research are given.

6.1 Conclusion

6.1.1 General conclusion

It is concluded that understanding financial statements analysis provides business owners as one of the most important tools for reducing the considerable risk involved in starting and growing a business. This was envisaged from the comparison of financial statements for CRDB Bank Plc from calculating the percentage changes and ratios from one period to the next (2008-2012) by utilized horizontal analysis as one of the best uses of financial statement analysis that allowed CRDB Bank Plc to compare the performance of its business in that period. Therefore, financial statement analysis done for CRDB Bank PLC was vital for the enhancement of its performance.

6.1.2 Specific conclusions

As regards to financial statement analysis as a pillar to draw conclusions and decisions pertaining the company's performance the findings showed that earnings for CRDB Bank Plc resulted from the board decisions that turned around the loan portfolio which had deteriorated following the global financial crisis thereby enhancing loan provisioning for the accounts that failed to honour their instalments.

In respect to staff and shareholders' perception the results are concluded that with the challenges the bank faced in different years, it kept flourishing as affirmed from the

views of these staff and shareholders that the profit was attained given the level of sales put. This resulted from the Bank's decisions to enhance loss provisioning for the accounts that failed to honour their instalments while upgrading its core banking system to match with expanding operations.

In respect to the extent to which financial statement analysis led to desired decisions, CRDB Bank Plc decisions enhanced performance in information technology and communications infrastructures, improving customer services as well as enhancing the bank's funding and capital management. The decisions enabled the bank to raise its interest income while reducing interest expenses that produced a net interest income. Therefore, the bank implemented its decision to review a treasury management system that improved the management of risk in the bank by changing risk management practices.

With regards to the ratio analysis for CRDB that could not attain the industry current ratio of 2:1 was considered safe as it indicated that the bank is not liquid enough to meet its short term obligations immediately when it falls due. Therefore, the income growth was driven by growth of wholesale microfinance lending, well diversified income from non-core products and services, proactive risk management and discipline on expenses. The ratio indicates that the firm is performing well since for a healthier firm to have productivity, the net profit margin should neither be high nor low.

6.3 Recommendations

In light of the above findings, the following are the recommendations;

- a) The financial status shown by CRDB Bank Plc need to be maintained through the enhancement of good flow of deposits, savings and repayment arrangements to enable it serve its members while enhancing quality decisions for better service provision.

- b) The stakeholders were interested on the adequacy of funds in order to have confidence on savings and service provision. It is recommended to always mitigate risks while enhancing innovations and development.
- c) There is a need to invest in business, technology, product development, training and effective risk management systems that may be facilitated by bold decisions for the life of the company.

6.4 Need for further research

There is a need to conduct more documentary review on CRDB Bank Plc financial statement analysis and its implications in other financial institutions in Tanzania.

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APPENDICES

Appendix 1: RATIO ANALYSIS

RATIO ANALYSIS LIQUIDITY RATIOS

Current liabilities =		Current assets			
		Current liabilities			
	2012 Tshs	2011 Tshs	2010 Tsh	2009	2008 Tshs
	"000"	"000"	"000"	Tshs"000"	"000"
Current assets	632,421,690	670,064,000	355,074,413	318,983,605	184,994,082
Current liabilities	2,757,384,000	2,458,877,000	2,064,693,224	1,646,407,051	1,308,637,249
Current ratio	0.23	0.27	0.17	0.19	0.14
Acidic ratio = Assets					
Current liabilities					
	2012 Tshs	2011 Tshs	2010 Tsh	2009	2008 Tshs
	"000"	"000"	"000"	Tshs"000"	"000"
Cash	120,157,000	100,722,000	93,010,000	70,330,000	
Cash and balance with BoT	352,484,000	346,935,000	255,528,000	243,315,000	184,642,082
Deposit and balances with other bank	140,455,690	210,591,000	295,413	252,605	
Quick assets	613,096,690	658,248,000	348,833,413	313,897,605	184,642,082
Current liabilities	2,757,384,000	2,458,877,000	2,064,693,224	1,646,407,051	1,308,637,249
Acidic ratio	0.22	0.27	0.17	0.19	0.14

PROFITABILITY RATIOS					
PROFIT MARGIN = $\frac{\text{NET INCOME}}{\text{NET SALES}}$					
	2012 Tshs "000"	2011 Tshs "000"	2010 Tsh "000"	2009 Tshs"000"	2008 Tshs "000"
Net income	77,806,000	37,277,000	46,355,000	47,583,924	40,256,000
Net sales	404,346,000	218,091,000	256,530,866	235,678,519	132,930,230
PROFIT MARGIN	0.19	0.17	0.18	0.20	0.3
ASSET TURNOVER = $\frac{\text{NET SALES}}{\text{AVERAGE TOTAL ASSETS}}$					
	2012 Tshs "000"	2011 Tshs "000"	2010 Tsh "000"	2009 Tshs"000"	2008 Tshs "000"
NET REVENUE	404,346,000	218,091,000	256,530,866	235,678,519	132,930,230
ASSETS	3,074,816,000	2,713,641,000	2,304,573,278	1,854,029,896	1,449,317,639
AVERAGE ASSETS	2,894,228,500	2,509,107,139	2,079,301,587	1,854,029,896	795,993,503
ASSETS TURNOVER	0.14	0.09	0.12	0.13	0.17
RETURN ON ASSETS = $\frac{\text{NET INCOME}}{\text{AVERAGE TOTAL ASSETS}}$					
	2012 Tshs "000"	2011 Tshs "000"	2010 Tsh "000"	2009 Tshs"000"	2008 Tshs "000"
NET INCOME	77,806,000	37,277,000	46,355,000	47,583,000	40,256,000
ASSETS	3,074,816,000	2,713,641,000	2,304,573,278	1,854,029,896	1,449,317,639
AVERAGE ASSETS	2,894,228,500	2,509,107,139	2,079,301,587	1,854,029,896	795,993,503
RETURN ON ASSETS	0.03	0.01	0.02	0.03	0.05

DIVIDENT YIELD =		DIVIDENT PAID PER SHARE			

MARKET PRICE OF ONE COMMON STOCK AT END OF PERIOD					
	2012 Tshs "000"	2011 Tshs "000"	2010 Tsh "000"	2009 Tshs"000"	2008 Tshs "000"
DIVIDENT PER SHARE	37.00	17.13	21.30	22.62	1.63
MARKET PRICE	280	25	25	25	100
DIVIDENT YIELD	0.13	0.69	0.85	0.90	0.016
SOLVENCY RATIOS					
DEBT TO TOTAL ASSETS =		TOTAL DEBTS			

TOTAL ASSETS					
	2012 Tshs "000"	2011 Tshs "000"	2010 Tsh "000"	2009 Tshs"000"	2008 Tshs "000"
TOTAL DEBTS	3,074,816,000	2,713,641,000	2,304,573,278	1,854,029,896	1,449,317,639
TOTAL ASSETS	2,757,384,000	2,458,877,000	2,064,693,224	1,646,407,051	1,308,637,249
DEBT TO TOTAL ASSETS	1.12	1.10	1.12	1.13	1.11

Appendix 2: QUESTIONNAIRES FOR HEADS OF DEPARTMENT

TOPIC: ROLE OF FINANCIAL STATEMENT ANALYSIS ON DECISION MAKING IN TANZANIAN BANKING INDUSTRY; THE CASE OF CRDB BANK PLC; DAR ES SALAAM

Dear respondent, below is a set of questionnaires seeking your answers. The questions are for academic purpose only. Thus, your knowledge and experience are highly appreciated to help the researcher meet the required undertaking. Yours; Odwina Komba

PART A: Importance of using financial statement analysis as pillars to draw conclusions upon decision making

1. Please indicate your agreement or disagreement regarding the importance of using financial statements as pillars to draw conclusions upon decision making as follows; 1) SA=Strongly Agree 2) A=Agree 3) U=Uncertain 4) D=Disagree 5) SD=Strongly Disagree.

Importance	Choice				
	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Financial statement analysis is a condition for the firm to grant loans to borrowers and for monitoring the success of business					
Financial statement analysis is of need by perspective buyers to negotiate a sale price and commit to the purchase					
Financial statement analysis is valuable to prove the nature and extent of any loss as lack of such analysis may hamper profitability					
There is a relationship between financial					

statement analysis and investment decision making					
Financial statement analysis influences investors to buy shares from the firm					
Financial statement analysis predicts the future financial stand of the firm					
Financial statement analysis plays a great role in achieving right decision making					

2. What is the other importance of financial statement analysis as a pillar to draw conclusions upon decision making? (specify)

- i)..... ii).....
 iii).....iv).....

PART B: Staff and shareholders’ perception of the adequacy of financial statement analysis

3. Do you think that staff and shareholders’ perception on the adequacy of financial statement analysis at CRDB Bank go hand in hand with its envisaged performance? (Tick where appropriate).

No	Perception	Yes	No
1	Shareholders have been satisfied on the return on investment presented for 2008 to 2012 that made them to obtain profit and provided with dividends		
2	Shareholders have been satisfied on the return on assets presented each year as the management employed well their assets		
3	Shareholders views justify the profit attained given the level of sales put		

4	There have been a relative efficiency in using total resources to product output at CRDB bank plc		
5	CRDB Bank plc has been able to provide sufficient cash to customers to cover their short term obligations when reflecting financial statements given		
6	The attitudes of stakeholders towards management regarding the financial position of the bank has been fairly good		
7	The management has shown a favourable condition for improving annual reports that could compliment investors' decision making		

4. Please can you provide other perceptions which staff and shareholders emulate towards CRDB Bank Plc? (specify)

i).....ii).....

iii).....iv).....

PART C: Extent at which financial statement analysis at CRDB Bank Plc leads to desired decisions

5. Could these actions/indicators show the extent that may lead to desired decisions?

(Tick where appropriate).

No	Indicators	Yes	No
1	The management has been keen enough to realize external and internal factors that cause sales slump		
2	It happens that, the management decisions made affect sales		
3	Sales returns as a percentage of sales increase when provide a sign of poor product quality to customers get accommodated immediately by the management for the purpose of satisfying customers		
4	The management have been able to manage risks associated with savings and buying goods		
5	The management has been able attain adequate/proper liquidity ratios from its collection policy		
6	The management has been able to preserve its customers' perception by enhancing and sustaining the image of the bank		
6	The management has been able to monitor inventories for the purpose of minimizing the cost while making sure that proper utilization of resources is maintained		
7	Enabling the cutting of advertising expenses due to lower sale of products		

6. What other actions/indicators show that extent to lead to desired decisions? (specify)

i).....ii).....

iii).....iv).....

Appendix 3: INTERVIEW GUIDE QUESTIONS FOR MD AND DEPUTY M D

Dear respondent, below is a set of questionnaires seeking your answers. The questions are for academic purpose only. Thus, your knowledge and experience are highly appreciated to help the researcher meet the required undertaking. Yours; Odwina Komba

(Please, may you use a separate paper for answering these questions?)

- a) What is the importance of using financial statement analysis at CRDB Bank Plc as pillars to draw conclusions upon which decisions are made?
- b) What are shareholders' perceptions of the adequacy of financial statement analysis at CRDB Bank Plc?
- c) To what extent does financial statement analysis at CRDB Bank Plc lead to desired decision making?
- d) Is the financial statement analysis a condition for the firm to grant loans to borrowers and for monitoring the success of business?
- e) Is financial statement analysis valuable to prove the nature and extent of any loss as lack of such analysis may hamper profitability?
- f) Is there a relationship between financial statement analysis and investment decision making?
- g) Have customers been satisfied on the return on investment presented for 2008 to 2012 that made them to obtain profit and provided with dividends?
- h) Has CRDB Bank plc been able to provide sufficient cash to customers to cover their short term obligations when reflecting financial statements given?
- i) Does it happen that, the management decisions made affect sales?
- j) Has the management been able to change sales instruments' credit and collection policy when they become too tight to customers?

Appendix 4: BUDGET

S/N	CATEGORY /ITEMS	UNIT PRICE	QUANTITY REQUIRED	COST IN TZS.
1	<i>Stationary</i>			
	Secretarial services	200,000/=	-	200,000/=
	Ballpoint pens	500/=	40 pens	20,000/=
	Spring files	6,000/=	3 files	18,000/=
	Shorthand note book	2,000/=	10 books	20,000/=
	Photocopy and binding services	350,000/=	-	350,000/=
	SUB TOTAL			608,000
2	<i>Personal supporting</i>			
	Cost of living in Morogoro	30,000/=	60 days	1,800,000/=
	Allowance for one person	5,000/=	100 people	500,000/=
	Meal per day	15,000/=	60 days	900,000/=
	Transport fee – go around in the municipality	2,200/=	230 liters	506,000/=
	SUB TOTAL			3,706,000/=
3	<i>Other services</i>			
	Computer services	200,000/=	-	200,000/=
	Communication (Mobile phone and Internet services)	400,000/=	-	400,000/=
	SUB TOTAL			600,000/=
	TOTAL			4,914,000/=
	Contingency (10%)			491,400/=
	GRAND TOTAL			5,405,400/=

**Appendix 5: B/SHEET AND INCOME STATEMENT FOR DECISION
MAKING FOR THE PERIOD 2008- 2012**

ASSETS ANALYSIS

	Tshs million		Increase (Decrease)		Tshs million		Increase (Decrease)	
	2012	2011	Amount	%	2011	2010	Amount	%
ASSETS								
Cash & Balance with BoT	469,088	447,450	21,638	4.8	447,450	348,538	98,912	28.4
Deposits and balances with other banks	136,910	210,702	(73,792)	(35.0)	210,702	295,413	(84,711)	(28.7)
Government securities	518,654	493,735	24,919	5.1	493,735	426,546	67,189	15.7
Other securities	-	200	(200)	(100)	200	600	(400)	(66.6)
Loans and advances to customers	1,806,965	1,429,262	377,703	26.4	1,429,262	1,123,348	305,914	27.2
Investment in TMRC	-	-	-	-	-	600	(600)	(100)
Derivatives	-	122	(122)	(100)	122	-	122	-
Other assets	26,561	39,407	(12,846)	(32.6)	39,407	35,590	3,817	10.7

Leased premises	-	3,440	(3,440)	(100)	3,440	10,311	(6,871)	(66.6)
Other investments	1,200	1,200	-	-	1,200	-	1200	-
Refurbishment costs	-	12,037	(12,037)	(100)	12,037	-	12,037	-
Intangible assets	13,740	13,897	(157)	(1.1)	13,897	11,888	2,009	16.9
Property and equipment	73,694	49,128	24,566	50.0	49,128	41,661	7,467	17.9
Prepaid operating leases	3,562	-	3,562	-	-	3,286	(3,286)	(100)
Taxation recoverable	2,758	11,816	(9,058)	(76.7)	11,816	5,543	6,273	113.2
Investment in subsidiary	16,889	728	16,161	2,219	728	-	728	-
Deferred tax assets	3,852	-	3,852	-	-	-	-	-
Defined benefit assets	-	-	-	-	-	521	(521)	(100)
TOTAL ASSETS	3,073,763	2,713,124	360,639	13.3	2,713,124	2,304,573	408,551	17.7

Balance sheet extract for decision making for the period 2008- 2012

Liabilities and Shareholders Equity Analysis

	Tsh in million		Increase (Decrease)		Tsh in million		Increase (Decrease)	
	2010	2009	Amount	%	2009	2008	Amount	%
ASSETS								
Cash & Balance with BoT	348,538	313,654	34,884	11.1	313,654	184,642	129,012	69.9
Deposits and balances with other banks	295,413	252,605	42,808	16.9	252,605	140,456	112,149	79.8
Government securities	426,546	252,977	173,569	68.6	252,977	205,720	47,257	22.9
Other securities	600	1,617	(1,017)	(62.8)	1,617	3,703	(2,086)	(56.3)
Available for sale investments	-	729	(729)	(100)	729	-	-	-
Loans and advances	1,123,348	949,505	173,843	18.3	949,505	836,803	112,702	13.5
Investment in TMRC	600	-	-	-	-	-	-	-
Other assets	35,590	31,115	4,475	14.4	31,115	44,828	(13,713)	(30.6)
Leased premises	10,311	6,723	3,588	53.4	6,723	3,336	3,387	101.5
Intangible assets	11,888	3,633	8,255	227.2	3,633	1,183	2,450	207.1
Property and equipment	41,661	35,148	6,513	18.5	35,148	25,567	9,581	37.5
Non-current assets held for	-	-	-	-	-	3	(3)	(100)

sale								
Prepaid operating leases	3,286	734	2,552	347.6	734	401	333	83.0
Taxation recoverable	5,543	4,764	779	16.4	4,764	352	4,412	1,253
Deferred tax assets	-	326	(326)	(100)	326	1,592	(1266)	(79.5)
Defined benefit assets	521	501	20	3.9	501	-	-	-
TOTAL ASSETS	2,304,573	1,854,029	450,544	24.3	1,854,029	1,449,318	404,711	27.9

Balance sheet for decision making for 2008/7

	Tsh in million		Increase (Decrease)	
	2008	2007	Amount	%
ASSETS				
Cash & Balance with BoT	184,642	169,410	15,232	8.9
Deposits and balances with other banks	140,456	189,839	(49383)	(26.0)
Government securities	205,720	120,428	85,292	70.8
Other securities	3,703	6,373	(2670)	(41.8)
Loans and advances	836,803	588,347	248456	42.2
Other assets	44,828	47,480	(2652)	(5.5)
Leased premises refurbishment	3,336	2,821	515	18.3
Intangible assets	1,183	715	468	65.5
Property and equipment	25,567	14,894	10673	71.6
Non-current assets held for sale	3	3	-	-
Prepaid operating leases	401	408	(7)	(1.7)
Taxation recoverable	352	202	150	74.3
Deferred tax assets	1,592	1,749	(157)	(8.9)
TOTAL ASSETS	1,449,318	1,142,669	306,649	26.8

Liabilities for 2012/11 and 2011/10

	Tsh million		Increase (Decrease)		Tsh million		Increase (Decrease)	
	2010	2009	Amount	%	2009	2008	Amount	%
LIABILITIES & SHAREHOLDERS' FUNDS								
Deposits from customers	2,019,937	1,621,452	398485	24.5	1,621,452	1,273,601	347851	27.3
Deposits due to other banks	16,830	3,776	13054	345.7	3,776	3,351	425	12.7
Other liabilities	25,754	19,259	6495	33.7	19,259	29,704	(10445)	(35.2)
Subordinated debt	1,920	1,920	-	-	1,920	1,920	-	-
FSDT Grant	-	-			-	60	-	-
Derivatives	202	-			-	-	-	-
Deferred income tax liability	51	-	-	-	-	-	-	-
Defined benefit liability	7,588	6,085	1503	24.7	6,085	-	-	-
Total Liabilities	2,072,282	1,652,492	419,790	25.4	1,652,492	1,308,636	343,856	26.3
EQUITY CAPITAL AND RESERVES								
Share capital	54,413	54,413	-	-	54,413	24,733	29680	120

Share premium	18,765	18,765	-	-	18,765	-	-	-
Retained earnings	158,407	126,803	31604	24.9	126,803	115,921	10882	9.4
Statutory reserve	57	352	(295)	(83.8)	352	26	326	1253
Revaluation reserve	826	1,017	(191)	(18.7)	1,017	-	-	-
TOTAL CAPITAL	232,468	201,350	31,118	15.5	201,350	140,680	60,670	43.1
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	2,304,750	1,853,842	450,908	24.3	1,853,842	1,449,316	404,526	27.9

Liabilities for 2010/9 and 2009/8

	Tsh million		Increase (Decrease)	
	2008	2007	Amount	%
LIABILITIES & SHAREHOLDERS' FUNDS				
Deposits from customers	1,273,601	1,013,331	260270	25.6
Deposits due to other banks	3,351	1,740	1611	92.6
Other liabilities	29,704	20,447	9257	45.3
Subordinated debt	1,920	2,016	(96)	(4.7)
FSDT Grant	60	192	(132)	(68.7)
Derivatives	-	142	(142)	(100)
Deferred income tax liability	-	-	-	-
Defined benefit liability	-	-	-	-
Total Liabilities	1,308,636	1,038,040	270,596	26
EQUITY CAPITAL AND RESERVES				
Share capital	24,733	24,733	-	-
Share premium	-	-	-	-
Retained earnings	115,921	79,633	36288	45.6
Statutory reserve	26	26	-	-
Defined benefit reserve	-	-	-	-
Revaluation reserve	-	-	-	-
TOTAL CAPITAL	140,680	140,628	52	-
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	1,449,316	1,142,669	306,647	26.8

Income statement for 2012/11 and 2011/10

	Tsh million		Increase (Decrease)		Tsh million		Increase (Decrease)	
	2012	2011	Amount	%	2011	2010	Amount	%
Interest income	261,614	188,357	73257	38.9	188,357	156,685	31672	20.1
Interest expense	(55,464)	(34,972)	(20492)	(58.6)	(34,972)	(35,511)	539	(3.4)
Net interest income	206,150	153,385	52765	34.4	153,385	121,174	32211	26.6
Loan impairment charges	26,403	(31,216)	4,813	(15.4)	(31,216)	(20,357)	(51573)	(20.8)
Net interest income after loan impairment charges	179,747	122,169	57,578	47.1	122,169	100,817	21352	21.2
Fee and commission income	71,957	56,608	15349	27.1	56,608	46,243	10365	22.4
Fee and commission expense	(7,380)	(892)	(6488)	(7.3)	(892)	(471)	(1363)	(4.8)
Net fee and commission income	64,577	55,716	8861	15.9	55,716	45,772	9944	21.7
Net foreign exchange income	22,252	1,549	20703	1336	1,549	22,081	(20532)	(92.9)
Other operating income	178	98	80	81.6	98	487	(389)	(79.8)
General and administrative expenses	72,544	(75,118)	(2547)	(7.5)	(75,118)	(61,874)	(13699)	(6.3)
Staff costs	72,314	(55,539)	17005	(5.5)	(55,539)	(44,193)	(99732)	(4.5)
Net gain/loss on fair value derivatives	-	122	(122)	(100)	122	(202)	(80)	(20.2)
Profit before tax	103,908	48,997	54911	112	48,997	62,888	(13891)	(22.1)
Tax charge	(26,102)	(12,675)	(38759)	(3.8)	(12,675)	(16,533)	(29208)	(16.8)

Profit for the year	77,806	36,322	41484	114.2	36,322	46,355	(10033	(21.6
))
Other comprehensive income								
Net actuarial gain on defined benefit plan	-	1,274	(1274)	(100)	1,274	-	-	-
Deferred tax on actuarial gains	-	(319)	319	(100)	(319)	-	-	-
Other comprehensive income for the year	-	955	(955)	(100)	955	-	-	-
Total comprehensive income for the year	77,806	37,277	40,529	108.7	37,277	46,355	(9078)	(19.5
)

Income statement for 2010/9 and 2009/8

	Tsh million		Increase (Decrease)		Tsh million		Increase (Decrease)	
	2010	2009	Amount	%	2009	2008	Amount	%
Interest income	156,685	143,319	13366	9.3	143,319	110,286	33033	29.9
Interest expense	(35,510)	(35,925)	(71435)	(3.6)	(35,925)	(20,846)	(56771)	(21.4)
Net interest income	121,174	107,393	13,781	12.8	107,393	89,440	17953	20
Loan impairment charges	(20,357)	(18,174)	(38531)	(1.8)	(18,174)	(5,019)	(23193)	(52.5)
Net interest income after loan impairment charges	100,818	89,219	11599	13	89,219	84,420	4799	5.6
Fee and commission income	46,243	39,066	7177	18.4	39,066	30,634	8432	27.5
Fee and commission expense	(470)	(414)	(884)	(4.2)	(414)	(540)	(954)	(5.4)
Net fee and commission income	45,772	38,652	7120	18.4	38,652	30,093	8559	28.4
Net foreign exchange income	22,081	15,244	6837	44.8	15,244	13,040	2204	16.9
Other operating income	486	183	303	165.6	183	356	(173)	(48.5)
General and administrative expenses	(61,874)	(43,459)	(10533)	(242)	(43,459)	(35,157)	(78616)	(35.9)
Staff costs	(42,689)	(37,968)	(80657)	(3.8)	(37,968)	(32,989)	(70957)	(3.3)
Net gain/loss on fair value derivatives	(201)	-	-	-	-	-	-	-
Profit before tax	64,392	61,871	2521	4.1	61,871	59,764	2107	3.5
Tax charge	(16,909)	(15,814)	(32723)	(1.6)	(15,814)	(19,507)	(35321)	(19.5)

								8)
Profit for the year	47,482	46,057	1425	3.1	46,057	40,256	5801	14.4
Other comprehensive income								
Net actuarial gain on defined benefit plan	-	1,016	-	-	1,016	-	-	-
Deferred tax on actuarial gains	10	510	(500)	(98)	510	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	47,492	47,583	(91)	(0.2)	47,583	40,256	7327	18.2

Income statement for 2008 and 2007

	Tsh million		Increase (Decrease)	
	2008	2007	Amount	%
Interest income	110,286	89,145	21141	23.7
Interest expense	(21,117)	(17,007)	(38124)	(17.3)
Net interest income	89,169	72,138	17,031	23.6
Fee and commission income	30,634	26,606	4028	15.1
Fee and commission expense	(270)	(95)	(365)	(98.6)
Net fee and commission income	30,364	26,511	3853	14.5
Net foreign exchange income	13,040	10,733	2307	21.4
Other operating income	356	653	(297)	(45.5)
Operating income	132,930	110,035	22,895	20.8
General and administrative expenses	(35,481)	(29,315)	(61796)	(29.9)
Staff costs	(32,989)	(25,787)	(58776)	(26.3)
Impairment losses	(4,695)	(3,229)	(7924)	(3.3)
Operating expenses	(73,166)	(58,332)	(131,498)	(5.9)
Profit before tax	59,764	51,703	8061	15.6
Taxation	(19,507)	(14,378)	(33885)	(14.7)
Profit for the year	40,256	37,325	2931	7.8