DIVERSIFICATION STRATEGIES AND COMPETITIVE ADVANTAGES OF BANKING SECTOR IN RWANDA CASE OF BANK OF KIGALI (2017-2022)

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DIVERSIFICATION STRATEGIES AND COMPETITIVE ADVANTAGES OF BANKING SECTOR IN RWANDA CASE OF BANK OF KIGALI (2017-2022)

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ABSTRACT

This study examined the role of product diversification strategy and competitive advantage of banking sector in Rwanda; to identify the role of asset diversification strategy on competitive of Bank of Kigali; to evaluate the effect of technological diversification strategy on competitive advantage of Bank of Kigali and to assess the influence portfolio diversification strategy on competitive advantage of Bank of Kigali. The study was quantitative in nature and used a case study approach. The data was collected from 62 employees of Bank of Kigali. SPSS version 20 was applied to analyze primary data and trend percentage and ratio analysis was applied to analyze secondary data. The study revealed that Bank of Kigali had adopted financial assets diversification Bank of Kigali has adopted loans diversification; The bank has adopted cash and cash equivalent diversification; they strongly asserted that there has been adoption of asset diversification has lowered portfolio volatility and losses and they alleged that the quality of assets has improved financial performance of the bank. Regarding the effect of technology, the study revealed that there is use of internet banking which has exposed new there is marketing of new services that are technologically or commercially unrelated to current products the bank has adopted agency banking model the use of mobile banking has resulted to technological/ commercial synergies with current products. The extent to which the Bank of Kigali had been effective at applying technological based services towards its customers. Bank of Kigali was the first commercial bank in Rwanda that managed to expand mobile banking to several people as its numbers of customers increased significantly. All these achievements stand on the extension of mobile banking services through bank agency diversification as well as to increase the number of branches, sub branches and outlets. Bank of Kigali invests in dividend financial gains; the bank has invested in commercialism activities gains diversifies its investment in various options that are aligned to its business strategy to achieve a competitive advantage. The findings from the results indicated reflect the theories of finance as they opined that. Investment portfolio choice affects the financial performance of commercial banks whereby commercial banks should invest in real estates, bonds and mortgages to achieve a competitive advantage.

Key Words: *Technological diversification, Portfolio diversification, Competitive advantage*

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INTRODUCTION

The riskiest of the four "Ansoff" marketing strategies is diversification because it requires a company to enter a new market while creating a new product. Commercial banks employ a number of measures to diversify their portfolios, including funding diversification, geographical diversity, income and asset diversification (Nguyenn et al., 2018), and international diversification (Lin, Mulwa, et al., 2015).

The three most common approaches addressed in this research are those related to income, assets, and geographic variety. According to Nepali (2018), income diversification is the deployment of innovative financial services that produce revenue streams in addition to the conventional intermediation services offered by banks. Additionally, this concept refers to the innovative growth of bank income from a range of activities that move reliance away from conventional interest-based income-generating activities toward non-interest-based income-generating activities.

Asset diversification, which is the process of distributing a bank's earning assets among conventional lending and non-lending channels, is closely related to income diversification (Nepali, 2018; Kiweu, 2012). Commercial banks can geographically diversify their portfolios to increase portfolio diversity. According to Goetze et al. (2013), this is defined as the act of a bank opening branches and service sites away from its headquarters or the distribution of bank assets across geographical areas. Geographic diversification, in any context, refers to a bank's expansion of branches and service locations across the boundaries of a nation or a state.

Tasca and Battiston (2014) highlighted the disagreement about the competitiveness and performance effects of diversification on banks. Tasca and Battisson (2014) developed a new conceptual framework in which full diversification of risks proved inefficient. The two authors noted that commercial banks had to choose an optimal level of diversification according to market conditions because they had a two-dimensional distribution, leading to two different economic trends, which would lead to competitiveness trends in the banking industry. Mulwa (2018) conducted a study on the diversification of commercial banks in four Eastern-African countries: Kenya, Rwanda, Uganda and Tanzania.

The authors noted that there were signs of increased bank profitability as a result of sectorial credit diversification, and one focused on whether banks were able to oversee their multiple portfolios as a result of diversification properly. Mulwa (2018) analyzed the surveillance reports of each nation using secondary data from the central banks. The findings demonstrated a considerable direct influence of sectorial credit diversification returns on the commercial banks.

As the data also demonstrated a significant negative relationship between diversification and asset quality, which was indicated as a monitoring proxy, this was consistent with bank assets. The investigation showed that sectorial credit diversification improves the effectiveness of bank supervision. It was recommended that banks create a varied loan portfolio and distribute loans through different business sectors' intermediaries. Nzulwa and Wanjiru (2018). The pertinent results they evaluated the effect of diversification strategies on the competitive advantage of commercial banks in Kenya and found a positive and significant influence on the bank's competitive advantage.

Problem Statement

More and more banks are implementing diversification strategies in response to the heightened competition in the banking sector (Tan, 2016). The organization's search for new markets and products that boost its competitiveness is aided by diversification. Despite the implementation of these initiatives, Rwanda's financial institutions, particularly commercial banks, face fierce competition from other countries due to technology-based services that necessitate ongoing incentives and innovations.

As a result, the causal relationship between product diversification and financial performance has been hypothesized but not yet proven (Syed, 2004). The research on this topic's findings (Syed et al., 2004) is mainly inconsistent and provides few explanations. Diversification has been a difficult issue in organizational performances. Hess et al. (2016) claim that diversity has gradually advanced to become a crucial component of the modern business environment. Numerous academic fields have conducted substantial research on the link between corporate performance and diversification.

According to Nguyen (2018), income diversification has a direct positive influence on profitability and has a sizable positive impact on both the ROA and the ROE (Hamdi et al., 2017). According to Nguyen (2018), Hailu (2018), and Tassew (2018), when it comes to implementation, the diversification of funding results in decreases in expenses brought on by savings made. Lim and Pao's (2016) examined the relationship between the revenue diversification efforts of universal banks and the commercial banks of the Philippines and their non-interest revenue activities.

Nine universal banks operating between 2004 and 2014 were sampled. The data was analyzed via regression analysis on income diversification and non-interest incomes to evaluate the diversification of income, trading and derivative income, net fees and charges the results indicated that the regression coefficient between revenue diversification and noninterest revenue is 1.75 with P-value000<0.5 that denotes statistical significance between the variables.

This is the cornerstone of the competitiveness of commercial banks. In support, Ismail et al. (2014) investigated commercial banks in Pakistan to determine if income diversification techniques adopted in the banking sector correlates with the bank performance. They made use of panel data from the official commercial banks' annual reports for the years 2006 to 2013. However, there are few studies in Rwanda examining the impact of the three forms of commercial bank diversification on the competitiveness of the bank, necessitating the filling of the aforementioned vacuum in the literature. Moreover, the operating environment of commercial banks in Rwanda inspires this study. Therefore, the study investigated the contribution of diversification strategies on competitive advantage of commercial banks operating in Rwanda with a specific reference of Bank of Kigali taking into account the role of asset, technological and portfolio diversifications on the recent five financial years.

Research Objectives

The general objective of the study was to examine the role of product diversification strategy and competitive advantage of banking sector in Rwanda. The specific objectives of the study were:

- To identify the role of asset diversification strategy on competitive of Bank of Kigali.
- To evaluate the effect of technological diversification strategy on competitive advantage of Bank of Kigali.
- To assess the influence portfolio diversification strategy on competitive advantage of Bank of Kigali.

The following research questions guided this study;

- What is the role of asset diversification strategy on competitive advantage of Bank of Kigali?
- What is the effect of technological diversification strategy on competitive advantage of Bank of Kigali?
- What is the role portfolio diversification strategy on competitive advantage of Bank of Kigali?

LITERATURE REVIEW

Theoretical Literature

Asset Diversification

Asset diversification is a group approach that combines multiple assets in order to reduce the overall risk of an investment portfolio (Mochabo, Benedict, & Ondiek, 2017). Divide a portfolio into its main asset class's equities, cash equivalents, fixed income, and alternatives is the process of asset allocation (Derek, 2015). Asset diversification is the distribution of a portfolio's assets across different asset classes, geographic areas, and market segments. Mochabo et al. (2017) acknowledge asset diversification as a key tenet of wise investing. The goal of asset diversification is to generate income for the permitted risk margin by carefully combining various asset types.

The assets of the company that are already in cash or may be converted immediately into cash are shown as cash and cash equivalents on the balance sheet. The asset "cash and cash equivalents" refers to the money that the company has on hand and in bank accounts, as well as cash equivalents. This asset is listed on the financial statement that shows the financial status of the company. As pointed out by Harold (2014), cash and cash equivalents comprise of coins, currency, petty cash, checking and savings accounts, money market accounts, checks that have not yet been banked despite being received and investments that are highly liquid and short-term, having maturity period not exceeding three months from the buying time. Harold (2014) makes a further case that, when compared to all other assets, cash and cash equivalents are the most liquid assets.

Technological Diversification

Application of technology to diversify an organization's services and products is referred to as technological diversification (Berger & Ofek, 2005; Wan, 2005). The more diversification a company engages in, the stronger its financial and market position will be as a result. This aligns with the missions and visions of most, if not all, businesses, which state that success and continued growth are their ultimate goals. This method benefits greatly from diversification as a strategy (Lynch, 2008).

Agent banking is one example of technology diversification where an authorized and approved agent (Jansen, 2010) carries out a financial institution's business. In established markets, agency business has a history and tradition thanks to the usage of outlets like post offices, retail stores, etc. This has spread to developing nations like Kenya, where services provided through authorized agents are increasingly the norm. Businesses like Kenya Power and Nairobi Water use Nakumatt and Posta to collect payments from their customers.

Portfolio Diversification

Portfolio diversification is a way of managing a given portfolio by diminishing instability and risk of a given set of portfolios of a given set of unlike investments, assets or products (Mutega, 2015). It entails the process of bringing together diverse assets to lower the general risk associated with the entire portfolio of an organization. Given that a combination of several classes of elements in a certain portfolio permits some minimal risk, portfolio diversification is required for an organization to realize the most possible revenue. To lessen the tumultuous market and operational situations, as well as to further reduce portfolio volatility and losses, banking diversification is pursued.

The major advantage of any portfolio diversification is that it diversifies various investments along diverse categories of financial tools, whereby each has its own magnitude of risk-return. This diversification type is done with key objective being lowering the expected risk that may arise from having all resources put in one investment type only (Syriopoulos, 2005). Through a careful strategy of diversification, commercial banks may prosper, rather than falling victim to the consolidation trend in the industry.

Conceptual review on Competitive Advantage of Commercial Banks

Market shares: According to Pe'er and Keil (2013), competitive advantage refers to the value that rival businesses or organizations provide to their operations. Competitive advantage can be found in a company's capacity for client service and retention, asset accumulation, financial stability, and innovation and development. Progressive methods are frequently used by businesses with a stronger competitive advantage to maintain their dominance in a particular market.

Increase of customers: The banking sector has occasioned drastic transformation with increase in the technological innovations that have increased the profitability and influenced the competitive advantage of the leading financial institutions (Krishnaswamy, 2017). A bank will have a competitive advantage if it creates an edge above its competitors in winning over customers and guarding itself against forces of competition (Thompson & Strickland, 2002). As a result, businesses must constantly monitor both their own strategy and the commercial or competitive environment in which they operate.

Product innovation: Since diversification involves exploring entry into new products and markets at the same time, it leads to growth (Thompson, Strickland, Gamble, & Zeng'an, 2008). Most frequently, it requires a total transition away from the primary product line to a complementary business line. It typically requires searching for either familiar or foreign territory. These four factors fuel industry competition by giving some businesses a relative competitive edge over others, forcing each business to strive hard to outperform the competitors. Such a strategy requires simultaneously launching new products into new markets.

Pricing: Existence of substitutes increases industry rivalry, which in turn tightens the cap on industry earnings by limiting the prices that businesses may charge (Thompson et al., 2008). Schmutzler (2013) put a lot of work into explaining how to calculate the worth of a competitive advantage. examining the benefits that consumers who are willing to pay for the product receive—benefits that are not available elsewhere (Dishon, 2016).

Empirical Review

Empirical Review on income Diversification and Competitive Advantage

Lim and Pao's (2016) examined the relationship between the revenue diversification efforts of universal banks and the commercial banks of the Philippines and their non-interest revenue activities. Nine universal banks operating between 2004 and 2014 were sampled. The data was analyzed via regression analysis on income diversification and non-interest incomes to evaluate the diversification of income, trading and derivative income, net fees and charges. Lim and Pao (2016) used net interest revenue and non-interest revenues to evaluate non-interest income operations.

They discovered a positive association between income diversification and non-interest income activity, verifying the theory that an increase in both interest and non-interest income significantly upscale banks operational revenues. This is the cornerstone of the competitiveness of commercial banks. In support, Ismail et al. (2014) investigated commercial banks in Pakistan to determine if "Blessing" and "Curse" were the income diversification techniques adopted in the banking sector. They utilized panel data for the years 2006 to 2013 from the official commercial banks‟ annual reports.

In a same vein, Brahmana, Kontesa, and Gilbert (2018) used annual data from Malaysian banks from 2005 to 2015 to indicate competitiveness and analyzed income diversification and its impact on bank performance. The numbers were taken from 2005, which was Malaysia's officially recorded phase of diversification. Brahmana, Kontesa, and Gilbert (2018) investigated the relationship between income diversification and bank performance, a measure of competitiveness, using annual data from Malaysian banks between the years 2005 and 2015. The data was picked for the year 2005 since that was when Malaysian-banking institutions began to diversify, according to records.

Asset Diversification and Commercial Bank Competitive Advantage

Pakistan et al. (2020) examined how diversification variables affect bank margins. The study employed secondary data collected from 24 Pakistani planned commercial banks‟ annual accounts between 2006 and 2017. The authors proved that the variety of assets affects bank profitability significantly. In a related vein, Wanjiru and Nzulwa (2018) conducted a study that looked at how diversification tactics affected the competitive advantage of commercial banks with Nairobi stock exchange listings.

The asset diversification approach was one of the study's independent variables, and it had an impact on Kenyan commercial banks' comparative advantage. All 42 business banks in the authors' target category were included in a descriptive study strategy. Wanjiru and Nzulwa (2018) came to the conclusion that, among other factors, the asset diversification strategy had a positive and significant impact on the competitive advantage of the banks. However, Chen, Liang, and Yu's (2018) research revealed that the competitiveness of commercial banks is significantly influenced by the diversification of assets. The study was conducted in Pakistan, Malaysia, and Indonesia, three Asian nations.

The performance of business banks was shown to be negatively impacted by asset diversification, according to Chen et al. (2018); however, the impact on Islamic banks was minimal. The authors also emphasized how asset diversification affects conventional banks' profits. However, the diversification of assets in Islamic banks was unimportant. The authors advised diversification for nations with two financial systems. The results also were consistent with Mulwa and Kosgei (2016) study, which established that diversification in assets, is inversely linked with ROA commercial banks.

Theoretical Framework

Market Power Theory

The argument has been made regarding a firm's position in relation to competitors based on a set of tactics, and the proponent was Porter (1980). Poor performance of a bank is a result of fierce competition faced by rivals present in a market segment, claims Salman (2007). Therefore, as corporations are able to develop market power, a means of achieving conglomerate powers, Barney (1991) suggests diversification attempts to overcome competition as well as financial obstacles.

By diversifying, businesses become less reliant on the results of the market they are currently participating in and more dependent on the results and positions of other markets they participate in. A corporation must achieve individual dominance in the marketplace before it can achieve conglomerate status (Gribbin, 1976). Three factors contribute to market power: mutual limitation of rivals' rivalry; reciprocal buying; and cross-subsidization, in which gains from one market are used in another to support prices that are predatory.

Portfolio Theory

The investing process is approached using Harry Markowitz's (1952) identification, ordering, approximation, and control of the amount that is anticipated to be invested in terms of risk and returns. As a result, this theory offers a way to evaluate the potential advantages and risks for a company making investment decisions (Cochrane, 2013). Therefore, the corporations must decide how to invest in order to get the best returns. This is accomplished by carefully weighing the advantages and selecting the optimal investment by determining how much of diverse assets to allocate to each (Fabozzi, Gupta, & Markowitz, 2002). By supporting the rationality of investors' assumptions, this theory seeks to reduce the overall variance of the portfolio return in the banking sector. The portfolio theory defines diversification mathematically as picking investments that have a combined risk that is lower than any other (Van Greuning, & Iqbal, 2007). The portfolio theory helps the listed banks describe investment alternatives with relation to asset diversifications (Reilly, Brown, 2011). The theory offers a framework for calculating the risks connected to each kind of asset investment.

Transaction Cost Theory

This theory is concerned with the cost of conducting transactions in the banking industry. Importantly, costs are a key consideration in making majority of decisions. It determines if a transaction can be undertaken at a lower cost via the market or within the hierarchy of the firm. The process involves discussing, observing, and enforcements cost as a result of a transaction between two or more parties (Jones & Hill, 2008).

Banks can reduce the cost of trading their resources by using this approach. If transaction costs didn't exist, diversification would potentially no longer be a value-maximizing endeavor because a corporation might buy the resources it wants on the market. This is frequently untrue because market inefficiencies result in high transaction costs, which force integration. Transaction costs experienced during company operations may influence a bank's decision to pursue a diversification strategy, claim Jones and Hill (2008).

A number of elements, such as constrained opportunism, rationality, uncertainty, small numbers, information impactedness, and asset specialization, contribute to the difficulty of transaction costs. As was already mentioned, diversification would theoretically be a non-value maximization endeavor if transaction costs were absent. The idea is significant in this context because it suggests diversification as a means of lowering transaction costs, especially among commercial banks. Banks can drastically lower transaction costs by adopting such technology diversification strategies. Therefore, technical diversity and competitive advantage among commercial banks are linked by transaction cost theory.

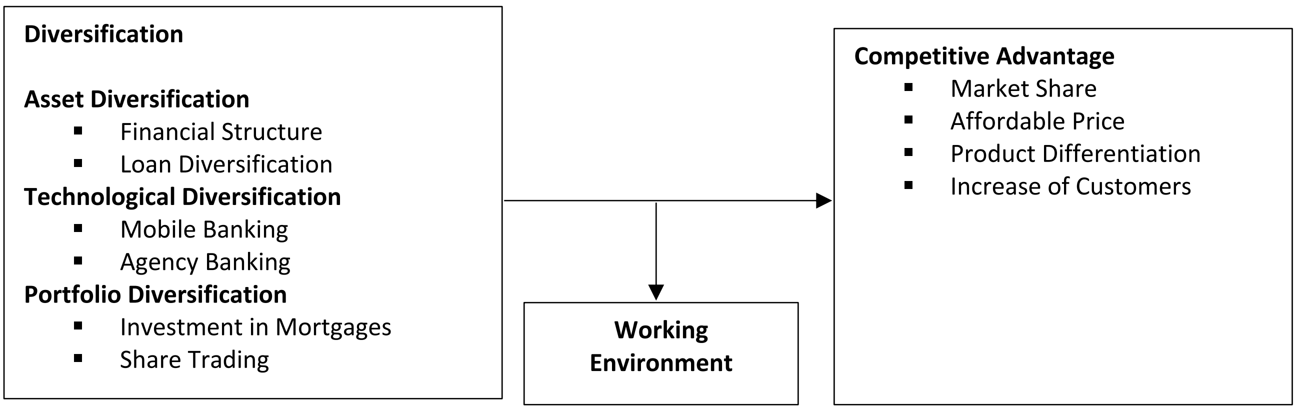
Resource Based View

Penrose first proposed RBV in 1959, and it focuses on a company's ability to exploit potential resource collaborations to achieve improved performance. RBV illustrates situations where a corporation can make the best use of its resources to generate high returns over the long term by applying Porter's five competitive forces. RBV demonstrates how a company's resources and advantages work together. As a result, businesses with specific resources can continue to operate.

Competitive advantage in contrast to others because ownership of the resources accords the firm a better position by adversely affecting the costs and revenues of others (Barney, 2001). The theory holds that a firm's internal resources, along with its capabilities, are the basis of its competitive advantage, and that these resources and skills drive the firm's strategy. Therefore, diversification is the result of an organization's efforts to use proprietary, non-tradable resources (Ray, Barney, & Muhanna, 2004). It is better use of firm-bound resources that generate the effectiveness of a firm’s strategies. There thus lie unexploited resources within a firm that create opportunities for superior performance. Diversification is one such strategy for exploiting existing firm-specific resources.

Conceptual Framework

A conceptual framework refers to the diagram that demonstrates the relationship between the independent variable and the dependent variable of the study. Figure 1 indicated that relationship.



Independent Variable **Dependent Variable**

Figure 1: Conceptual Framework

Source: Researcher, 2022

Summary of literature review

The literature presented in this study revealed that the goal of asset diversification is to generate income for the permitted risk margin by carefully combining various asset types. Widespread asset diversification has been adopted as a strategy to help investors endure turbulent financial and business environments. Lowering portfolio volatility and losses is the move's main advantage, and it is often quite important, particularly when there is more uncertainty. Every bank seeks to enhance their financial performance by diversifying their incomes from both interest financial gains and non-interest income in their respective portfolios that prompts the bank to apply income diversification strategy. The past studies specifically preferred by the researcher are focusing on diversification specifically in commercial banks that brings a great difference from product diversification that was extended in last two decades by Author Porter, whereby he emphasized on strategic management of business companies with the concept of product differentiation analyzing threat of new entries, supplier power and so on. To address the literature gap, study seeks to investigate diversification strategies purely and currently applied by commercial banks. Thus, the study puts forwards asset diversification strategy, technological diversification strategy, portfolio diversification strategy and income diversification strategy as there is not study that has been yet carried out in this domain scope in financial institutions operating in Rwanda.

METHODOLOGY

The study used a mixed methodology that balances a qualitative perspective with the acceptance of quantitative data, which is preferred because it helps create a broader picture by adding depth and insights to numbers through the inclusion of dialogue and narratives. The study was conducted in Bank of Kigali headquarter, Rwanda. The target population of this study was comprised of staff of Bank of Kigali headquarter totaling to 203 representing the total population, (Bank of Kigali report, June2022). Primary data collection was via a questionnaire as this is an efficient and convenient way of gathering the data within the resources and time constraints. The documentary review was used to gather secondary data. Secondary data were used with a focus on already existing data. The Cronbach Alpha was used to test the internal consistency of the items in the questionnaire. First, the data were edited, coded, and entered into the Statistical Package for Social Sciences (SPSS) version 20. Second, quantitative data were analyzed through the use of a combination of descriptive statistics particularly frequency distributions tables, percentage and mean, and also measure of dispersion such as variance and standard deviation.

RESULTS

Primary data relevant to diversification strategy and competitive advantage

This section discerns the presentation and interpretation of primary data collected from 62 respondents selected from the employees of Bank of Kigali relevant to diversification and competitive advantage of commercial banks. Data were processed through SPSS and were presented and analyzed through descriptive statistics models displaying Mean and Standards deviation as shown in the subsequent tables.

Table 1: Assets diversification strategy

	N	Min	Max	Mean	Std. Dev
The bank has adopted financial assets diversification	62	5.00	4.00	4.5.000	.4200
The bank has adopted loans diversification	62	1.00	4.00	4.080	.2071
The bank has adopted cash and cash equivalent diversification	62	1.00	4.00	3.907	.3096
Adoption of asset diversification has lowered portfolio volatility and losses	62	1.00	4.00	3.762	.6095
The quality of assets has improved financial performance of the bank	62	1.00	4.00	3.992	.6480
Valid N (list wise)	62				

Source: Primary data, 2023

Table 1 shows the views of the respondents on the asset diversification strategy applied by bank of Kigali Ltd. The employees who participated in the study as the respondents asserted that Bank of Kigali has adopted financial assets diversification (Mean=4.5.000);they alleged that Bank of Kigali has adopted loans diversification (Very strong Mean=4.080) ;The bank has adopted cash and cash equivalent diversification (Strong Mean=3.907);they strongly asserted that There have been Adoption of asset diversification has lowered portfolio volatility and losses (moderate Mean=3.762) and they alleged that the quality of assets has improved financial performance of the bank (Strong Mean=3.992).The findings represented from table are supported by information from marketing. For instance, in 2018 Bank of Kigali launched a new credit scheme that took into account large scale projects within five years. BK also extends several types of loans including Loan Consumer Loan; Car Loan, Agriculture Loan, Overdraft, Plot Loan, Business Loan. Moreover, Bank of Kigali invests the attracted money of customers to earn more profit through mortgages schemes. Thus, several mortgages schemes are found in Bank of Kigali. They include House Purchase mortgage, House Construction mortgage and home improvement mortgage. Therefore, the results from the table and their secondary information extracted to support primary data prove that Bank of Kigali implement asset diversification strategy effectively that can contribute to its competitive advantage as the strategy enabling the bank to operate in stiff competitive environment.

Technology diversification strategy

Table 2: Technology diversification strategy

	N	Min	Max	Mean	Std. Dev
There is use of mobile banking which has exposed new services	62	5.00	5.00	4.6.00	.431
There is use of internet banking which has exposed new services	62	1.00	5.00	3.962	.415
There is marketing of new services that are technologically or commercially unrelated to current products	62	1.00	5.00	2.742	.843
The bank has adopted agency banking model	62	1.00	5.00	1.946	.675
Use of mobile banking has resulted to technological/ commercial synergies with current products	62	1.00	5.00	3.871	.562
There is use of mobile banking which has exposed new services	62	1.00	5.00	4.153	.415

Source: Primary data,2023

Table 2 showed the views of the respondents on the implementation of technology diversification strategy in Bank of Kigali. The respondents asserted that in Bank of Kigali, there is use of mobile banking which has exposed new services (Very strong Mean=5.00) with neutral standard deviation=.000.They stated that there is use of internet banking which has exposed new services (very strong Mean=4.962),There is marketing of new services that are technologically or commercially unrelated to current products (very strong mean=4.742),The bank has adopted agency banking model (very strong mean=4.946) and they alleged that the Use of mobile banking has resulted to technological/ commercial synergies with current products (strong mean=4.871) and they strongly stated.

The results from the table prove the extent to which the bank of Kigali has been effective at applying technological based services towards its customers. In this decade, BK was the first commercial bank in Rwanda that managed to expand mobile banking to several people as its numbers of customers increased significantly. As deposits from the clients increased considerably over the last five years. In financial year 2017 client's deposits increased from 1 to 8.6 %; to 16.9% in 2018; to 20.8% in 2019; to23.0% in 2020; to 23.2% in 2021 and to 5.2% in 2022.The fact files indicate the high extent to which the number clients in Bank of Kigali increased and contributed effectively to the increase of their deposits in Bank of Kigali. All these achievements stand on the extension of mobile banking services through bank agency diversification as well as to increase the number of branches, sub branches and outlets. Based on the results from the table, the researcher found out that Bank of Kigali managed to implement technology diversification strategy effectively to contribute to its competitive advantage.

Revenue and product diversification strategies

Table 3. Revenue and product diversification strategies

	N	%	Freq	Mean	Std. Dev
Revenue Diversification strategy					
The bank invests in different types of non-interest activities	62	48	77.4	3.82	.914
The bank invests in foreign exchange trading income	62	52	83.9	3.82	.914
The bank charges on loans and advances	62	54	87.1	3.77	1.107
There are commissions on loans and advances	62	52	83.9	4.09	.8240
The bank invests in government securities	62	42	67.7	3.92	.97021
Portfolio Diversification strategy					
The bank participates in share trading financial gains	62	48	77.4	4.04	.87642
The bank has invested in mortgage	62	49	79.0	3.87	.85303
The bank has invested in dividend financial gains	62	52	83.9	4.19	.83184
The bank has invested in commercialism activities gains	62	54	87.1	4.00	.90536
The bank gets commissions on banking products	62	52	83.9	4.61	.63998
Valid N (list wise)	62				

Source: Primary data, 2023

Regarding revenue diversification strategy, the respondents asserted that The bank invests in different types of non-interest activities (strong mean=3.82);they revealed that bank invests in foreign exchange trading income (strong mean=3.82) ,they asserted that Bank of Kigali charges on loans and advances are affordable 9(strong Mean=3.77),In bank of Kigali, The bank invests in government securities (strong mean=3.92).The results indicate that Bank of Kigali invests the revenue in several perspectives that enable the bank to avoid unexpected bankruptcy as the investments theories suggest portfolio investments of financial institutions.

Table 3. shows also the results regarding portfolio diversification. The relevant results show that The bank participates in share trading financial gains (very strong Mean=4.04);they asserted that Bank of Kigali has invested in mortgage (strong Mean=3.87); bank of Kigali invests in dividend financial gains (strong Mean=4.19),The bank has invested in commercialism activities gains (very strong Mean=4.00) and they asserted that Bank of Kigali gets commissions on banking products expressed by a (very strong mean=4.61).The results from the table indicate that Bank of Kigali diversifies its investment in various options that are aligned to its business strategy to achieve a competitive advantage. The findings from the results indicated reflected the theories of finance as they opined that the study revealed that investment portfolio choice affects the financial performance of commercial banks whereby commercial banks should invest in real estates, bonds and mortgages to achieve a competitive advantage.

Assessing the competitive advantage of Bank of Kigali

In this section, the researcher presented, analyzed and discussed on data regarding competitive advantage of Bank of Kigali. The study sought to analyze the competitive advantage of Bank of Kigali by putting forwards several sub variables including pricing, increase of customers and product differentiation as shown in the following table 4.

Table 4. Assessing Competitive advantage of Bank of Kigali

	N	Min	Max	Mean	Std. Dev
Pricing					
Bank of Kigali affairs financial services at affordable price	62	52	83.9	4.048	.87642
The management of BK analyze new entrants in the business for prices comparison analysis	62	51	82.3	3.83	.85303
Decentralization of services (agency banking) contributes to the lowering prices of BK services	62	54	87.1	4.129	.83184
Increase of branches/outlets contributes to the affordability of services at lower price	62	48	77.4	4.000	.90536
Bank of Kigali affairs financial services at affordable price	62	52	83.9	4.61	.63998
Product differentiation					
Creativity of new services	62	52	83.9	4.190	.66490
BK technological systems brings innovations and incentives in services delivery	62	50	82.1	4.00	.92329
Increase of customer					
Technological based services of BK lead to customer satisfaction	62	52	83.9	4.49	.78389
Product differentiation strategy is a routine of the bank	62	54	84.1	4.08	.71768
There is a customer loyalty in Bank of Kigali	62	48	77.4	3.994	.87400
Over last five financial years, there have been a persistent increase of customers.	62	52	83.9	4.083	.65205
Valid N (list wise)	62				

Source: Primary data, 2023

Table 4. reports the views of the respondents selected from BK employees on the indicators of competitive advantage in the bank. The researcher used pricing, product differentiation and customer loyalty as the measures of competitive advantage in Bank of Kigali. Regarding pricing, he results indicate that Bank of Kigali affairs financial services at affordable price(Very strong Mean=4.048); The management of BK analyze new entrants in the business for prices comparison analysis (Very strong Mean=3.83); Decentralization of services (agency banking) contributes to the lowering prices of BK services (Very strong Mean=4.129); Increase of branches/outlets contributes to the affordability of services at lower price (Very strong Mean=4.000); Bank of Kigali affairs financial services at affordable price(very Strong mean=4.61); Creativity of new services (Very strong Mean=4.190); BK technological systems brings innovations and incentives in services delivery (Very strong Mean=4.00);Technological based services of BK lead to customer satisfaction (Very strong Mean=4.49).Regarding the ways a bank can be specialized its self on some products that make a crucial aspect of strategic management, the results indicate that Product differentiation strategy is a routine of the bank of Kigali (Very strong Mean=4.08); There is a customer loyalty in Bank of Kigali (Very strong Mean=3.994) and they asserted that Over last five financial years, there have been a persistent increase of customers (Very strong Mean=4.083).Taking into account the results from the table, the researcher found out Bank of Kigali management to increase the customers due to the fact that its provide services at affordable and lower prices as there several commercial banks operating in the same environment. The customers prefer reliable better services that they make them to be to stay on a given commercial bank.

Analysis of the market shares of BK in the last five years

Table 5: Analysis of the market shares of BK in the last five years

Total assets	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
BK group	3.20%	22.00%	28.00%	16.10%	20.70%	13.90%
Banking sector	8.40%	17.50%	24.00%	12.50%	15.10%	12.90%
Clients Balances and deposit	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
BK group	5.20%	23.20%	23.00%	20.80%	16.90%	8.60%
Banking sector	9.30%	16.60%	20.90%	11.40%	14.10%	12.60%
Shareholders' equity	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
BK group	3.90%	10.00%	17.50%	13.40%	58.60%	13.10%
Banking sector	7.90%	18.90%	15.20%	20.50%	12.20%	3.90%

Source: Secondary data,2017-2022

Table 5. showed the financial aspects that clarify the market shares of Bank of Kigali. As shown in the table extracted from secondary data of Bank of Kigali. They include total assets, net loans, clients balance deposits and shareholders' equity. As shown in the table, the total assets that indicate the financial properties of the bank in the specified period increased considerably over the period of five years involved by the study. As shown, BK exerted an increase of the total assets of 13.9% in 2017;20.7% in 2018;25.5% in 2019;16.6% in 2020 and 2.3% in 2022.The results indicate that there has a boost of total assets from 13.6 in 2017 to 22% in 2021.This implies that both fixed assists and non-fixed assists of bank of Kigali increased significantly over the period of last five years.

Relationship between diversification strategy and competitive advantage

This section refers to the presentation analysis and interpretation of data discerning the relationship between diversification of competitive advantage of bank of Kigali. In order to test the relationship between the two variables of the study, the study applied multiple regression analysis and correlation models as shown in the following table.

Table 6. Anova table

ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.458	3	7.153	92.662	.000[a]
	Residual	4.477	58	.077		
	Total	25.935	61			

a. Predictors: (Constant), Asset diversification, Technologiques Diversification, Portfolio Diversification

b. Dependent Variable: Competitive advantage

Table 7. Multiple regression tables

Coefficients						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.983	.308		3.188	.002
	Asset diversification	.281	.166	.397	1.686	.097
	Portfolio diversification	-.012	.084	-.014	-.142	.888
	Technological diversification	.483	.190	.532	2.540	.014

a. Dependent Variable: Competitive advantage

Table 7. indicates multiple regression results applied to test the relationship between independent variable that is diversification strategy and dependent variable competitive advantage. As shown in the table the coefficients pertaining how asset diversification contributes the competitive advantage is positive (Coif=.281),the one that indicate how technology contribute to competitive advantage is also positive (coif=.483) proving that both technology and assets are significant to competitive advantage while portfolio does influence competitive advantage of bank of Kigali as P-value is greater than 0.005 as it 0.888.In nutshell, the sub variable of diversification strategy contribute to the competitive advantage of bank of Kigali.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The first objective of the study sought to assess the effect of financial assets diversification on competitive advantage of BK. The relevant results revealed that Bank of Kigali has adopted financial assets diversification (Mean=4.5.000);they alleged that Bank of Kigali has adopted loans diversification (Very strong Mean=4.080) ;The bank has adopted cash and cash equivalent diversification (Strong Mean=3.907);they strongly asserted that There have been Adoption of asset diversification has lowered portfolio volatility and losses (moderate Mean=3.762) and they alleged that the quality of assets has improved financial performance of the bank (Strong Mean=3.992).The findings represented from table are supported by information from marketing.

The second objective of the study sought to assess the effect of technology diversification on competitive advantage of BK. The relevant results revealed that in Bank of Kigali, there is use of mobile banking which has exposed new services (Very strong Mean=5.00) with neutral standard deviation=.000.They stated that there is use of internet banking which has exposed new services (very strong Mean=4.962),There is marketing of new services that are technologically or commercially unrelated to current products (very strong mean=4.742),The bank has adopted agency banking model (very strong mean=4.946) and they alleged that the Use of mobile banking has resulted to technological/ commercial synergies with current products (strong mean=4.871) and they strongly stated.

The third objective of the study sought to assess the effect of portfolio diversification on competitive advantage of BK. The relevant results revealed that The relevant results show that The bank participates in share trading financial gains (very strong Mean=4.04);they asserted that Bank of Kigali has invested in mortgage (strong Mean=3.87); bank of Kigali invests in dividend financial gains (strong Mean=4.19),The bank has invested in commercialism activities gains (very strong Mean=4.00) and they asserted that Bank of Kigali gets commissions on banking products expressed by a (very strong mean=4.61).The results from the table indicate that Bank of Kigali diversifies its investment in various options that are aligned to its business strategy to achieve a competitive advantage. The findings from the results indicate reflect the theories of finance as they opined that. The study revealed that investment portfolio choice affects the financial performance of commercial banks whereby commercial banks should invest in real estates, bonds and mortgages to achieve a competitive advantage.

The study revealed that Bank of Kigali has adopted financial assets diversification Bank of Kigali has adopted loans diversification; The bank has adopted cash and cash equivalent diversification ;they strongly asserted that There have been Adoption of asset diversification has lowered portfolio volatility and losses and they alleged that the quality of assets has improved financial performance of the bank .Regarding the effect of technology, the study revealed that there is use of internet banking which has exposed new There is marketing of new services that are technologically or commercially unrelated to current products the bank has adopted agency banking model the Use of mobile banking has resulted to technological/ commercial synergies with current products The extent to which the bank of Kigali has been effective at applying technological based services towards its customers. BK was the first commercial bank in Rwanda that managed to expand mobile banking to several people as its numbers of customers increased significantly. All these achievements stand on the extension of mobile banking services through bank agency diversification as well as to increase the number of branches, sub branches and outlets. Bank of Kigali invests in dividend financial gains; the bank has invested in commercialism activities gains diversifies its investment in various options that are aligned to its business strategy to achieve a competitive advantage. The findings from the results indicate reflect the theories of finance as they opined that. Investment portfolio choice affects the financial performance of commercial banks whereby commercial banks should invest in real estates, bonds and mortgages to achieve a competitive advantage.

Regarding competitive advantage, Bank of Kigali affairs financial services at affordable price. The management analyzes new entrants in the business for prices comparison analysis Decentralization of services (agency banking) contributes to the lowering prices of BK services Increase of branches/outlets contributes to the affordability of services at lower price; Bank of Kigali affairs financial services at affordable price; Creativity of new services technological systems brings innovations and incentives in services delivery, lead to customer satisfaction. Regarding the ways, a bank can be specialized its self on some products that make a crucial aspect of strategic management, the results indicate that Product differentiation strategy is a routine of the bank Over last five financial years, there have been a persistent increase of customers.

To enhance customer deposits, the practice of income diversification adversely affects a commercial bank's rise in competitiveness index. This may be because depositors may not want to continue to deposit their funds with banks not prepared to meet their lending needs. The study recommends that if a commercial bank seeks to diversify its income to address profitability challenges, a fund basis should be developed to ensure that its depositors continue to offer lending services with priority. Consumers prefer to deposit monies with banks based on how they spend their assets without re-guarding them. Thus, Banks should diversify their assets in the best way possible, as clients do not care.

Suggestions to future researcher

The study emphasized on the diversification strategy and the competitive advantage that is measured by market share, price ascertainment, product differentiation and increase of customers. The aspects applied to measure the market share don't not analyze effectively the financial performance of commercial banks in term of liquidity, leverage, operations and profitability. Therefore, future researcher should assess the impact of diversification towards the financial performance by emphasizing either on liquidity, leverage, operations or profitability of commercial banks.

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