Diversity in Remittances on the Performance of Financial Institutions: Case of Dahabshiil Bank in Hargeisa Somaliland

Mohamed Hassan Suleiman[1]
MBA Student, Finance and Accounting,
Mount Kenya University, Kenya

Dr. Julius Bichanga[2]
Lecturer, School of Business and Economics,
Mount Kenya University, Kenya

Ondabu Ibrahim Tirimba[3]
Lecturer, School of Business and Economics,
Mount Kenya University, Kenya

Abstract

There is lack of researcher's agreement on the future of remittance companies. This study diagnosed how product diversity in remittance effects organizational performance The specific objectives of this study were to find out how product diversity in remittances affect organizations performance, to determine whether agency relationship plays a vital role in organizational performance, to know if remittance operations effect organizational performance and to assess whether the cost of remittances affect organizational performance. A sample of 40 employees was selected from the population 130 employees using stratified random sampling technique. Both primary and secondary data was used. Primary data was collected by aid of questionnaires while secondary data was collected from already published sources such as company publications and financial statements. Validity and reliability of the instruments was assessed before embarking on large scale data collection. Data was analyzed by aid of SPSS model and percentages and presented by aid of frequency tables. The study found that product diversity in remittances, agency relationship, remittances operations and the cost of remittance all affects organizational performance. The study established that there is a positive relationship between product diversity and organizational performance. The study recommends regulators need to promptly elaborate and introduce a modern legal foundation for effective banking supervision. The study recommends further research on the role of commercial banks in eradication of inflation rates in Somaliland and also the efficiency of the current central banks laws in curbing the inflation pandemic in Somaliland.

Key Words: Product Diversity, Agency relationship, Cost of Remittances

1. INTRODUCTION

Ansoff (1957) defined diversification as the entry into new markets with new products. However, several dimensions have been added to the definition of diversification. Dundas and Richardson (1980) defined diversification as markets differentiation and pursuing of more than one target market.

According to Amihud and Lev (1981), a diversification strategy is often employed by owner-managers to reduce the risks related to employment and reputation, since they can decrease the financial risk of firms by diversifying into unrelated activities. Chen and Yu (2011) observed that increased performance of firms due to diversification occurs when the marginal benefits are greater than the marginal costs of diversification. However, studies on this issue have produced mixed results.

Datta et al. (1991) argued that diversification literature have shown little interest in industry-specific variables, such as concentration, growth, and profit. Hence, it is expected that when the main industry-specific effects are disregarded, as well as the diversifying target industry-specific effects, the predicted performance of a diversification strategy could be misleading.

Somali remittance companies and their clients outline the regulatory hurdles that companies are now faced with (Shire, 2006). The researcher considers how the new requirements for customer due diligence procedures, transaction monitoring and suspicious transactions reporting, record keeping and anti-money laundering compliance requirements have changed the cost-of-doing business. Some companies have met these challenges to implement the new regulation and ended up closing due to compliance failures to the new standards.

Omar (2002) argued that regardless of the establishment of a strong central government and/or a central bank in Somalia, the remittance/hawala system will always remain an integral part of the Somali economy and monetary system for the foreseeable future. Waldo (2006) found out that remittance companies are more

efficient than traditional financial services because they serve rural areas where the majority of people live but would be little served by traditional banking institutions.
In Somaliland there are opposing ideas; researcher say the remittances companies will no longer exist due to the Compliance issues to these new standards while others says that remittances will always exist regardless of the establishment of a strong central bank. The researcher has witnessed that many remittance companies disappeared like Al-Burakaat, Qaran and many others.
The topic on diversity and remittances has not been holistically studied. There exist many gaps including the possible challenges remittance companies face. It is not clear whether the diversity of remittances companies influence organizational performance. Few studies exist up to date and none at all in Somaliland. The study sought to fill this gap.
The general objective of the study was to assess the effects of diversity in remittances on the performance of financial institutions. The specific objectives of this study were to find out how product diversity in remittances affect the performance of financial institutions, to determine whether agency relationship plays a vital role in the performance of financial institutions, to know if remittance operations effect the performance of financial institutions and to assess whether the cost of remittances affect the performance of financial institutions.

2. LITERATURE REVIEW

2.1 Introduction

This chapter discusses the literature that researcher will review; theoretical review will focus on the theory of diversification and disruption theory. Empirical literature was guided by the objectives. The conceptual framework was illustrated and the knowledge gap identified.

2.2 THEORETICAL LITERATURE

2.2.1. Theory of Diversification

The literature mentions different types of strategies at the corporate level that take into account different directions and types of corporate development (Grant 2005; Mintzberg, Ahlstrand and Lampel 2009; Rue and Holland, 1989). Among them are concentration and diversification strategies. Concentration strategy is a grand strategy in which a firm directs its resources to the profitable growth of a single business or product in a single market, with a single dominant technology (Pearce and Robinson, 2007).
The literature on diversification suggests both efficiency and agency rationales for diversification. In the agency or “managerial attachment” view, managers diversify, especially by acquisition, primarily to increase their compensation, job security, or span of control (Amihud and Baruch, 1981; Born, Eisenbeis, and Harris, 1988). In the efficiency view, product and market diversification allows firms to reduce firm specific risk by holding a greater variety of services (Saunders, Strock and Travlos, 1990).

2.2.2 Disruption Theory

This theory indicates that diversity incentives are occurred due to the economic disruption. Gaat (1969) believes that the economic disruption makes a lot of changes in individuals’ expectations, and increases the total degree of unreliability. Tehrani et al. (2008) And Trawin (1990) has argued that the value theory, empire building theory and process theory are accepted more than others. This author has also mentioned that the most dominant theory, efficacy theory has achieved a limited credit Rowe et al. (1997). Generally, many economists consider the diversity strategy a useful one. They believe that diversity is a tool to expand the company’s borders toward addressing the coordination problems in some markets and strategies which connect companies in terms of consumers and suppliers. Another function of diversity, especially the unrelated diversity is to achieve a proper tool to manage risks.
This issue emerges in the financial incentive to create diversity (Hall, 1995). In the diversification strategy, costumers’ loyalty to the brand will compensate low price of competitors. In this strategy, valuable differentiations in costumers’ products and services decrease costumers’ sensitivity to the price. In this strategy, there is an ability to defend against newcomers, because for overtaking a product, the new product should be better than the previous one and new productions and services must be equal to the previous ones from efficacy point of view, and also must have a lower price to overcome the current products and services, which achieving these two categories by new comers to a specific industry requires time and money.

2.2.3. Diversification and the Motives

Amit and Livnat (1988) opined that the financial motive for diversification is based on the fundamentals of the portfolio theory which implies that whenever cash flows of individual business units are not perfectly correlated, the total risk of an overall operation can be reduced by diversification. In the opinion of Rumelt (1974), the main motive for diversification might be related to factors of current environmental conditions of the firm and reduction in sales.
Earlier studies such as Wernerfelt and Montgomery (1988) and Hitt et al. (1997) reported that it may worsen firm performance by incurring coordination and control costs as well as bring about inefficiency when transferring core competencies to varying markets. In their own study, Hoskisson and Hitt (1990) stressed the Complexity of the linkage between product diversification and firm performance, and emphasized the

importance of industry structure that significantly affects the relationship between diversification and performance.

Hoskisson and Hitt (1990) argued that the relationship between diversification and firm performance is complex; contingent on intervening factors, such as the type of diversification and the industry structure. According to Kang et al. (2011), the results of examinations of the effect of product diversification on firm performance may be different from one context to another. That is, costs and benefits from product diversification can be dependent on such factors as the type of diversification and the industry structure.

2.3 EMPIRICAL REVIEW

2.3.1 Product Diversity in Remittances

Tallman (1996) researched on the effects of International Diversity and Product Diversity on the Performance of Multinational Firms. Using a sample of large American Industrial Multinational Enterprises (MNEs), the findings showed a consistent quadratic relationship between product diversification and MNE performance but a minimal performance differences across different measures of international diversity. Analysis of the interactions of international diversity and product diversity indicated a weak effect from increasing internationalization on the performance effect of product diversity. This research was done on the context of developed nations; there is need for similar study to be conducted on the context of developing nations as well.

Oyedijo (2012) takes diversification research to a new level of analysis by examining the performance of a sample of Nigerian companies in relation to specialization, related, unrelated and mixed product-market strategies. It was proposed that the firms that pursue related or unrelated diversification strategies outperform and grow faster than those that attempt to pursue both. Using the triangulation analytical technique involving correlation, multiple regressions, ANOVA, independent sample test and Scheffe Ad Hoc test, it was found that there is a high and positive correlation between financial performance and related diversification strategy. The extent to which firms in the less developed countries are using the diversification option, the nature of the diversification strategy they are pursuing and the extent to which such diversification moves help to improve the firms.

Burgers (2006) based on a sample of 62 multinationals this paper examined the Impact of Global Diversification Strategy on Corporate Profit Performance by integrating the product and the international market dimensions of diversification. The results suggest that the corporate profit performance impact of related and unrelated diversification varies contingent upon the extent of a firm's international market diversification. One important lesson of this work is that both business strategy researchers and managers should review corporate diversification as having distinct yet interactive strategic dimensions, product and international market, and they would do well to recognize both the different and the joint effect of these dimensions on corporate profit performance.

Randall (2003) studied Performance implications of strategic performance measurement in financial services firms. This study examined the relation between measurement system satisfaction and economic performance. The two general approaches to strategic performance measurement identified were; greater measurement diversity and improved alignment with firm strategy and value drivers. The researcher found consistent evidence that firms making more extensive use of a broad set of financial and (particularly) non-financial measures than firms with similar strategies or value drivers have higher measurement system satisfaction and stock market returns.

2.3.2 Agency relationships and organizational performance

Lee (2003) concluded that, Resources are essential for successful organizational performance. However, scholars in public administration and public management have paid relatively little formal attention to the role and importance of resources because they have usually assumed that resources positively influence performance. There lacks a comprehensive empirical evidence about various resources' different roles and their impacts on a public organization's performance. To achieve the researcher's objectives, this study attempted to apply the resource-based view (RBV) to understanding Federal Agencies' Performance. This study offered six types of organizational resources (i.e., administrative, human, financial, physical, political, and reputation resources), which were then broken down into specific variables. The analysis results revealed the following: Number of members in top leadership, professional employees, presidential attention, and agency's reputation had positive and significant impacts on managerial effectiveness.

Integrating Agency and Resource Dependence Perspectives Focusing on business units (SBUs) in diversified firms, Fisher (1990) investigated the relationships among control systems, resource sharing, and competitive strategies and their interactive effects on SBU performance. Empirical results indicate that output control and High resource sharing is associated with higher effectiveness for a low-cost strategy and behavior control. High resource sharing is associated with higher effectiveness for a differentiation strategy.

Lindley (2009)'s paper on dirty money and development capital in Somali money transfer infrastructure argues that Money transfer infrastructures have come to play a prominent role in the Somali regions, connecting war-torn cities, refugee camps, and remote rural areas with the rest of the world. Drawing on primary research, this research points the significance of the remittance business and its effect on household income. However the researchers forget that remittances are not simply a source of 'development finance', but also a multi-billion dollar global business – in which many intermediaries compete.

2.3.3 Remittance Operations and Organizational Performance

Humphrey (1997) researched on the Efficiency of financial institutions by taking an International survey. The paper surveyed 130 studies that apply frontier efficiency analysis to financial institutions in 21 countries. The primary goals were to summarize and critically review empirical estimates of financial institution efficiency and to attempt to arrive at a consensus view. The researcher found that the various efficiency methods do not necessarily yield consistent results and suggested some ways that those methods could be improved to bring about findings that are more consistent, accurate, and useful. Secondary goals were to address the implications of efficiency results for financial institutions in the areas of government policy, research, and managerial performance.

Albright (2004) researched on the effects of Balanced Scorecard implementation on financial performance. In this quasi-experimental study, the researcher investigated whether bank branches implementing the Balanced Scorecard (BSC) outperform bank branches within the same banking organization on key financial measures. Although the BSC has gained popularity among managers as a performance measurement tool, little empirical evidence exists to substantiate claims that the BSC promotes superior financial performance when compared to a traditional performance measurement system. The researcher found evidence of superior financial performance for branches implementing the BSC when compared to non-BSC implementing branches.

Greening (1999) conducted a research on the effects of Corporate Governance and Institutional Ownership Types on Corporate Social Performance. The effects of institutional investor types and governance devices on two dimensions of corporate social performance (CSP) were examined. Pension fund equity was positively related to both a people (women and minorities, community, and employee relations) and a product quality (product and environment) dimension of CSP, but mutual and investment bank funds exhibited no direct relationship with CSP. Outside director representation was positively related to both CSP dimensions. Top management equity was positively related to the product quality dimension but unrelated to the people dimension of CSP.

2.3.4 Cost of remittances and organizational performance

Orozco (2004) researched on the remittance Marketplace Prices, Policy and Financial Institutions. The study findings suggested that further price reductions might be difficult to achieve under current market conditions.

Orozco (2002) analyzed the market of remittances from the United States to nine Central American and Caribbean countries. The report focused on remittance companies and business practices that benefit customers sending and receiving remittances by those criteria such as lower charges, convenient business locations, and community outreach. Money transfer charges as well as exchange rate differentials continue to be of concern for nine major Latin American remittance recipient countries. A key finding of this report is that remittances are less costly when competition is greater.

Freund (2008) in his paper Remittances, transaction costs, and informality recorded those workers' remittances to developing countries reached $167 billion in 2005, bringing an increasing attention to these flows as a potential tool for development. The researcher explored the determinants of remittances and their associated transaction costs. The researcher established that remittances depend positively on the stock of migrants and negatively on transfer costs and exchange rate restrictions. In turn, transfer costs are lower when financial systems are more developed and exchange rates less volatile. The negative impact of transactional costs on remittances suggested that migrants either refrain from sending money home or else remit through informal channels when costs are high.

Giuliano (2009) researched on relationship between Remittances, financial development, and growth. Despite the increasing importance of remittances in total international capital flows, the relationship between remittances and growth has not been adequately studied. The researcher studied how local financial sector's development influences a country's capacity to take advantage of remittances. Using a newly-constructed dataset for remittances covering about 100 developing countries, the researcher found that remittances boost growth in countries with less developed financial systems by providing an alternative way to finance investment and helping overcome liquidity constraints. This finding controls for the endogeneity of remittances and financial development, does not depend on the particular measure of financial sector development used The researcher also provided evidence that there could be an investment channel through which remittances can promote growth especially when the financial sector does not meet the credit needs of the population.

3. RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the research procedures and techniques that were used in the collection, processing and analysis of data. The following subsections are included; research design, target population, data collection instruments, data collection procedures, pilot testing, tests for validity and reliability, data analysis and Presentation.

3.2 Research Design
Research design is the scheme, outline or plan that is used to generate answers to research problems (Noum, 2007). The intention of research is to gather data at a particular point in time and use it to describe the nature of existing conditions.

This study used descriptive research design. This design is usually used when the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions. Borg and Gall (1996) recommends descriptive survey design for its ability to produce statistical information about aspects of education that interest policy makers and researchers. Furthermore, descriptive studies were used not only for the purpose of description but also for the determination of relationships between variables at the time of study.

3.3 Target Population
A population is a well-defined or set of people, group of things or households that are being investigated (Cooper and Schindler, 2003). For the purpose of investigating the diversity and its effects on organizational performance, the study's target population constituted the 130 staff of Dahabshiil Company in Hargeisa.

3.4 Sampling Frame
According to Cooper and Schindler (2006), a sampling frame is a list of elements from which the sample is actually drawn and closely related to the population. In this study, the sampling frame was drawn from the human resource manager of Dahabshiil Company of Hargeisa where a total of 130 employees were confirmed as being bona fide employees of the company.

3.5 Sampling technique and sample size
Cooper and Schindler (2003) define sampling as the process of selecting a given number of subjects from a defined population as representative of that population. Cooper and Schindler (2003) argue that a sample size of between 30% of the target population can be adequate for generalization of the research findings to the study provided the sample is scientifically determined. The study used stratified random sampling method since the population is divided into sections and hence heterogeneous. The researcher grouped the different sections into strata from which the actual sample size for each stratum was identified using simple random sampling technique. The sample sizes of 40 respondents were picked as shown in the table 3.1.

3.6 Data Collection Procedure
The researcher used both primary and secondary data. Primary data was collected by aid of questionnaires while secondary data was collected from already published sources such as books, journals and company releases. Mugenda and Mugenda (2003) recommended the use of questionnaires in primary data collection since they are easy to administer a relatively cheaper.

3.7 Pilot Test
One respondents formed part of the pilot test which will be 1% of the sample size. A pilot study of 1 % of the accessible sample size is generally recommended by social researchers such as Mugenda and Mugenda (2003).

3.8 Reliability and Validity Tests
Joppe (2000) defines reliability as the extent to which results are consistent over time. An accurate representation of the total population under study is referred to as reliability. This study used the Cronbach's alpha method to test for internal reliability. A construct composite reliability co-efficient (Cronbach alpha) of 0.7 or above for all the constructs, was considered adequate for this study. The acceptable reliability coefficient is 0.7 and above (Rousson, Gasser and Seifer, 2002).

According to Mugenda and Mugenda (2003), validity is the accuracy and meaningfulness of data collection tools. One of the main reasons for conducting the pilot study is to ascertain the validity of the questionnaires. The study used both face and content validity to ascertain the validity of the questionnaires. As a check on face validity, test/survey items was sent to the pilot group to obtain suggestions for modification

3.9 Ethical Considerations
The study ensured ethics on the part of the researcher by assuring respondents that the information provided is confidential and is only used for research purposes. The researcher also requested the respondents to adhere to ethics by giving accurate information when answering the study questions.

3.10 Data Analysis and Presentation
The process of data analysis involved data clean up and explanation. Data clean up involves editing, coding, and tabulation of data in order to detect any anomalies in the responses and assign specific numerical values to the responses for further analysis. Completed questionnaires were edited for completeness and consistency. The data was then coded and checked for any errors and omissions as recommended by Cooper and Schindler (2003). Data was analyzed be percentages and by aid of the statistical package for social science (SPSS) version 21.0 software. Analyzed data was presented by aid of frequency tables.

4. FINDINGS AND DISCUSSION

4.1 Introduction
This chapter presents the findings and their discussion objectivity. The findings are presented with the help of tables and charts for the purpose of easier understanding, clarity and interpretation. The response rate was 100% since all intended respondents returned their questionnaires.

4.2 Background Information

4.2.1 Findings on Gender of the Respondents
On the gender of respondents, male respondents were more than their female counterparts. This is shown in the table 4.1 below:

Table 4.1.Gender of the Respondents

	Frequency	Percent
Male	25	62.5
Female	15	37.5
Total	40	100.0

From table 4.1 above, 62.5% of the respondents were men while 37.5% were women. This implies the company has more of the male population than female worker as depicted from the above statistics. Also, above statistics reveal that this study was gender positive, receiving of both male and female.

4.2.2 Age of the Respondents
The study captured the different age brackets of respondents in order to establish the most prevalent group. The respondents were asked to state their age. The distribution is shown in table 4.2 below:

Table 4.2: Age of the Respondents

	Frequency	Percent
20-29	30	75.0
30-39	4	10.0
40-49	5	12.5
50-59	1	2.5
Total	40	100.0

Table 4.2 above indicates that 75% of the respondents were aged between 20 to 29 years, 10% were aged between 30 to 39, 12.5% were aged between 40 to 49 years while 2.5% were aged between 50-59.Many employees within Dahabshiil company are young and energetic to draw the company to greater productivity

4.2.3 Education levels of the Respondents
The study also captured data on the level of education of respondents and it is as in the table 4.13 below:

Table 4.1: Education levels of the Respondents

	Frequency	Percent
High School	9	22.5
College	13	32.5
Under graduate	11	27.5
Post Graduate	7	17.5
Total	40	100.0

Table 4.3 above indicates that 22.5% were high school, 32.5% have attained college education, 27.5% have earned under graduate degrees, and 17.5% have attained post graduate level. The above statistics indicate that many employees in the company are qualified having attained college level and above

4.2.4 Respondents per section
On the respondents per section the following information in table 4.4 was extracted

Table 4.4: Respondents per Section

	Frequency	Percent
Remittance	9	22.5
Bank	11	27.5
Somtel	12	30.0
E-Dahab	8	20.0
Total	40	100.0

Table 4.4 above indicates that 22.5% of respondents work at the remittance, 27.5% of respondents work at the bank, 30% of respondents' works at somtel, while 20% works at E-Dahab. Mainly respondents were from somtel signifying that somtel is biggest section to become surely independent.

4.3. Product Diversity and Performance of Financial Institutions

4.3.1: Product Diversity in Remittances and Competitive Advantage

The researcher sought findings on whether Product diversity in remittances achieves competitive advantage over their rivals. The results are portrayed in the table 4.5 below:

Table 4.5:Product Diversity and Competitive Advantage

	Frequency	Percent
Agree	25	62.5
Strongly agree	12	30.0
Disagree	1	2.5
Strongly Disagree	2	5.0
Total	40	100.0

From table 4.5, 62.5% of the respondents agreed that product diversity in remittances achieves competitive advantage over their rivals, 30% strongly agreed, 2.5% disagreed, 5% strongly disagreed. This implies that product diversity in remittances gives the company competitive advantage over their rivals.

4.3.2: Diversifying Products in Remittances and Size of Business

The study on whether Diversifying products in remittances expand the size of the business, the following result was obtained in the table 4.6 below:

Table 4.6: Diversifying products in remittances and size of the business

	Frequency	Percent
Agree	22	55.0
Strongly agree	12	30.0
Disagree	1	2.5
Strongly Disagree	5	12.5
Total	40	100.0

From the table above 4.6, 55% of the respondents agreed that Diversifying products in remittances expand the size of the business, 30% agreed, 2.5% disagreed, 12.5% strongly disagreed. This implies that diversifying products expands the size of the business as shown by a big percentage of 55% respondents who agreed to this view.

4.3.3 Diversity in Remittances and the risk level

The results on whether Diversity in remittances reduces the risk are as shown in the table below4.7

Table 4.7: Diversity in remittances and Risk level

	Frequency	Percent
Agree	34	85.0
Strongly Agree	2	5.0
Disagree	2	5.0
Strongly Disagree	2	5.0
Total	40	100.0

From the above table 4.7, 85% agreed that, 5% strongly agreed diversity in remittances reduces the risk, 5% disagreed, and 5% strongly disagree. This conclusively implies that diversity in remittances reduces the risk basing 85% on the respondents who agreed.

4.3.4 Diversity in Remittances Product and Economic Returns

On diversity in remittances economic returns the following result of 4.8 were collected.

Table 4.8:Diversity in Remittances Economic Returns

	Frequency	Percent
Agree	28	70.0
Strongly Agree	3	7.5
Disagree	5	12.5
Strongly Disagree	4	10.0
Total	40	100.0

From table 4.8 above, 70% of the respondents agreed that diversity in remittances product increases economic returns, 7.5% strongly agreed. 12.5% disagreed and 10% strongly disagreed. This implies that diversity in remittance result in increased economic returns.

4.2.3 Diversity in Remittances and Organizational Cost

The finding on diversity in remittances and organizational cost are shown in the table 4.9 below:

Table 4.9: Diversity in Remittances and Organizational cost

	Frequency	Percent
Agree	23	57.5
Strongly agree	6	15.0
Disagree	3	7.5
Strongly disagree	8	20.0
Total	40	100.0

From table 4.9 above, 57.5% of the respondents agreed that diversity in remittances increases organizational cost, 15% strongly agreed, 7.5% disagreed while 20% strongly disagreed. This implies that diversity in remittance increase organizational cost.

4.4 Agency Relationship and Performance of Financial Institutions

4.4.1 Agencies and Firm's Financial Performance

The results on whether agencies increase firm's financial performance are as shown in the table below 4.10 below:-

Table 4.10: showing Findings on whether Agencies increase firm's financial performance

	Frequency	Percent
Agree	16	40.0
Strongly Agree	19	47.5
Disagree	4	10.0
Strongly Agree	1	2.5
Total	40	100.0

From table 4.10, 40% of the respondents agreed that Agencies increase firm's financial performance, 47.5% strongly agreed, 10% disagreed and 2.5% strongly disagreed. Many respondents were the opinion that agency firms increase financial performance.

4.4.2: Agencies and Remote areas

Findings on weather agencies reach remote areas are as shown in the table 4.10 below:-

Table.4.11: Agencies Reach Remote Areas

	Frequency	Percent
Agree	27	67.5
Strongly Agree	8	20.0
Disagree	3	7.5
Strongly Agree	2	5.0
Total	40	100.0

From table above 4.11, 67.5% percent of the respondents agreed that agencies reach remote areas 20% strongly agreed, 7.5% disagreed and 5% strongly disagrees. It is confirming that as per respondents, arguments, agencies are believed to be within the reach of remote areas.

4.4.3: Remittance Manager Acting as Agent

On the question whether remittance managers act as agents, the following responses were obtained as shown in the table 4.12:

Table 4.12:Remittance Manager Act as Agencies

	Frequency	Percent
Agree	28	70.0
Strongly Agree	5	12.5
Disagree	4	10.0
Strongly Disagree	3	7.5
Total	40	100.0

From table 4.12, 70% percent of the respondents agreed that remittance manager acts as agencies, 12% strongly agreed, 10% disagreed and 7.5% disagrees. It is believed that remittance managers play the agency role as opined by 82.5% of respondents.

4.4.4 Agency Relationship and Company Performance

On the need to determine the relationship between agents and company performance the remittance organizations, the following table 4.13 was obtained:

Table 4.13: Agency relationship and Company Performance

	Frequency	Percent
Agree	29	72.5
Strongly agree	9	22.5
Disagree	1	2.5
Strongly Disagree	1	2.5
Total	40	100.0

From table 4.13, 72.5% percent of the respondents agreed Agency relationship can be translated resource utilized because of many resources are shared, 22.5% strongly agreed, 2.5% disagreed and 2.5% disagrees. Remittance companies by using agents save on costs and hence their increased performance.

4.4.5: Agencies and Networking

On the question whether remittance companies use large networks the following responses were obtained as shown in the table4.14 below.

Table 4.14:Agencies and Networking

	Frequency	Percent
Agree	33	82.5
Strongly agree	4	10.0
Disagree	2	5.0
Strongly disagree	1	2.5
Total	40	100.0

According to Table.4.14 above, 82.5% of the respondents agreed that Agencies use large network, 10% strongly agreed. 5% disagreed, and 2.5% strongly disagreed. This implies that most of agencies use large network of people working with them to ensure they effectively perform more so on reaching rural areas.

4.5 Remittance Operations and Performance of Financial Institutions

4.5.1: Remittances Swiftness and other Financial Institutions

On swiftness in remittance and other financial institutions the following result in the table 4.15 were collected.

Table 4.15: Remittances swifter and other Financial Institutions

	Frequency	Percent
Agree	23	57.5
Strongly agree	4	10.0
Disagree	9	22.5
Strongly Disagree	4	10.0
Total	40	100.0

From the above table 4.15, 57.5% of the respondents agreed that Remittances operations are swifter than other financial institutions, 10% agreed, and 22.5% disagreed, 10% strongly disagreed, and this indicates that remittances operations are swifter than other financial institutions.

4.5.2: Remittances operations Bureaucracy

If remittances are less bureaucratic than other financial institutions the following result in the table 4.16 were collected.

Table.4.16 Remittances Operations and Bureaucracy

	Frequency	Percent
Agree	27	67.5
Strongly agree	7	17.5
Disagree	1	2.5
Strongly Disagree	5	12.5
Total	40	100.0

From the above table 4.16, 30% of the respondents agreed that Remittances operations are less bureaucratic than other financial institutions, 17.5% strongly agreed, and 25% disagreed, % strongly disagreed, and this indicates that remittances operations are less bureaucratic than other financial institutions

4.5.3: Reliable of Remittances Operations and other Financial Institutions

On reliability of remittance and other financial institutions the following result in the table 4.17 were collected.

Table.4.17 Remittances Operations and other Financial Institutions

	Frequency	Percent
Agree	10	25.0
Strongly agree	5	12.5
Disagree	17	42.5
Strongly Disagree	8	20.0
Total	40	100.0

From the above table 4.17, 25% of the respondents agreed that Remittances operations are more reliable than other financial institutions, 12.5% strongly agreed, and 42.5% disagreed, 20 % strongly disagreed, and this indicates that remittances operations are more reliable than other financial institutions.

4.5.4: Agencies and Administrations Efficiency

On administrations efficiency the following result in the table 4.18 were collected

Table 4.18: Agencies and Administrations Efficiency

	Frequency	Percent
Agree	35	87.5
Strongly agree	2	5.0
Disagree	1	2.5
Strongly Disagree	2	5.0
Total	40	100.0

From the above table 4.18, 85.5% of the respondents agreed that Agencies increase Administrations efficiency, 5% strongly agreed, and 2.5% disagreed, 5 % strongly disagreed, and this indicates that agencies increase Administrations efficiency.

4.5 Cost of Remittance and Performance of Financial Institutions

4.5.1: Cost leadership strategy reduces operations and time cost

Findings on if Cost leadership strategy reduces operations time and cost these responses were obtained and are as in the table below:

Table.4.19: Agencies and Administrations efficiency

	Frequency	Percent
Agree	25	62.5
Strongly agree	10	25.0
Disagree	3	7.5
Strongly Disagree	2	5.0
Total	40	100.0

From the above table 4.19, 62.5% of the respondents agreed that Agencies increase Administrations efficiency, 25% disagreed, 7.5% strongly disagreed, 5% strongly agreed. This implies that agencies increase administrations efficiency.

4.5.2: Remittances Transactional Costs and Financial Institutions

Findings on if Remittances transactional costs are lower than any other financial institutions these responses were obtained and are as in the table below:

Table.4.20: Remittances Transactional Costs other Financial Institutions

	Frequency	Percent
Agree	23	57.5
Strongly agree	11	27.5
Disagree	4	10.0
Strongly Disagree	2	5.0
Total	40	100.0

From the above table 4.20, 57.5% of the respondents agreed that remittances transactional costs are lower than any other financial institutions, 27.5% disagreed, 10% strongly disagreed, 5% strongly agreed

4.5.3: Remittances Low Operations Cost result Economies of Scale

Findings on if Remittances low operations cost result economies of scale these responses were obtained and are as in the table below 4.21.

Table.4.21: Remittances Low Operations Cost Result Economies of Scale

	Frequency	Percent
Agree	28	70.0
Strongly agree	4	10.0
Disagree	7	17.5
Strongly Disagree	1	2.5
Total	40	100.0

From the above table 4.21, 70% of the respondents agreed that Remittances low operations cost result economies of scale, 10% strongly agreed, and 17.5% disagreed, 2.5 % strongly disagreed. This indicates that remittances low operations cost result to economies of scale

4.5.4 Relationship between Diversity and Organizational Performance

Respondents of Dahabshiil Company were asked whether diversity influences employee performance and below were the responses obtained.

Table 4..22: Diversity and Organizational Performance Correlations

		Diversity in remittances product increases economic returns	The profit of your company has increased last year
Diversity in remittances product increases economic returns	Pearson Correlation	1	.081
	Sig. (2-tailed)		.620
	N	40	40
The profit of your company has increased last year	Pearson Correlation	.081	1
	Sig. (2-tailed)	.620	
	N	40	40

** Correlation is significant at the 0.620 level (2-tailed)

The Pearson correlation coefficient above reveals that there is a weak positive and significant relationship between diversity in remittance and organizational performance. This is shown by the Pearson correlation of 0.81** tested at 0.620 level of significance. The correlation revealed that diversity in remittance and organizational performance are not related, and if there exist relationship among them, that relationship will be insignificant

5. Findings, Summary And Recommendations

5.1 SUMMARY

5.1.1 Product Diversity in Remittances and Performance of Financial Institutions

The study found that product diversity in remittances increases organization performance. Because of majority of the employees agreed that diversity in remittance increase organizational performance this research has attempted to highlight the influence of firm diversification strategies on performance. In spite of this, this research evidenced that diversification strategy influences improved performance.

Kotler (2003) believed that business diversification is not guaranteed to improve profit, but an important strategic management concept for achieving long-term performance while reducing risk. In order to benefit from such diversification strategy, many manufacturing companies have diversified to benefit from diversified consumers group.

Many of the current organizations in the world are moving toward expanding and improving their business environment. One of the reasons may be meeting customers' multiple needs. Managers attempt to make them more loyal to their organizations. Reduce risks is to diversify investments. Investment companies can reduce risks by investing in different assets and forming a portfolio.

5.1.2 Agency Relationship and Performance of Financial Institutions

The study found out that agency relationship increases organizational performance, employees of Dahabshiil Company agreed. According to the research the study found out that Agency relationship is not guaranteed to improve profit, but important strategic management concepts for achieving resource utilization because of many resources are shared. In order to benefit from such agency relationship Dahabshiil remittance company use uses agencies in remote areas. Since domestic payment systems in many receiving places are underdeveloped, agent networks provide a substitute and prevent recipients from having to travel to places

covered by the Dahabshiil banking system, as is the case Agents increase access to payment services for the recipients.
However the research has found out that agents also Collect Foreign currency that is going to be send, Firms that rely on agents to capture funds have experienced increased transaction volumes, and, as expected, the more agents a firm has the more likely is it that the firm has experienced growth. In order to facilitate the matching of demand and supply of agents, a profession of "agent Intermediaries" has reportedly evolved. These intermediaries are individuals with good Connections within the communities, with agents on the sending and receiving side, and with. Remittance service providers, they are sometimes ex-employees of remittance firms. Dahabshiil remittance firms rely on these intermediaries to build their agent networks, and they compensate the intermediaries by a percentage of the agent's commission of every transfer.

5.1.3 Remittances operations and Performance of Financial Institutions

The study found that remittances operations increases organizational performance. The researcher found that, Remittances operations are swifter than other financial institutions, Remittances operations are less bureaucratic, Remittances operations are more reliable. With such advantage, managers see how remittances operations can instantly access organizational performance which leads to easy and quick decision making.
Dahabshiil Company with increasing transactions is efficient: they settle more frequently than other firms and they are less bureaucratic beaus. They also have fewer Problems with corruption abroad than do other firms. They do not use the postal system for distribution, but they use couriers more often than other firms.

5.1.4. Cost of remittance effects organizational performance

The study found out that cost of remittance effects organizational performance as agreed by the employees of Dahabshiil Company. Because remittances of remittances transactional costs are lower than any other financial institutions, because of their cost of remitting money is lower than other institutions also. According to the study, findings indicate that cost of remittance effects organizational performance, the most frequently mentioned expenses after salaries are commissions. Because of external agents to capture funds, and external agents to disburse funds. Reducing commissions may be a key to financial viability, or financial viability may be the key to handling increasingly demanding agents. Firms that rely on agents to capture funds are more likely to consider a major expense. This can be caused by the fact that these firms do not spend as much on rent and staff and other expenses
Dahabshiil money transfer' profits are earned only from transfer fees. Competition between transfer agents has pushed down commissions and fees, and pressure to make payments within 24 hours has minimized the potential for gains on cash float. Given the extensive branch network throughout the country and large customer base, the Somali money transmitters could be offered incentives to develop new innovative financial products.

5.2 CONCLUSION

Based on the research findings, concludes that; there is a positive relationship between product diversity and organizational performance. From the finding it is suggested that if top managers have the tendency to use the diversity strategy, first they should measure their current status, strengths and weaknesses, and opportunity-threat points, and then if they considered the diversity suitable for the organizations' purposes, they should expand their business area with a clear visibility. Results of each diversification and centralism options may emerge soon; so, it is suggested that managers should consider the time gap and not judge too soon in order to decide the efficacy and effectiveness of the chosen strategy.

5.3 RECOMMENDATION

53.1 Policy Recommendations

There is need for establishment of a fully-fledged commercial banking operation in Somaliland. Many of the remittance companies have expressed an interest investing in such a bank. However, they have equally expressed concern about their lack of operational capacity and experience in venturing into commercial banking. And indeed, in addition to the lack of capacity there are other risks associated with the entry of commercial banks into Somaliland.
Regulators need to promptly elaborate and introduce a modern legal foundation for effective banking supervision. In addition to a new licensing regulation, other priority regulations should cover prudential norms, including capital adequacy, loan classification, liquidity, transactions with concerned persons, foreign exchange exposure. Outdated central bank and commercial banking laws need to be updated or replaced and augmented with specific prudential regulations for monitoring bank performance with respect to capital adequacy, asset quality, liquidity, and loan classification.

5.3.2 Recommendation for further Studies

The study recommends further research on the role of commercial banks in eradication of inflation rates in Somaliland and also the efficiency of the current central banks laws in curbing the inflation pandemic in Somaliland.

REFERENCES

Amihud, Y., & Lev, B. (1981). Risk Reduction as a Managerial Motive for Conglomerate Mergers. The Bell Journal of Economics, 12(2), 605–617.

Amit, R., & Livnat, J. (1988). Diversification strategies, Business Cycles and Economic Performance. StrategicManagement Journal, 9 (2), 99–110.

Ansoff, I. (1957). Strategies for Diversification. Harvard Business Review, September–October, 113–124.

Albright, T. (2004).Researched on the Effects of Balanced Scorecard Implementation on Financial PerformanceManagement Accounting Research, Volume 15, Issue 2, June 2004, Pages 135–153

Berger, P., & Eli, O. (1995). Diversification effect on firm's Value. Journal of Financial Economics, 37, 39-65.

Burgers, W., Padgett, D., Bourdean, B., & Sun, A. (2009). Revisiting the Link Between Product and Industry:Diversification and Corporate Performance. International Review of Business Research Papers Vol.5 No. January, pp.367- 379. business school, University of oxford, pp1-48.

Chen, J., & Yu, C. (2011). Managerial ownership, diversification, and firm performance: Evidence from an emerging market. International Business Review.

Christensen, K., & Montgomery, C.A. (1981). Corporate economic performance: diversification strategy versus market structure. Strategic Management Journal, 2 (4), 327–343. critique of theoretical perspectives. Journal of Management, 16 (2), 461–509.

Datta, D., Rajagopalan, N., & Rasheed, A. (1991). Diversification and performance: criti- cal review and future directions. Journal of Management Studies, 28 (5), 529–558.

Delios, A., & Beamish, P.W. (1999). Geographic scope, product diversification, and the corporate performance of Japanese firms. Strategic Management Journal, 20(8), 711–727.

Delios, N., & Xu., W. (2008b). Ownership structure and the diversification and performance of publicly-listed companies in China. Business Horizons, 51(6), 473–483.

Denis, D. J., Denis, D. K., & Yost, K. (2002). Global diversification, industrial diversification, and firm value. Journal of Finance, 57(5), 1951–1979. Diversification in Canada: an empirical analysis", Analytical studies branch, Research paper.

Giuliano,I. (2009) researched on relationship between Remittances, financial development, and growth. Journal of Development Economics Volume 90, Issue 1, September 2009, Pages 144–152

Dundas, M., & Richardson, R. (1980). Corporate strategy and the concept of market failure. Strategic Management Journal, 1 (2), 177–188.

Freund,C. (2008). Remittances, transaction costs, and informality. Journal of Development Economics, Volume 86, Issue 2, Pages 356–366

Golden, R., & Ma, H. (2003). Mutual forbearance: the role of intrafirm integration and rewards. Academy of Management Review, 28 (3), 479–493.

Gonenc, H., & Aybar, B. (2006). Financial crisis and firm performance: Empirical evidence from Turkey. Corporate Governance: An International Review, 14(4), 297– 311.

Graham, J., Lemmon, M., & Wolf, J. (2002). Does corporate diversification destroy value? Journal of Finance, 57 (2), 695–720.

Greening., W, &Richard., A, (1999). The Effects of Corporate Governance and Institutional Ownership Types on Corporate Social Performance. The Academy of Management Journal

Vol. 42, No. 5, Special Research Forum on Stakeholders, Social Responsibility, and Performance (Oct., 1999), pp. 564-57

Hall, H. (1995) corporate diversification and performance: an investigation of causality, journal of corporate diversification, Vol.20, No.1, PP.25-42.

Hitt, M.A., Hoskisson, R.E., & Kim, H. (1997). International diversification: effects on innovation and firm performance in product-diversified firms. Academy of Management Journal, 40 (4), 767–798.

Hoskisson, R.E., & Hitt, M.A. (1990). Antecedents and performance outcomes of diversification: a review and European Journal of Business and Management www.iiste.org

Hutzschenreuter, T., & Voll, J.C. (2008). Performance effect of ''added cultural distance'' in the path of international expansion: The case of German multinational enterprises. Journal of International Business Studies, 39(1), 53–70.

Hyland, D.C., & Diltz, D.J. (2002). Why firms diversify: An empirical examination. Financial Management, 31 (1), 51–81.

Jayachandran, S., Gimeno, J., & Varadarajan, P.R., (1999). Theory of multimarket competition: a synthesis and implications for marketing strategy. Journal of Marketing, 63 (3), 49–66.

Kang, K.H., Lee, S., & Huh, C. (2010). Impacts of positive and negative corporate social responsibility activities on company performance in the hospitality industry. International Journal of Hospitality Management, 29 (1), 72–82.

Humphrey,B. (1997) Efficiency of Financial Institutions. Journal of Operational Research, www.papers.ssrn.com

Kim, H., & Gu, Z. (2003). Risk-adjusted performance: a sector analysis of restaurant firms. Journal of Hospitality and Tourism Research, 27 (2), 200–216.

Kim, W.C., Hwang, P., & Burgers, W.P. (1989). Global diversification strategy and corporate profit performance. Strategic Management Journal, 10(1), 45–57.

Kochhart, R., Hit, A, (1998). "Research notes and communication: linking corporate strategy to capital structure: diversification strategy, type and source of financing", Strategic

Kotler, P. (2003). A Framework for Marketing Management. Retrieved May 3, 2003, from /http:// wps.prenhall.com/WPS_CDA_Grade_Render.

Lee, J., & Jang, S. (2007). Market diversification and financial performance and stability: a study of hotel companies. International Journal of Hospitality Management, 26 (2), 362–375.

Li, X., & Greenwood, R. (2004). The effect of within-industry diversification on firm performance: synergy creation, multi-market contact and market structuration. Strategic Management Journal, 25 (12), 1131–1153.

Lu, J.W., & Beamish, P.W. (2004). International diversification and firm performance: The s-curve hypothesis. Academy of Management Journal, 47(4), 598–609.

Luffman, G.A., & Reed, R. (1984). The Strategy and Performance of British Industry, 1970–1980. St. Martin's Press, New York, NY.

Lindley, A. (2009)'s paper on dirty money and development capital in Somali money transfer. Afr Aff (Lond) (2009) 108 (433):519-539.doi: 10.1093/afraf/adp046 First published online: August 8, 2009

MacGregor, G., & Sever, P. (1996). Salt-overwhelming evidence but still no action: can a consensus be reached with the food industry? British Medical Journal, 312 (7041), 1287. management journal, Vol. 19, PP.601-610.

Schoar, A. (2002). Effect of Corporate Diversification on Productivity. Journal of Finance, 57, 2379-2403.Management. Vol. 5(27). Pp 10999-11004.

Markides, C. (1992). Consequence of corporate refocusing: Ex ante evidence. Academy of Management Journal, 35 (2), 398–412.

Markowitz, H. (1952). Portfolio Selection. Journal of Finance, 7 (1), 77–91.

Nayyar, r.(1992). "On the measurement of corporate diversification strategic: evidence form large us services firms", Strategic management journal, Vol. 13, No. 3,PP.219-235.*Kuwait Chapter of Arabian Journal of Business and Management Review Vol. 3, No.1; Sep. 2013*

Olusoga, A. (1993). Market concentration versus market diversification and internalization: implications for MNE performance. International Marketing Review, 10 (2), 40–59.

Pandya, An., rao, v. (1998). "Diversification and firm performance: an empirical evaluation", Journal of financial and strategic decisions, Vol. 11, No. 2,PP. 67-81.

Oyedijo, A. (2012): "Antecedents and Performance Outcomes of Strategic Planning in Nigerian Public Universities" International Journal of Asian Social Science Vol.2, No.4, pp.448-461

Orozco ,M.(2004) researched on the remittance Marketplace Prices, Policy and Financial Institutions

Orozco ,M.(2002). Attracting remittances: Market, money and reduced costs, Report commissioned by the Multilateral Investment Fund of the Inter-American Development Bank. January 28th., 2002,pages1-27

Qian, G. (2002). Multinationality, product diversification, and profitability of emerging US small and medium sized enterprises. Journal of Business Venturing, 17(6), 611–633.

Qian, G. (2002). " multinationality, product diversification, and profitability of emerging us –small and medium size-enterprises", journal of business venturing,Vol.17, No.6, PP.611-633.

Raghunathan, P. (1995). "A refinement of the entropy measure of firm diversification: computational accuracy", Journal of management, Vol. 21, No. 5, PP. 989-

Ramanujam, V., & Varadarajan, P. (1989). Research on corporate diversification: a synthesis. Strategic Management Journal, 10 (6), 523–551.

Ramirez, M., & Espitia, M. (2002). The impact of product diversification strategy on the corporate performance of large Spanish firms. Spanish Economic Review, 4 (2), 119–137.

Rijamampianina, R., Abartt, R., & February, Y. (2003). A framework for concentric diver- sification through sustainable competitive advantage. Management Decision, 41 (4), 362 371.

Rowe., G, & Wright,M.(1997). "Research notes and communications: related and unrelated diversification and their effect on human resource management control", Strategic management journal, Vol. 18, No.4.PP. 329-338

Randall, T.(2003)Performance implications of strategic performance measurement in financial services firms.Volume 28, Issues 7–8, October–November 2003, Pages 715–741

Rumelt, R.P. (1974). Strategy, structure and economic performance. Boston, MA: Division of Research, Harvard Business School.

Schultz, R. (1994). A decade of segmentation. Lodging Industry 50 (10), 22. Shergill, G.S. (1991). Administrative structure and financial performance: impact of diversification strategy A review. series, Journal of economic analysis division, No.15, PP.1-59.

Shen, H., Wang, D., & Su. Z. (2011). Diversification and Firm Performance in China. African Journal of Business

Siggelkow, N. (2003). Why focus? A study of intra-industry focus effects. The Journal of Industrial Economics, 51 (2), 121–150.

Singh, A., & Gu, Z. (1994). Diversification, financial performance, and stability of foodservice firms. Hospitality Research Journal, 18 (2), 3–18.

Tanriverdi, H., & Lee, C.H. (2008). Within-industry diversification and firm performance in the presence of network externalities: evidence from the software industry. Academy of Management Journal, 51 (2), 381–397.

Tallman, C., & Li, J. (1996) Effects of International Diversity and Product Diversity on the Performance of Multinational Firms. Hong Kong University of Science & Technology Business School Research Paper; Academy of Management Journal, Vol. 39, No. 1, pp. 179-196,

Tehrani., R, Babaie., Z, Mohammad., A,& Karimi., K. (2008). "The Effect of Diversity Strategy on the Financial Performance of Manufacturing Countries with the Membership of Tehran Stock Exchange", Financial Research, Preiod 10, No. 25, p 21-40.

Taylor, R.(2003) Performance implications of strategic performance measurement in financial services firms. Accounting Volume 28, Issues 7–8, Pages 715–741

Wernerfelt, B., & Montgomery, A. (1988). Tobin's q and the importance of focus in firm performance. American Economic Review, 78 (1), 246–250.