



Internal Control Systems and Financial Performance of Banque Populaire du Rwanda, Karongi Branch

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Abstract: This study evaluated the influence of internal control systems on the financial performance of Banque Populaire du Rwanda (BPR), Karongi Branch. Four specific objectives were investigated: the effects of risk assessment, control activities, monitoring activities, and information and communication on financial performance. Grounded in Agency Theory, Contingency Theory, and the Resource-Based View (RBV), the study employed a descriptive and correlational research design using a census of all 57 employees, of whom 49 responded, representing an 86% response rate. Data were collected through structured questionnaires, document review, and observation checklists, then analyzed using SPSS Version 23 through descriptive statistics, Pearson correlation, and multiple linear regression. Findings revealed a positive but statistically insignificant effect of risk assessment ($\beta = .162$; $p = .425$) and a negative insignificant effect of both control activities ($\beta = -.147$; $p = .462$) and monitoring activities ($\beta = -.231$; $p = .169$) on financial performance. Information and communication practices, however, demonstrated a positive effect that was marginally significant at the 10% level ($\beta = .324$; $p = .082$), but not at the conventional 5% level. The regression model explained 12.2% of the variance in financial performance ($R^2 = .122$). The study concludes that while internal controls are fundamentally important, their individual contribution to financial performance at BPR Karongi remains modest, with information and communication serving as the most impactful driver. The study recommends implementing enterprise resource planning (ERP) systems, introducing biometric physical controls, establishing bi-monthly audit cycles, and conducting quarterly risk assessment training to enhance overall internal control effectiveness and financial performance.

Keywords: internal control systems, financial performance, risk assessment, control activities, Rwanda

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1. Introduction

The integrity of financial institutions depends substantially on the robustness of their internal control systems (ICS). Globally, banking institutions have faced intensifying regulatory demands and market uncertainties, making financial performance a focal point of academic and policy discourse (Harker & Satyanarayan, 2023). Internal control systems, encompassing risk assessment, control activities, monitoring activities, and information and communication are widely recognized as mechanisms that safeguard assets, ensure accurate financial reporting, prevent fraud, and enhance operational efficiency (White & Foster, 2020).

Despite the documented importance of ICS, many financial institutions continue to struggle with maintaining effective control mechanisms. In Rwanda, a 2021 report by the National Bank of Rwanda (BNR) revealed that 35% of financial institutions in the country continued to face significant financial discrepancies despite the presence of internal control frameworks. At the same time, the East African Financial Stability Review (2022) reported that 40% of banks in the region had encountered financial irregularities due to weak internal controls, resulting in an average profitability decline of 8%. Banque Populaire du Rwanda (BPR), Karongi Branch, has not been immune to these challenges. Over three years, the branch recorded a 15% rise in financial inconsistencies, a 22% rise in non-

performing loans (NPLs), and a drop in net profits from RWF 1.2 billion in 2020 to RWF 1.06 billion in 2023.

The COSO integrated framework, widely adopted in Rwanda, provides a systematic basis for designing, implementing, and evaluating internal controls. The National Bank of Rwanda has reinforced this through regulations mandating effective ICS across financial institutions, reporting a 10% sector-wide improvement in profitability following these reforms (BNR, 2023). Yet the specific influence of individual ICS components on financial performance at branch level, particularly in rural settings, remains inadequately investigated.

This study was therefore designed to assess the influence of internal control systems on the financial performance of BPR Karongi Branch. Specifically, it examined the effects of risk assessment, control activities, monitoring activities, and information and communication practices. The study is grounded in Agency Theory (Jensen & Meckling, 1976), Contingency Theory (Fiedler, 1964; Lawrence & Lorsch, 1967), and the Resource-Based View Theory (Wernerfelt, 1984; Barney, 1991). Findings contribute empirical evidence to a geographically underrepresented context, filling an identified gap in localized Rwandan banking research.

2. Literature Review

2.1 Risk Assessment and Financial Performance

Globally, effective risk assessment has been consistently linked to improved financial outcomes. Benjamin et al. (2020) demonstrated that institutions embedding structured risk identification frameworks recorded reduced bad debt ratios and improved return on assets. In Kenya, Mungai (2022) found that timely identification of operational and credit risks minimized financial losses in microfinance institutions. Similarly, Kone and Osei (2023) reported that 64% of Ghanaian banking institutions adopting structured risk identification frameworks showed improved ROA and reduced bad debt ratios. In sub-Saharan Africa, Mbaranga (2025) found that rural cooperative banks in Rwanda implementing risk mitigation strategies, including insurance mechanisms and hedging tools, recorded a 20% higher profitability margin compared to non-mitigating peers.

Regionally, Ndikumana (2024) studied microfinance institutions in Burundi and found that 82% of those utilizing risk matrices and probability-impact assessments maintained consistent liquidity. Ambe and Sibanda (2023) recommended that banks implement continuous training in risk identification, as proper awareness among staff reduces exposure to unpredictable losses. These findings collectively affirm that risk assessment is a foundational

pillar for financial stability, though its independently measurable contribution to profitability may be moderated by contextual factors specific to rural banking environments.

2.2 Control Activities and Financial Performance

Control activities, encompassing authorization and approval procedures, segregation of duties, and physical controls, form a critical triad for protecting institutional assets. Kamau (2022) found that robust authorization procedures reduced fraud risk and enhanced financial outcomes in Kenyan banks, with 76% of respondents agreeing that proper approval channels enhanced transparency. In Eswatini, Tshabalala and Ndlovu (2023) found that institutions with stringent authorization controls experienced a 25% increase in operational efficiency and a 30% decline in audit flags. In Uganda, Atieno and Limo (2024) established that 81% of microfinance institutions incorporating segregation of duties recorded lower incidences of financial misreporting. Physical controls also demonstrated measurable impact: Mutombo (2023) found a 31% reduction in financial discrepancies over three years in Zambian institutions with advanced surveillance systems.

In Rwanda, Minecofin (2023) has established financial management policies that reinforce control activities as mandatory operational standards for banking institutions. The combination of clear approval processes, segregated duties, and robust physical controls forms an integrated framework that strengthens financial accountability. However, the literature also cautions that over-rigid controls may introduce operational inflexibility, particularly in resource-constrained rural environments a tension directly relevant to the Karongi Branch context.

2.3 Monitoring Activities and Financial Performance

Monitoring activities, including internal audits, continuous monitoring, and reporting and feedback mechanisms, are essential for sustaining internal control quality over time. Nyandwi (2022) found that 83% of banking personnel in Burundi recognized internal audits as drivers of policy compliance. In Uganda, Mugisha and Akello (2023) reported that institutions performing quarterly audits experienced 28% fewer policy breaches and maintained higher credit ratings. Ndoye and Sarr (2023) demonstrated in Senegal that real-time monitoring tools achieved 32% faster resolution of discrepancies. In Kenya, Juma and Wachira (2024) found that structured reporting and feedback mechanisms reduced compliance violations by 20%.

In the Rwandan context, Foster (2019) emphasized that effective monitoring requires continuous evaluation to identify variances in financial reporting and ensure control integrity. Nkurunziza and Mugabe (2023) argued that transparency and accountability key outputs of strong reporting systems directly improve financial performance. However, scholars caution that monitoring in resource-limited branches may divert resources without proportional performance gains if not paired with adequate capacity and digital tools.

2.4 Information and Communication and Financial Performance

Information and communication underpin all other internal control components. Kibera and Otieno (2022) found that Kenyan commercial banks with streamlined communication structures had 18% higher net revenue and fewer budgeting errors. In Rwanda, Kayitesi and Nkurunziza (2023) established that timely reporting systems led to faster loan approvals and 22% higher client satisfaction. Abiola and Lawal (2023) found that clearly defined communication of responsibilities boosted staff performance by 27% and reduced operational confusion in Nigerian banks. Toure and Diarra (2025) demonstrated that institutions with integrated modern information systems achieved 25% higher financial reporting accuracy and reduced data manipulation incidents.

The COSO framework identifies information and communication as one of five integrated components of internal control, emphasizing that timely, relevant, and high-quality information is essential at every level of the organization (COSO, 2020). In Rwanda, KPMG (2023) confirmed that effective information systems support risk management by enabling real-time identification and mitigation of threats. The evidence strongly positions information and communication as the most operationally impactful ICS component for financial performance, particularly in environments where digital tools are increasingly accessible.

2.5 Theoretical Framework

2.5.1 Agency Theory

Agency Theory, advanced by Jensen and Meckling (1976), explains the relationship between principals (owners or shareholders) and agents (managers) who are entrusted with organizational resources and decision-making. Because the interests of principals and agents may diverge and managers may possess more information than owners, agency problems can arise through information asymmetry, moral hazard, or opportunistic behaviour. Internal control systems therefore function as governance mechanisms that reduce agency costs by strengthening accountability, safeguarding assets, improving the

reliability of financial information, and constraining managerial actions that may undermine organizational objectives. In this study, Agency Theory provides a basis for explaining how risk assessment, control activities, monitoring, and information and communication can align managerial conduct with shareholder interests and, consequently, support the financial performance of BPR Karongi Branch.

2.5.2 Contingency Theory

Contingency Theory, associated with Fiedler (1964) and Lawrence and Lorsch (1967), holds that there is no single universally effective system of management or control. The effectiveness of organizational arrangements depends on their fit with contextual conditions such as organizational size, technology, regulatory requirements, environmental uncertainty, and available resources. Applied to internal control systems, the theory suggests that controls should be designed and adapted to the operational circumstances of the institution rather than implemented as rigid, uniform procedures. This perspective is particularly relevant to BPR Karongi Branch because the effectiveness of risk assessment, control activities, monitoring, and communication may depend on the branch's rural operating environment, resource capacity, regulatory obligations, and technological infrastructure. Contingency Theory therefore helps explain why strongly implemented controls may not automatically translate into statistically significant financial gains when contextual constraints affect their operation.

2.5.3 Resource-Based View Theory

The Resource-Based View (RBV), introduced by Wernerfelt (1984) and further developed by Barney (1991), argues that organizational performance and sustained advantage depend on the effective deployment of valuable internal resources and capabilities. Such resources include human capital, information systems, organizational routines, managerial expertise, technology, and control processes. From this perspective, an internal control system is not merely a compliance mechanism but an organizational capability that can improve decision quality, reduce losses, strengthen operational efficiency, and support financial sustainability. In the present study, RBV provides a basis for assessing whether BPR Karongi Branch converts its internal control resources, particularly risk-management capacity, control procedures, monitoring mechanisms, and information systems—into improved financial performance. Together, Agency Theory, Contingency Theory, and RBV provide complementary lenses for understanding the governance, contextual, and resource dimensions through which internal control systems may influence financial performance.

3. Methodology

3.1 Research Design

The study adopted a descriptive and correlational research design. The descriptive component enabled systematic characterization of ICS practices and financial performance indicators at BPR Karongi Branch, while the correlational component established the nature and strength of relationships between variables. A case study approach was additionally employed to generate in-depth contextual insights (Mugenda & Mugenda, 2006; Yin, 2009).

3.2 Study Location and Population

The study was conducted at Banque Populaire du Rwanda, Karongi Branch, located in Karongi District, Western Province, Rwanda. The target population comprised all 57 employees directly involved in ICS implementation and oversight, drawn from five departments: Operations (n = 18, 31.6%), Risk Management (n = 12, 21.1%), Finance and Accounts (n = 10, 17.5%), Customer Service (n = 9, 15.8%), and Internal Audit and Compliance (n = 8, 14.0%).

3.3 Sampling Technique and Sample Size

A census sampling technique was employed, incorporating all 57 employees. This approach was considered appropriate given the small and manageable population size, eliminating sampling error and ensuring comprehensive coverage (Mugenda & Mugenda, 2019). Employees with at least six months of service were included; temporary staff, interns, newly recruited employees, and those unavailable during data collection were excluded.

3.4 Research Instruments and Data Collection

Structured questionnaires containing both closed-ended (five-point Likert scale) and open-ended items were the primary data collection instrument. Document review

guides were used to analyze financial statements, audit reports, and policy manuals. Observation checklists were employed to verify actual internal control practices. A pilot study was conducted at COPEDU PLC, Remera Branch, involving 32 employees to assess instrument clarity and relevance, resulting in refinements before the main data collection exercise.

3.5 Validity and Reliability

Content validity was established through expert review by academic supervisors and research specialists. Construct validity was achieved by aligning questionnaire items with the study's conceptual framework. Reliability was tested using Cronbach's Alpha coefficient, with a threshold of 0.70; pilot results confirmed all subscales exceeded this threshold, demonstrating satisfactory internal consistency.

3.6 Data Analysis

Data were coded, entered, and analyzed using SPSS Version 23. Descriptive statistics frequencies, percentages, means, and standard deviations summarized the data. Pearson correlation analysis determined the strength and direction of relationships between ICS components and financial performance. Multiple linear regression, expressed as $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$, established the predictive contribution of each independent variable. Analysis of Variance (ANOVA) was used to assess the overall model significance at the 0.05 level, complemented by 10% significance level interpretation for marginal findings.

4. Results and Discussion

4.1 Demographic Characteristics of Respondents

Of 57 questionnaires distributed, 49 were completed and returned, representing an 86% response rate, well above the 50% minimum threshold considered adequate for social science research (Freiman, 2019). Table 1 presents the respondents' demographic profile.

Table 1: Demographic Characteristics of Respondents

Variable	Category	Frequency (n)	Percentage (%)
Age Group	18–25 years	6	12.2
	26–35 years	22	44.9
	36–45 years	14	28.6
	46+ years	7	14.3
Gender	Male	27	55.1
	Female	22	44.9
Experience	Below 2 years	7	14.3
	3–5 years	18	36.7
	5+ years	24	49.0
Education	Diploma	8	16.3
	Bachelor's Degree	25	51.0
	Master's Degree	13	26.5
	Professional Certificates	3	6.1

The majority of respondents (44.9%) were aged 26–35 years, reflecting Rwanda's young, educated banking workforce. Gender representation was near-balanced (55.1% male; 44.9% female), consistent with Rwanda's national gender equity commitments in the financial sector (Niyonzima & Uwineza, 2022). Half the respondents (49.0%) had over five years of experience, indicating a mature and knowledgeable workforce capable of implementing and evaluating internal controls. Most respondents held a Bachelor's degree (51.0%), with 26.5%

possessing a Master's degree, supporting high analytical capacity in the branch.

4.2 Effect of Risk Assessment on Financial Performance

Respondents were asked to assess five dimensions of risk assessment practice. Table 2 presents the descriptive statistics.

Table 2: Risk Assessment and Financial Performance of BPR Karongi Branch

Statement	Mean	SD
Risk identification is effective in identifying potential financial risks.	4.20	0.57
Risk analysis helps in understanding the impact of identified risks.	4.22	0.55
Risk mitigation strategies are adequate to prevent potential losses.	4.38	0.67
Risk assessments are conducted regularly to address emerging risks.	4.34	0.63

Risk assessment outcomes are integrated into financial decision-making.	4.42	0.70
Composite Average	4.32	0.63

Note. SD = Standard Deviation. Scale: 1 = Strongly Disagree to 5 = Strongly Agree.

The composite mean of 4.32 (SD = 0.63) indicates a strongly positive perception of risk assessment practices across all five dimensions. The highest mean was recorded for the integration of risk assessment outcomes into financial decision-making (M = 4.42), reflecting that respondents viewed this link as central to financial sustainability. The strong endorsement of risk mitigation strategies (M = 4.38) and regular assessment (M = 4.34) underscores a proactive risk culture at BPR Karongi, consistent with BNR's national risk management framework for commercial banks (BNR, 2023).

These perceptions align with Niyibizi and Musonera (2021), who argued that strong risk identification and analysis frameworks are the backbone of financial

performance in Rwandan financial institutions, and with Kone and Osei (2023), who linked structured risk frameworks to improved ROA in Ghanaian banks. Despite these positive perceptions, regression results (discussed below) indicate that risk assessment had a positive but statistically insignificant effect on financial performance, suggesting contextual moderators, such as unresolved credit risks inherent in a rural banking environment, limit the translational impact of risk knowledge into measurable financial outcomes.

4.3 Effect of Control Activities on Financial Performance

Table 3: Control Activities and Financial Performance of BPR Karongi Branch

Statement	Mean	SD
Authorization and approval procedures are strictly followed.	4.28	0.54
Effective segregation of duties prevents conflicts of interest.	4.14	0.61
Physical controls are sufficient to safeguard assets.	4.16	0.68
Control activities are reviewed periodically.	4.26	0.56
Employees are adequately trained on control activities.	4.16	0.62
Composite Average	4.31	0.63

Note. SD = Standard Deviation. Scale: 1 = Strongly Disagree to 5 = Strongly Agree.

A composite mean of 4.31 (SD = 0.63) reflects a high degree of positive perception toward control activity implementation. Authorization and approval procedures received the highest endorsement (M = 4.28), indicating strong institutional commitment to transaction accountability. Periodic review of controls (M = 4.26) and adequate employee training (M = 4.16) were also highly rated, reflecting an institutionalized approach to control compliance consistent with Minecofin (2023) guidelines.

These findings are consistent with Kamau (2022), who found reduced fraud and greater efficiency through effective authorization in Kenya, and with Ndayisenga and Uwizeyimana (2021), who reported significantly improved

financial performance in Rwandan banks with well-enforced internal controls. However, regression results indicated a negative and insignificant effect of control activities on financial performance ($\beta = -.147$; $p = .462$), suggesting that strict control activities may introduce operational rigidity or compliance costs in the resource-constrained rural context, a tension consistent with Contingency Theory, which posits that control effectiveness is situationally determined (Lawrence & Lorsch, 1967).

4.4 Effect of Monitoring Activities on Financial Performance

Table 4: Monitoring Activities and Financial Performance of BPR Karongi Branch

Statement	Mean	SD
Regular internal audits ensure compliance with internal controls.	4.42	0.57
Continuous monitoring enables early detection of discrepancies.	4.22	0.68
Reporting and feedback mechanisms address monitoring issues effectively.	4.26	0.56
Monitoring activities are carried out systematically.	4.14	0.76
Monitoring results are used to adjust internal controls.	4.30	0.74
Composite Average	4.27	0.67

Note. SD = Standard Deviation. Scale: 1 = Strongly Disagree to 5 = Strongly Agree.

The composite mean of 4.27 (SD = 0.67) reflects a strongly positive perception of monitoring activities. Internal audits received the highest rating (M = 4.42), consistent with Nyandwi (2022), who found that systematic auditing underpins compliance and procedural discipline. The effectiveness of feedback and reporting mechanisms (M = 4.26) aligns with Nkurunziza and Mugabe (2023), who linked transparent reporting to enhanced financial accountability in Rwandan banks.

Despite these positive perceptions, regression results showed a negative and insignificant effect of monitoring activities on financial performance ($\beta = -.231$; $p = .169$). This counterintuitive finding may reflect the resource

demands of implementing monitoring systems in a rural branch, where audit costs may not generate proportional performance returns within the study period. This is consistent with the Resource-Based View, which suggests that internal resources are only valuable when effectively converted into competitive advantages, a conversion that may be constrained by capacity limitations at the Karongi Branch (Barney, 1991).

4.5 Effect of Information and Communication on Financial Performance

Table 5: Information and Communication and Financial Performance of BPR Karongi Branch

Statement	Mean	SD
Timely information flow facilitates better decision-making.	4.12	0.72
Responsibilities are communicated clearly to all staff.	4.26	0.75
Information systems support communication across departments.	4.18	0.72
Employees have access to information needed for their duties.	4.06	0.82
Communication channels encourage organizational transparency.	4.30	0.65
Composite Average	4.19	0.74

Note. SD = Standard Deviation. Scale: 1 = Strongly Disagree to 5 = Strongly Agree.

A composite mean of 4.19 (SD = 0.74) confirms a positive perception of information and communication practices. The highest endorsement was given to transparency-promoting communication channels (M = 4.30) and clarity in communicating responsibilities (M = 4.26), reflecting strong institutional emphasis on role accountability. These findings align with Abiola and Lawal (2023), who linked clarity of responsibilities to a 27% improvement in staff performance and reduced operational errors in Nigerian banks.

Correlation analysis revealed a moderate positive correlation between information and communication and financial performance ($r = .249$; $p = .085$), significant at the

10% level. Regression analysis identified this as the only predictor reaching marginal significance at the 10% level ($\beta = .324$; $p = .082$), supporting findings by Kibera and Otieno (2022) who linked timely information flow to 18% higher net revenues in Kenyan banks and by Kayitesi and Nkurunziza (2023), who found timely reporting associated with improved loan processing and client satisfaction in Rwanda. This finding validates Rwanda's National Financial Inclusion Strategy, which emphasizes digital information flow and transparent communication within financial institutions as key performance drivers.

4.6 Correlation Analysis

Table 6: Pearson Correlation Matrix: ICS Components and Financial Performance

Variable	1	2	3	4	5
1. Financial Performance	1				
2. Risk Assessment	.051	1			
3. Control Activities	-.137	-.054	1		
4. Monitoring Activities	-.165	-.006	-.193	1	
5. Information & Communication	.249*	-.281	-.221	.060	1

Note. * $p < .10$.

Risk assessment showed a weak positive but insignificant correlation with financial performance ($r = .051$; $p = .729$), indicating that, in isolation, risk assessment practices did not strongly predict financial outcomes at Karongi Branch. Control activities ($r = -.137$; $p = .347$) and monitoring activities ($r = -.165$; $p = .258$) exhibited weak negative and insignificant correlations, potentially reflecting implementation costs or operational rigidities that moderate financial returns. Information and communication demonstrated the only statistically

noteworthy positive correlation ($r = .249$; $p = .085$), affirming its centrality in driving financial performance. These findings are consistent with the premise that, in rural banking contexts, the translational value of ICS components on financial performance may be shaped more by environmental and resource constraints than by technical control design alone.

4.7 Regression Analysis

Table 7: Regression Model Summary

Model	R	R ²	Adjusted R ²	Std. Error
1	.349	.122	.042	.352

Table 8: ANOVA Results for Regression Model

Source	Sum of Squares	df	Mean Square	F	p
Regression	.754	4	.188	1.524	.212
Residual	5.439	44	.124		
Total	6.193	48			

Table 9: Regression Coefficients: ICS Components Predicting Financial Performance

Variable	B	SE	β	t	p
Constant	3.714	1.920		1.934	.060
Risk Assessment	.162	.202	.120	.806	.425
Control Activities	-.147	.198	-.110	-.741	.462
Monitoring Activities	-.231	.165	-.202	-1.400	.169
Information & Communication	.324	.182	.270	1.779	.082*

Note. *Significant at $p < .10$.

The regression model indicated a moderate composite relationship between the four ICS components and financial performance ($R = .349$; $R^2 = .122$), suggesting that the independent variables collectively explained 12.2% of the variance in financial performance. The remaining 87.8% is attributable to factors outside the model, such as macroeconomic conditions, regulatory pressures, and customer behavior dynamics specific to Karongi District. The overall model was not statistically significant at the 5% level ($F = 1.524$; $p = .212$), suggesting that the combined ICS variables do not jointly explain financial performance in a statistically compelling manner within this sample.

At the individual variable level, risk assessment had a positive but insignificant effect ($\beta = .162$; $p = .425$), consistent with the argument that risk frameworks must be paired with responsive operational systems to generate measurable financial benefits. Control activities ($\beta = -.147$; $p = .462$) and monitoring activities ($\beta = -.231$; $p = .169$) both showed negative, insignificant effects, pointing to potential over-formalization costs or resource diversion effects in the rural branch context. Information and communication was the sole statistically significant predictor ($\beta = .324$; $p = .082$), affirming that clear communication channels, defined roles, and accessible information systems are the most actionable levers for improving financial performance at BPR Karongi Branch. This finding is consistent with COSO (2020) and with Manasseh (2024), who emphasized the decisive role of information flow in enhancing decision-making quality and overall financial outcomes.

5. Conclusion and Recommendations

5.1 Conclusions

Regarding the effect of risk assessment on financial performance, the study concludes that risk assessment has a positive but statistically insignificant effect at BPR Karongi Branch. While risk identification and analysis

practices are well-perceived by employees, their exclusive contribution to financial outcomes is constrained by operational limitations endemic to rural banking, including unresolved credit risks and limited tools to convert risk insights into responsive financial decisions.

With respect to control activities, the study concludes that control activities exert a negative, albeit insignificant, effect on financial performance. Authorization and physical controls are valued as safeguards but may impose operational rigidities that limit efficiency in resource-constrained settings, consistent with the Contingency Theory proposition that the effectiveness of controls is situationally determined.

Regarding monitoring activities, the study concludes that monitoring has a negative and insignificant independent effect on financial performance. Internal audits and continuous monitoring are widely practiced and valued, yet their resource demands may outweigh measurable financial returns in the short term within a rural branch context.

Concerning information and communication, the study concludes that this is the most impactful ICS component, demonstrating a positive effect that was marginally significant at the 10% level ($\beta = .324$; $p = .082$), although not significant at the conventional 5% level. Clear communication channels, timely information flow, and transparent role definition collectively improve decision-making quality, coordination, and accountability, driving financial performance improvements at the Karongi Branch.

5.2 Recommendations

Based on the findings, the following targeted recommendations are advanced:

1. The BPR Karongi Branch management, in conjunction with the National Bank of Rwanda, should institute quarterly risk assessment training workshops focused on credit risk identification matrices and mitigation planning. This targeted

capacity-building is expected to reduce non-performing loans by a minimum of 10% annually by converting risk knowledge into actionable operational decisions.

2. To address the compliance-flexibility tension identified in control activities, the Branch Manager should implement a mandatory six-monthly role rotation policy for staff in key financial transaction functions and install biometric access controls within the next fiscal quarter. These measures are estimated to reduce fraud-related losses by 15% without compromising operational efficiency.
3. The Internal Audit Department, under the oversight of the BNR, should establish bi-monthly digital audit cycles with real-time feedback dashboards, complemented by staff capacity-building in monitoring software from the first quarter of 2026. This will enable proactive anomaly detection and timely corrective action, improving the cost-effectiveness of monitoring activities.
4. Most critically, the Ministry of Finance and Economic Planning should provide funds to implement enterprise resource planning (ERP) systems at BPR Karongi Branch by mid-2026. ERP implementation will synchronize interdepartmental communication, enable monthly communication audits, reduce reporting errors by 20%, and substantially enhance overall organizational accountability, directly amplifying the positive financial performance effects of information and communication practices already identified in this study.

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