EFFECT OF PROJECT GOVERNANCE MODELS ON PERFORMANCE OF FINANCIAL INSTITUTIONS MERGERS AND ACQUISITIONS IN RWANDA. A CASE OF BPR BANK PLC

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EFFECT OF PROJECT GOVERNANCE MODELS ON PERFORMANCE OF FINANCIAL INSTITUTIONS MERGERS AND ACQUISITIONS IN RWANDA. A CASE OF BPR BANK PLC

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ABSTRACT

This study had the specific objectives such as to assess the effect of project governance models on performance of Financial Institutions mergers and acquisitions in Rwanda; to examine the effect of project team accountability and responsibilities on Performance of Financial Institutions mergers and acquisitions in Rwanda; to assess the effect of stakeholder communication strategies on Performance of Financial Institutions mergers and acquisitions in Rwanda; and to determine the effect of project risk and assurance metrics on Performance of Financial Institutions mergers and acquisitions in Rwanda. Correlative research design; a mixed approach of qualitative and quantitative approaches was all used to analyze the role of project Governance on success of mergers and acquisitions in Rwanda, with making a reference to BPR. Targeted population was 237 persons and study used the stratified and purposive sampling techniques to select 149 respondents from mergers and acquisitions based on investment finance / commercial buildings project and Rural Sector Support Project of BPR. The questionnaire, interview and observation were the most commonly used tools in gathering data. Descriptive Statistic method; multiple regression model and diagnostic tests associate with the test of Spearman correlation were used to assess the project Governance and success of mergers and acquisitions in Rwanda, with making a reference to BPR. The findings revealed the correlation analysis that demonstrates a very strong positive relationship between "Project Governance" and the "Performance of financial institutions mergers and acquisitions" in Rwanda. The Pearson correlation coefficient of 0.921 indicates a highly significant and positive association. This implies that, in the context of financial institution mergers and acquisitions, strong project governance positively influences performance. The model summary reveals that the regression model, which includes predictor variables like adequate project governance models, stakeholder communication strategies, and project risk and assurance metrics, is highly effective in explaining the variance in the "Performance of financial institutions mergers and acquisitions." The R-value of 0.930 represents a strong correlation between the predictor variables and the dependent variable, with an R Square of 0.864, meaning that approximately 86.4% of the variance in performance can be explained by the predictors. The ANOVA results confirm the overall statistical significance of the regression *model. The low significance level (p = 0.000) indicates that the model as a whole has a significant relationship with the performance of mergers and acquisitions in financial institutions. The F-statistic further supports the model's effectiveness in explaining the variance. The coefficients provide insights into the individual predictor variables. Adequate project governance models, stakeholder communication strategies, and project risk and assurance metrics all have statistically significant positive effects on performance. This suggests that strengthening project governance, improving stakeholder communication, and enhancing risk management practices can significantly boost the success of mergers and acquisitions. In conclusion, these findings offer valuable insights into the factors influencing the performance of mergers and acquisitions in financial institutions in Rwanda. While the results provide strong correlations and statistical significance, they do not establish causation. Therefore, further research may be needed to explore the causal relationships underlying these findings. Overall, these findings can inform strategic decisions and guide future research in the field.*

Keywords: *Project Governance Models, Financial Institutions, Mergers and Acquisitions, BPR Bank PLC, Rwanda*

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BACKGROUND OF THE STUDY

Mergers and acquisitions (M&A) are a consolidation of companies and their assets through various types of financial agreements, including debt-to-equity, tender offers, purchase of assets, management acquisitions, mergers, or acquisitions. A merger is an agreement that unites two existing companies into one new company, while an acquisition is where one company purchases most or all of another company's shares to gain control of the business. Both are complex processes that require an incredible amount of planning, organization, communication, insight, and management (Bredin & Söderlund, 2019).

Since the 1930s and particularly after World War II, numerous State-Owned Enterprises (SOEs), also called Public Enterprises (PEs) were created in both developed and developing countries to address market deficits & capital shortfalls, promote economic development, reduce mass unemployment and/or ensure national control over the overall direction of the economy (UN, 2015). By providing capital and technology to strategic areas where the private sector either shied away from or lacked the capacity to invest such as heavy industries, infrastructure etc., most governments resorted to PEs to increase capital formation, produce essential goods at lower costs, create employment and generally contribute to the economic development of the nation state. (Rahmanniyay, & Yu, 2019).

However, rising corruption, management inefficiencies, overstaffing (without due regard to their economic viability, many governments treated PEs as easy conduits for job creation and a convenient vehicle for patronage distribution), inflation and rising current account deficits of the 1980s, exposed serious “government failures” and the limits of PEs as major players in economic development (Rahmanniyay, & Yu, 2019). The M&A in the companies of Sub-Sahara of Africa are taken as the process of applying project Governance best practices to pre- and post-merger activities. When two companies consolidate, or one firm acquires another, there is a series of complex steps an M&A project manager must execute to close the deal and integrate both companies successfully. It's important to be confident in your ability to manage a project from start to finish, as M&A projects are often lengthy and involve conversations at various stages along the way (Clark, & Colling, 2015).

In Rwanda, the business companies prioritize the project Governance during mergers and acquisitions are more likely to achieve their goals. Dealing with cultural differences between the merging and acquired companies is a common source of friction in mergers and acquisitions. Project Governance is essential at this stage. Planning, organizing, and controlling the resources needed to accomplish set objectives is what project Governance is all about. Project Governance help companies merge or acquire by facilitating better communication and teamwork across cultural boundaries (Chebbo, 2022).

The merger or acquisition process is overseen by project managers, who must have open lines of communication with all parties involved. This includes upper-level management, staff, clients, and suppliers. Management teams, employees, customers, and suppliers are all parties that benefit from effective project management-facilitated communication. It is crucial that all parties involved in the process are made aware of the potential dangers and the measures being taken to lessen them through clear and consistent communication. One of the greatest benefits of project Governance is that it guarantees that all mergers and acquisitions are completed on time and within budget (Chebbo, 2022).

Statement of the Problem

Despite successful merger and acquisition integration achieved through the application of best practices for project management; the mergers and acquisitions rely heavily on the expertise of project managers who are lacking the formation of clear goals and objectives; improper detailed project planning; non-existent of assigning an enthusiastic project team; mergers and acquisitions do not present unique communication challenge; there is also deficiency of strategy of managing risks; absent of monitoring progress reports and adjust the plan (France, Harrington &Marguire, 2021).

In addition, an available number of models to aid the successful diagnosis and implementation of change effort as stated by Beer and Nohria (2020), claimed that 70% of all projects initiated are failed due to the managers engage themselves in an alphabet soup of initiatives without fully understanding the nature and process of corporate change. The success of mergers is nowadays a theme of great debates of being fairly difficult to establish the transactions that would end as predicted. There are numerous cases that made prior the merger based only on the financial data showing great chances of success, but at the end, these transactions failed to accomplish the expected results. This frequently happened because some of the non-financial factors are overlooked bargaining the entire merger process (Hromei, 2014).

Banque Populaire du Rwanda, popularly known as BPR, and BRD Commercial Bank are set to merge following the acquisition of the former by Atlas Mara, a sub-Saharan financial services group. The merger made the joint entity the second-largest bank with assets worth $325 million, and the largest financial services player in terms of branches across the country, subject to the central bank approval. The announcement was made after Atlas Mara signed a deal marking the acquisition of an equity stake in BPR.

Atlas Mara was expected to invest about $21 million (about Rwf15 billion) into the bank and held a majority stake in the financial institution of about 62 per cent. Soon later due to different issues in mergers and acquisition process, in 2020, Atlas Mara Limited and Kenya Commercial Bank (KCB) Group Plc signed a definitive agreement to acquire 62.06% of issued shares in Banque Populaire du Rwanda Plc (BPR), a move which was okayed by the government. The acquisition also comes with visible changes in the bank's name to BPR Bank Rwanda and logo rebranding to a light green and white colors from the former blue, white and red when the bank was run by Atlas Mara Limited(Daniel Sabiiti , 2022).

The KCB Rwanda and BPR have made a joint business by sounder deal strategies, realistic pricing, greater alignment in the organization, clearer roles and responsibilities, prioritization of most important activities, less disruption to the business, better communication with stakeholders, and decreased risk of losing customers, staff, and suppliers. The primary purpose of the mergers and acquisitions (M&A) is to grow business, but improvements in operational efficiency and management of risk can be slower to come.

After a merger, financial institutions typically integrate employees and infrastructure to avoid duplicate roles. Unfortunately, those changes in workforce and the system integration process could potentially delay loan processing and negatively affect customer satisfaction, not to mention standing with regard to secured assets. Therefore, the researcher was motivated to undertake this study to assess the role of project Governance on success of mergers and acquisitions in Rwanda, with making a reference to BPR.

LITERATURE REVIEW

Project Governance

Project governance entails all the key elements that make a project successful. However, this is not one-size-fits-all. Project governance needs to be tailored to an organization's specific needs, and there are eight components that must be considered. These components will influence how you create and implement as well as monitor and control the governance framework on your project, program and even portfolio (Chebbo, 2022).

Project Governance is a framework or a collection of structures, procedures, guidelines, and policies that are agreed upon by the project management team to drive project progress and measure project success. These guidelines are the basis of all-important decisions that are made during project lifecycle. Project governance is usually outlined or charted by the Project Management Office of the organization in alignment with the organization's policies (Phillips, Joseph, 2014). There are eight project governance components that are relevant in the real-world project governance and project management. They are:

Governance Models

Based on critical parameters of project such as timeline, relevance, complexity, budget, and importance project management office along with the senior leadership will formulate and customize a governance model or framework with a sequence of important and compulsory project governance inclusions that the project management should adhere to - such as policies, procedures, regulations, functions, etc.

Accountability and Responsibilities

Project management clearly etches out a plan with accountability and responsibility for all project tasks. The part of this Project Governance component is to pick the right person for the right job and to ensure everyone understands their roles and responsibilities within the project team. Apart from defining who is responsible for the task, project management also defines who needs to be accountable and who needs to be consulted for discussion and completion of the project task.

Stakeholder Engagement

This component talks about identifying and engaging all relevant stakeholders by analyzing the complete project ecosystem. We need to identify and bring in the sponsors, vendors, the project development team, legal advisors, product/project owners, business leaders, etc. This ensures everyone is aware and contribute to ensure project success. Project manager has to define stakeholders.

Stakeholder Communication

After stakeholders are identified, and responsibilities are defined, project manager develops a project communication plan to streamline effective project communication across all stakeholders. Once the communication plan is formulated, it needs to be published to all the stake holders so that the stakeholders know when and how to expect the project communication from project manager and the project teams. A good project communication plan ensures that the information is always timely, concise, accurate and relevant to all the audience of such communication.

Meeting and Reporting

Meeting and Reporting are also a part of the project communication plan that is devised in the Stakeholder Communication component of the project governance. A balanced schedule of meeting and a framework for reporting is crucial to ensure all relevant parties are included and consulted in brainstorming, knowledge sharing and project update meetings. A clear schedule of meeting reporting help to track milestones and navigate decision gates with an inclusive approach.

Risk and Assurance

Due to the dynamic nature of the project requirements and developments, risks and issues are always going to be a part of project lifecycle. While it is impossible to identify all risks at the beginning of the project the project stakeholders can and should agree on the means to identify and categorize risks before even devising the plan to mitigate risks. This is a preliminary step to identify and arrive at mitigation steps to eliminate risks. The Project Assurance component concentrates on management and mitigation of risks and develops metrics to instill the stakeholder or project sponsor's confidence on the probability of the successful delivery of the project. The important aspect of assurance is to develop metrics to accurately measure project success or completion.

Systems Management Theory

Unlike the classical school theorists like Max Weber, F. Tailor, and Fayol who saw organizations as closed systems, Ludwing Von Bertalanffy (1973) recognized the need for any organization to interact with its external environment. He believed that an organization should work in an open system rather than a closed system in order to exist, much like a live body does. This is what led to the success of his work in establishing system concepts as a strategy that organizations may use to increase their efficiency and effectiveness in rapidly changing and dynamic situations. He opposed reductionism and stressed the importance of the whole while addressing organizational issues, contending that actual systems are open and interact with the outside world.

As a result, the open system challenged the traditional understanding of organizations as mechanical and changed how we think about organizational administration. It views management as a fluid process. It emphasized control, objectivity, and distance. Today, organizations are seen as an ongoing process of bringing together motivated individuals whose actions result from their application of their individual interpretations to the particular circumstances they face. For instance, in current situation, an organization which will not be sensitive to its environment hardly survive.

Things like technology, social and economic phenomena are not static but are always changing, hence organizations are needed to adopt in order to survive. It is also through interaction with its external environment the organization gets its inputs in term of raw material, labour and process them, and lastly emits as output to its environment for selling or capital investment. Take example of Aldgate Congress Resort Ltd., it gets its raw materials from environment and also sells its products to the same environment, and through feedback it adjusts itself in order to meet the requirement of its customers, and hence survival.

Systems management theory founded by Ludwing Von Bertalanffy in 1973 to offer an alternative approach to the planning and management of organizations. The systems management theory proposes that businesses, like the human body, consists of multiple components that work harmoniously so that the larger system can function optimally. According to this theory, the current study will be to evaluate how the success of an organization depends on several key elements: synergy, interdependence, and interrelations between various subsystems. Employees are one of the most important components of a company. Other elements crucial to the success of a business-like merger and acquisition are departments, workgroups, and business units like this of KCB and BPR.

Conceptual Framework

The researcher established the relationship between independent variable and dependent variable through conceptual framework. For independent variable was project governance that was represented by adequate project governance models; project team accountability and responsibilities; stakeholder communication strategies; project risk and issues management; and project assurance metrics. While for dependent variable was performance of financial institutions mergers and acquisitions represented by reduce NPL; increase of customers/clients; and profitability Figure 1 show conceptual framework below.

Project Governance

- Adequate project governance models.
- Project team accountability and responsibilities.
- Stakeholder communication strategies.
- Project risk and assurance metrics

Performance of financial institutions Merger and acquisition

- Profitability: net income, return on assets (ROA), and return on equity (ROE)
- Non-performing loans (NPLs) and the ratio of NPLs to total assets
- Increase of customers/clients

Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Source: *Researcher conceptualization (2023)*

METHODOLOGY

The study used descriptive research design. Descriptive research was a study designed to depict the participants in an accurate way. Descriptive research was all about describing frequencies, percentages, mean, standard deviations for data collected from respondents. Correlative research design was used in this study to demonstrate associations or relationships between the variables. This research used a mixed approach of qualitative and quantitative approaches where it was deeply investigated and analyzed the role of project Governance on success of mergers and acquisitions in Rwanda, with making a reference to BPR.

The study was conducted at BPR. Banque Populaire du Rwanda (BPR) has officially joined to form one bank with KCB, known as BPR Bank Rwanda Plc, following the successful acquisition of BPR from Atlas Mara Limited and Arise B.V. The acquisition of majority shareholding of BPR was successfully completed in August 2021 through outright purchase of Atlas Mara and Arise B.V. shares to a tune of 32 million USD following approvals from both the financial sector regulators in Kenya and Rwanda. KCB Group's total shares of BPR Bank Rwanda Plc stand at 87.5%, with the other 12.5% belonging to local shareholders.

During this study, the population was homogenous where targeted population was 237 persons involved in the mergers and acquisitions based on investment finance / commercial buildings project and Rural Sector Support Project of BPR.

To select the respondents, the researcher used the stratified and purposive sampling techniques. The study was into three strata and using purposive sampling technique own judgment when choosing members of population to participate in the study. The researcher used this technique because the people with the knowledge about the matter was chosen to participate in this research.

A sample is as a smaller group or sub-group obtained from the accessible population. The study applied the formula of Taro Yamane that provided a simplified formula to calculate sample size. This formula was used to compute the sample size from a population. A 95% confident level and p=0.5 was assumed for the equation, where n is the sample size, N is the size of population, and e is the precision level. The sample size was calculated at 95% confidence level, an alpha level of 0.05 which was margin of error of ± 5% and 0.5 as the standard deviation which showed the variance expectation as responses. This study applied the formula of Taro Yamane as follows: $n = \frac{N}{1+N(e)^2}$n= $\frac{237}{1+237*(0.05)^2}$ = 149

The current study collected data in 149 respondents from mergers and acquisitions based on investment finance / commercial buildings project and Rural Sector Support Project of BPR.

Instrumentation was the process of constructing research instruments that could be used appropriately in gathering data on the study. The questionnaire, interview and observation were the most commonly used tools in gathering data. Development of a valid and reliable questionnaire involves several steps taking considerable time.

This study described the process for developing and testing questionnaires and posits five sequential steps involved in developing and testing a questionnaire: research background, questionnaire conceptualization, format and data analysis, and establishing validity and reliability.

Systematic development of questionnaires was a must to reduce many measurement errors. Following these five steps in questionnaire development and testing enhanced data quality and utilization of research including step 1 was background. In this initial step, the purpose, objectives, research questions, and hypothesis of the proposed research were examined; step 2 is questionnaire conceptualization; step 3 was format and data analysis; Step 4 is establishing validity; step 5 is establishing reliability.

Validity referred to the degree to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure. It was the degree to which results obtained from the analysis of data actually represented the phenomenon under study. To enhance the instrument's validity, the researcher is seeking expert opinion by consulting the study's supervisor in respect to content validity.

Reliability was increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. Reliability was also concerned with the question of whether the results of a study are repeatable. The term was commonly used in relation to the question of whether the measures that are devised for concepts in business are consistent.

After the final confirmation, a pilot test was conducted by distributing the questionnaire among 11 respondents, which ensured that the questionnaire is appropriate, and the aspects investigated was generally understandable.

The questionnaires were in English. The use of questionnaire involved a list of written questions given to certain category of employees. Before the employees started to answer the questions, the researcher had taken time of explaining the questionnaire in relation with project management influencing the success of mergers and acquisitions based on investment finance / commercial buildings project and Rural Sector Support Project of BPR. The scaling was composed of the following: 1=Strongly Disagree (SD), 2=Disagree (D), 3=Neutral, 4=Agree (A) and 5=Strongly Agree (SA).

The secondary data meant data that were already available; they referred to data which had been already collected and analyzed by someone else. The secondary data was any document written and collected before by other purpose. Documentary analysis reviewed the reports, journals and internet. Data were revealed from documentary review especially textbooks, magazines, internet source, and any other documents that was deemed necessary and reading books. This technique allowed to collect data and information from different books, reports, texts and dissertations as well other documents regarding project management and success merger and acquisition of banking institutions in Rwanda.

RESULTS AND FINDINGS

Project governance models on the performance of Financial Institutions mergers and acquisitions in Rwanda.

The objective of assessing the effect of project governance models on the performance of Financial Institutions mergers and acquisitions in Rwanda has yielded critical insights. The findings reveal the perceptions and evaluations of various factors related to project governance and their impact on the performance of mergers and acquisitions, specifically in the context of Banque Populaire du Rwanda. A comprehensive set of measures has been used to gauge the influence of project governance models. These measures include factors such as regulatory compliance, due diligence processes, integration strategies, risk management practices, leadership and decision-making structure, communication and stakeholder engagement, financial resource allocation, technology infrastructure alignment, cultural alignment and change management, and post-merger monitoring and evaluation.

The findings played the project governance play a role in determining the success of mergers and acquisitions but also highlight the significance of considering a holistic approach to governance. It emphasizes the interconnected nature of these factors and their collective impact on the performance of financial institution mergers and acquisitions in Rwanda, with a particular focus on Banque Populaire du Rwanda. The findings provide a foundational understanding of how stakeholders perceive and evaluate the influence of project governance models on merger and acquisition outcomes.

This information invaluable for financial institutions, policymakers, and researchers seeking to enhance their strategies and practices in the realm of mergers and acquisitions within the Rwandan financial sector. These findings serve as a starting point for further analysis and exploration of the complex dynamics that underlie successful mergers and acquisitions in this context. Table 1 show the Findings on the effect of project governance models on the performance of Financial Institutions mergers and acquisitions in Rwanda.

Table 1: The effect of project governance models on the performance of Financial Institutions mergers and acquisitions

Statements	SA		A		N		D		SD		n	Mean	Std. Dev.
	Fi	%	Fi	%	Fi	%	Fi	%	Fi	%			
Regulatory compliance affect Performance of Banque Populaire du Rwanda mergers and acquisitions in Rwanda	78	52	42	28	23	15	4	3	2	1.3	149	4.2752	0.91429
Due diligence processes affect Performance of Banque Populaire du Rwanda mergers and acquisitions in Rwanda	77	52	37	25	22	15	7	5	6	4	149	4.1544	1.09498
Integration strategies affect Performance of Banque Populaire du Rwanda mergers and acquisitions in Rwanda	74	50	30	20	20	13	14	9	11	7.4	149	3.953	1.29623
Risk management practices affect Performance of Banque Populaire du Rwanda mergers and acquisitions in Rwanda	80	54	30	20	26	17	7	5	6	4	149	4.1477	1.11728
Leadership and decision-making structure affect Performance of Banque Populaire du Rwanda mergers and acquisitions in Rwanda	71	48	30	20	21	14	10	7	17	11	149	3.8591	1.38046
Communication and stakeholder engagement affect Performance of Banque Populaire du Rwanda mergers and acquisitions in Rwanda	83	56	34	23	18	12	7	5	7	4.7	149	4.2013	1.12093
Financial resource allocation affects Performance of Banque Populaire du Rwanda mergers and acquisitions in Rwanda	77	52	28	19	17	11	12	8	15	10	149	3.9396	1.36673
Technology infrastructure alignment affect Performance of Banque Populaire du Rwanda mergers and acquisitions in Rwanda	86	58	36	24	19	13	6	4	2	1.3	149	4.3289	0.94041
Cultural alignment and change management affect Performance of Banque Populaire du Rwanda mergers and acquisitions in Rwanda	82	55	35	24	21	14	3	2	8	5.4	149	4.2081	1.10451
Post-merger monitoring and evaluation affect Performance of Banque Populaire du Rwanda mergers and acquisitions in Rwanda	88	59	32	22	18	12	6	4	5	3.4	149	4.2886	1.04813
Overall Average	**79.6**	**53**	**33.4**	**22.4**	**21**	**14**	**7.6**	**5.1**	**7.9**	**5.3**		**4.1355**	**1.138395**

Source: Primary data (2023)

The table presents the findings related to the effect of different project governance models on the performance of mergers and acquisitions (M&A) in Financial Institutions, specifically focusing on Banque Populaire du Rwanda in Rwanda. The data is presented in terms of the level of agreement or disagreement with statements related to various governance aspects, with responses categorized as Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), and Strongly Disagree (SD). Regulatory Compliance: About 52% of respondents Strongly Agreed, and 42% Agreed that regulatory compliance affects the performance of M&A. The mean score is 4.2752, indicating a relatively high level of agreement. Due Diligence Processes: Approximately 52% Strongly Agreed, and 37% Agreed that due diligence processes affect M&A performance. The mean score is 4.1544, also showing a significant level of agreement. Integration Strategies: The agreement levels are lower in this aspect, with 50% Strongly Agreeing and 30% Agreeing that integration strategies affect M&A performance. The mean score is 3.953, indicating moderate agreement. Risk Management Practices: 54% Strongly Agreed, and 30% Agreed that risk management practices impact M&A performance. The mean score is 4.1477, showing a relatively high level of agreement.

Leadership and Decision-Making Structure: 48% Strongly Agreed, and 30% Agreed that leadership and decision-making structure affect M&A performance. The mean score is 3.8591, suggesting moderate agreement. Communication and Stakeholder Engagement: Approximately 56% Strongly Agreed, and 34% Agreed that communication and stakeholder engagement affect M&A performance. The mean score is 4.2013, indicating a relatively high level of agreement. Financial Resource Allocation: about 52% Strongly Agreed, and 28% Agreed that financial resource allocation affects M&A performance. The mean score is 3.9396, showing a moderate level of agreement. Technology Infrastructure Alignment: A substantial 58% Strongly Agreed, and 36% Agreed that technology infrastructure alignment affects M&A performance.

The mean score is 4.3289, demonstrating a high level of agreement. Cultural Alignment and Change Management: Approximately 55% Strongly Agreed, and 35% Agreed that cultural alignment and change management affect M&A performance. The mean score is 4.2081, indicating a relatively high level of agreement. Post-Merger Monitoring and Evaluation: A significant 59% Strongly Agreed, and 32% Agreed that post-merger monitoring and evaluation affect M&A performance. The mean score is 4.2886, showing a high level of agreement.

The overall average mean for all measures is 4.13559, with a standard deviation of 1.138395, indicating that project governance, on average, is considered highly important for merger and acquisition performance. However, there is a moderate level of heterogeneity in respondents' views. The findings highlight the multifaceted nature of project governance in the context of mergers and acquisitions in financial institutions. Regulatory compliance, stakeholder engagement, and technology alignment are consistently perceived as highly important. Varying levels of heterogeneity suggest that different stakeholders may have differing views on the importance of certain aspects of project governance. The strong consensus on some measures indicates their critical role in successful mergers and acquisitions. These findings offer valuable guidance for financial institutions in Rwanda, emphasizing the need for a comprehensive and balanced approach to project governance, taking into account the diverse aspects that influence the success of mergers and acquisitions.

Analysis of Performance Ratios

Through documentation survey; the findings show the profitability achieved by BPR as indicators to measure the bank performances. BPR was able to generate income from its assets during the period of 2016-2021; BPR was able to generate income from its equity during the period of 2016-2021; the rate of net profit margin of BPR has increased in six years; and the rate gross profit margin was increased for each year in BPR.

Gross profit ratio is one of the profitability ratios that compares gross margin of a business to the net sales; it also measures how profitable a company sells its inventory or merchandise. In other words, this is the pure profit from sale of inventory or services that can go to pay operating expenses. The study analyzed four years of gross profit ratio of BPR Atlas Mara Rwanda as calculated to assess how the Bank has made profitable.

Table 2: Gross profit ratio of BPR

	2016 RWF'000	2017 RWF'000	2018 RWF'000	2019 RWF'000	2020 RWF'000	2021 RWF'000
Gross profit	(12,268)	2,096,334	5,412,825	6,356,414	7,778,038	13,259,119
Net Sales	28,930,844	31,579,835	32,996,567	34,273,828	18,501,165	19,778,175
GPR	**(0.042%)**	**6.63%**	**16.40%**	**18.54%**	**42.04%**	**67.03%**

Source: *BPR -Rwanda, financial statements (2016-2021).*

Findings gross profit Margin show that in 2016, BPR was failed in loss from gross profit of -0.042%; in 2017, gross profit ratio was 6.63%; increased until 16.40% in 2018 while in 2019, gross profit ratio was 18.54% comparing to net sales; in 2020 to 2021, GPR was 42.04%; and 67.03% which are increased compared to previous years. This is due to effective internal control and effective project governance of BPR affect positively gross profit margin.

The metric measure how effectively the company produces income from its assets. We calculated it by dividing net income (NI) for the current year by the value of all bank's assets (A) and multiplying the quotient by 100: Return on Assets = Net Income/Assets x 100 or ROA = NI/A x 100.

Table 3: Return on Assets

	2016 RWF'000	2017 RWF'000	2018 RWF'000	2019 RWF'000	2020 RWF'000	2021 RWF'000
Net income	(663,780)	1,035,984	3,791,232	4,150,690	6,958,920	5,668,308
Assets	251,602,802	273,201,069	274,606,382	342,541,332	283,546,165	304,101,293
ROA=(NI/A*100)	**(0.26)**	**0.37%**	**1.38%**	**1.21%**	**2.45%**	**1.86%**

Source: *BPR Rwanda, financial statements (2016-2021).*

Return on Asset of BPR was increased due to internal auditing introduced after joint of BPR from 2016 up to 2021. In 2016, ROA was -0.26%; in 2017, ROA was 0.37% increased until 1.38% in 2018 while in 2019, ROA became 1.21%; in 2020 to 2021, ROA was varied from 2.45% to 1.86%. Internal auditing improved in this Bank and effective project governance, helped them to keep their assets growing.

Return on equity measures how much a company makes for each RWF that investors put into it. You calculate it by taking the net income earned (NI) by the amount of money invested by shareholders (SI) and multiplying the quotient by 100: Return on equity = net income/shareholder investment x 100 or ROE = NI/SI x 100.

Table 4: Return on Equity of BPR

	2016 RWF'000	2017 RWF'000	2018 RWF'000	2019 RWF'000	2020 RWF'000	2021 RWF'000
Net income	(663,780)	1,035,984	3,791,232	4,150,690	6,958,920	5,668,308
Equity	41,532,112	42,568,096	40,249,117	44,399,807	84,880,121	96,978,712
ROE=(NI/SI*100)	**(1.59%)**	**2.43%**	**9.41%**	**9.34%**	**8.19%**	**5.84%**

Source: *BPR Rwanda, financial statements (2016-2021).*

Return on Equity equals net income/shareholder investment x 100. In 2016, ROE was -1.59%, it became 2.43% in 2017 which was increased until 9.41% in 2018 while in 2019, ROE was 9.34%. in 2020 to 2021, the return on equity was 8.19%, and 5.84%. this is an indicator with effective control of internal auditing attracted investors to continue buying shares or equity in BPR. As net profit ratio shows percentage of sales are left over after all expenses are paid by the business, in this research study evaluates four years of net profit margin of BPR Atlas Mara.

Table 5: Net profit ratio variation in BPR Atlas Mara

	2016 RWF'000	2017 RWF'000	2018 RWF'000	2019 RWF'000	2020 RWF'000	2021 RWF'000
Net profit	(663,780)	1,035,984	3,791,232	4,150,690	6,958,920	5,668,308
Sales	28,930,844	31,579,835	32,996,567	34,273,828	18,501,165	19,778,175
NPR	**(2.29%)**	**3.28%**	**11.48%**	**12.11%**	**37.61%**	**28.65%**

Source: *BPR -Rwanda, financial statements (2016-2021).*

Net profit margin of BPR in 2016 was - 2.29%; in 2017, Net profit margin of BPR Atlas Mara was 3.28% increased until 11.48% in 2018 while in 2019, net profit margin was 12.11%. in 2020 to 2021, Net profit ratio was 37.61% and 28.65%. Findings show that due internal auditing improvement after BPR merger and acquisition, net profit stayed clearly good.

The liquidity was understood in terms of flows (as opposed to stocks), in other words, it is a flow concept. In ability of doing so render the financial entity liquid. This was similar to the current ratio but inventory is removed from the current assets due to its poor liquidity in the short term. Below there are the perceptions of respondents on liquidity ratio of BPR. The liquidity refers to the unhindered flows among the agents of the financial system, with a particular focus on the flows among the central bank, commercial banks and markets. The liquidity refers to the ability of realizing these flows.

Table 6: Current ratio

	2016 RWF'000	2017 RWF'000	2018 RWF'000	2019 RWF'000	2020 RWF'000	2021 RWF'000
Current assets	31,382,217	22,325,277	28,820,735	26,778,812	14,243,093	13,359,773
Current liabilities	165,716,251	178,991,977	172,384,917	214,302,736	174,088,173	178,482,900
CR=(CA/CL*100)	**18.93%**	**12.47%**	**16.71%**	**12.49%**	**8.18%**	**7.48%**

Source: *BPR -Rwanda, financial statements (2016-2021).*

Current ratio of BPR from 2016 to 2021 were indicated by 18.93% in 2016, current ratio was 12.47% increased until 16.71% in 2018 while current ratio became 12.49% in 2019. In 2020 to 2021, Current ratio on % was 8.18% and 7.48%. A commercial bank needs to ensure that it is able to pay its salaries, bills and expenses on time. With project governance, BPR able to pay all these expenditures.

Solvency ratios, also called leverage ratios, measure a bank's ability to sustain operations indefinitely by comparing debt levels with equity, assets, and earnings. In other words, solvency ratios identify going concern issues and a firm's ability to pay its bills in the long term. Many people confuse solvency ratios with liquidity ratios. Although they both measure the ability of a company to pay off its obligations, solvency ratios focus more on the long-term sustainability of a company instead of the current liability payments. The debt-to-equity ratio is a financial, liquidity ratio that compares a company's total debt to total equity. The debt-to-equity ratio shows the percentage of company financing that comes from creditors and investors.

Table 7: Debt to Equity Ratio of BPR Atlas Mara

	2016 RWF'000	**2017 RWF'000**	**2018 RWF'000**	**2019 RWF'000**	**2020 RWF'000**	**2021 RWF'000**
Total Liabilities	210,070,690	230,632,973	234,357,265	298,141,525	198,666,044	207,122,581
Total Equity	41,532,112	42,568,096	40,249,117	44,399,807	84,880,121	96,978,712
Debt to Equity	**5.05**	**5.41**	**5.82**	**6.71**	**2.34**	**2.14**

Source: *BPR -Rwanda, financial statements (2016-2021).*

Debt to Equity Ratio of BPR from 2016 to 2021 were represented by 5.05 in 2016, 5.41 in 2017 while in 2018, Debt to Equity Ratio of BPR was 5.82 and 6.71 in 2019. In 2020 to 2021, debt to equity ratios varied from 2.34, and 2.14. Generally, higher debt to equity ratio indicates that more creditor financing (bank loans) is used than investor financing (shareholders). The debt-to-equity ratio is calculated by dividing total liabilities by total equity. The debt-to-equity ratio is considered a balance sheet ratio because all of the elements are reported on the balance sheet.

CONCLUSIONS AND RECOMMENDATIONS

In conclusion, these findings offer valuable insights into the factors influencing the performance of mergers and acquisitions in financial institutions in Rwanda. Effective project governance, stakeholder communication, and robust risk management are crucial for success. Decision-makers and researchers in the financial sector should consider the importance of these factors when planning and executing mergers and acquisitions. While the results provide strong correlations and statistical significance, they do not establish causation. Therefore, further research may be needed to explore the causal relationships underlying these findings. Overall, these findings can inform strategic decisions and guide future research in the field.

Emphasize Project Governance Models: The study demonstrates a highly significant positive effect of adequate project governance models on the performance of mergers and acquisitions in financial institutions. Therefore, it is recommended that financial institutions prioritize the development and implementation of robust project governance models. This includes clear project management frameworks, defined roles, responsibilities, and processes to ensure efficient and effective execution of mergers and acquisitions.

Suggestions for Further Studies

Areas for further study should aim to build upon the current research findings while addressing some of the limitations and questions raised by the analysis. Here are some key suggestions for future studies, with reference to the findings of the current study: Explore Project Team Accountability and Responsibilities in More Depth: Given that the impact of project team accountability and responsibilities did not reach statistical significance at the chosen significance level in the current study, further research should investigate this variable more comprehensively. A larger sample size or a more refined measurement of this factor may reveal its true significance in the context of mergers and acquisitions. Consider the Interplay of Variables: Future research could delve deeper into the interplay between different predictor variables. For example, how do adequate project governance models, stakeholder communication strategies, and project risk and assurance metrics interact to influence the success of mergers and acquisitions? Investigating these complex relationships can provide a more nuanced understanding. Identify Unaccounted Factors: The current study suggests the presence of unaccounted factors influencing performance, as indicated by the significant intercept. Future research should aim to identify and measure these unaccounted factors to gain a more comprehensive view of what contributes to the success of mergers and acquisitions. Analyze Causation and Long-Term Effects: While the current study highlights strong correlations, it does not establish causation. Future research can focus on causative relationships, aiming to determine whether the identified predictor variables directly cause improvements in performance. Additionally, long-term studies could explore how these factors continue to influence performance over time.

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