



THE RWANDAN BANKER

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**Influence of financial
development on
Economic growth**

**Financial inclusion
in Rwanda:
a good example of
inclusive policies**

**The real
Exchange rate
and economic
growth**

**Boost your
savings, You
too can do it**

**AN
INSIGHT INTO
RWANDA'S
MONETARY
POLICY**



BNR VISION & MISSION

Vision

To become a world class central bank

Mission

To ensure Price Stability and a sound Financial System

CORE VALUES:

Integrity

We uphold high moral ethical and professional standards for our people, systems and data.

Accountability

We are results focused and transparent and we reward according to performance.

Mutual-respect and Team-work

We keep ourselves in high spirit, committed to each other for success.

Efficiency

We are mindful of our risks and we optimise our resources to achieve more with less cost: time, money, environmental and otherwise.

Effectiveness

We take more interest in the impact of our actions

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National Bank of Rwanda

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**Want to
Secure
your future**



**Invest in
Treasury
Bonds.**

The background of the entire page is a dense, overlapping pattern of Rwandan coins. The coins are in shades of gold and brown, with some showing the number '50' and others '100'. The text is overlaid on this background.

An insight into Rwanda's monetary policy

Central banks have a crucial role to ensure economic and financial stability. They conduct monetary policy to achieve low and stable inflation. To achieve their objectives, Central banks need clear policy frameworks. The Governor of the National Bank of Rwanda, Hon. John Rwangombwa discusses the National Bank of Rwanda's Monetary and Exchange Rate Policy for the last five years and how it has helped the Bank achieve its mandate.

Central banks have a crucial role to ensure economic and financial stability. They conduct monetary policy to achieve low and stable inflation. And to achieve their objectives, Central banks need clear policy frameworks. The Governor of the National Bank of Rwanda, Hon. John Rwangombwa discusses the National Bank of Rwanda's Monetary and Exchange Rate Policy for the last five years and how it has helped the Bank achieve its mandate.



Q & A

Q Hon Governor, we hear central bankers talk about the monetary policy, what exactly does this term mean and what is its role in economic stability?

A Monetary policy refers to the strategy or course of action taken by the central bank to regulate the amount of money in the economy normally known as liquidity, with the objective of controlling inflation and influencing economic growth.

Liquidity may include credit, cash and checks, among others. When the central bank wants to reduce inflation for example, it uses its instruments such as

repos and treasury bills to mop up the surplus liquidity out of the economy and vice-versa. Likewise, the central bank can increase the supply of money by for example encouraging commercial banks to extend credit to the private sector to finance the economy when there is no risk of pressures on inflation.

Q There has always been a consensus that the main contribution of Central Banks in Economic Management is Price Stability. Why is price stability considered a core objective of any Central Bank?

A Price stability in simple terms means low, stable and predict-

able inflation that does not pose challenges to the private sector. It implies that the general price level of goods and services in an economy is kept at a moderate level, say for example, annual inflation of around 5% in the medium term.

When inflation is too high, it erodes the purchasing power of economic agents as fewer goods can be purchased using the same amount of money than before. Once prices are changing too often, households and firms find it hard to make proper consumption and investment plans. Therefore, price stability reduces economic uncertainties and creates an enabling environment for economic growth to flourish.

Q For any central bank to effectively achieve its mandate, it must have instruments that help in the implementation of its monetary policy. What instruments are mostly used by BNR to implement its monetary policy?



BNR uses various instruments to achieve the targets set in the monetary policy program. These instruments include open market operations, BNR intervention on foreign exchange market and reserve requirement.

When we talk of open market operations, we mean intervention on the money market to mop up or to inject liquidity in the banking system in order to keep the reserve money at the desired level.

In other words, after estimating the level of liquidity needed in the economy (i.e. money demand), different instruments are used to keep money supply closer to it as significant deviations between the two monetary aggregates (money demand and money supply) may be a source of inflation.

In practice, BNR adjusts its Key Repo Rate (KRR) to signal to the market the desired monetary policy stance. Open market operations include repos or reverse repos operations, treasury bills issuance, standing deposits facility, standing lending facility and the discount window.

Foreign exchange intervention on the other hand, is a supplementary instrument that smoothenes unexpected liquidity fluctuations in the market. BNR intervenes in the foreign exchange market in order to reduce the exchange rate volatility.

The intervention in the foreign exchange market directly affects the overall liquidity in the economy, reducing it by the FRW amount equivalent to USD sold to banks.

Then for the reserve requirements, depository institutions (commercial banks) are obliged to hold minimum reserves against their liabilities, predominantly in the form of balances at the central bank. This is usually done for monetary control, liquidity management and prudential purposes. The current reserve requirement ratio is 5% adopted in February 2009 when

it changed from 8% due to the liquidity shortage that was in the banking sector at the time due to the effects of the global financial crisis.

Q In attempts to curb inflation and protecting the purchasing power of the Rwandan Franc, how does the monetary policy fare/ perform in allowing increased output of goods and services in the economy?

A The National Bank of Rwanda has managed to keep inflation low and stable especially within the context of the East African sub-region. In the January 2012-June 2016 period, mean headline inflation for Rwanda stood at 3.8% compared to 7.3% for Uganda, 7.1% for Kenya, 8.6% for Tanzania and 8.7% for Burundi. In terms of stability, standard deviations show that inflation was more stable in Rwanda (2.0%), followed by Kenya (3.0%), Tanzania (4.5%), Uganda (5.8%) and Burundi (6.1%).

The stability in inflation and in the value of the FRW supported economic growth as Rwanda recorded real GDP growth rate averaging 8% over the last decade.

The National Bank of Rwanda started implementing an accommodative monetary policy since June 2013, thus contributing to the recent good performance of the Rwandan economy at a time when the global economy is facing challenges.

Q Given the performance of the policy in the last 5 years, going forward how does the bank envision the policy will fare in maintaining the stability of the economy and promoting growth?

A Rwanda has achieved high economic growth during the last five years, standing above 7% per annum while annual inflation has been contained below 5%.

To continue supporting the economic financing by the banking sector, BNR decided to imple-

ment an accommodative monetary policy during the last 5 years by keeping the central bank rate (Key Repo rate) at a low level.

The BNR's Monetary Policy Committee (MPC) decided to reduce the Key Repo Rate to 6.5% in June 2014, the lowest level since November 2011. As a result, economic financing by the banking sector improved as new authorized loans increased by 22% on annual average, total outstanding loans to the private sector increased by 23% per annum while total liquidity in the economy increased at 19.2% in the last five years. However, the global economic conditions have continued to be a challenge for many central banks.

In the Rwandan case, the continued strengthening of the USD and the decline in export earnings may continue to exert pressure on the FRW exchange rate and increase the exchange rate pass through to domestic prices. In the short run, this may call for a more prudent monetary policy to continue ensuring macroeconomic stability, keeping inflation low and stable and encouraging the banking sector to finance economic activities.

On the other hand, Rwanda has experienced good developments of the financial system in the last decade such as the expansion of the banking sector, the development in government securities market that has offered more alternative ways to Rwandans to save their money and the use of electronic payments evidenced by the increasing number of service providers and financial touch points in the country.

This progress is attributed to an enabling regulatory framework, the development of the telecommunication infrastructure and new technologies especially in Mobile Financial Services. BNR will continue to work with other stakeholders to speed up the process of moving from the use of cash to non-cash based payments to increase the efficiency

of the economy and facilitate macroeconomic policies.

These good developments have contributed to the change in the environment in which BNR implements its monetary policy. Thus, BNR is in the process of moving from the current monetary framework (monetary targeting regime) to a more price based monetary policy framework to take into consideration these new developments. BNR plans to shift from the reserve money program to the use of interest rate as its operating objective by 2018 to ensure that resources are allocated in the economy in an optimal way in the new environment characterized by more financial innovation.

Q *We have seen the Rwandan franc depreciating a lot in these last two years. What are the main causes and what is BNR doing to curb this depreciation?*

A For more than ten years, the FRW has been stable, with annual average depreciation below 5%, as a result of high foreign inflows and a comparatively moderate trade deficit.

In line with economic growth, the import bill has increased substantially since 2005 while export receipts have remained low, leading to the widening of the trade deficit. The continued poor performance of the global economy has contributed to a widening trade deficit as export earnings continued to reduce.

As a result, the FRW depreciated by 7.5% in 2015. High import bill and demand for dollars from different companies and government projects under the Public Private Partnership (PPP) framework which needs to mobilize hard currency from the domestic market continued to put pressure on the FRW exchange rate in 2016. By the end of the first week of August 2016, the FRW had depreciated by 6.6% compared to December 2015.

However, the increase in the export of services and other private foreign inflows has continued to finance the trade deficit. While the coverage of the imports of goods by exports of goods was 23.5% on average in the last five years, it was 42.9% when services are included and 48.6% when cross border trade is included.

To continue supporting commercial banks to meet the high demand for dollars and also smoothen the volatility of the exchange rate, BNR sustained its intervention on the FX market. BNR sales to banks increased by 40.8%, from USD 111.5 million in the first six months of 2015 to USD 157.0 million in the same period of 2016.

However, important to note is the fact that the current level of the FRW exchange rate reflects fundamentals in the economy and this is extremely important in economic management. A recent study by BNR staff shows that the current depreciation of the FRW has progressively contributed to make our economy, particularly the export sector more competitive.

Q *With the ongoing trends of regional integration, is there a conversation among Governors from the East African region to harmonize their policies?*

A The conversation among Governors does exist through the Monetary Affairs Committee (MAC). The protocol under the EAC umbrella was established in 2013 by heads of states with an overall commitment of promoting the EAC integration and establishing the monetary union by 2024. MAC has so far accomplished important achievement in terms of harmonization in different areas such as monetary policy framework; macroeconomic statistics; exchange rate operations; rules and practices regarding the bank supervision and financial reporting practices as well as the modernization and integra-

tion of the payment systems (for example the East Africa payment System).

Q *What are some of the projected trends in the coming days that are likely to affect exchange rates especially with the increasing popularity of the Chinese currency across the world? With the increased level of international trade, what are the likely impacts on exchange rates?*

A Given the growing significance of the trade relationship between China and Rwanda in particular, considering also that the RENMINBI is becoming one of the global reserves currency, BNR is exploring different ways of maximizing the benefits from this move.

Currently, Rwanda and China have a trade agreement under which, up to 95% of products originating from Rwanda and exported to China come with a duty-free treatment. Exports to China are mainly dominated by mining products followed by hides, skins, some coffee and pyrethrum.

Over the last four years, the contribution of imports from China to total imports is 15% on average per annum. The increasing use of the Chinese currency across the world can be a potential opportunity for Rwanda's external trade. In addition, with the RMB set to be included into the IMF's SDR basket from 1st October 2016, central banks and other official institutions are likely to include this currency into their reserves portfolios, or increase their current holdings.

The National Bank of Rwanda believes that the RMB has the potential to become a global reserve currency as its internationalization process continues. It is in this aspect that BNR has already invested a small portion of its reserves in the RMB as a way of diversifying its portfolios.



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The Governor

PUBLIC NOTICE ON FOREX TRANSACTIONS

1. The National Bank of Rwanda (BNR) would like to remind the public that the business of buying or selling of foreign currency is only done by those licensed by BNR to do so; these being Banks and Forex Bureaus.
2. In a bid to streamline the forex exchange market, the BNR reminds the public the following:
 - a) To always ensure that the forex bureau you are about to do business with, has a valid license granted by the National Bank of Rwanda and the forex rates are publically displayed on a notice board.
 - b) Whoever is going to buy or sell any foreign currency must present his/her identification card or valid passport;
 - c) Whoever buys or sells any foreign currency must request for a receipt clearly showing the transaction details.
3. It is strictly prohibited to buy or sell foreign currency from street vendors not authorized by BNR;
4. The National Bank of Rwanda further informs the public that pricing goods and services in foreign currencies is strictly prohibited and punishable by Law.
5. For more information or any clarification regarding this notice please contact the National Bank of Rwanda.

Done at Kigali, on 10th August 2015

John RWANGOMBWA
Governor





Banks are the front-line troops when it comes to implementing monetary policy and because of this connection, they are the most influenced by the actions of a country's monetary policy makers. To discuss Rwanda's monetary policy and how it has influenced the country's Banking sector, the Chairman of Rwanda Banker's Association, Mr. Maurice Toroitich shares his views with the Rwandan Banker.

Q *How would you rate the performance of the monetary policy in stabilizing the banking sector in recent years?*

A It is my assessment that overall, BNR's monetary policy has been quite effective in achieving and maintaining growth and stability of the banking sector.

Q *Of the three monetary policy instruments used by the Central Bank, (open market operations, FX Intervention and reserve requirements) which has been the most impactful in the Rwandan banking sector and how or why?*

A Firstly, it is important to note that all the three policy instruments may be used to achieve different Monetary Policy effects and so strictly speaking, an argument of which has been the most ef-

fective might not be a good way to look at them. However, given the specific structure and uniqueness of our economy, the Open Market Operations and FX intervention are more visible.

In order to manage market liquidity and to encourage private sector lending to support growth and expansion while maintaining inflation within acceptable limits, BNR has over the recent past maintained a moderate stance in this respect. On the other hand, given the wide current account deficit that we continue to suffer due to limited exports, BNR has been quite instrumental in using capital account reserves to support private sector demand for foreign exchange through its weekly interventions in the market thereby smoothening the depreciation of the local currency.

An important point to also note is that while BNR has been quite active in its FX market interventions, I do not believe these interventions have been geared to defend the value of the local currency and so realistically, the local currency has gradually depreciated to keep track of the open market thus allowing the market to gradually adjust itself and fend off the potential for spiral imported inflation. This is a feat that many other central banks fail to achieve.

Finally, since the money market has fully recovered from the liquidity challenges experienced nearly a decade ago, BNR has maintained stability in the level of bank reserves to support its moderate monetary policy stance.

Q *Given the performance of the Monetary policy implemented by the Central Bank in the last 5 years, are*



there any expectations or projections on how the policy will fare in maintaining the stability of the economy and promoting growth of the banking industry?

A I believe that the underlying objective of any monetary policy is to achieve stability, particularly of inflation.

In this respect, since BNR's target inflation in the medium term is about 5% and also that private sector is expected to grow and begin to drive a larger part of GDP growth over the remaining part of Vision 2020 objectives, then it is feasible to expect that BNR will continue to maintain a balanced monetary policy stance but retaining the flexibility to respond effectively to unforeseen market phenomena that may have an impact on inflation.

This will allow banks to continue making internal capacity investments and looking with confidence to a stable credit environment that supports expansion of credit to the private sector.

Q From a banker's point of view, with the fast evolution and changes in the banking industry and financial sector, what are some of the adjustments you would like made, to facilitate the sector's growth and development?

A Technology is already dictating how banking is being done and will be even more so in the very near future. Bill Gates once remarked that banking will always be needed, but may be not banks. In this sense, I don't expect that banks in Rwanda will be spared from this wave of change. Our regulatory and risk management systems both internally in the banks and also from a supervisory point of view needs to anticipate this change and adapt fast so as to ensure banks ride the wave of technology and reap benefits such as cost

reduction and greater velocity of money.

All these will support the development of a modern financial system that is capable of competing with the rest of the world.

Unfortunately, some of these changes sometimes look like a threat to stability and control but they are unstoppable and so it takes courage by all stakeholders to embrace the new way of doing things including customers who should be prepared to transition from cash to non-cash payment systems otherwise they will lose out on a large market that is not cash driven.

Q From a banker's point of view, what is the co-relation between the exchange rate policies and financial stability?

A Since the global economy is so intertwined and there is no one economy that is self-sufficient, then there is always a positive correlation between foreign exchange rate policies and financial stability. This situation is more pronounced in economies such as ours with a large current account deficit. Therefore how foreign exchange risk exposures in banks or by normal commercial entities is managed is critical to avoid the market turmoil that can arise in case of large exchange rate depreciations that are akin to our economies.

Q Banks being stakeholders in exchange rates, in what ways has the exchange rate policy had an impact in their line of business in recent years?

A It is important to note that banks only act as intermediaries in the foreign exchange market because the main role of banks is to bring together buyers and sellers of foreign exchange at a marginal profit.

In this sense, the role of banks is to ensure transparency and ethics in the trading process.

While the foreign exchange market in Rwanda is free, BNR has a responsibility to ensure fairness and stability in trading process especially in monitoring spreads that banks may apply between buying and selling rates. Nonetheless, the profitability of this line of business is hugely dependent on trading volumes as opposed to profit margins. Therefore to the extent that foreign exchange profits made by banks in the recent past seems to decline, I see this as a factor of the value of trades available than a margin squeeze.

Q With the ongoing increase in the levels of international trade coupled with the rise in popularity of the Chinese currency what are some of the likely changes and impacts in exchange rates?

A Firstly, it is good to clarify that Chinese currency or the USD is all foreign exchange. Therefore a mere popularity of the Chinese RMB versus the USD does not mean that suddenly our foreign exchange problems are resolved. However, to the extent that a large percentage of imports into Rwanda are from China, then it makes a lot of sense that Rwandan traders should be able to pay for their imports directly using the RMB as opposed to paying in USD with the attendant exchange costs.

Having said this, availability of the RMB to a Rwandan trader who imports goods from China requires that there has to be another Rwandan trader who has sold something to China and gotten paid in RMB and is willing to exchange the RMB with the Rwanda trader who wants to import goods from China. Long story cut short is that unless we are able to sell enough goods and services out into the world to obtain foreign exchange, either in USD or RMB or in any other foreign currency, the benefits of the rise of the RMB as a major trading currency may not benefit us soon.



THE REAL EXCHANGE RATE AND ECONOMIC GROWTH

Prof. Thomas Kigabo RUSUHUZWA & Christian MANISHIMWE



Most people are familiar with the nominal exchange rate, which is the price of one currency in terms of another. It is expressed as the number of units of the domestic currency that can purchase a unit of a given foreign currency; such as FRW 795 for US\$ 1. In our first article on exchange rate economics published in the Rwandan banker issue 26, we explained key concepts, determinants and economic implications of exchange rate.

This article extends the story and discusses the role of real exchange rate economic growth. The real exchange rate describes how much of a good or service in one country can be traded for one of that good or service in another country.

Because a country normally has more than one partner in trade, economists use the Real Effective Exchange Rate (REER) which is the weighted average of a country's currency relative to a basket of other currencies of its major trade partners adjusted for the effects of inflation.

The real exchange rate is very important as it can be used to measure the competitiveness of a country, to assess a country's trade capabilities and underlying factors of external trade, measure the equilib-

rium of a country's currency and allocate incentives between tradable and non-tradable sectors.

An economic sector is referred as tradable, when its products in terms of goods or services are traded or could be traded internationally.

Non-tradable sector consists of locally supplied goods and services such as retail business, construction, etc...

Traditionally, the real exchange rate has not been at the center of analyses of economic growth. The first generation of growth theories ignored this concept, focusing on the determinants of savings and investments. In this regard, looking at the fundamental determinants of growth, economists tended to

have a bias on education and training, savings and investment, and the institutional capacity to assimilate and generate organizational and technological knowledge.

It is not until the theory of export-led growth that the real exchange rate was considered as important for economic growth. It is the successful development of East Asia countries such as Japan, Hong Kong, Singapore, South Korea, Taiwan and China that drove attention on the real exchange rate as a development-relevant policy tool.

This theory essentially put a light on advantages of keeping the prices of exports high enough to make them attractive to shift resources into their production.

The real exchange rate is used as a tool to provide an incentive to shift resources into the export sector, boosting the sector and at the end expanding the national income. This process has an advantage of being used without being constrained by diminishing returns experienced by other sectors and cannot drive down prices due to the nature of external demand.

Exportable or tradable goods and services have an elastic demand than nontradables. In simple terms, this means





that exportable goods and services react more on changes in exchange rate than non-tradable goods and services.

How does it work?

It is very common to hear people claiming that their currency exchange rate is over valued or undervalued. The question here is the currency is overvalued or undervalued with respect to what? Implicitly this means that there is some “proper” value for exchange rate of that currency. Unfortunately that proper level, called also “equilibrium level” is never observable. There exists some references used to define a proxy of that equilibrium exchange rate such as the Purchasing Power Parity (PPP) theory or the need of balancing the current account of a country.

In this paper we don't talk about measurements of the proper exchange rate, we focus on what overvaluation or undervaluation means or implies when it happens.

Currency overvaluation refers to a situation in which the exchange rate of a currency exceeds what the open market is willing to pay. It implies that a country's currency is too high for the state of the economy. Thus, it makes a country's exports of goods and services more expensive and imports cheaper. Currency overvaluation may be detrimental to international trade as it tends to depress domestic demand and encourage spending on imports. Contrary, undervalued currency reduces spending on imports as they become expensive and increase demand for domestically produced goods and services.

Thus, it is an incentive for the economy to produce more which boosts economic growth. It also makes the export sector of the country more competitive, because exports become cheaper.

Caution: Real exchange rate cannot sustain economic growth itself, but an appropriate real exchange rate policy can be an important enabling or facilitating condition for a country seeking to capitalize on opportunities for growth.

Policies and Processes

The real exchange rate is not a policy variable per se but an outcome of other policies and processes affecting demand and supply. Policy makers should prioritize stable monetary and fiscal policies, intervening on the foreign exchange market as needed to prevent excessive volatility in the nominal and not attempt to influence its level. This is because the appropriate real exchange rate is only determined by economic fundamentals. Thus, the role of policy is to create an environment of stability.

It is very common to hear people claiming that their currency exchange rate is over valued or undervalued

The implication is that monetary policy cannot be used to sustain a particular real exchange rate, other than that dictated by the fundamentals, in the long run. In addition, there is a need to ensure that fiscal policy is not deviating the exchange rate from its competitive level.

For example, pressure of public spending can cause the real exchange rate to become overvalued by shifting resources into the production of non-tradable goods while relatively restrictive fiscal policy tends to maintain a competitive real exchange rate and encourage exported led growth.

Keeping real exchange rate at competitive levels and avoiding excessive volatility facilitates efforts to capitalize on the fundamental determinants of growth.

Development experience in countries which have achieved high economic growth, such as East Asia countries, evidence that maintaining a competitive real exchange rate can be critical for jump-starting growth; as it encourages the redeployment of resources into export sector and reaping immediate productivity gains. High levels of exchange rate volatility can be disruptive to exports and investment.

Conclusion

There is a consensus that overvaluation of exchange rate hurts development and this merits being reflected in macroeconomic policies. In addition, keeping real exchange rate at competitive levels and avoiding excessive volatility facilitates efforts to capital-

ize on the fundamental determinants of growth. However, competitive real exchange rate cannot sustain economic growth itself.

An appropriate real exchange rate policy can be an important enabling or facilitating condition for a country seeking to capitalize on opportunities for growth.

Since a competitive real exchange rate as well as limiting volatility facilitates to sustain economic growth, then the case for doing so will become less compelling once a country experiences successful economic growth and development. Indeed, the benefits of export led growth are macroeconomic: avoidance of an acceleration of growth being self-defeating.

Boost your **SAVINGS**, You too can do it!



By Bruno Mwenese

Economic decision makers in Rwanda and elsewhere especially in developing countries always call for increased savings necessary to raise capital for country-level investment but also at individual level. In this view, some policies/strategies related to financial deepening and literacy were adopted and efforts have been put in place to increase financial deepening - that is in terms of reach, accessibility and affordability - namely by the creation of microfinance institutions, the creation of Savings and Credits Cooperatives (SACCOs), the development of the government security market and the extension of the banking

sector network through the opening of new bank agencies and branches and the introduction of agent banking system. A roadmap and task-force for financial education were initiated and all these efforts provided noticeable results.

However, the saving rate in Rwanda is still low, domestically sourced capital is limited and most of the time available for short-term. The number of people with bank accounts has increased so far to around 2.32 million but most of them are current accounts.

In this article our focus is on why don't people save? What determines saving habits? What are the opportunities that are out there? We bear in mind that even the literate whose behavior is likely to have an impact and propagate to the rest do not save.

WHY DO PEOPLE HAVE TO SAVE?

Economists do agree on motives for saving although they may use different terminologies. According to the famous economist Keynes, people do save because they want to build up a reserve against unforeseen contingencies this is called the precautionary motive.

The second reason is called the life-cycle motive. This

means that some people do save because they want to secure their future needs using the current income. Others may save because they want to get interests and be able to improve their life in the future. Some people save because they do not want to depend on others.

Saving may also stem from the business instinct; saving allows some people with business acumen to carry out speculative or business projects. Good parents always save to be able to bequeath a fortune to their children. And lastly, one may want to accumulate deposits to buy houses, cars, and other durables this is called the "Goalmotive."

WHY IS THE SAVING CULTURE LOW?

When you hold a genuine conversation with people with a permanent or stable source of income such as public servants and staff of established companies, they confirm having bank current accounts.

This sounds like a legitimate reason not to save for them, although there are other types of accounts that will actually even pay them some interest but we will come back to this later. These people give reasons or excuses why they do not save.

In 2009, Kempson and Finey carried out a research on sav-

ing in lower-income households in UK and identified factors that are similar to what were found in other developing countries.

One reason why people claim not to save is affordability.

They say not to earn enough to save or that living expenses are too high for them to put aside some money. For others, their income fluctuate too often or do frequently have unforeseen expenses that hinder their ability to save. However, it is likely more of a money management problem than affordability.

The latter comes first among these reasons although it cannot fully explain why one does not save more as it is given by all categories of people even high earners.

Unforeseen expenses do not also justify why you should not save; it should rather be a strong reason to increase one savings. Indeed, if you know that you quite often meet impromptu events calling for money, the best option is to save more to be able to face them. The same should be the behavior of people with fluctuating income.

For others, there is always something else they want; buy new clothes, a car or upgrade their lifestyle. Some of these stuff may be important but not necessary. The habit of a non-saver is to prioritize spending over saving and enjoy the present and this may be related to how they see the future. Indeed, the problem is that some do not think about their future at a long horizon.

Some people will acknowledge economic illiteracy but others simply say that it is not worth it.

Most of the researchers and practitioners alike agree that saving is a habit and there are



Spending is easy and comes naturally but saving is a habit that you need to build, start now

different factors that foster its development in a person. Policy makers can address or tackle some of the factors that are macroeconomic or policy-oriented such as the development of the financial sector or financial education.

Other factors come from societal norms and values or demography and can be overcome from individual inner drive. Some of these factors pertain among others to family size, the bringing-up, deep sense of social assistance and gender.

CAN THE POOR ALSO SAVE?

Affirmative! There is a thinking that the poor cannot save because he/she struggles to have what to eat and cannot even get enough, so how can he/she forego some money for the sake of saving! But saving is not the exclusivity of the rich! Indeed, poor people face a lot of challenges because the formal banks and other financial institutions are rarely willing if not at all to cater for their financial needs.

Nevertheless, the recent history provides evidence on how the poor people do seek and find a variety of ways of better managing their money.

This broke out with the famous story of the Grameen Bank institutionalizing the micro lending to disadvantaged people (although it informally existed before in many parts of the world) and the subsequent movement of creation of more organized saving groups.

This enlightened the thinking on how poor people organize their lives and all they lack is a formal institution that can accept to work with whatever they can save.

In Rwanda, we have good examples of saving groups which show how the poor can save. One interesting case is the CIC Ltd (Circle Investment Cooperative).

It started as a small saving group of 15 students at the University Libre de Kigali in 2012 saving just a 100FRW per day to cater for some challenges in their daily lives.

They developed the saving culture and propagate it to other students and with a clear goal and commitment the saving group grew up into a recognized microfinance institution with around 150 million FRW



and a thousand members.

The students graduated, some got jobs in their CIC and can get loans.

SEIZE THE OPPORTUNITY!

In Rwanda there are different opportunities that can help each person in every wealth strata to increase her savings.

Commercial banks in Rwanda open free saving account and pay an interest on money in those accounts no matter how little. On one hand, for some people, they would argue why bother with such little earnings paid on a saving account!

However, for rich people or people who witnessed how one moves from being poor to getting rich, it is worth every penny! As one of my professor used to say, ten FRW will always be greater than zero.

However, on the other hand these products are not quite well advertised and some people confess to not being aware of their existence and for others, they do not really understand their advantages.

Embrace the technology! One of the ways that can help or prompt one to save is avoiding holding cash. With the advent of mobile money, there is a possibility of keeping your money on your telephone and save it with your bank without going anywhere. This technological facility also helps people save time they used to waste going to bank offices.

The facility can be and is also used by saving groups which represent another opportunity for poor to save and start working with formal financial institutions. Indeed, a saving group opens a saving account and members deposit their saving contributions through mobile money.

However, this product is not well spread across banks and



people and more efforts are yet to reap the maximum from it.

For quite some years now, the bonds market in Rwanda is growing offering other opportunities for people's investment portfolio management. Bonds are risk free assets and with the ongoing developments on the secondly market they are becoming more liquid; that is, it is becoming much easier to resell your bond; meaning you can easily convert them into cash.

Furthermore, a bond represents an investment opportunity for medium term but also for long term as it continues to provide a predictable stream of income. It is important here to demystify that bonds are for the rich. In all countries, bond are open to everyone and low income earners can participate. For instance, the share of retail investors in the last 15 year bond in Rwanda was 15%.

The participation of banks have declined from 90.9% in 2010 to 44.4% in June 2016 as that of other non-bank institutions shot up to 55.6% from 9.1% in the same period. Though it is a noteworthy progress, it is still at a low level.

The treasury bills offer another way of saving.

Treasury bills are short-term maturity promissory note (in

Rwanda they are for 91 days, 182 days and for 364 days) issue by a central bank for regulating money supply and raising funds for the fiscal purposes via open market operations.

A treasury bill is also another risk free asset, in Rwanda open to public and can allow to save even starting at a hundred thousand Rwandan Francs (100,000 FRW). A treasury bill is liquid as well. If you need your money before the maturity, you can always go for it anytime.

DIFFERENT STAKE HOLDERS' ROLES

The BNR - In its mandate of regulating and supervising financial institutions in Rwanda, the BNR ensures that people's savings are safe and well managed.

This is an important task to build the trust of the people in the financial institutions of the country; incidentally in some countries one of the causes of low savings within the financial system is that people do not have the confidence in the management of the financial institutions.

In Rwanda people continue showing trust in the effectiveness of the financial institu-

tions' management by opening new accounts of around 40 thousands in one year from June 2015 to June 2016.

In addition, the amount of money people choose to keep in the banking system also went up as the currency out of the banking system continue to reduce from 27.3% in 2008, 14.6% in 2010 to 9% of M3 in 2016.

The BNR is also a major stakeholder in the financial literacy program in the country. This is a program that is meant to improve the financial awareness and knowledge of the population allowing them to make informed financial decisions.

Apart from partaking in policy making of the program, BNR participates in educating the population as well, through different channels such as this magazine and carry out financial awareness campaigns, it also offers opportunities for saving through treasury bills and bonds.

The government

Economies that realized the tremendous step of moving from being a developing to new industrialized countries always witnessed a vital role of government in mobilizing domestic savings for investments but also for insulating the countries from external shocks.

Countries such as Singapore recorded remarkable economic investments not only inform of foreign direct investments but also from domestic saving. This was possible from the facilities put in place by the government in channeling voluntary private savings to government.

Rwanda has already embarked on a similar path. In addition to programs that are already on track such as the financial education program and allowing the private sector to buy government securities, the government of Rwanda launched in July 2016 a national investment trust (RNIT) which allow to invest starting from only 2000 Franc Rwandais, open to everyone and risk free.

Financial Institutions

Savings is the centerpiece of the financial institutions business. They have extended and are still extending their reach but there is still need to address the challenges of designing financial products that fit the needs and ability of the people and advertising and educating them about those products.

START SAVING NOW!

Do you need to have something and you feel it is hard to get it because you are poor? Set a goal of what you want to achieve. Prioritize only necessary spending and avoid the superfluous.

Gather your peers and form a saving group and put aside some money regularly. If you can afford working with a financial institution, open a saving account and commit to put in some money every month! Buy treasury bills and bonds or invest with the Rwanda National investment Trust.

Spending is easy and comes naturally but saving is a habit that you need to build, start now!





FINANCIAL INCLUSION IN RWANDA: A GOOD EXAMPLE OF INCLUSIVE POLICIES

Why is Financial inclusion so important?



By: Prof. Thomas Kigabo Rusuhuzwa & Wilson Kamali

Today financial inclusion is considered an important development priority in different countries because it can help poor households improve their lives and spur economic activity.

This is more important in developing countries where the majority of poor families are in the informal economies, relying on what is called informal finances (Saving and borrowing in informal ways such as family and friends, rotating savings schemes, the money lender, money under the mattress, etc).

These informal finances are insufficient compared to needs of the population and they are unreliable and can be very expensive compared to formal finances.

According to the World Bank, population living and working in the informal economy vary between 50 percent and 60 percent of total world population and in poorer countries, the proportion can reach 80% even 90% in some developing countries.

In addition, globally, about half of all working-age adults are excluded from formal financial services and for the lowest income quintile, 77 percent are excluded. Thus, the development of an inclusive financial system is very important to provide to these poor families a broad range of financial services.

However, while many countries have adopted financial inclusion as a development objective, recent numbers show that in many developing countries the level of access to finance remain

s very low. The objective of this paper is to analyze key drivers of the success experience about financial inclusion in Rwanda.

Financial inclusion in Rwanda, a success Story!

As in other countries, financial inclusion is one of the development objectives in Rwanda that is in line with the overall objective of transforming the country into a middle income country by implementing and sustaining inclusive development.

The Government set clear objectives: 80% of adult financially included by 2018 and 90% by 2020. According to the recent FinScope survey (2016), the 2017/2018 target has been surpassed as 89% of adults have access to financial services in 2016 almost achieving the 2020 target, from 72% in 2012 and only 48% in 2008.

Chart 1: Financial Inclusion: overall- according to Finscope survey (2016)

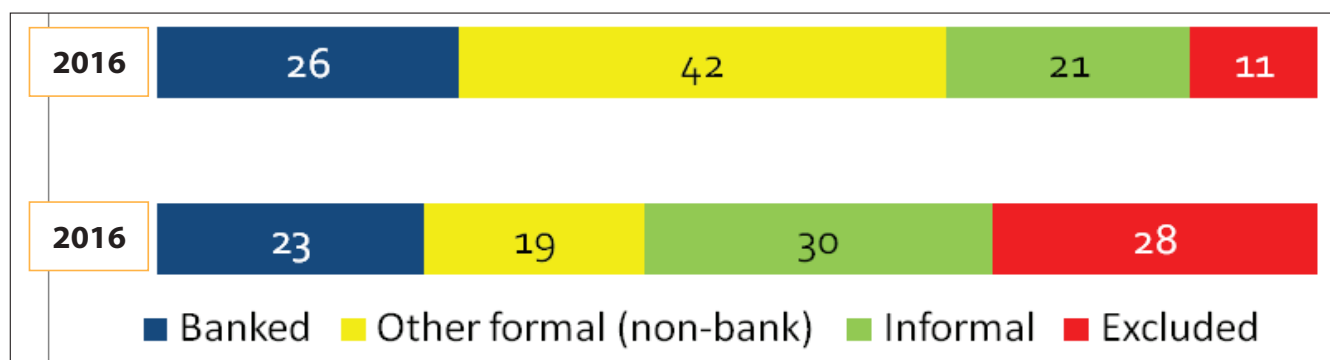
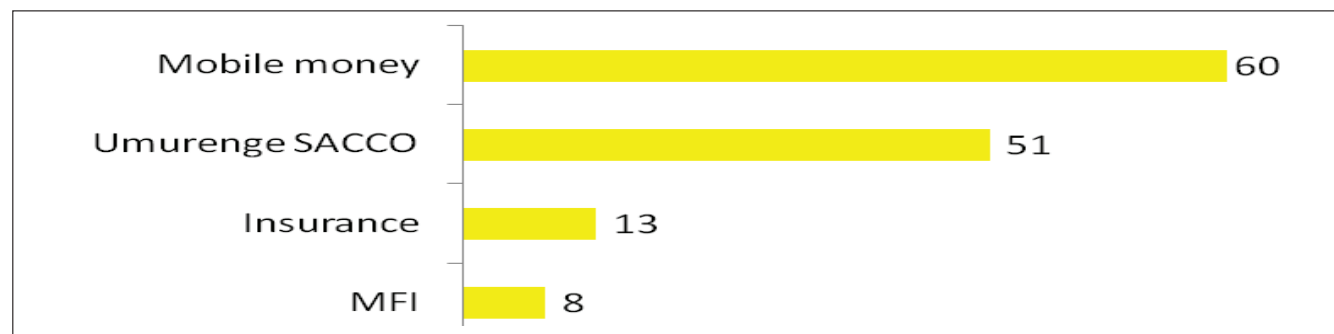


Chart 2



But, what drives this big achievement?

As indicated, this paper analyzes key drivers of the success experience about financial inclusion in Rwanda.

Our belief is that formulation and implementation of inclusive policies was key in the acceleration of financial inclusion in Rwanda.

To formulate and successfully implement inclusive policies is one of the characteristics of leadership for economic growth and development. Today there is consensus from academia and policy makers about the role of leadership in growth and development.

While resource availability will condition the growth paradigms in any economy, initial resource endowment (geographical position, natural resources, land area, people) of country is not necessarily reflective of its future development potential.

Since the 1990s, it became increasingly evident that factor accumulation alone was insufficient for sustained growth and that good policies and sound institutions play an equally, if not more, important role in building and sustaining the momentum for growth.

One of the characteristics of good leadership for economic growth and development is its capacity to formulate good economic

policies, adjust them to changing conditions and the creation of good institutions with some degree of predictability, structures that keep leaders focusing on the long term well-being of the population.

Formulation and adaption of economic policies is about how leaders are able to adjust strategies and choices to changing circumstances.

nance, both formal (21.1%) and informal (26.4%) and the distance to financial institutions was cited as one of the key barriers to financial access.

Based on the findings of the survey, the Government of Rwanda decided to put in place different strategies to accelerate the financial inclusion program. One of the key policies was to have at least one SACCO per sector (UMURENGE SACCO).

BRING FINANCIAL INSTITUTIONS CLOSER TO THE POPULATION



We use the case of financial inclusion in Rwanda to contribute to the existing literature on the role of policies and institutions in economic development.

In 2008, the first FINSCOPE survey which was conducted to serve as a baseline revealed that only around 48% of the Rwandan population had access to fi-

Note that, before the introduction of UMURENGE SACCO Program, 51.6% of sectors were without any financial institution. Indeed, enhancing financial inclusion requires the policies and market problems that lead to financial exclusion to be addressed.

Furthermore, in 2014, 142,000 people in 123 countries suggest

that policies aimed specifically at enhancing account penetration and payments can be effective, especially among the poor, women, youth and rural residents (Global financial development report, 2014).

The adoption of the Financial Sector Development Program (FSDP II) with a big component of “Action plan for financial inclusion” which details key actions to be undertaken by various stakeholders for implementing the financial inclusion agenda for Rwanda was also key.

TECHNOLOGICAL INNOVATION



In addition, good business environment as well as sound regulatory framework of the banking sector facilitated the entry of regional banks in Rwanda as well as the banking sector network extension. As a result, the level of financial inclusion in Rwanda increased by 24% to 72% in 2012 from 48% in 2008 (FINSCOPE, 2012).

To reduce transaction costs as another barrier of financial inclusion, digital financial services were introduced in Rwanda, such as mobile payments, mobile banking and internet

banking. This has contributed to expand financial services in the country between 2012 and 2016 as indicated in chart 2 above.

The use of digital financial services boosted access to formal non-bank financial services to 42% in 2015 from 19% in 2012. For example, in 2015, 74% of adults in Rwanda (2.8 millions) use mobile money.

ROOM FOR POLICY ADJUSTMENT

As mentioned, formulation and adaption of economic policies is important in achieving sustainable economic development. It is about how leaders adjust strategies and choices to changing circumstances.

FinScope (2016) revealed some challenges that going forward need to be turned into opportunities and further accelerate financial inclusion levels.

They include low levels of the use of existing facilities such as debit card and mobile money, though good progress was recorded. In addition, most Rwandans lack knowledge or infor-

mation on money management.

Shift to digital payments as a prerequisite to remove the “cash society based mind-set is important and will require consolidated efforts from different stakeholders aligned to a common goal of: consumer empowerment, change of financial behaviour and financial education and literacy.

In addition, as in other countries, women have limited access to financial services compared to men. There is a common understating that the improvement of women and youth financial inclusion would lead to significant economic transformation through entrepreneurship and job creation.

The improvement of women’s financial inclusion will result in an improvement of women’s absolute and relative wellbeing and will improve the developmental prospects of the children they bear (Singer D et al, 2013).

Research by the World Bank (2012) indicates that when one takes the perspective of telecommunications enterprises; there obviously exists a potential benefit in including more women in their customer base.

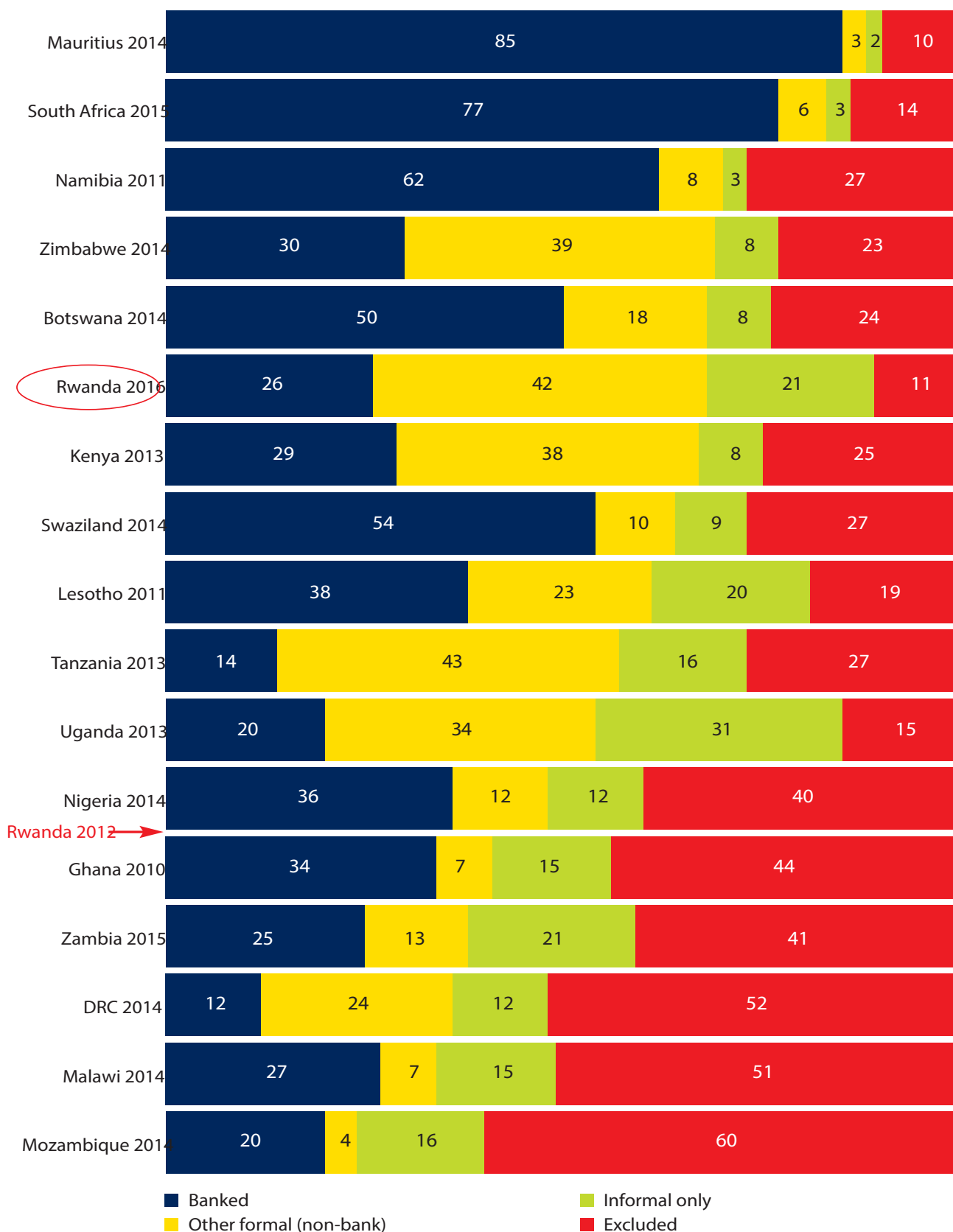
Women make up usually over half of a country’s population; the scale at which corporations can grow to if they successfully target women and provide services that best serve the women’s needs is reason enough.

It is then very important that strategies to shift to digital payment be more inclusive, particularly addressing challenges of women and youth in accessing financial services.

“

According to the World Bank, population living and working in the informal economy vary between 50 percent and 60 percent of total world population

COMPARISON OF THE RWANDAN ACCESS STRAND WITH THAT OF OTHER AFRICAN COUNTRIES WHERE FINSCOPE SURVEYS HAVE BEEN CONDUCTED – RANKED BY FORMALLY SERVED POPULATION



Source: Rwanda FINSCOPE report 2016



Influence of financial development on Economic growth

By : Pascal Munyankindi

I. INTRODUCTION

Economists confirm that financial markets are known to be vital for stimulating real economic activity. A well-developed financial market also efficiently mobilizes savings and channels them into investments, which are growth enhancing.

Entrepreneurs require credit to produce which implies that economic growth requires investments and for the realization of that investment, credit services are necessary. In addition, financial intermediation stimulates economic growth by improving resource allocation and

nance can provide rural households with the money to buy high-yield seeds, fertilizers, and farming equipment.

Just as importantly, access to finance confers substantial welfare gains for poorer households by allowing them, among other things, to smoothen their lifetime consumption and deal with negative shocks. Therefore, access to finance can contribute to promote economic growth as well as broaden social development.

Whether financial market development underlies Rwanda's robust economic performance remains a subject of debate. It may well be the case that, in

ing economic growth.

II. Link between Financial development and economic growth

A financial system consists of financial institutions (e.g., commercial banks) and financial markets (e.g., stock and bond markets). At a broader level, a robust and efficient financial system promotes growth by channeling resources to their most productive uses and fostering a more efficient allocation of resources.

A stronger and better financial system can also lift growth by boosting the aggregate savings rate and investment rate, speeding up the accumulation of physical capital. Financial development also promotes growth by strengthening competition and stimulating innovative activities that foster dynamic efficiency.

Financial development is a necessary but not a sufficient condition for stimulating economic growth.

investment opportunities.

Access to finance, whether through mainstream financial institutions or through micro-finance and other specialized institutions, can expand the opportunities for poorer households to engage in productive activities. For example, rural fi-

addition to financial development, there are other structural factors which are important for stimulating long-run economic growth, in which case it may be argued that financial development is a necessary but not a sufficient condition for stimulat-

Economic theory posits that overall function of a financial system is to reduce information and transactions costs impeding economic activity. The five core functions of a financial system are to (i) produce ex-ante information about possible invest-



ments and allocate capital; (ii) monitor investments and provide corporate governance after providing finance; (iii) facilitate the trading, diversification and management of risk; (iv) mobilize and pool savings; and (v) ease the exchange of goods and services.

The efficiency of a financial system refers to how well a financial system performs the five core functions and financial development refers to an improvement in the efficiency of a financial system.

The causality effect between financial development and economic growth has been a controversial issue for several years. Some economists and researchers have found a positive impact of financial development on economic growth.

In cross-country or geographical regions and income groups others have found a significant relationship for some geographical regions and none in others, es-

A supply leading hypothesis has received great support as it has been holding for most countries. Different studies were conducted based on McKinnon (1973) and Shaw (1973) model of financial development appropriate to LDCs, through which financial development positively affects economic growth. Known as a complementarity hypothesis, the model is based on the positive relationship between the real deposit rate of interest and investment; this is contrary to previous thought where this link was negative. The model stresses the negative effects of financial repression on economic growth which characterize developing economies. In fact, they conclude that financial repression through interest rate ceilings, directed credit, exchange rate controls, control on the finance sources of banking institutions and other forms of financial repression are only a recipe for the negative real deposit rate of in-

terest.

This reduces the supply of loanable funds and forces banking institutions to apply credit rationing in front of excess demand for loanable funds.

The outcome is the allocation of funds not based on the productivity of investments but on other factors like transaction costs and apparent default risks.

As a result, there is a tendency to allocate credit to non-productive investments which decrease

investment productivity and efficiency, thus slowing down economic growth.

iii. Does financial development promote growth? Evidence from rwanda

Empirical evidence on the link between financial development and economic growth covers a variety of studies using time series analyses, cross-country growth regressions and panel studies. Economists , establish that financial development is important in GDP growth because it affects investments and the overall cost structure of operations in a country.

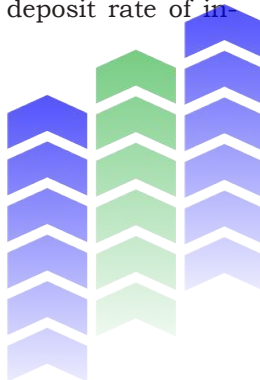
Others observes that financial development is an engine of economic growth, providing better business opportunities for customers and firms.

Another pool of economists show that a higher level of financial development is positively correlated to economic development. Their findings suggest that the legal environment facing banks can have a significant impact on economic growth through its effect on bank behavior.

Douglas (2003) investigated evidence of the finance growth nexus in a sample of emerging SSA countries using co-integration and a vector error-correction model and found that financial development and economic growth were linked in the long-run in seven of the eight countries and the causality test revealed unidirectional causality from finance to growth in Ghana, Nigeria, Senegal, South Africa, Togo and Zambia.

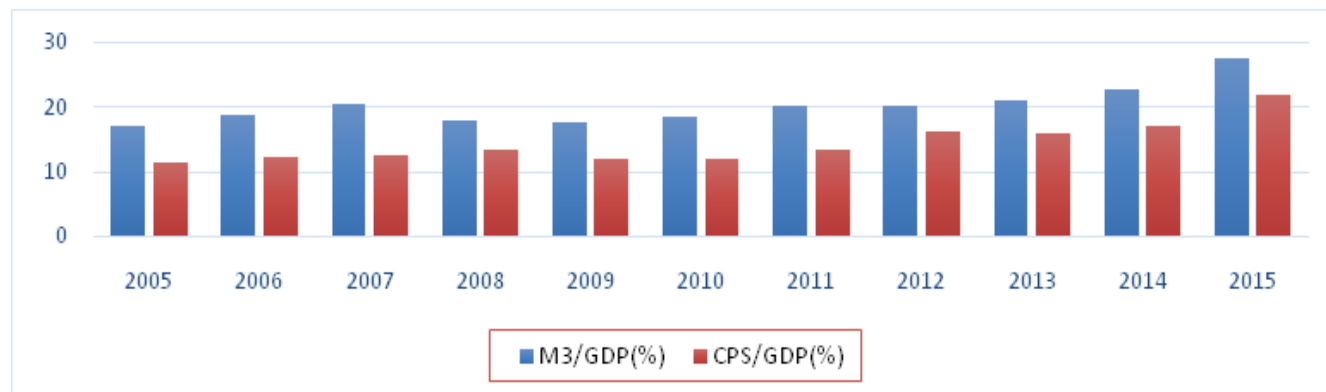
For Ivory Coast and Kenya, the causality ran from growth to finance, confirming the demand leading hypothesis in these two

ECONOMIC GROWTH



pecially for developing countries. Even though the link/relationship between financial development and economic growth is accepted, the direction of causality is still under debate. In this section we review theoretical and empirical literature that underlies this relationship. There are two key hypotheses that explain the theoretical link between financial development and economic growth—supply and demand leading hypotheses.

Figure 1: Some key indicators of Financial sector development in Rwanda (%) 10



Source: Monetary Policy and Research Department Source:

countries .

For the case of Rwanda, since 2000 different reforms have been implemented in the financial system with the objective of encouraging competition, increasing domestic resource mobilization, enhancing operational efficiency and ensuring the stability of the financial system.

These reforms have generated positive results in many important respects, including in particular, a rapid expansion of the banking system (financial deepening) and an even faster expansion of bank lending to the private sector.

The ratio of broad money (M3) to GDP rose from 17.1% in 2004–2005 to 25% in 2013–2015. Over the same period, the ratio of private sector credit to GDP increased from 3.5 to 16%.

Notwithstanding this remarkable expansion, the financial system remains relatively un-

derdeveloped, not just in terms of its small size in relation to GDP but also in terms of its lack of diversity.

Analyzing the links between a number of relevant financial indicators and economic growth in Rwanda over the period 2006Q1–2014Q4, we have employed a triangulation of the Vector Error Correction Model (VECM) and Granger non-causality approaches and impulse response functions to investigate the dynamic inter-relationship between various measures of financial sector development and economic growth and for addressing questions of the direction of causality between financial sector development and growth in the country.

Empirical results suggest that broad money (M3)—an intermediate target that Rwandan monetary authorities use in influencing the level of economic activities in the economy has a positive and significant long-run correlation with GDP and

that causality runs both ways. This confirms the existence of a nexus between financial sector development and economic growth in Rwanda and the role of BNR in the economic development of the country in the period under review.

These results are confirmed by an impulse response. This analysis shows a big lag in monetary transmission mechanism, calling for a more forward-looking monetary policy framework.

IV. CONCLUSION

Financial development has a positive and significant effect on growth in Rwanda. It is suggested that financial development in Rwanda will be a key ingredient for the country's medium and long run growth.

The obvious corollary is that policy efforts seeking to further strengthen and improve Rwanda's financial system will yield dividends for growth going forward.

RWANDA'S BANKING

SECTOR AT A GLANCE



Rswitch expanding The financial Services ecosystem



While there is growth in electronic transactions and increased percentage of broad money M3 with 27.2% increase in 2015 from 16.5 in 2011, the National Bank of Rwanda (BNR) continues to push for a cashless and harmonious financial services ecosystem.

As the national electronic payment switch of Rwanda, driver of the SmartCash brand and financial solutions company, RSwitch has taken long strides in trying to deliver a wholesome financial services platform to aid these efforts in addition to giving Rwanda's financial services provider's value-added and professional services.

In order to expand its services beyond just a national switch and align itself to the expanding

local and regional market needs of a more holistic financial services provider, the company's Vision and Mission now stand as follows;

Vision

Connecting ALL East Africans with ALL their e-money.

Mission

Expand the financial services ecosystem by delivering interoperable solutions using the best capabilities and most reliable technology.

To expound on the above, the RSwitch Chief Executive Officer, Mr. Daniel Barrientos explains RSwitch's new financial journey. Below in the excerpts;

1) During last year's Transform Africa, RSwitch launched a new product eHuriro. What is eHuriro?

eHuriro is a product is an interoperable financial platform

developed by RSwitch to facilitate integration between all financial institutions, including banks, mobile money operators, micro finance institutions and SACCOs (Savings and Credit Cooperatives), to enable individuals access their e-money using their cards, mobile phones, Automated Teller Machines (ATMs) or online applications.

In lay man's words, it is a meeting point for all financial economies, where it doesn't matter where customers keep their money, they can always transfer, pay and collect electronic money with anyone else. We believe it is an important component for financial inclusion.

2) How will eHuriro benefit Rwanda's financial industry?

With the growing number of Banks, Micro Finance Institutions and Telcos, eHuriro presents a number of benefits but one of the key benefits is an all-inclusive platform including all players in the financial ecosystem. By being integrated on to the platform, financial institutions will be reducing time and costs for bilateral or multiple integrations, increasing speed to a wider market and cost effectiveness as well as better experience for the end users.

3) RSwitch is also the driver of local debit card scheme SmartCash. How is it fairing?

SmartCash is RSwitch's local debit card scheme offered to banks in Rwanda. The scheme started in 2011 as one of the elements to push for cashless payments which are currently growing with more debit and credit card schemes entering the market. Currently SmartCash is issued by a number of local banks such as Banque Populaire Du Rwanda (BPR), I&M Bank, Urwego Opportunity Bank, Zigama, CogeBanque,

Development Bank of Rwanda (BRD) and GT Bank.

Following industry growth figures, the numbers of Smart-Cash card holders have steadily grown as well.

4) What are some of the projects RSwitch is undertaking to promote e-payments?

Over the last year, we have had a number of projects aimed at this. The bigger project was on cashless payments using SmartCash. We were able to finalize a project on enabling SmartCash cards to transact on all Point of Sale (POS) terminals across the country. This means that all SmartCash cardholders can use their card on any Equity, ECO Bank, BK and KCB Point of Sale POS terminals at any merchant location. As released by the national bank, POS merchants have increased from 38,440 in 2011 to 373,029 in 2015.

Additionally recent statistics from the National Bank also show that, a lot of progress was achieved in card based payment the last year with a percentage increase in number of debit cards by 67.2% in 2012 to 7333.7% in 2015.

We recently finalized this with BanquePopulaire Du Rwanda (BPR) and are seeing an uptake in the use of SmartCash cards for payments.

Also recently, we were awarded for the second year running the International Security Standard Certification--- Payment Card Industry Data Security Standards (PCI DSS) compliance certification; the latest version of certification in East Africa.

Additionally, we were able to get two world class schemes on board for local transaction processing. In May, we got approval to have China Union Pay



International card processing done locally. We are also in the pilot phase of becoming VISA processor, so RSwitch is able to locally process VISA transactions. --- This will particularly be great for our local banks as transactions will be cheaper and quicker while having the back end support team locally based.

We are also working to strengthen our partnerships with all financial institutions in the market through a few projects that we will be able to speak about in the near future.

5) With a number on debit schemes making entry into the market, what does this mean for RSwitch?

We at RSwitch look at this as an opportunity for synergy and partnerships. As a switch we work closely with the different debitcard schemes for transaction processing.

And what more debit card schemes in the market means is that the industry is competitive and vibrant.

6) With the growing number of electronic transactions in the country, is RSwitch's infrastructure ready to handle this?

Over the past year we have heavily invested in our technol-

ogy, infrastructure and upgraded all our system processes to ensure that our clients get the best services 24/7.

In addition, our eHuriro platform can handle integration capacity of all banks in Rwanda and we have also invested in our staff to offer the best services. --- We have an around the clock team to service our clients in turnaround times.

7) What are your thoughts on the growth of Rwanda's electronic payments?

E- Payments in Rwanda continues to grow. We are seeing how customers are transacting with mobile money, mobile banking, cards and POS and the uptake is steadily growing. This is generally good for the financial industry as we take more payments electronically. It makes the whole cost of doing business cheaper.

We at RSwitch pledge to continue supporting BNR and the entire financial ecosystem in achieving the targets for financial inclusion and a cash-less economy in Rwanda.

This article is a republication of The Service Mag – MAY 2016.



Redressing cyber vulnerabilities starts with the C-Suite

–Where do you stand?

Doreen Makumi

Digitalization has continued transforming and disrupting the world of business, exposing organizations to both opportunities and threats. A KPMG report on cybercrimes highlights more than 2 billion internet users and over 5 billion mobile phone connections worldwide with 294 billion emails and 5 billion phone message exchanges every day. This high internet and mobile usage has led to growth in extending financial services to people.

There has been tremendous innovation, improved, performance and efficiency of services such as online banking, mobile payments & banking. A case in point is Rwanda's internet usage and adoption that has incredibly increased with more using internet in different aspects, including financial services, business transactions, and data management.

For instance between December 2012 and December 2015, the number of mobile money accounts increased by 432% from 1,440,541 to 7,663,199, the number of mobile money transactions increased by



659.8% from 22,191,674 to 168,612,455 and the number of agents increased by 1211.7% from 3,085 to 40,467 in the period under review.

Whereas technological evolutions have addressed some of the operational risks inherent to financial activities, especially in curbing operating errors in manual and human based processes and facilitating delivery of services to the masses, they have rendered cyber-activities a source of economic growth and progress in the financial sector, triggering the emergence of new risks such as cybercrimes and fraud.

The financial sector has increasingly experienced cyber-crime instances in the past few years given the shift from rudimentary processes to online banking, shopping and mobile transactions, coupled with the increasing willingness of consumers to disclose personal information over the internet out of ignorance by the users.

Today's financial sector particularly, does not look at technology as an enabler rather it is a business driver and this has put banks and other financial institutions on the frontline of the cyber war,

with constant attacks from hackers, internet fraudsters, organised criminal gangs to mention but a few.

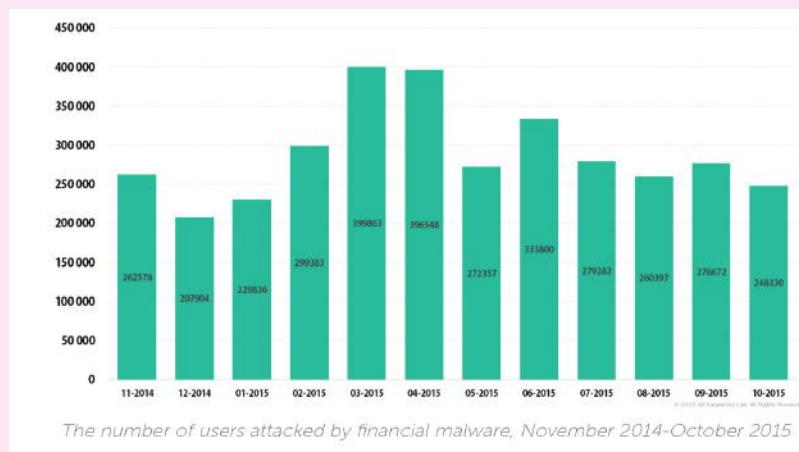
ARE THE FORTUNE 500 COMPANIES THE ONLY TARGETS?

Looking at the above statistics, one might ignorantly think that his/her small business is not a target.

According to a KPMG report on cybercrimes, vulnerability to cyber threats and digital disruptions are high, with close to 50,000 victimised every hour, 820 every minute and 14 every second.

The PwC Global Economic Crime survey 2016 states that in 2015, large businesses targeted for attack once were most likely to be targeted again at least three times throughout the year with spear-phishing campaigns targeting employees increasing to 55% in 2015. Still in 2015, in its 2016 Internet Security Report, Symantec discovered more than 430 million new unique pieces of malware, up by 36 percent from the year before.

The same report recorded the number of zero-day vulnerabilities doubling to 54, a 124% increase in 2015 from the year before.



Meaning that on average, a new zero-day vulnerability was found every week in 2015.

In addition, over half a billion personal records were stolen or lost in 2015. The report fur-

ther shows an average of 3.6 successful attacks for large businesses that experienced a cyber-attack and a steady increase in attacks in the last five years, targeting business with less than 250 employees - with 43% of all attacks targeted at small business. This means that today, no kind of business or better said, no sector is prone to cybercrimes. Big or small, you still can be a target



A lack of cyber-readiness basics can leave the cyber security door ajar for intruders
– David Burg, PwC



What can you do?

- Educate employees at all levels (from C-suite to junior management) about cyber threats – cybercrime is not just the domain of the IT/network security function. There are different types of cybercrime, from hacktivism to data theft, which affect different functions of the bank in varying ways.
- Understand the potential culprits and their motivations to engage in a cyber attack on the organisation.
- Ensure that key fundamental safeguards for effective cyber security are in place – including ongoing monitoring, up-to-date personal or sensitive data inventory, a back-up policy and business continuity plans.
- Continue to engage with regulators to understand what other peer organisations are doing to counter cybercrime and adopt 'best in class' practices.
- Separate out the gross and net financial loss due to cybercrime for the PS organisation and report to executive management as meaningful indicators of activity and recovery levels.

Financial sector – how safe is it?

Financial institutions more than anything know that cybercrimes are real and can have severe implications to their business if not properly managed; the reason why cyber and data security remain a priority issue for banks since criminals are constantly searching for creative new ways to obtain money from banks and customers through fraud and cybersecurity vulnerabilities.

Vulnerabilities however, have increased as consumers and businesses rely more on electronic devices such as computers, tablets, and smart-

phones to bank and make different transactions online. According to a 2014 global statistics study by infosec pioneers, 45% of financial services globally, suffered from cyber-crimes, of which 40% were targeting only financial services compared to the remaining industries.

In February 2015, Kaspersky lab announced the greatest cyber robbery that hacked almost 100 financial institutions and stole \$1billion in just two months.

In its Kaspersky Security Bulletin 2015 there were 1,966,324 registered notifications about attempted malware infections that aimed to steal money via online access

ness, account for 53%. During the first quarter of 2015, fraud recorded a loss of 174 million.

Fighting cybercrimes The right way?

These numbers and many more show that cybercrime is real and we are fighting a common threat. Government and regulators are playing an important role on how financial institutions especially banks guard against cyber risks. Rwanda has established legal and institutional frameworks such as; the new penal code that elaborates more on different crimes including financial frauds, money laundering, financial terrorism etc.

risk based supervision for banks and other financial institutions, while emphasizing information security and data management. Awareness across all financial sectors and Police Units are conducted in this regard.

However, despite all the efforts being put in place, challenges still and will always prevail given the nature of cyberspace where it is difficult to determine political borders and culprits. In addition, as technology evolves, so does the cybercriminal community and its technology.

That said, it is important that the sector is in position to take the responsibility of appreciating the fact that Cybersecurity is not an "Information Technology" issue.

On the same note; - It is not a risk that can be addressed by simply having a strong IT team or IT infrastructure in place. It is not a risk that just affects a company's technology; it affects the business itself, in every aspect, reputation, processes, and much more, hence the need to address this issue as a regular topic and a priority on the agenda for the board and senior management of each and every financial institution.

According to PwC Global Economic Crime Survey 2016, the responsibility for cyber vulnerability starts at the top yet the survey shows that top management and the board are not proactive regarding cyber threats and generally do not understand their organisation's footprint well enough to properly assess the risks.

Board members rarely request information about their organisation's state of the cyber-readiness yet like Jacob



to bank accounts, 2.8% higher than in 2014 which was at 1,910,520. Looking at the region, more than \$245 million cyber loss was reported in regional financial sectors in 2014, whereas more than \$300 billion cyber loss was reported worldwide in the same year.

Rwanda on the other hand recorded a loss of at least Rwf 257 million in 2014 specifically in banks, due to fraud; of which internal security breaches and control weak-

ness, account for 53%. During the first quarter of 2015, fraud recorded a loss of 174 million.

On the other hand, the Central bank of Rwanda has a Directorate that oversees all financial institutions.

There is also a Financial Investigation Unit in charge of investigating and dissemination of crimes of money laundering/cyber threats which is hosted in the National Bank of Rwanda premises.

The Government through the BNR has further enhanced



Lew of the US Secretary of the Treasury states, any business leader should be in position to know how strong the organisation's defences are, should know if there are response plans in place in case a significant security breach occurs, and should be getting regular reports on cyber security threats and what the company is doing to respond to those threats.

PwC recommends that boards incorporate cybercrime into their routine risk assessments, communicate the plan, down and across organisational lines, and discuss specifically with the IT department at what point they want to be alerted of a breach.

In a nutshell, there is need to know that now more than ever, emerging channels such as mobile and online banking are opening new doors for cybercriminals rendering the financial sector a high target. Important to note also is that no organisation is too small to escape the attention of attackers.

Sometimes the organisation might not be the ultimate target but once compromised, it can be used as a staging point to increase the success of an attack against a subsequent target.

Therefore as much as the C-Suite takes the lead, the users of internet must be aware of these cybercrime issues and know what to do in case of an

attack or breach. Cybersecurity is not just about having the right technology, rather it is more of having good digital hygiene on everyone's part.

According to Kaspersky, digital hygiene starts with education and awareness on cybersecurity issues which is later transferred to being digitally healthy.

By being aware of just how many risks you face, you can reduce them, and learn how to recognize symptoms, and diagnose "digital diseases" before they put your data, and your customers' data at risk.

We should reject the misconception that privacy no longer exists. Privacy is precious, and should be protected carefully – Kaspersky.

SOME TYPES OF CYBER ATTACKS

PHISHING

Phishing attacks are designed to steal a person's login and password. For instance, the phisher can access the victims' bank accounts or assume control of their social network.

VIRUSES AND WORMS

Viruses and worms are computer programs that affect the storage devices of a computer or network, which then replicate information without the knowledge of the user.

MALWARE

Malware is a software that takes control of any individual's computer to spread a bug to other people's devices or social networking profiles. Such software can also be used to create a 'botnet'— a network of computers controlled remotely by hackers, known as 'herders,' — to spread spam or viruses.

FISCAL FRAUD

By targeting official online payment channels, cyber attackers can hamper processes such as tax collection or make fraudulent claims for benefits

TROJAN

A Trojan is a program that appears legitimate. However, once run, it moves on to locate password information or makes the system more vulnerable to future entry. Or a Trojan may simply destroy programs or data on the hard disk

SCAREWARE

Using fear tactics, some cyber criminals compel users to download certain software. While such software is usually presented as antivirus software, after some time these programs start attacking the user's system. The user then has to pay the criminals to remove such viruses

SPAM EMAILS

Spam emails are unsolicited emails or junk newsgroup postings. Spam emails are sent without the consent of the receiver — potentially creating a wide range of problems if they are not filtered appropriately.

STATE CYBER ATTACKS

Experts believe that some government agencies may also be using cyber-attacks as a new means of warfare. One such attack occurred in 2010, when a computer virus called Stuxnet was used to carry out an invisible attack on Iran's secret nuclear program. The virus was aimed at disabling Iran's uranium enrichment centrifuges.

Source :

Cybercrimes- A Financial Sector View; KPMG



Behind a Successful leader lies a dedicated Assistant....

By: Josiane Ingabire

Today business world is characterized by growing pressures to meet highly sophisticated customers' demands, employees' unions requesting for better working conditions and pressure from stakeholders demanding higher accountability though giving the company restrained financial resources.

Executives are thus feeling the most burden from all the above demands, while at the same time having to deal with some other personal matters. Luckily, more than often, these Executives are assisted by Administrative Assistants, Executive or Personal Assistants.

Over the years, their role evolved from being a mere Secretary to providing a nearly "invisible" support

to the Executive in such a way that he or she is able to more effectively perform his or her job, hence creating maximum productivity. The 21st-century PA is often the interface between the company and client; the Executive and the board, the Executive and the senior manager or other company employees. It is a complex role and highly demanding position.

Executives receive a plethora of trainings throughout their career, but few of these are focused on how to work with their assistants. This article will thus focus on the role of the Assistant in this fast paced business environment, and provide tips and advises on how to build a cooperative and strategic relationship between the Executive and the assistant.

It is important to get the Executive-Assistant relation-

ship right because a bad relationship could cause anxiety, unhappiness, and stress-related problems.

Some Assistants see their position as a "Stepping stone". They take on the role as a means of climbing the corporate ladder and "getting in good" with the top Executive.

The "Climbers" are typically very career driven, enthusiastic and outspoken individuals. They do not typically consider the position as a long-term career choice because they will assume it only as a first step in the course of their professional growth.

On the other hand, there are some Assistants who plan to take up this position till the day they retire; we call them the "Lifers". For them, being an assistant is a means to itself, as they consider it as a rewarding experience.



Lifers don't want to change career or company, and are not career-oriented individuals. The third and last assistant type, is called the "Partner".

Partners see the job as a long term collaboration with the Executive they assist and consider their accomplishment as a mutual thing. Partner will often give his/her opinion when appropriate and is motivated by the job being done. It is thus very important for the executive to be aware of these personal traits and motives of his/her assistant, which will help set the expectations level of the Executive vis-à-vis his/her assistant.



The Driver wants facts and always go straight to the point. They are very decisive, impatient and demanding. They love power, control and authority.

the communication experience for both the Executive and Assistant.

The role of the Assistant has its own set of unique challenges and reward. Understanding these will help to further value this position.

Assistant position may often be viewed as intimidating and tense. Indeed, Assistants are in direct contact with the Executive on a daily basis, meaning that though the Assistant is privy to inside views from the Executive, he or she may at time also bear the wrath of the Executive frustration and disappointment. The Assistant may also feel segregation from co-workers and frustration inherent to the position.

On many occasion, the Assistant will have to play the role of messenger by delivering sometime negative feedback from the Executive.

Co-workers should understand that history always

“It is important to get the Executive–Assistant relationship right because a bad relationship could cause anxiety, unhappiness, and stress-related problems.”

The most useful advice to Executives and Assistants is to communicate constantly with each other so that they understand what each expects of the other and understand each other's boundaries and 'rules'. Communication, understanding and empathy, trust are the only way to build a mutually beneficial and successful relationship.

Indeed relationship building is a two- way process. It is thus also important for the Assistant to identify his/her Executive style, which can be put into four different categories: Analytical, Amiable, Driver and Expressive.

The Analyticals need data, data and more data; and is very details oriented. The more information you provide them, the better.

The Expressive is a risk taker; only sees the big picture and is not interested in details. The Amiables are warm, friendly, dedicated and cooperative.

They are good listeners, team oriented and very sensitive. They want results associated with low risks and avoid making decisions. It is therefore key to identify the Executive style and deliver information to them in their own style to maximize

taught us that we shouldn't shoot the messenger! Likewise, colleagues may be tempted to come to the assistant asking to deliver an unpleasant information to the Executive.

Challenges always come along with unique benefits and opportunities. Being an Assistant gives the opportunity to perform a wide range of unique and interesting tasks on a daily basis.

Assistants are also in direct contact with a wide range of High ranking personalities and Top world leaders, hence enlarging his/her professional network. Working with an Executive for a long period of time also provide the Assistant with the ability of becoming a "Mind reader" able to predict and preempt the needs of the Executive.

But how can one graduate from a being Secretary to actually becoming an Assistant? Here are some tips and advises to follow if one wants to create a long-term career success.

- Learn about your company business and industry



	URGENT	NOT URGENT
IMPORTANT	DO IT NOW	PLAN IT
NOT IMPORTANT	DELEGARE	DROP IT

- Clearly define his/her position in the organization
- Create standards procedures
- Know how to prioritize
- Learn to take initiatives and be proactive
- Be flexible
- Create an emotional shield
- Anticipate the needs of the Executive
- Pay attention to details
- Learn to Touch Type (type without looking at your fingers)
- Learn to communicate clearly
- Focus on self-development and learning of new skills and technologies
- Constantly seek for feedback from your Executive
- Be smart, organized and professional
- If you wish to read more on this subject, you may want to read the following literature:

- The Definitive Personal and Secretarial handbook (by Sue France)
- Building a Partnership with your Boss: A take charge Assistant book (By Jerry Wisinski)
- The Organizer: Secrets and Systems of the World's Top Executive Assistants (By Anna Carin Jean)

Greatest Quotes:

"A good assistant is your public face and representative, so their style and the way they project their image needs to mirror yours in terms of customer service, values and work ethics."
Carol Ritchie, finance director

"An Executive Assistant is only as effective as the executive he or she assists"
Chrissy Scivicque

"Success comes from hard work and dedication."
Chrissy Scivicque

REWARDING EXCELLENCE



The Governor awards
Emmanuel Ngirinshuti
the Best Employee
of the year
2015/2016



The Governor awards
Wilberforce Nuwagira
1st runner up Best
Employee of the
Year 2015/2016



The Governor awards
Beatrice Numukobwa
2nd runner up
Best Employee of
the Year 2015/2016



The Governor awards
Simon Pierre Ndayisenga
Customer Care Champion
of the year
2015/2016





By: Simon Pierre Ndayisenga

THE STATE OF CUSTOMER CARE AT BNR

A customer is the most important visitor on our premises; he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us an opportunity to do so". ~

Mahatma Gandhi

At the National Bank of Rwanda, customer care is very crucial and delivering excellent customer service is the center stage of the Bank's corporate values. With the customer care culture being deeply rooted at the Central Bank, it has tremendously turned it into being a customer-centric organization.

Janet LeBlanc said that Culture is a key force contributing to a company's success. It is also one of the most difficult attributes to shape, change and evolve. She went on saying that a customer-centric culture can be easily seen, felt and heard by employees, cus-

tomers and observers alike. There is a general concept according to her, the "feeling of purpose" around the customer experience and a strong will to understand customer requirements and how they can be implemented.

It is very necessary and vital for every organization whether a Public or Private organization to have a customer service charter on whose basis service is delivered to a client's satisfaction.

DOES IT MAKE SENSE TO HAVE A STRONG CUSTOMER CARE IN A PUBLIC ORGANIZATION



Understanding customer needs and meeting or exceeding their expectations is the touchstone for all successful service providers.



This should be a key strategic priority in the delivery of public services considering the variations of economic times ahead. One should note beyond reasonable doubt that being customer-centric is not about giving customers the best product or service at whatever cost; it is about the effective and efficient delivery of a service that is most valuable to them, and this is very important for both private and public organizations.

A glimpse of Customer Care Culture at the Central Bank

It is not even in one decade that the mindset of employees of National Bank of Rwanda about Customer services begun to shift.

Until 2009s customer care concept was like unknown or obscure subject even though the service was rendered to clients in different domain as far as the mandate of BNR is concerned.



With the restructuring of the National Bank in 2009, new strategic ideas of customer care started to crop up. A new department titled “Corporate Services” with a unit of Public Relations and Communication with a mandate of handling and managing customer care came into existence.

The ideas of customer service and customer care started to spread across the bank but at tortoise step because it was like a grain trying to penetrate to the rigid ground where it requires much water for smooth operations.

Being new, it was welcomed with stiff resistance because some of the employees thought that the National Bank does not require to prioritize or emphasize on Customer Care vis-à-vis service delivery since it's not a commercial bank that needs to attract customers.

The paradigm shift occurred when the Management of the National Bank put emphasis on customer care and excellent quality service delivery as a way of promoting in reference to the National policy that was developed to improve on customer care standards in Rwanda.

On an impressive note, a Customer Care Division was established in 2012 and awareness campaigns carried out across the country and in all the Central Bank's branches.

Later in 2014, the services of customer care were merged with Public Relations and this merger did not only increase the customer care services delivered but also the efficiency, expertise and ownership of the Employees at the Bank.

Since then, the customer care will expand at the National

Bank through the systems and channels put in place to let the Bank's stakeholders and clients provide feedback about the services provided to them.

Different mechanisms have been installed in the National Bank purposely to capture and register complaints from both internal and external clients. These mechanisms include; Satisfaction Surveys; Suggestion Boxes; and Customer Management Systems. To create and facilitate a good environment for the Bank's customers at any of its premises, the queue management system was designed and put in place and this has significantly reduced on the complaints related to poor client management on queues.

Besides the mechanisms put in place, the customer care culture is now championed and promoted through in-house trainings targeting all categories of both employees and management of the National Bank.

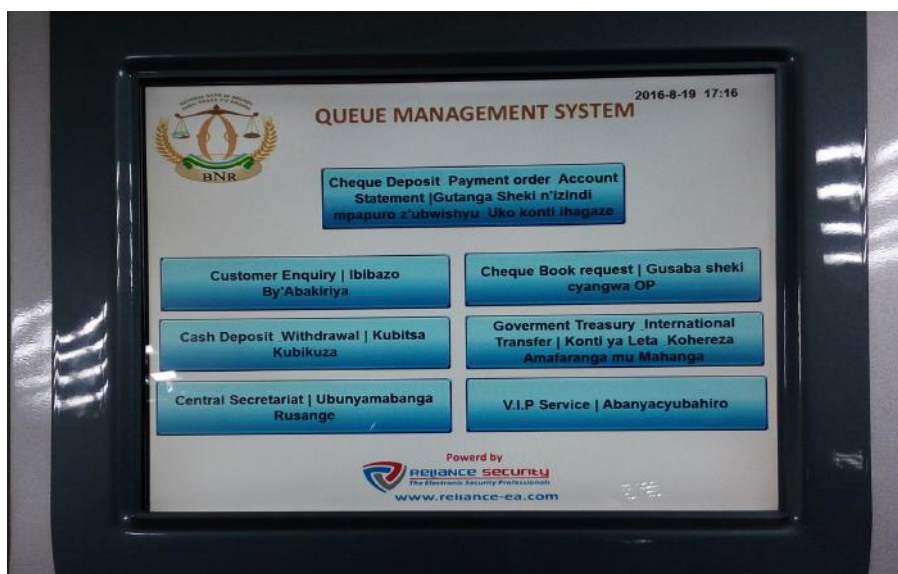
Last but not least, a culture of motivating employees who have shown exemplary behavior



The Governor awards a Customer Care Champion at BNR

and character in putting service above self is now embedded in the National Bank's systems. This is evident with an award dubbed “Customer Care Champion” that was launched.

All in all, customer care at the National Bank of Rwanda has already fixed the necessary root to lead and deliver an outstanding and World class service to its clientele and stakeholders.

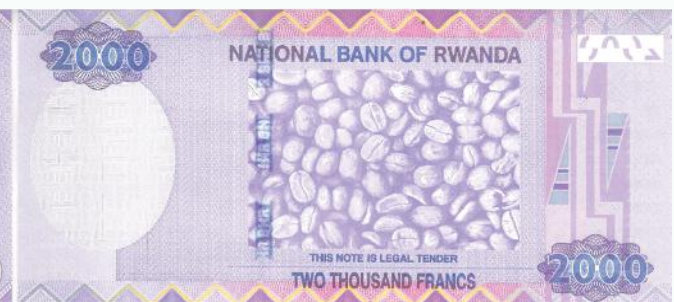
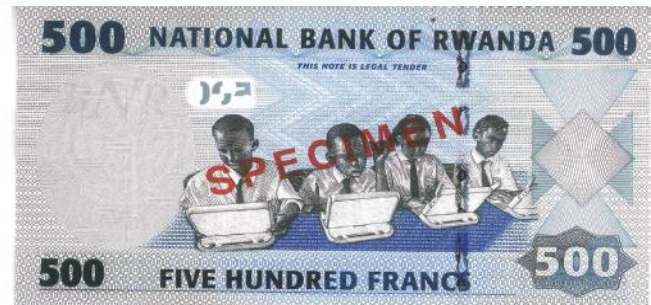
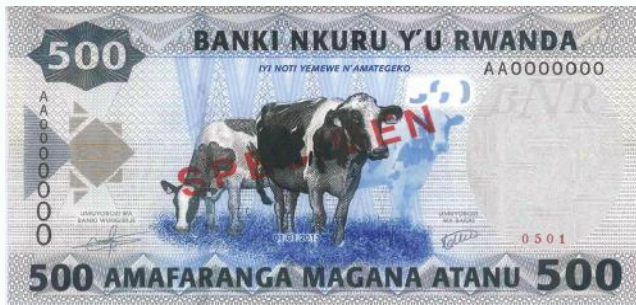


Queue Management system at BNR

**THE BNR BOARD, MANAGEMENT, STAFF, FRIENDS OF BNR AND FAMILIES OF
THE VICTIMS OF THE 1994 GENOCIDE AGAINST TUTSI
DURING THE 22nd COMMEMORATION**



BNR BANK NOTES & COINS WITH LEGAL TENDER





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