

GOVERNOR'S TALKING POINTS – RBA Gala Dinner

December 2017

Kigali Serena Hotel

Right Honorable Prime Minister and Guest of Honor,

Hon. Minister of Finance and Economic planning

Other government officials present

Chairman of the Rwanda Bankers Association,

Invited guests,

Ladies and Gentlemen,

Let me begin by thanking the Rwanda Bankers Association for organizing this annual gala dinner. This important annual event is an opportunity for our industry to come together and celebrate the achievements of the year, while we also ponder on how we can continue to develop the sector and support economic growth in general. Let me take this opportunity to welcome our special guest and guest of honor, the Rt Hon. PM, thank you sir for honoring us with your presence. I also welcome the other guests that have joined us this evening, I invite you all to feel at home and enjoy the hospitality of the bankers. Let me also welcome the new member of the family, the Commercial Bank of Africa that joined us this year. Tonight we all belong to the same family, no competitors and no regulators and regulated.

Our guest of honor, distinguished guests

The banking sector is an important force that supports economic growth and development of any country. I do not need to stress the role it plays, because the 2007/8 financial crisis, one of the worst crises the global economy has ever faced, reminds us that when the banking sector sneezes, the wider economy catches a cold.

I am happy to report that our banking sector has been performing well and I can confidently assure you on behalf of these bankers here that we will continue to do our best and ensure that we maintain strong performance and progress in this sector. I am sure that Rwandans do not want to catch a cold; we therefore need to ensure that the sector does not sneeze.

Reflecting on the strong performance and positive contribution to the economy by the banking sector so far, outstanding credit to the private sector increased by 6.6% in 2017Q3 Year on Year. The increase in credit given to the private sector helps to finance investments, provide employment opportunities and support output growth. We also saw the financial sector balance sheet growth improve in the third quarter of this year. Growth of banking sector assets rebounded to 17% year on year after slowing down at 13% in June. The banking sector remained well capitalized and liquid as at end September 2017. The capital adequacy ratio for banks was 22.2% against 15% prudential requirements.

The National Bank of Rwanda also continued to play its part. In September, the MPC decided to maintain an accommodative monetary policy stance by leaving the Key Policy Rate unchanged at 6%. This continued to stimulate activities in the financial sector in form of increased demand for loans; deposits also increased.

Despite all the achievements, the banking sector also faced some challenges, of which we are collectively, working together to resolve. One challenge that comes to mind is the increase in Non-Performing Loans, where the NPLs ratio for banks slightly increased from 8.2% in June 2017 to 8.3% in September 2017. This is a challenge that we at BNR are working to resolve, together with the wider sector.

Going forward, we expect a positive economic momentum to continue and the banking sector to maintain its strong performance.

Indeed, as indicated by the Ministry of Finance and Economic Planning, we expect economic growth to be 5.2% in 2017, increasing to 6.5% in 2018 and to 7.5% in 2019. The banking sector is expected to contribute and at the same time benefit from this positive trend in the economic performance.

Our guest of honor, distinguished guests

Although I have enjoyed the reception at today's dinner, what caught my eye the most is the theme: **Digital Finance for All: Powering inclusive growth.** RBA mwakoze kugendana nibigezweho.

The world is going through a digital revolution, and since Rwanda is part of the global community, we ought not to sit and wait for this wave to hit, but instead we need to take action and embrace all the good that come with such a revolution. I am glad that RBA is thinking ahead with such a timely theme.

At the National Bank of Rwanda, we understand the immense economic benefits that come with embracing digital finance. It is why, recently, in partnership with PSF, we launched a one-month e-payments campaign in-line with Rwanda's vision of becoming a cashless economy.

During this campaign, our objective is to create awareness, brainstorm on how we can adopt more efficient payment methods and enjoy the benefits of a cashless economy. The awareness campaign is aimed at reaching out to 26 different associations, to educate merchants and customers on why the move from using cash to embracing digital payments is not only beneficial to the economy but also transformative for their businesses and their daily life. So far, 21 associations have been successfully covered.

So, why is digital finance important? Why are we focusing on creating a cashless economy? Today's theme says it all; **we need to power efficient and inclusive growth.**

Digital finance has the ability to provide access to financial services to those in remote areas that the traditional banking system of brick and mortar would not have reached. Mobile financial services is a very good example, not just here in Rwanda but in other countries too.

In Rwanda, the 2008 Finscope survey showed that only 21% of Rwandans were formally financially included and in 2016 this had moved to 72%. This increase was mostly attributable to an uptake of digital financial services.

For example, there were only 700mn Frw transacted thru mobile money in 2011 and by 2017, these transactions had grown to Rwf1.2 trillion, which points to increased economic activity as well as growth in financial inclusion.

In Kenya, M-Pesa has been a game changer. It was first developed in 2007 as a bank product in partnership between Safaricom and the Commercial Bank of Africa and since evolved into a platform where a broad range of financial services, such as savings accounts and private credit are offered. Thanks to M-Pesa, Kenya has achieved remarkable progress in financial inclusion. As of 2016, 75% of Kenya's adult population had access to formal financial services up from 26.7% in 2006 (a year before M-Pesa was launched). These examples are testimony that embracing digital finance and a cashless vision is important to power inclusive growth.

A cashless vision also promises great benefits for economic growth. The less cash is transacted, the more people are pulled into the formal, taxpaying economy and the more transparent services become. A paperless system cuts delays while increasing documentation and transparency of transactions which as a result, helps to increase tax receipts and as such strategic public investments are also increased.

As bankers, we have an important role to play in powering inclusive growth through digital finance. Much of the feedback that we have received from merchants during our cashless campaign have centered on the cost to merchants as well as network availability. I would therefore appeal to banks, to review their pricing models to ensure that they are appropriately incentivizing non-cash payment options and discouraging the use of cash.

A downward review of prices would be a welcome move to grow the number of merchants choosing e-payments. In addition, Banks should closely monitor and ensure service uptime as a means of ensuring reliability thereby driving uptake of e-payment solutions.

Our guest of honor, distinguished guests

Before I conclude, allow me to re-iterate that as Rwanda positions herself as a financial services hub, it is imperative that we grow the number and quality of professionals in the sector. I urge each and every one of us to support our staff in acquiring relevant professional training to enhance skills, grow the pool of financial sector specialists and improve our services. You all recall that last year in this RBA Gala dinner a group of 10 Bankers graduated from the Uganda Institute of Banking and Financial Services and became Certified Professional Bankers; we need to raise this number. Professionalism and competence in the banking sector is key. But remember that professionalism is much more than just the acquisition of technical qualifications, bankers should always uphold the purpose of the institution and demonstrate integrity, honesty and competency regardless of their job or position, with their customers' interests at heart. It all starts with us, the leaders in our respective institutions; we are tasked to create a culture where everyone has ownership and responsibility for acting professionally and doing the right thing at any given time.

With no intention of spoiling your evening, allow me to remind you that, 2018 will be a year of key changes in the banking regulatory environment.

The implementation of Basel II/III requirements will come into force, establishing new capital and liquidity requirements. In addition, banks will be required to implement general provisions and IFRS 9 will also come into force in 2018. All these new measures are expected to have a significant impact on banks' provisioning levels. I hope all banks are well prepared to avoid any shocks.

As I conclude, I urge you to reflect on the theme of today's event. I assure you that National Bank of Rwanda will also continue to work with Financial Institutions and MNOs to establish a payment infrastructure ecosystem that is inter-operable, accessible everywhere, affordable and enables swift, simple, and secure electronic payments for everyone. Let us keep the cashless movement going, let's keep educating our clients, and create incentives for them to join this movement.

I would like to reaffirm BNR's commitment to support the development of the financial sector and the economy at large.

I wish you and your loved ones a joyous festive season and a prosperous year ahead.