



RWANDA BANKERS' ASSOCIATION

"Together for a better banking environment"

Concept Note for the Inaugural Rwanda Bankers' Association Annual Research Conference Scheduled for May 09th, 2024

Theme: The Financial Technology, Innovation and Sustainability Interplay in Rwanda – Emerging Opportunities and Risks.



THEME

*The Financial
Technology, Innovation
and Sustainability
Interplay in Rwanda–
Emerging Opportunities
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1. Background

The Rwanda Bankers Association (RBA) Research Centre was established in 2023 as a platform for positioning the financial sector as a key driver of the economy's development aspirations. The setting up of the Research Centre is underpinned by the need to anchor market developments on evidence based insights.

The Centre offers array of research papers and commentaries, and promotes dialogues on critical policy issues by way of convening conferences and workshops. The pursuit of depth and clarity in our research is a testament of our commitment to the endeavour of transforming the Rwandan banking sector through being at the knowledge frontier that grounds data driven insights and forward-thinking solutions.

The RBA Research Centre will be hosting its inaugural Annual Research Conference in May 2024. The Annual Research Conference will be the flagship event intended to showcase new research insights as well as provide an opportunity for dialogue on the current policy thinking on the chosen theme. The theme for the inaugural Research Conference is: ***The Financial Technology, Innovation and Sustainability Interplay in Rwanda– Emerging Opportunities and Risks.***

2. Motivation of the Theme

The core of the Financial Sector Development Strategic Plan 2018 – 2024 of the Ministry of Finance and Economic Planning (MINECOFIN) is the recognition of the basic idea that Rwanda's financial system seeks to promote efficient allocation of finance to the real economy upon which investment and capacity utilisation is undertaken.

If for any reason the market tightens or is skewed towards one economic segment at the expense of others, then the extent of its growth catalysing role is impaired. Over the one and half decade, the economy's financial sector has been characterised by major developments, notably the following:

- One, subsequent to the 2007-08 global financial crisis the regulatory environment upon which banks operate has justifiably tightened in a manner that has a bearing on the allocation of finance. Driven by the mandate of ensuring market stability, the National Bank of Rwanda (NBR) has guided the market risk management to progressively transform from being a support function of banks to being the core function.
- Two, technology has embedded itself in the financial intermediation process. Consequently, perceptions of market competition have evolved beyond the narrow sense of what happens amongst players in a similar space – in this case banks - to incorporate entities offering similar financial services but in a different, if at all, regulatory environment. In this respect, financial technology players have emerged both as enablers of allocation of finance by conventional market players as well as being financial service providers themselves.
- Three, the operating environment in the financial sector is very dynamic such that the pursuit of profitability by financiers and stability by regular has to comport with the essence of suitability issues being critical. Taking in board the fact that addressing environmental risks is compelling, the adjustment of the financial sector in Rwanda, more so the banking sub-sector that do dominates it, is key. This underscores the need for adaptive business models fortified with Environmental, social and Governance (ESG) principles. A spotlight on how businesses are embracing sustainability practices to fortify their resilience against emerging risks, and how finance responds to such risks is considered important.

A deeper understanding on how the three broad issues is key in shaping financial markets' practice. Inferences on how the market response to the interplay between technology, innovation and sustainability is at the centre of positioning the financial sector as a key driver of the economy's development aspirations.

3. Research Questions

The following broad sets of research questions are motivated.

- One, is financial technology, especially mobile technology, as enabled by prudentially regulated institutions substitutable with financial services by non-regulated agencies, including financial technology companies? Do efficiency gains and opportunity to new products translate to opportunities for profitability than the promise of more inclusive finance or there are no trade-offs?
- Two, is there a behavioural switch in terms of expectations of consumers of financial services in the context of cost and access on the back of new market competition dynamics and risks as financial technology is mainstreamed?
- Three, beyond aspiration, are there opportunities for commercial lenders in key sectors such as housing, agriculture and industry that are not being fully realised? What are the opportunities and constraints to the full realisation of the potential, cognisant that these key sectors are adjusting to the demands of addressing to environmental/ climate related risks?

Addressing the three broad clusters of research questions will proffer insights on the following:

- Contemporary issues that influence credit flows or lack thereof to key sectors of the economy such as agriculture, housing and manufacturing.
- Financial technology as an enabler or a disrupter in the credit market and what that means to access and cost of credit to vulnerable but critical segments of the economy such as low-income households and micro small and medium enterprises.
- Perceptions and behaviour of credit seekers to the various credit providers and how they are revealed in the nature of credit they access, its cost and other terms, and the credit record.
- Regulation and how it influences credit at the aggregate levels as well as sector and/or business segment level.

To the extent possible, the papers for the conference would take into account green economy (green growth) considerations as a key component of the analytical framework.

At the same time, the recognition of the attribute of Rwanda's financial sector being open and, in the process, attracting regional and international players is key in enriching the insights on the theme. So will the acknowledgment that the aspiration of Rwanda as an international financial centre is attuned to the intention of positioning finance as a key pillar for the economy's development. Through such positioning, Rwanda could have made strides in having the financial sector generally, and the banking industry especially, thrive while supporting the inclusive finance agenda as championed by Access to Finance Rwanda.

4. Output

The expected output from the papers motivated above will be showcased during the inaugural Research Conference in May 2024. During the Conference **five (5) papers** will be presented, one of which being ***the anchor paper will be presented by an eminent scholar/ thought leader on the subject.***

The other papers will be by researchers who will meet the criteria of the “***call for papers***” on the subject. The “***Call for Papers***” will be issued in **December 2023**. We intend to review and publish all the papers in the RBA Working Paper Series. The conference papers will of necessity have to strike a balance between technical rigour on the one hand and policy and business relevance on the other.

Besides the research papers, the Conference will also feature a panel of eminent market leaders, policy makers and thought leaders who will engage on issues relating to the conference theme.

The Research Conference will showcase the partnership between RBA Research Centre and Access to Finance Rwanda.

Acknowledgement

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