



**MAASTRICHT SCHOOL OF MANAGEMENT  
(MSM)**

**THE ROLE OF THE DISCOUNT HOUSE IN THE  
DEVELOPMENT OF A MONEY MARKET:  
THE CASE OF RWANDA**

**BY**

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## DECLARATION

I, **Aurore Mimosa Munyangaju**, hereby declare that this thesis entitled "*The role of the Discount House in the Development of a Money Market: The case of Rwanda*" is my original work and it has not been presented for the award of a degree in any other higher institution of learning.

Signature: .....



Date: .....

17/04/2013

## **DEDICATION**

This thesis is dedicated to my beloved husband who has been a great source of motivation and inspiration. My life is much colorful because of you.

Also this thesis is dedicated to my parents who have supported me in all my accomplishments with their unconditional love.

This thesis is dedicated to my lovely kids who have been tolerant because of my absence during my studies

Also, this thesis is dedicated to my sister (Signorita) and brothers (Mikado, Elongi and Kidd). I thank God for having you in my life.

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## **ABSTRACT**

A discount house is a financial institution with the aim of trading of financial instrument on the secondary market. It assists in creation of other money market instruments other than T-bills, like CP, NCD, etc. Discount houses motivate the secondary market of financial instruments that enables borrowers to raise liquidity. The general objective of this study was the analysis of the role of the discount house in the development of a money market in Rwanda. One discount house was the case of study (CDH Rwanda). The researcher used both the primary and the secondary data and open ended questionnaires and guided interviews were used to collect relevant data. Secondary data was collected from published records during the search for relevant literature on the study variables. The main source of the literature was drawn from textbooks, news papers, journals, reports, magazines and internet sources. The collected data were presented, analyzed and interpreted to derive meaningful results. The findings showed that the discount house played a big role in making the money market well developed as shown by statistics and especially making the interbank market very vibrant. In order to maintain the market vibrant, it was recommended that the discount house undertakes a strategic appraisal of their current role in the money market. This institution should be empowered and promoted in Rwanda in order to maintain a sustainable financial market. The regulator should understand the business model because discount houses thrive where they have support of the central bank and it is an important tool in the stabilization of the financial market and a source of information on the financial markets

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## LIST OF ABBREVIATIONS

|               |                                     |
|---------------|-------------------------------------|
| <b>BA</b>     | : Bankers Acceptances               |
| <b>BARD</b>   | : British and Rhodesian Company     |
| <b>BNR</b>    | : Banque Nationale du Rwanda        |
| <b>CBN</b>    | : Central Bank of Nigeria           |
| <b>CDHR</b>   | : Continental Discount House Rwanda |
| <b>CP</b>     | : Commercial Paper                  |
| <b>CSS</b>    | : Credit and Saving Society         |
| <b>DCZ</b>    | : Discount Company of Zimbabwe      |
| <b>IT</b>     | : Information Technology            |
| <b>LRR</b>    | : Liquidity Reserve Requirement     |
| <b>NBR</b>    | : National Bank of Rwanda           |
| <b>NCD</b>    | : Negotiable Certificate of Deposit |
| <b>NFC</b>    | : National Finance Corporation      |
| <b>OTC</b>    | : Over The Counter                  |
| <b>RDB</b>    | : Rwanda Development Board          |
| <b>REPO</b>   | : Repurchase Agreement              |
| <b>RSSB</b>   | : Rwanda Social and Security Board  |
| <b>RTGS</b>   | : Real Time Gross Settlement        |
| <b>SMEs</b>   | : Small and Medium Enterprises      |
| <b>T-Bill</b> | : Treasury Bill                     |
| <b>T-Bond</b> | : Treasury Bond                     |
| <b>UAL</b>    | : Union Acceptances Limited         |

# CHAPTER 1: GENERAL INTRODUCTION

## *1.1 Background*

Discount houses are unique financial intermediaries (specialist banking institutions) because their success over time brings about their demise and possible transmutation into mainstream merchant/ investment banks. This takes place when they have fulfilled their main developmental function.

It has been established that discount houses play very important roles in stimulating investments in the economy and in boosting the general operations of the money market. They do not only serve as a catalyst in the market, but also large scale investors in the money market as well.

According to Ezirim (2005), discount houses were established to become financial intermediaries between the Central Bank of Nigeria, licensed banks, and other financial institutions. Discount Houses mobilize funds for investments in securities by discounting or rediscounting the government short term securities.

Discount houses emerged in the United Kingdom from the bill brokers in the nineteenth century. The bill brokers were in the business of brokerage of bills of exchange (i.e. the trade bill from which the bank acceptance later evolved), which was the primary instrument utilized in merchandise trade at that time. Bills of exchange are short term instruments that traded easily in London because of this attribute and because they were drawn by merchants of good standing.

It developed over time that bill brokers became the main source of this instrument. However, these bill brokers were not always in a position to supply investors with bills as demand arose. This led to the brokers borrowing funds on a short-term basis from the banks in order to finance a portfolio of bills. These bills were pledged with the banks as collateral for the funds borrowed. The banks were happy to provide loans to the brokers because the drawers of the bills were of good standing. This enabled the brokers (now called discount houses) to supply bills when

demand arose and to make a market (then called jobbing or dealing) in these instruments, ie to quote firm buying and selling prices on them.

The Treasury Bill first saw the light in England in March 1877 (Pierre Faure, 2005). The discount houses were at that time well placed to hold any job in this instrument. Treasury bills made their appearance in South Africa in the Colony of the Cape of Good Hope in the financial year July 1881/June 1882 and in the US in 1929.

It can be said that the money market in South Africa remained undeveloped until the establishment of the National Finance Corporation (NFC) in 1949. Prior to this date there were limited opportunities for short term investment and the banks held their surplus reserves in the London money market, which was more developed at that time.

The NFC was an immediate success and in due course encouraged the private sector to take the plunge in developing private money market services. In 1955 Union Acceptances Limited (UAL), the first Merchant Bank was established to develop the accepting and discounting (of bills of exchange) and other money market securities business.

In 1957 the first discount house, the Discount House of South Africa Limited, was formed to take over the discounting business of UAL. It was modeled on the London discount houses. The second discount house, the National Discount House of South Africa Limited, was formed in 1961 and the third, Interbank Discount House Limited, in 1972. The fourth discount house, Securities Discount House Limited, was formed in 1985.

According to Central Bank of Nigeria (2004:1), “a discount house means any person in Nigeria who transacts a discount house business which in the main consists of trading in and holding treasury bills, commercial bills and other securities and whose operations are in the opinion of the CBN those of a discount house”.

In Zimbabwe the first discount house, Discount Company of Zimbabwe (DCZ), was established in March 1959, and the second, British and Rhodesian Discount Company (BARD), was formed

in September of that year. These were the only two discount houses in Zimbabwe until a number of new ones were established in the 1990s.

Other African countries have established discount houses, and this took place in the 1990s and in 2000. The countries outside South African and Zimbabwe that have discount houses are Malawi, Ghana, Nigeria, Zambia, and Rwanda.

With specific reference to east Africa discount house operations are not yet established all over the region but Rwanda has recently initiated the launch of operations of discount houses from its capital city Kigali. It has done this initiative under the regulation and supervision of the central bank but after some time of operation the business could not perform to expectations and thus it was temporally suspended by the owners under voluntary liquidation with the aim to review the regulatory framework.

### ***1.2. The Rwandan context***

Rwanda has an emerging money market that needs to be nurtured, guided and guarded closely, in order to grow into an efficient, diverse and liquid market. There are 10 commercial banks in Rwanda, one development bank and one discount house making it a total of 12 core players in the nation's financial market. A number of microfinance organizations are also active players in the market, but Rwanda Social Security Board (RSSB) the national pension fund and Zigama CSS, a financial cooperative for Rwanda defense force also play a significant role in the money market.

Commercial banks exploit the market by enjoying wide margins between their assets and liabilities at the expense of the investing public and corporations. In Rwanda, large corporations demand interests above the prevailing Treasury bill rates for their funds, but small and medium enterprises and individuals are not getting such privilege.

The Interbank market was not vibrant, although it provided banks with an avenue that enabled them to adjust their liquidity as conveniently as possible, and on a daily basis. Rwanda needs to activate and deepen the secondary market trading of financial instruments like Treasury bills and

bonds. The deepening of the secondary market calls for more players that are well informed about dynamics of trading financial instruments on the secondary market. The source of these market players lies with small and medium enterprises and the general public.

### ***1.3 Statement of the problem***

The discount house in Rwanda was licensed by the Central Bank with an aim of promoting efficient liquidity management in the banking sector and in the money market. The discount house was developed with an aim to contribute to a vibrant money market and develop the secondary market trading.

The Rwandan money market is dominated by government securities like treasury bills which affect trade in long term securities from the discount house. That means that discount houses largely invest in short term bills which heavily affect the growth of the money market in the long run. Thus much emphasis should be pointed on the incentives and strategies to development and support of discount house operational growth in the long run.

However, the promotion of private sector bills has suffered the unfavorable operational environment through the Central Bank regulation. Such regulations have constrained the rapid development of the discount house in the country and currently the business is temporarily closed down. With this situation, it would be very important to establish how the promotion and growth of the interbank operations could be more of private sector for the delivery of the stronger money market.

From the historical experience, it was found out that the creation and sustainability of the discount house would largely depend on the influences of the central bank regulation. Meaning that if the regulator is not considerate, the operation environment becomes very difficult to comply and vice versa.

The main problem of this study is to find out how the introduction of the discount house in Rwanda has impacted the development of the money market within the financial sector and improved economic activities in the country in general.

#### ***1.4 Research objectives***

The main objective of this study is to find out “the impact of the discount house operations on the interbank lending on Rwanda’s money market”.

The specific objective of this thesis will be:

- To measure the volume of transactions effected by Continental Discount House Rwanda in the Rwandan money market.
- To measure the results of CDH Rwanda in the development of the secondary money market instruments in Rwanda.
- To assess the role of CDHR in developing the interbank lending systems and procedures
- To establish the challenges and opportunities of the Discount House operations in Rwanda

#### ***1.6 Research questions***

The following are the main questions to which this research will find responses:

- ✓ How has CDH developed a vibrant secondary money market for financial securities in Rwanda?
- ✓ To what extent does the money market in securities influence the financial system in Rwanda?
- ✓ What are the constraints to the delivery of the CDH in Rwanda?

### ***1.7 Significance of the study***

This research will be of great importance in the following ways:

- The researcher's conclusion of this study will help to establish what role, if any, the discount houses plays in the development of a vibrant money market in Rwanda.
- Financial institutions and non financial institutions: commercial banks will benefit from this research as they will get a way to improve on their services and products they already provide in this market, also attracting new clients or customers to improve their portfolio.
- Central Bank: it will provide the central bank of Rwanda with an additional vehicle for monitoring and implementing its monetary policy. Discount house operations will serve as a mirror with which the central bank gauges the liquidity position in the market.
- Government of Rwanda: it will help the government as it plans to develop a savings culture especially through social security, collective investment scheme such as Units Trusts and Mutual funds.
- Other researchers: these findings will help other researchers who want to make a study on the discount house and its operations.

### ***1.8. Structure of the research***

This research covered five chapters:

- The first chapter presents the historical backdrop, the statement of the problem, the research objectives, the research hypothesis, the research questions, and the significance of the study.
- The second chapter presents the literature review and the critical analysis of publications and documentaries with related subject matter. It will source from financial reports, journals, publications and internet.

- The third chapter covers the research methodology which includes; research designs, study population, sample size, sample and sampling techniques, data processing and analysis, limitations and solutions, structure of the research.
- The fourth chapter covers the presentation, interpretation and analysis, hypothesis testing and conclusion of the findings
- The fifth chapter presents the main findings, general conclusion and the recommendation to different stakeholders and for future research

## **CHAPTER 2: LITERATURE REVIEW**

### ***2.1 Introduction***

This chapter presents an overview and critic of available research on discount house and its role in the development of a money market. This chapter does an analysis of different viewpoint of different authors; it provides a guide to the research related studies and their in depth analysis of their conclusions. The reference documents to this chapter included journals, periodic reports, texts book publication and internet search. The study variables were critically analyzed based on reference studies and personal judgments were drawn based on the weaknesses indentified in the developed theories.

### ***2.2. Discount house***

The first issue of consideration is that discount house is not a bank. According to the Rwanda official gazette no 13/2011 (2011, 65) a discount house is defined as a financial institution whose core activity is trading (buying and selling) of short term financial negotiable securities for itself or on behalf of third parties. Contrary, discount houses are financial institutions that trade the instruments of money market in the secondary market, and usually regulated by the central bank. Solomon, O. (2011) defines Discount House as a financial institution which has a specialty of trading in money market securities in the secondary market.

AP Faure (2005) noted that a discount house is a specialist banking institution which takes call deposits secured with the securities in which it invests and the call deposits are mainly from the banks. However, a discount house is a money dealer committed in the buying and discounting financial products such as money markets, government papers like bonds and T-bill, and banker's acceptances. Discount houses do intervention between central bank and the deposit money banks in mobilizing funds for investments in the securities. They take positions depending on the market situation and the liquidity profile of the financial system.

Kakawa Discount House ltd (2005) provides a distinct approach for a discount house as a specialist financial institution which intermediate in the money market by accepting a short term fund and does invest in short term financial security. Whereas Ezirim, and Enefaa, (2005)

present that the principal specialization of a Discount House is providing primary liquidity in the country's financial sector through the buying or/and selling of a financial security for very short period.

The discount houses are instrumental in assisting the creation of money market instruments other than treasury bills and central bank bills; these are bankers' acceptances, commercial paper and negotiable certificate of deposit. The call funds borrowed from the banking system are invested in those papers and other longer term securities such as government and municipal bonds. The Discount houses actively trade their portfolio and act as market makers in these securities, ie quote firm buying rates for securities offered and securities in portfolio which are in demand. In this way they make trading profits.

According to bank of England operations manual (October 1988), a discount house is an intermediation between commercial banks which are in shortage of funds and those which are in surplus of funds. Whereas Oware Fred (1992) stipulates that discount houses acting as market makers, initiate transactions among the players as well as formalizing the marketing of financial instruments. Ajie and Ezi (2001), maintained that the establishment of a Discount House has been an important development that guide the level of activity fund flows and the growth of the money market.

As a Discount House is a financial institution, Dayanath Jayasura (2002) defines a financial institution as a person who carries on business of trading for his own account or for customer's account in money market instruments. However, the Central Bank of Nigeria (2004) describes the discount house as a business trading in and holding of T-bills, Commercial bills and other securities. For Siam J. (2009) financial institutions operate as intermediaries in the derivatives market

Monetary Authority of Singapore (1980) stated that Discount House purchases short term instruments from banks and other financial institutions and sell the same instruments to the investors, banks and other financial instruments as well as to the monetary authority

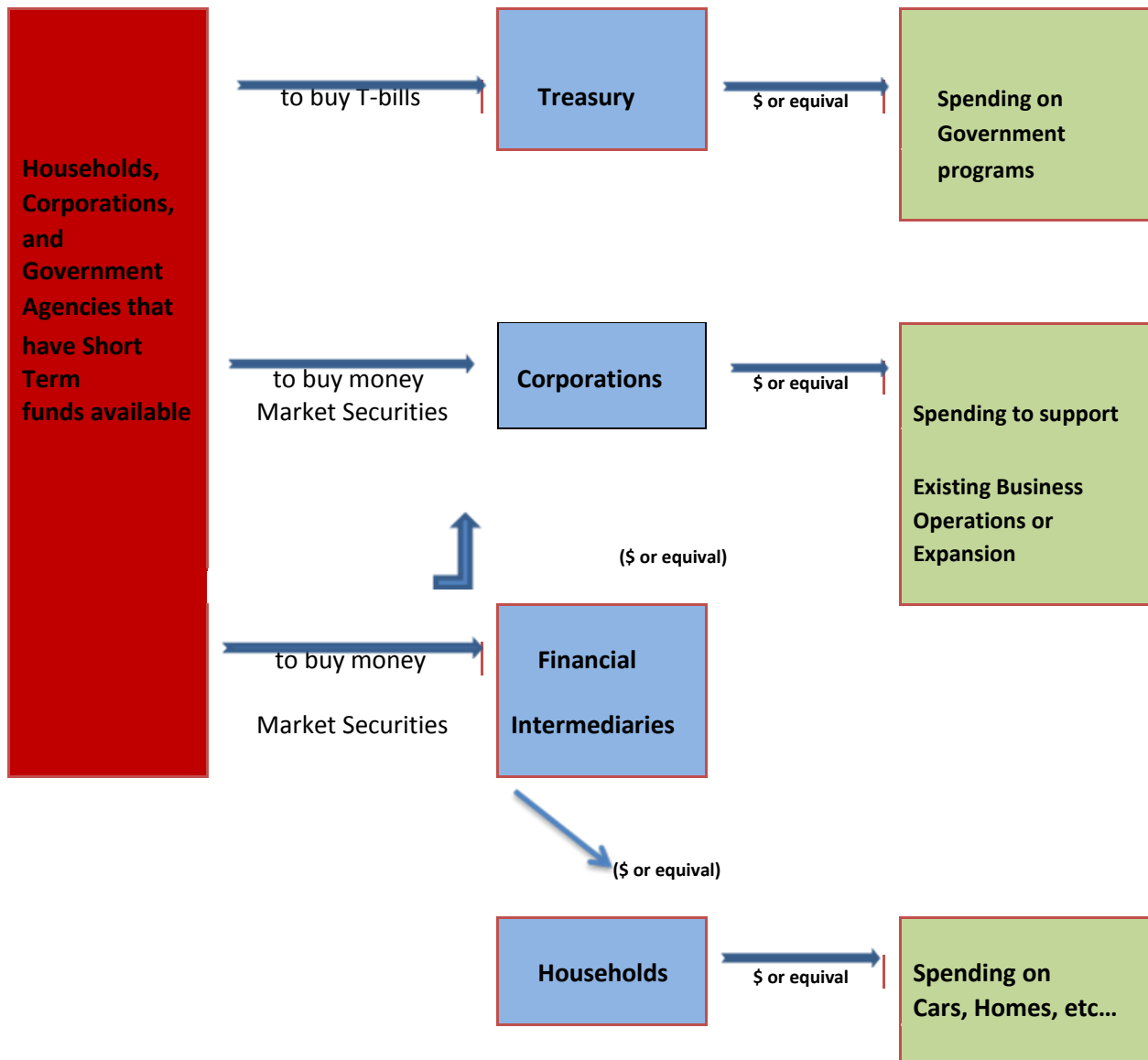
### ***2.2.1 Money market***

Sam Mensah, (1997) defines money market as the market for debt instrument on the basis of maturity period which is one year or less than one year. Contrary, money market is a component of the financial markets in short term borrowing and lending, buying and selling of financial instruments with maturities of less than one year. Some of the products of a money markets are: Treasury bills, commercial paper, negotiable certificate of deposit (NCD), repurchase agreements (repo), bankers' acceptances, etc.

While Oware Fred (1992) defined money market or discount market, like any other market, consisting of buyers, sellers, commodities and pricing mechanics which are influenced by the needs of players and other forces. Jeff Madura (2008,116), explains that money markets are used to assist the transfer of short term funds from individuals, corporations, or governments with excess funds to those with deficient funds. The deferring understanding of the authors provides for a research gap to investigate the realities of the discount house operations in view of financial intermediaries. The Central Bank of Nigeria (2004) states that money market is a wholesale market for low risk, highly liquid and short term debt instrument.

The money market operations involve a number of intermediaries and the corresponding maturity date from different players in the financial sector as demonstrated in the flow chart below

**Figure 2.1: The transaction of money market among Players**



**Source:** Madura (2006), *Financial Institutions and Markets*, P.117

### ***2.2.2 The objectives of a discount house***

Discount houses are majorly licensed to serve as financial intermediaries within the financial institutions (central bank, commercial banks and other financial institutions). Discount house mobilizes funds from the market for investments in securities by discounting or rediscounting facilities in government short term securities or papers.

Discount houses offer a wide range of financial products to commercial banks, to non bank financial institutions and without ignore the general public. The main services of a discount house include trading of securities which is buying and selling of government bonds, treasury bills and commercial papers. Discount houses are giving opportunity of accepting short term investments from banks and also providing short term accommodation to banks. Discount houses provide services to high net worth individuals through investment managers. Discount house business is based on the “borrow short, lend long” principle. John Gilbody (1998) elaborates that a part from the institutions borrowing and lending funds in the financial markets, the highly organized nature of the markets is founded where there is existence of various market intermediaries.

### ***2.2.3 Financial services offered by a discount house***

To have a discount house, attention must be paid to the needs of the market and promote the financial instruments, and this should go with the relevant pricing mechanisms which would satisfy the needs. There are various financial products that are offered by discount house, each product depends on the market needs. A good knowledge of the various types of money market instruments and their uses must be fully understood. Financial products commonly found on the market are

#### ***(a) Treasury Bills issued by treasury or the central bank***

Fred Oware (1992) stated that central bank issues on behalf of the government carrying the full faith and credit of the government. Treasury bills are usually issued for 30, 90/91 and 180 days to raise short term funds for government.

Treasury bill is a short term money market instrument issued by the government to finance shortfalls in the government budget. An investor, banks, or any other financial institution may

buy a treasury bill either from the primary market or from the secondary market through an intermediary who can be a discount house or a bank.

The Treasury bill can be bought either in primary market or in secondary market. According to BNR (2009), the primary market is where funds are mobilized for the first time and also the market where securities are sold for the first time. Whereas the secondary market is defined as a trading platform where people meet for trading financial securities, for example, once securities have been successfully issued on in the primary market, they are subsequently traded in the secondary market. The table below presents the calculation of a Treasury bill on the primary market.

**Table 2.1: Bank ‘A’ purchases a T-bill from the Central Bank**

| <b>Treasury Bills Purchase</b> |   |
|--------------------------------|---|
| <b>Settlement date</b>         | <b>1-Jun-08</b>   |
| <b>Maturity date</b>           | <b>15-Apr-09</b>  |
| <b>Days to Maturity</b>        | <b>318</b>  |
| <b>Face Amount</b>             | <b>50,000,000</b>   |
| <b>Discount Yield</b>          | <b>8.00%</b>  |
| <b>Price</b>                   | <b>0.9303014</b>  |
| <b>Principal</b>               | <b>46,515,068</b>   |
|                                | $\text{Principal} = \text{Price} * \text{Face}$ $\text{Interest} = \text{Face} * \text{Rate} * \text{Days} / 365$ $50,000,000 * 8\% * 318 / 365$ $= 3,484,932$ $\text{Principal} = 50,000,000 - 3,484,932 = 46,515,068$ |

*Source: Central Bank of Rwanda*

### ***(b) Outright Trading of Treasury Bills***

An outright transaction or trading is where a security is bought or sold to maturity and change of ownership of the security is done. Here the ownership of the security changes to the buyer so that proceeds on maturity are passed on to the buyer. The security is removed from the discount house book.

Discount house is a market maker on the secondary market and therefore provides a two way quote ie. Buying and selling rate of securities. Investors can buy or sell Treasury Bills with a discount house to maturity at market driven rates on an outright trading basis.

Jeff Madura (2008) defines treasury bills as cash management bills that have shorter term maturities. Investors in T-bills do investment so that they can retain a portion of their excess funds in assets which will help them to be easily liquidated in case they suddenly need to accommodate deposit withdrawals. The main advantages with this are that, investors are able to change their investment portfolio before maturity of paper depending on their needs. It provides immediate liquidity for the holder of the paper before maturity. It also makes the secondary market more active

### ***(c) Interbank deals***

According to Monetary Authority of Singapore (1980), the money market comprises the interbank market and the discount market and they are both closely interlinked. Compared to Civcir, I (2003), the central bank can experience difficulties in controlling the monetary developments in the market where there is lack of interbank money market, because the central bank cannot have correct signals from the banking sector.

The deal is done on an unsecured or secured basis. The participants to interbank deals are only those that are registered under the banking act and closely regulated by the central bank. Banks and other financial institutions do establish dealing lines with each other, and the dealing lines are established based on different considerations some of which could be financial performance, the capital and the balance sheet size of the financial institution.

The institutions may choose to deal with each other within the limits set without asking for any collateral which is unsecured deal. The deal becomes secured where collateral is requested for any deal done. Advantages include the following;

To help banks to adjust their position on a daily basis by providing short term financial accommodation to banks resulting in the stimulation of money market and paving way for a healthy, efficiency and professionalism.

Discount house operation, act as an ultimate measure of liquidity in the banking system and therefore provides a mirror with which the central bank can gauge liquidity position in the market. They make the secondary market active by operation and by growth.

***(d) Call money***

Call money means a “day to day” loan, or for short term (these are funds money placed by financial institutions, which are subject to instant recall). Call money as short term finance repayable on demand, i.e. any time with a maturity period between one and fifteen days and this is used for interbank transactions. In Call money, banks are borrowing funds from each other to be able to adjust their liquidity.

***(e) Bankers acceptance***

Jeff Madura (2008, 125) noted that a banker’s acceptance indicates that a bank accepts responsibility for a future payment. Bankers acceptances means an operation related to a credit by which a Bank facilitates the transaction by engaging its signature for a client for a specified amount, thus accepting to pay at maturity a promissory note issued by that client and payable by the Bank. In other words, banker’s acceptance is a promised future payment which is accepted and guaranteed by a bank. The banker’s acceptance specifies the amount of money, the date and the person to which the payment is due. The banker’s acceptance draft becomes an unconditional liability on the banks side but it can be tradable as the holder of the draft can sell it to get cash if he is in shortage, at a discount to a buyer who is willing to buy it and wait until maturity date for the funds in the deposit.

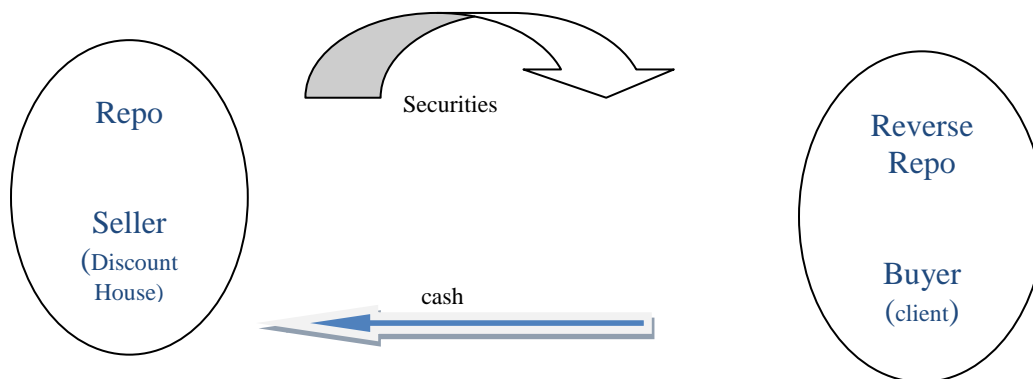
### ***(f) Repo***

According to her Majesty's Treasury and Bank of England (1995), repurchase agreement also called repo is a way that participants can buy government securities on the secondary market. It is the sale of securities with an agreement for the seller to buy it back at an agreed date for an agreed price.

The price of a repo which is repo rate should be greater than the original sale price. The person who acts as a lender is the one that originally buys the securities and the original seller is acting as borrower using the securities as collateral for a secured amount at a fixed rate of interest and fixed period. A repo is an opportunity to invest money for a buyer as it is a short term secured investment since the investor gets collateral.

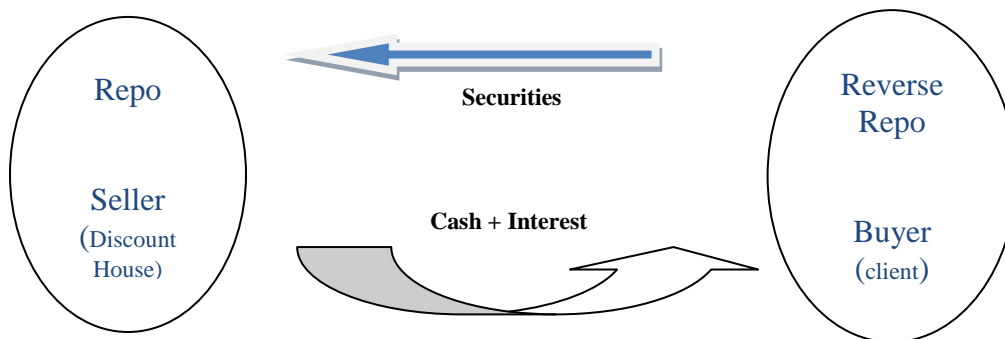
Discount house sales a financial instrument (treasury bills) to an investors with a commitment to buy it back on a given tenor and at pre-agreed interest rate. The investment is flexible both in tenor and interest rate applicable. The ownership of the security does not change because it is a temporary sale. The discount house has a full option to buy back the security and the security remains in its books because there is no change of ownership.

**Figure 2.2: Repo transaction Flows**



The seller of a repo sends the agreed upon securities to the buyer in exchange of cash and the buyer of a repo sends the agreed upon cash to the seller in exchange for the securities.

## Repo maturity



*Source: Central Bank of Rwanda*

At maturity the buyer of a repo sends the securities to the seller in exchange for the original cash plus interest and the seller of a repo sends the agreed upon cash plus interest to the buyer in exchange for the securities.

*Table 2.2: Repo interest calculation*

| Repo interest calculation |   |
|---------------------------|---|
| Repo Treasury Bill        | 15-Apr-09                                   |
| Repo Settlement Date      | 1-Jun-08                                    |
| Repo Principal            | 46,166,205                                  |
| Repo Days                 | 30  |
| Repo Rate                 | 7.50%                                       |
| Repo Interest             | 285,368                                     |
| Repo Principal + Interest | 46,451,574                                  |
|                           | <b>Repo int. = Principal*rate*tenor/364</b> |

*Source: Central Bank of Rwanda*

The Repo advantages according to the CDH Rwanda strategic plan are as follows:

- Provision of flexible investment tenors that suits liquidity needs of the investors.
- Development of the secondary market which is centered on trading of the securities of a repo.
- Price discovery to investors that helps narrowing the lending and borrowing on the financial market.
- Cheaper source of funds than other sources of credit such as bank borrowing. It is used to borrow or lend money on a secured basis. It is a secured investment
- Coverage for a reserve ratio within financial institutions

***(g) Reverse repo***

This transaction is a reverse of a repo. Discount house buys financial instruments from an investor (corporate or individuals) who holds a security (T-bill or T-bond) and who is looking for liquidity with an undertaking that the investor will buy back the same financial instruments at an agreed date and rate. The investor does not want to sell the security and the ownership of the security does not change but the security is endorsed to indicate interest of the provider of liquidity on the security.

**The advantages of a reverse repo are:**

- The investor is able to get liquidity without necessarily selling his security
- The rate which is applicable is more competitive mostly lower than the lending or overdraft rate in banks. It can assist in reduction of lending rate and it makes secondary market more active. There is no money creation as it is not a credit hence do not affect monetary policy.

### ***(h) Negotiable certificate of deposit***

According to Parker B. Willis (1967), the operation of the secondary market of a Negotiable Certificate of Deposit is a source of funds complementary to the discount window. Refer to Jeff Madura (2008) NCD are certificates that are issued by commercial banks and corporate institutions as a short term source of funds. A negotiable Certificate of Deposit (NCD) is a financial instrument in a bearer form issued by a bank certifying that a deposit has been made with that institution payable on surrender of the certificate at maturity. The instrument is tradable on the secondary market. Fred Oware (1992) stated that NCD are highly liquid debt instruments issued by bank and the yield on these papers is usually better than treasury bills yield.

### ***(i) Commercial paper***

A commercial paper is a financial instrument issued by a corporation or bank to finance its short term credit needs. It is a form of short-term borrowing under which credit worthy corporate borrows directly from institutions, corporate bodies and sometimes the public.

According to Fred Oware (1992), commercial papers are issues unsecured; they are however typically backed by credit lines provided by the issuer's bank. They represent cheap funding source for the issuers and they also generally carry high yield as an investment option.

## ***2.3. The discount house in Rwanda***

Discount house was licensed in 2004 by the Central Bank and operated fully by 2008 to facilitate the intermediation between the Central Bank of Rwanda and the banks and also other financial institutions. Discount house mobilizes funds from the market for investments in securities by discounting or rediscounting facilities in government short term securities or paper. The banks are enjoying to lend money to the discount houses because this money is straight away available when they need it at any time, ie. Call money, repo and the securities held by the houses are pledged as collateral or security for the money.

The operations picked up 2009 as the company made the interbank market to be very active. CDH Rwanda has been very instrumental in the development of interbank market in Rwanda. The volume traded on the interbank market has grown to unprecedented level since the

company started its operations. The company managed to gain the confidence of all the commercial banks such that all the banks have been dealing with CDH.

Thus, if the system is in shortage of liquidity (which of course is known at the time of the final interbank clearing), the banks simply withdrew the required amount of funds from the discount houses or do not simply renew the contract with the discount house at maturity.

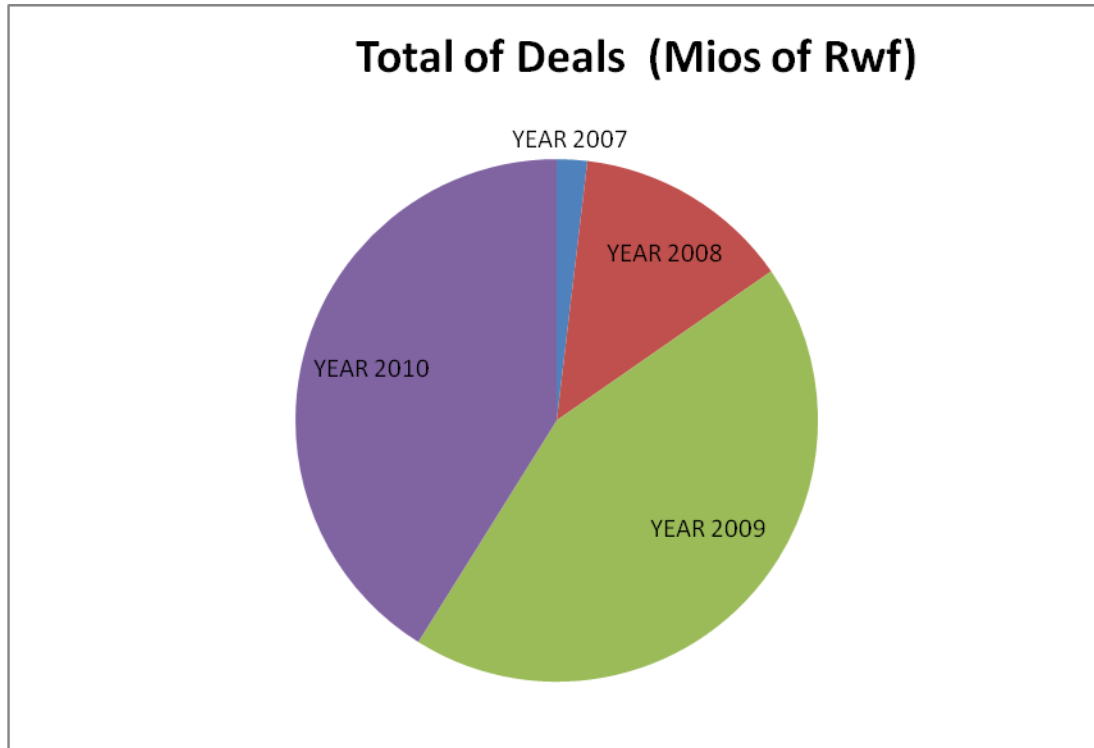
In the case of a shortage in the market, and the discount houses needing accommodation from the Central Bank, they call their securities pledged to the banks that withdrew call money from them, and discounted them at the discount window or pledged them as collateral for overnight.

**Table 2.3: The Interbank Money Market**

| <b>Total of Deals</b><br>(Mios of Rwf) | <b>2007</b>   | <b>2008</b>    | <b>2009</b>    | <b>2010</b>    |
|--|---------------|----------------|----------------|----------------|
|  | <b>MONTHS</b> |                |                |                |
| <b>December</b>                        | 800           | 33,350         | 46,207         | 38,660         |
| <b>November</b>                        | 2,350         | 15,950         | 36,215         | 33,990         |
| <b>October</b>                         | 250           | 47,400         | 43,045         | 26,970         |
| <b>September</b>                       | 700           | 26,350         | 30,126         | 35,850         |
| <b>August</b>                          | 2,750         | 10,250         | 31,962         | 43,585         |
| <b>July</b>                            | 4,500         | 10,890         | 31,670         | 41,532         |
| <b>June</b>                            | 5,000         | 12,600         | 46,525         | 47,080         |
| <b>May</b>                             | -             | 2,550          | 44,683         | 42,149         |
| <b>April</b>                           | -             | 6,150          | 43,200         | 39,787         |
| <b>March</b>                           | -             | 50             | 52,700         | 62,162         |
| <b>February</b>                        | 5,800         | 3,950          | 50,310         | 47,015         |
| <b>January</b>                         | 1,500         | 50             | 92,400         | 59,314         |
| <b>Total deals</b>                     | <b>23,650</b> | <b>169,540</b> | <b>549,043</b> | <b>518,094</b> |

Source: [www.bnr.rw](http://www.bnr.rw)

**Figure 2.3: The Interbank Money Market**



*Source:* [www.bnr.rw](http://www.bnr.rw)

As shown in the above table, the volume in interbank trades has had a fluctuating trend since 2008 when CDH Rwanda started operating in Rwanda to 2010. It played a big role in the interbank operations very actively. The reason to why they were a strong growth in the first 3 years was the introduction of the financial products within the money market. Prior to the operations of the discount house the gap in the money market products was wider and the discount house took the advantage to exploit to intermediate between the money market players and the central bank.

According to the central bank statistics of 2007, monthly interbank volume done was 23.6 billion Rwf. When CDH started its operation the figure soared to an annual volume of 169.5 billion Rwf in 2008 which is more than 200%. This shows how significant CDH has played in the development of interbank trades. The trading by CDH Rwanda over the period of operations is presented in the table below.

The Central bank issues debt securities to sterilize excess liquidity and to finance short term government treasury needs. The Central Bank manages liquidity by issuing T-bills and availing the securities needed to promote the interbank market (NBR Economic Review 005, (2012)).

**Table 2.4: The Internal CDH Rwanda Trading**

| Total of Deals<br>(Mios of Rwf) | YEAR 2008     | YEAR 2009      | YEAR 2010      |
|---------------------------------|---------------|----------------|----------------|
| MONTHS                          |               |                |                |
| <b>December</b>                 | <b>1,400</b>  | <b>21,010</b>  | <b>25,874</b>  |
| <b>November</b>                 | <b>3,400</b>  | <b>25,451</b>  | <b>22,913</b>  |
| <b>October</b>                  | <b>9,950</b>  | <b>27,171</b>  | <b>19,519</b>  |
| <b>September</b>                | <b>6,880</b>  | <b>22,455</b>  | <b>24,616</b>  |
| <b>August</b>                   | <b>2,758</b>  | <b>23,771</b>  | <b>30,911</b>  |
| <b>July</b>                     | <b>6,894</b>  | <b>23,278</b>  | <b>32,990</b>  |
| <b>June</b>                     | <b>90</b>     | <b>36,055</b>  | <b>27,139</b>  |
| <b>May</b>                      | <b>1</b>      | <b>30,598</b>  | <b>23,771</b>  |
| <b>April</b>                    | -             | <b>23,917</b>  | <b>27,323</b>  |
| <b>March</b>                    | -             | <b>17,674</b>  | <b>28,178</b>  |
| <b>February</b>                 | -             | <b>6,260</b>   | <b>21,692</b>  |
| <b>January</b>                  | -             | <b>9,400</b>   | <b>26,997</b>  |
| <b>Total deals</b>              | <b>31,373</b> | <b>267,040</b> | <b>311,923</b> |

*Source: CDH statistics*

The Volume of trades in CDH Rwanda increased from 31.3 billion Rwf in 2008 to 267 billion Rwf in 2009 accounting 48.6% of the total interbank trading in the whole market for the year. This continued and the volume traded in 2010 was 311.9 billion Rwf accounting 60% of the total interbank trading in the whole market for the year 2010

#### ***2.4 The central bank and the discount house (Role of the central bank)***

The NBR Economic Review (2008) presents that the macroeconomic achievements regarding the financial stability in a given economy remain the major concern for the monetary policy and related activities to be implemented by the Central Bank. To maintain financial stability is an important prerequisite to stimulate private investment necessary for achieving the objective of economic growth rate in accordance with Government's economic and financial program.

The role of the central bank on the money market is most crucial. The provision of the lender of last resort facilities to the market through discount houses is very essential to success of the entire banking system.

According to Fred Oware (1992) the central bank must be publicly seen to be supportive of the concept of discount houses. He noted that its policies should also follow this line and not give the impression that they do not welcome the operations of discount house. Peter, R.Senn (1999), in order to achieve specified economic objectives by the central bank, the monetary policy is implemented and designed to manipulate the money supply. Nyamongo, M.E. and Misati, N.R (2010) stated that monetary policy comprises the policy rules and actions taken by the central bank to achieve its objectives.

Since traditionally, the discount house is the channel through which the central bank controls the liquidity in the banking systems it must be the only institution which should have a dealing relationship with the central bank. It should be the institution through which the central bank affords its lender as last resort facility to the banking system. This close relationship and protection is vital to the successful development of a money market, particularly at the initial stage.

Due to the central bank's close supervision of the discount house's operations by means of daily and other returns furnished by the house, it stands to reason that the mere fact that no deposits are taken from the general public. The deposit obtained by a discount house are almost exclusively call deposits, and are fully secured by lodging with the depositor up to 102% of the amount of the deposit. This ensures that the discount house will not default on its repayment of funds borrowed.

The Liquidity Reserve Requirement LRR usually called Reserve Obligatoire or Obligatory Reserve by financial institutions is a monetary policy instrument that is used by the regulator to manage money supply in the market. Refer to this Discount House should not be subjected to Liquidity Reserve Requirement.

Nyamongo, E. And Misati, R. (2010) stated that Reserve Requirement is one of the key tools that the central bank is using to implement the monetary policy and here the commercial banks are required to maintain a daily proportion of their client's deposits in cash. Currently the LRR is 5% at the central bank of Rwanda. Onoh (2002) observed that the monetary policy influences the direction of the money market activities

The Central Bank actively supports the discount houses and uses them as a source of information on the financial markets. They also require of the discount houses to submit their statements of assets and liabilities on a daily basis, weekly basis and on monthly basis.

The discount house should never at any time end up with funds which are not invested surpluses, as it will be paying interest to the sources of these funds. The discount house is not a competitor of banks but an ally to the banking fraternity. Its aim is to centralize the lending and borrowing of short term funds, and thus channel them to deficit units in the economy.

A continuous exchange of information among all participants is vital to the operation of the market. It is also very important that the central bank outlines in clear terms the rules and regulations governing the operations of the market.

The central Bank should also put in place a payment system and ensure that the payment system of the whole financial market is stable and reliable. According to Bank of Negara (1994), any failure of a financial institution to settle its obligation due to the payment system would cause a negative impact in the financial system.

With the monitor of the central bank, discount houses should also manage their liquidity risk as it can affect its own performance and reputation. Jenkinson (2008) said that a financial institution may lose the confidence of its depositors if their funds are not timely provided to them.

Controller of the currency (2001) stated that the liquidity risk is a risk that a bank or any other financial institution's inability to meet its obligations. Barry Brooks and Norman Schofield (1995) highlight that the value of money goes in function to the given time. Thus, the dual authors emphasized that "time is money" justifying the discount value of money at a specific period of time. Discount houses should understand the market needs and it must stay close to the market and its customers and try to make efforts on doing things right at the right time.

### ***2.5 The functioning of the Discount House in Rwanda:***

- ✓ A discount house is registered as a banking institution (banks and discount houses together are regarded as banking institutions).
- ✓ The central bank, which requires of them to submit a statement of assets and liabilities on a daily, weekly and monthly basis, regulate the discount houses.
- ✓ The assets of the discount houses are pledged as collateral for the repos received from the investors or from the banks.
- ✓ The discount houses earn a margin between the rate paid for call money from banks and the rates earned on securities held in portfolio.
- ✓ The discount houses actively trade their portfolios and act as market makers in these securities, ie quote firm buying rates for securities offered and securities in portfolio which are in demand. In this way they make trading profits.
- ✓ The discount houses are involved in assisting the creation of instruments other than treasury bills and these are for examples: bankers' acceptances, commercial paper, repurchase agreements (repos), and promissory notes.

## ***2.7. Clients of a discount house in Rwanda***

Discount house clients are wholesale in nature however some retailing is done to accommodate high net worth individuals and other small and media enterprises (SMEs) with lower investment funds. Commercial bank, insurance companies, pension funds, fund managers, corporate, microfinance companies and high net worth individuals form part of the target market for discount houses.

## CHAPTER 3: RESEARCH METHODOLOGY

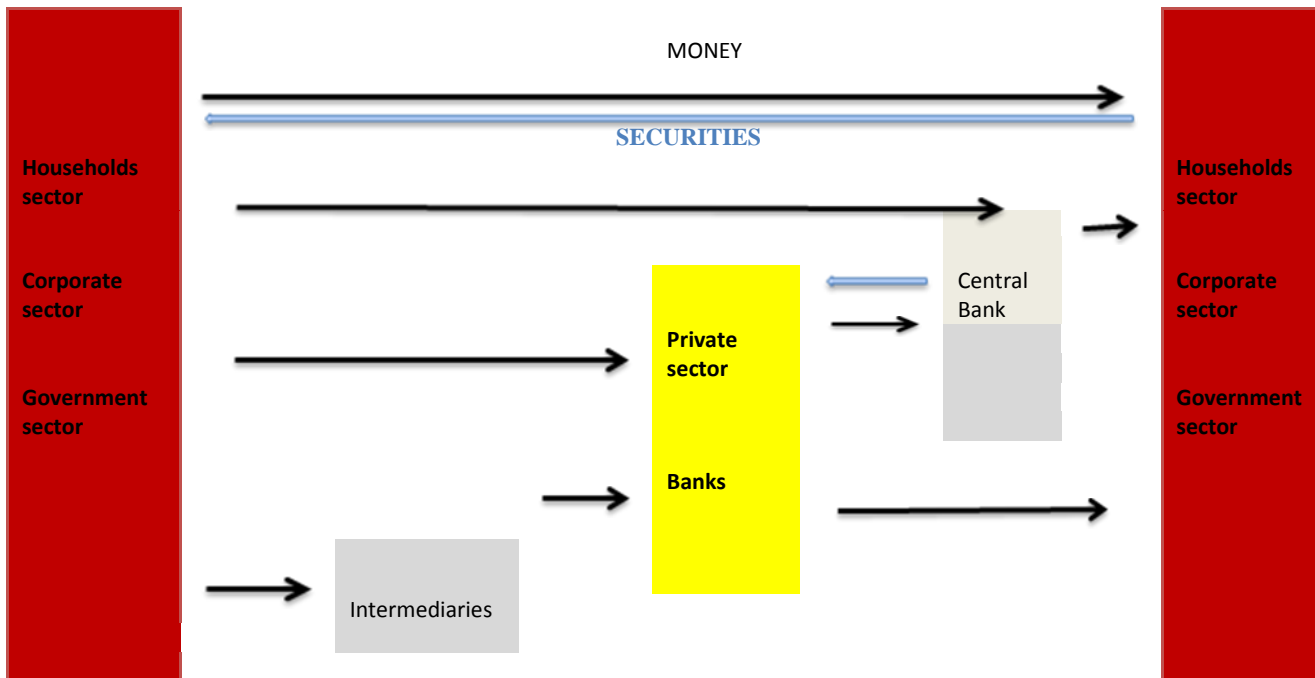
### 3.1. Introduction

According to Odera Peter et al. (2006), a research methodology is a logical way of solving a problem. This chapter illustrates the approach, techniques and instruments used in the collection of the primary data. They mainly include the scope, sampling techniques, data collection, tools, and data processing to derive meaningful results that helps the researcher to draw conclusions on the study findings.

### 3.2. Research Design

This study was designed to capture the network and the relationships among the discount house and financial intermediaries. The interdependence among these institutions was directed to the Central bank, private sector banks, and intermediaries as presented in the figure below.

Figure3.1: The Relationship of financial intermediaries



Source: AP Faure (2005), *specialist banking and financial market development institutions*

Williams and Grinnell (1990) describes a study design as the total plan that a research is using to aid in answering a research questions. The researcher used qualitative research design and this helped her to describe the extent to which CDH has contributed to the money market in Rwanda and the result in the development of the secondary market. The objectives and the research questions were answered thru the data collection tools that involved questionnaires and guided interviews. The primary data obtained from respondents was used from analysis and interpretation of the findings from the use of frequency tables and charts.

### ***3.2. Scope of the study***

This investigation was specifically oriented to the financial sector development relating to interbank trading among financial intermediaries. The institutions of interest were commercial banks, central bank, insurance companies, microfinance and private individuals. The information obtained from this case study will give an overview of the entire sector performance in the economy and thus the relationship between the study variables would be scientifically proved.

### ***3.3. Study population***

The composition of the study population was 120 people drawn from the clients of CDH Rwanda or people who were working directly with CDH Rwanda and also regulator. These are 15 people from large corporate and Microfinance, 15 individuals, 80 people from 10 commercial banks (treasury, finance and Managing Directors or CEOs), 4 people from central bank (money market, supervision department), and 6 staff members of CDH Rwanda. The composition of the study population of different categories of respondents is presented in the table below:

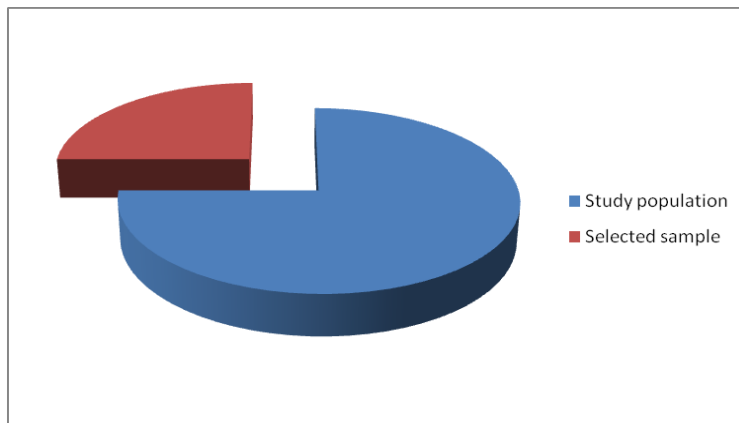
**Table 3.1: The study population and selected sample**

| <b>Money Market Players</b> | <b>Study Population</b> | <b>Selected sample</b> | <b>% of the sample to the population</b> |
|-----------------------------|-------------------------|------------------------|--|
| Staff of Commercial Banks   | 80                      | 24                     | 20                                       |
| Large Corporate             | 15                      | 5                      | 4  |
| Individuals                 | 15                      | 5                      | 4  |
| Central Bank                | 4                       | 2                      | 2  |
| CDH Staff                   | 6                       | 4                      | 3  |
| <b>TOTAL</b>                | <b>120</b>              | <b>40</b>              | <b>33</b>                                |

### **3.3.1. Sample selection procedure**

The selected sample was considered in direct proportion to the total population in the ratio of 1:3 to match the required standard that would minimize the error term in the findings. Therefore, the sample size was inverse rated to the entire population by an exponential of 1/3. However, individuals were purposively selected so that the custodians of the relevant information were the majority of the respondents. Statistically the relationship between the study population and the sample size is depicted in the table above elaborating the direct inverse relationship in the highlighted ratios.

**Figure 3.2: The study population and selected sample**



### ***3.4. Sample size***

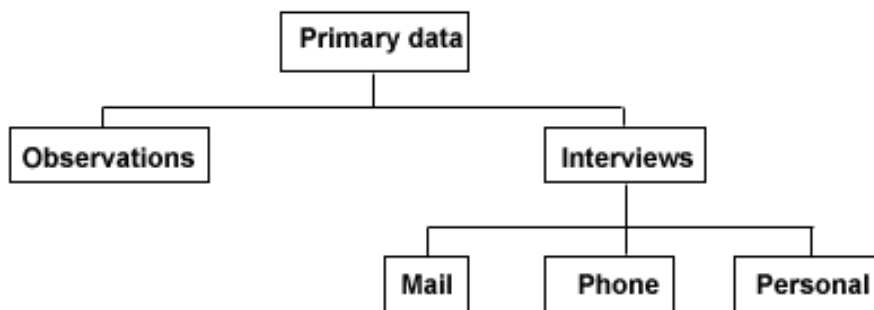
Grinnell further explains that a sample size is a number of people or objects in the sample. Whereas Bartlett, J. E. et al. (2001) assert that the sample size is a study in which the goal is to make conclusion about a population from a sample. In this research, the sample size considered 40 respondents selected from 120 populations from different money market players through purposive sampling technique. This helped to obtain relevant information from a few selected respondents who are directly involved in the money market operations in the financial sector. The most targeted respondents were treasurers, finance officers, managing directors, regulator and individual representative.

The ratios of representation from all institutions of interest was done according to the following proportions; 5 respondents from large corporate and 5 individuals and 4 staff members of CDH, 24 respondents from commercial banks and 2 from central bank, . As the researcher could not be able to reach the whole population, the researcher used purposive sampling to draw a sample of money market players.

### 3.5. Data collection

Audrey J. et al., (1989) explain that the Primary data are the first hand sources from the object of investigation. The researcher used both primary and secondary data to achieve the research objective. Primary data was used in collection of 40 respondents by use of open ended questionnaire and guided interview. This helped the researcher to minimize respondent's bias and increased the degree of confidence on the findings. Ghauri et al. (1995) provides that primary data sources are mainly observations and Interviews. He emphasized that the later consists of Mail, Phone and Personal contact. The demonstration of the interrelationship between these sources is displayed in the figure below.

**Figure 3.3: Primary data sources**



*Sources: Ghauri et al., (1995)*

Secondary data was collected from published records during the search for relevant literature on the study variables. The main source of the literature was drawn from textbooks, news papers, journals, reports, magazines and internet sources. This gave a thorough picture of the understanding of the phenomena by different authors and publishers. From the review of this literature the researcher analyzed and critic advanced theories in the global development of the money market.

### ***3.5.1 Questionnaire***

According to Kenneth D. Bailey (1978), a questionnaire is a set of questions handed by the researcher to the respondent and filled in by him without any help from the interviewer.

The researcher distributed a set of open ended questions (from the sample of 40 respondents) to 25 respondents selected from each institution of interest as regards the investigation in varying proportions of representation. In the presence of the researcher, the questionnaire was distributed and filled by respondents. The main reason behind the researcher's presence is to ensure that respondents understand very well the set questions in the objective of the research topic.

### ***3.5.2 Interview***

A guided interview was conducted with 15 respondents from the institutions of interest in varying proportions of representation. This process involved physical dialogue between the interviewer and the interviewee. The interviewees were mainly the Managing Directors, CEOs or treasurers from commercial banks and major corporations. Private individuals who are players in money market were also involved in the interview at a marginal proportion. On the other hand, the CDH staff was taken for consideration in the interview process. Such coverage delivered comprehensive and scientific evidence on the study variables in respect to the research objective. As a result, the information collected by this technique would complement the questionnaire information and hence ascertain the validity of the research findings.

### ***3.6. Data processing and analysis***

Carl and Roger (1991) data processing refers to the change of respondent's point of views into meaningful text. All data collected from interviews and questionnaires were treated to reduce error and bias from the respondents. This involved editing and tabulation of the result obtained from the respondents with the objective of answering the questions that guided the research process.

As stated by Yin R. (2003), in data analysis the editing is the first step that has to be done. In this research the editing was done before the actual presentation of the result with an intention of filtering the raw data to the purified data. The edited information was then prepared and arranged

in a way that facilitates scientific analyses that derive meaningful conclusions and recommendations on the investigations.

Churchill (1979) explains that tabulation refers to putting data into a statistical table which presents responses to particular questions. Tabulation was also applied during the presentation of the edited data and this was presented in frequency tables to determine the degree of respondents understanding and practice of money market operations in their respective institutions to the researcher interest. Frequency column tables were drawn to show statistical evidence on the respondent's views and opinions of the research questions. The ratios and proportions on the frequency of responses were determined the researcher judgment on the applicability and the rational of the discount house in the development of the money market in Rwanda

### ***3.7 Data analysis and interpretation***

The researcher made personal and logical judgment, from the statistical evidence in the frequency tables, as to whether the research questions have been satisfactorily answered hence attaining the research objectives. The inferences and the magnitude of the frequencies on the respondent's views determined whether the hypothesis was accepted or rejected. This facilitated data interpretation and conclusion on the study variables with recommendations to exhaustive areas of further research.

### ***3.8 Limitations of the study***

The anticipated challenges of this investigation are the following:

- Personal health problems were the most shortcomings to the completion of this investigation in that the researcher had frequent sickness that disturbed her to the point of hospitalisation and thus she had to suspend working on the project.
- Secondary data for the study was not in good records to help the researcher. To this effect, they were very few sources available and this affected the compilation of the literature search.
- The distribution of the questionnaire and the collection of the feedback were delayed by the respondents due to their unavailability and the researcher had to take time to collect the feedback.

## CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

### 4.1. Introduction

This chapter elaborates the analysis and interpretation of the findings from primary data sources and the corresponding conclusions built on statistical evidence from the frequency tables representing the respondent's feedback. The collected data originally focused on the sample of 40 respondents from whom only 36 responded to the distributed questionnaire and interviews hence contributing 90% of the sample size. Based on the feedback from 90% of respondents the margin of error was expected to figure between 5 and 10% hence affecting the conclusions of the investigation by the error term. The questionnaires were translated into affirmative statements from where the researcher presented the different opinions in the frequencies to help in the process of conclusions and recommendations. The questionnaire frequency tables are presented as follows:

**Table 4.1: The position of respondents in their organizations**

| <b>Players in the money market</b> | <b>Number of questionnaire responded</b> | <b>Number of questionnaire not responded</b> | <b>Total</b> |
|------------------------------------|--|--|--------------|
| Commercial Banks                   | 20                                       | 4  | 24           |
| Large Corporate                    | 5  | 0  | 5            |
| Individuals                        | 5  | 0  | 5            |
| Central Bank                       | 2  | 0  | 2            |
| CDH Staff                          | 4  | 0  | 4            |
| <b>TOTAL</b>                       | <b>36</b>                                | <b>6</b>                                     | <b>40</b>    |

The above table indicates that a big number of respondents are from commercial banks and this is due to the fact that commercial banks are the more active players in the day to day operations in the money market.

**Table 4.2: The position of respondents in their Organization**

| <b>Respondents</b> | <b>Frequency</b> | <b>Percentage (%)</b> | <b>Ratio</b> |
|--------------------|------------------|-----------------------|--------------|
| Senior Manager     | 22               | 55%                   | 0.55         |
| Manager            | 12               | 30%                   | 0.3          |
| Officer            | 2                | 5%                    | 0.05         |
| <b>Total</b>       | <b>36</b>        | <b>90%</b>            | <b>0.9</b>   |

According to the statistics in the above table 4.1, it shows that 55% of respondents are in senior management position in their respective institutions which are Managing Director or Deputy Managing Director and Head of Treasury. 30% of respondents are managers in their respective institutions and most of them are dealers, and only 5% are officer in their respective organization. Senior managers and managers have a big impact in decision making in case of funds placement. This affects the money market as they do their placement in transacting in financial services.

**Table 4.3: The respondent's activities in their Organization**

| <b>Respondents</b>            | <b>Frequency</b> | <b>Percentage (%)</b> | <b>Ratio</b> |
|-------------------------------|------------------|-----------------------|--------------|
| <b>Financial institutions</b> | 24               | 60.0%                 | 0.6          |
| <b>Corporate company</b>      | 5                | 12.5%                 | 0.125        |
| <b>Private company</b>        | 5                | 12.5%                 | 0.125        |
| <b>Central Bank</b>           | 2                | 5.0%                  | 0.05         |
| <b>Total</b>                  | <b>36</b>        | <b>90.0%</b>          | <b>0.9</b>   |

The above table indicates that the big number of respondents is in the financial institutions as they are the main players in the interbank market. These are the commercial banks, microfinance, and discount house. Other respondents were from corporate companies and most of them were insurance companies and big corporate. This is depicted from the frequency of 12.5%. The researcher did not ignore the role of private companies in the money market and this depicted 12.5%. The same table shows that respondents from the central bank were 5%.

**Table 4.4: The respondent's advantages of working with CDH Rwanda**

| <b>Respondents</b>            | <b>YES</b> | <b>NO</b> |
|-------------------------------|------------|-----------|
| <b>Financial institutions</b> | YES        |           |
| <b>Corporate company</b>      | YES        |           |
| <b>Private company</b>        | YES        |           |
| <b>Central Bank</b>           | YES        |           |

According to the statistics in the table below, all respondents confirmed that they expected many advantages when they were working with CDH Rwanda. In Rwanda, we have 10 commercial banks and one development bank as at end of 2012 and all banks had a dealing relationship with CDH Rwanda except one bank which is new in this market.

Respondents highlighted that as money market dealers in banking systems and participants in money market operations when dealing with CDH Rwanda, they were expected to have an active secondary market where they can easily trade and discount T-Bills and T-Bonds and also the market where they can borrow and lend funds with the discount house. Respondents in Banks said that CDH Rwanda approached banks and excited them on the introduction of other products which are not used in the Rwandan market like Negotiable Certificate of Deposit that would help them with the cash flow management. Most of banks mentioned that their income in treasury have significantly improved due to the short term and long term placement

Respondents in large corporate, SMEs and some individuals also mentioned that they expected CDH Rwanda to facilitate in the introduction of new products that would provide alternative investment option for the market. They also said about CDH Rwanda approach to corporate to sale them other methods of raising funds like the issuance of commercial paper and other method like corporate bonds. Respondents said that their institution gained in borrowing money using certificate of deposit and the rate applicable in NCD was lower than the said deposit rate. Instead of breaking down the deposit and also incurring penalties, it is better to sell the CD to CDH Rwanda and get money for a short period.

**Table 4.5: Time dealing with CDH Rwanda by respondents**

| <b>Have you ever dealt with CDH Rwanda? If yes for how long</b> | <b>Frequency</b> | <b>Percentages (%)</b> | <b>Ratio</b> |
|---|------------------|------------------------|--------------|
| <b>less than 1 year</b>   | -                | -                      | -            |
| <b>Between 1 - 3years</b>                                       | 19               | 52.8                   | 0.53         |
| <b>Over 3 years</b>   | 13               | 36.1                   | 0.36         |
| <b>Total</b>  | <b>32</b>        | <b>88.9</b>            | <b>0.89</b>  |

In the above table, the 52.8% represents 11 respondents and 6 commercial banks which started dealing with CDH Rwanda from 2008 just when CDH Rwanda started operating in Rwanda. The same table shows that respondents had a dealing relationship between 1 and 3 years with CDH Rwanda. The respondents which had a dealing relationship more than 3years are 4 commercial banks and some microfinance, private entities and even individuals.

CDH Rwanda in its program, only commercial banks were targeted in the first year to make sure that they gain confidence from them before they target other players in the market

In the above table, all respondents responded the said question except 4 CDH staff as they were not concerned with this question

**Table 4.6: The most interesting CDH products**

| <b>What kind of product interested you personally or your institution?</b> | <b>Frequency</b> | <b>Percentages (%)</b> | <b>Ratio</b> |
|--|------------------|------------------------|--------------|
| <b>Money market</b>  | 5                | 12.5%                  | 0.13         |
| <b>Capital market</b>  | -                | -                      | -            |
| <b>Both</b>  | 31               | 77.5%                  | 0.78         |
| <b>Total</b>   | <b>36</b>        | <b>90%</b>             | <b>0.90</b>  |

The above table indicates that 77.5% of respondents were interested in both money and capital market but most of them mentioned that they prefer doing their placement in money market. The commercial banks deal more in money market than in capital market as they prefer short term investment to make sure they do not have liquidity problems. Large corporate companies and private deals with both money market and capital market even if they deal more in money market as they make placement in T-Bills and sometimes when they need liquidity before maturity, they know that with CDH Rwanda they will be able to access funds without necessarily discounting their bills. They can get money any time they need it depending on their cash flow.

The preference of individuals is dealing in money market than in capital market. They prefer buying T-Bills in primary market or in secondary market when they have excess funds but make sure that in case of shortage, they will have option of having liquidity any time they are in need. Their preference is money market.

**Table 4.7: Products offered by CDH Rwanda**

| <b>If yes, what kind of products did you like? (you can choose more than one)</b> | <b>Frequency</b> | <b>Percentages (%)</b> | <b>Ratio</b> |
|---|------------------|------------------------|--------------|
| <b>Repo</b>   | 9                | 22.5                   | <b>0.225</b> |
| <b>Call money</b>   | 8                | 20.0                   | <b>0.20</b>  |
| <b>Reverse repo</b>   | 9                | 22.5                   | <b>0.225</b> |
| <b>Negotiable Certificate of Deposit (NCD)</b>                                    | 3                | 7.5                    | <b>0.075</b> |
| <b>Interbank</b>  | 7                | 17.5                   | <b>0.175</b> |
| <b>All of them</b>  | 0                | 0                      | 0            |
| <b>Total</b>  | <b>36</b>        | <b>90.0</b>            | <b>0.90</b>  |

In this case that majority of respondents in commercial banks have their preference in all money market products offered by CDH Rwanda. These products have higher percentages and are day to day transactions that are done by treasurers in banks, ie Repo, Reverse Repo, Call money and Interbank. Large corporate and SMEs prefer Repo, Reverse Repo and NCD because if they have excess they can easily place with a discount house for a very short term in Repo and also when they are in need of liquidity they prefer Reverse Repo for a short term as when they need a quick money CDH can provide it without delay and the rate applicable for reverse repo is always lower

than the banking rate. Large corporate and SMEs like NCD because when they have a deposit with a bank for a long term, they are able to access funds in CDH without suffering any penalties from breaking of deposit. The banks will not lose the deposit before maturity hence eases pressure on their liquidity management.

For individuals most of them place their money in Repo as it gives them flexibility in case they need their money before maturity. Also they can place their money for a short term decided by them, they decide for the tenor and this helps them to maximize profit. They prefer NCD also when they do have a fixed deposit with a bank, they can easily have an access to funds with CDH Rwanda.

**Table 4.8: Benefits from CDH operations in Rwanda**

| <b>What did you benefited from</b>     | <b>Frequency</b> | <b>Percentages (%)</b> | <b>Ratio</b> |
|--|------------------|------------------------|--------------|
| <b>CDH Rwanda</b>                      |                  |                        |              |
| <b>Savings</b>                         | 3                | 7.5                    | <b>0.075</b> |
| <b>Borrow money against securities</b> | 11               | 27.5                   | <b>0.275</b> |
| <b>Short term placement</b>            | 11               | 27.5                   | <b>0.275</b> |
| <b>Long term placement</b>             | 11               | 27.5                   | <b>0.275</b> |
| <b>Total</b>                           | <b>36</b>        | <b>90.0</b>            | <b>0.90</b>  |

As it is stated in the above table 82.5% respondents said that their preference is in borrowing money against securities, short and long term placements. This is due to the fact that when they have a collateral or when they have excess of funds they do not keep money without earning, they make sure they maximize profits and buy T-Bills, and this T-Bill will be used as collateral in case of shortage of liquidity, they can borrow money against their securities instead of keeping them or discounting them. This shows that many people are aware that CDH Rwanda plays an important role in the money market. 7.5% of respondents stated that CDH Rwanda helped them in saving even if it is not a Rwandese culture to save and that category is individuals because they are the one who needed savings. They mentioned that CDH Rwanda products were there to

remove the gap as in the banking sector no bank can remunerate their current account unless they place a term deposit. This is not a solution when an individual needs cash then, he is obliged to break the deposit and sometimes he bears penalties.

#### ***4.1.1. The institution gain from working with CDH Rwanda***

The majority of the respondents 85% mentioned that some of the areas improved include the following:

- Income which have significantly improved
- The short term and long term placement
- Borrowing money using certificate of deposit
- Quick money when in shortage at that time of need
- Flexibility in services delivery

5% of respondent stated that CDH helped the central bank to activate the interbank market, intermediary in security market (platform of security exchange)

#### ***4.1.2 How did CDH Rwanda contribute to the money market in Rwanda?***

Respondents stipulated that CDH Rwanda toasted the Rwandan money market by creating opportunities of borrowing and placing and this helped the banking system to improve their liquidity management due to the fact that they approved dealing with CDH Rwanda. They also noted that money was always available for capital investment. Money market products in CDH Rwanda contributed so much in raising capital for investment and CDH Rwanda was also a centre for trading money.

Respondents stated that CDH had started to positively activate the money market in Rwanda by introducing the buying and selling of Treasury bills to banks, individuals or company on a very short term ( from one week to one year) thus giving them the possibility to participate in money market. Respondent staff of CDH Rwanda said that in its relatively short period of existence, CDH Rwanda has made significant contributions towards the development of the financial sector in Rwanda. Some of the key contributions made towards meeting the objectives are:

- a. **Repo transactions:** CDH Rwanda introduced repo trading of government securities with banks, corporate and general public which provided flexible investment opportunity matching their liquidity needs.
  
- b. **Reverse repo:** CDH Rwanda introduced the reverse repo in the market which allowed banks, corporate, microfinance institutions and individuals holding government securities and access liquidity without disposing their securities.
  

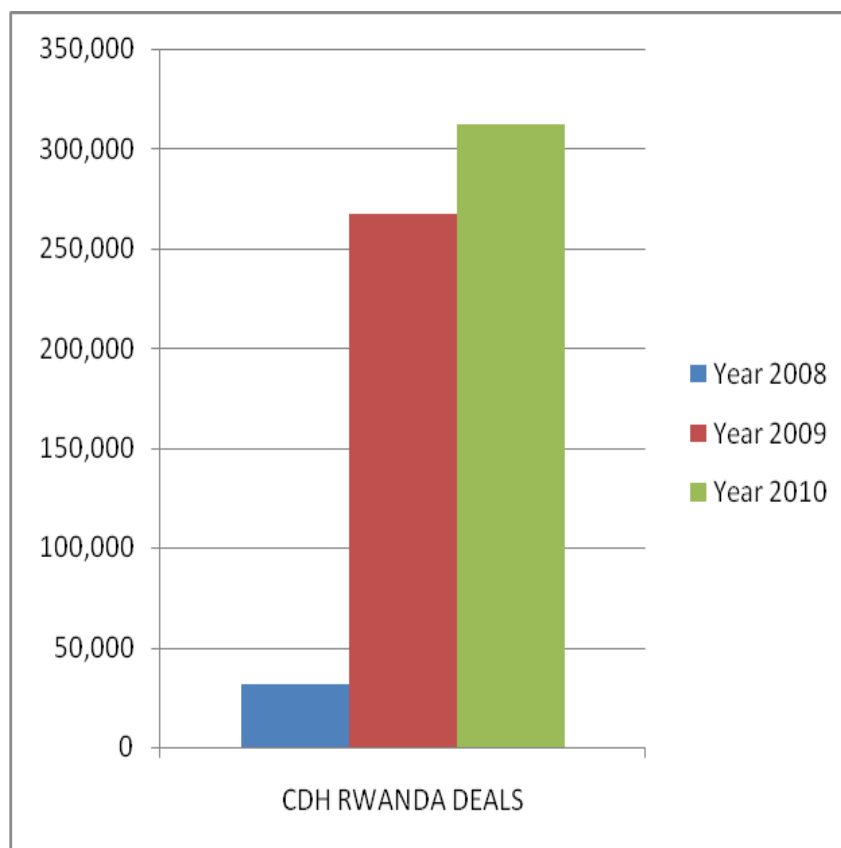
The Reverse repo took off rather strongly until it was suspended by BNR in September 2009 up to 2011 when BNR removed the suspension of the reverse repo.

  
- c. **Discounting of securities:** CDH Rwanda took initiative of educated the market that securities equal to cash and can be discounted with market players.
  
- d. **Interbank trading:** Prior to commencing its operations interbank transactions were very low. The market volume increased significantly from 23billion in 2007 to 518 billion in 2010. In 2009 and 2010 with trades through CDH Rwanda contributing at least 60% of this volume as illustrated below:

**Table 4.9: CDH Interbank deals**

| <b>YEAR</b> | <b>CDH RWANDA DEALS</b> |
|-------------|-------------------------|
| <b>2008</b> | <b>31,373</b>           |
| <b>2009</b> | <b>267,040</b>          |
| <b>2010</b> | <b>311,983</b>          |

**Figure 4.1: CDH Interbank Deals From 2008-2010**



- e. **Negotiable Certificate of Deposit (NCD):** CDH Rwanda introduced NCD discounting to allow microfinance institutions, corporate firms with fixed deposits in the banks to be able to access liquidity without being penalised when they are in need of their funds before maturity while the issuing banks were assured of retaining the fixed deposit to maturity.
  
- f. **Commercial Paper (CP):** CDH Rwanda has been sensitizing the market about CP to facilitate access to bridge financing to qualifying corporate at lower rates. Investors in CP are getting higher rate than fixed deposit rate or T-Bill rate. CDH Rwanda also facilitate in providing additional investment options in the financial market.

#### ***4.1.3 Kind of opportunities that respondents got while working with CDH Rwanda***

Respondents in commercial banks ascertained that CDH Rwanda gave them the opportunity of investing the excess liquidity in short term placement instead of relying on the central bank overnight and interbank window only. CDH Rwanda gave them another option for lending and borrowing as well.

Corporate, SMEs and individuals confirmed that they got option of negotiable money market area and flexibility in services delivery. They learned innovation in product development. They also mentioned the opportunity of purchasing T-Bills on behalf of clients, thereby creating opportunity for the wider public to increase holdings in tradable investments.

Respondent's staff emphasized that CDH has been quite successful in creating flexibility in investing in short term financial instruments that it can build upon into the immediate future. Interbank trade has grown and there is room for even higher levels of trade.

There is potential for other money market instruments to be introduced such as Bankers Acceptances, and invoice discounting facility. CDH Rwanda had a low market share but should work towards increasing her share of the market.

Good political will to develop the financial sector in the country. Very high potential for co-operation with other players, high and large appetite for credit by corporate sector, large untapped clientele base that is not using bank facilities and CDH Rwanda could target them and attract them with more flexibility and competitive products and services.

CDH Rwanda was a new dealer in financial market which has various instruments which are flexible in terms of tenors and diversified than in commercial banks.

#### ***4.1.4 Kind of challenges that respondents find in working with CDH Rwanda***

The majority of respondents (94.4%) asserted that CDH Rwanda was not created in the new payment system to be able to do settlement on time. However a small percentage (5.6%) from the central bank was reserved. In order to mitigate the risk of their placements, CDH Rwanda was asked to deliver physical securities for all the deals done between CDH Rwanda and the banks.

Respondents from commercial banks (66.7%) emphasized that CDH Rwanda as a money market player should be on the payment system as they need an intermediary which is central bank to settle all their transactions done on a daily basis. This delays their operations as when a deal is done the counterparty wants the settlement to be done automatically without delay.

In analysis of this chapter, we noted following advantages and challenges of CDH Rwanda in the Rwandan market. The advantages are that:

CDH Rwanda made the interbank market to come to life. Interbank market provided the banks with an avenue that enabled them to adjust their liquidity as conveniently as possible on a daily basis. The interbank market also provided an opportunity for banks to invest their excess short term and overnight funds rather than leaving them idle in their operating account.

Another good reason of the existence of CDH Rwanda was to activate and deepen the secondary market trading of financial instruments like Treasury bills and Treasury bonds in Rwanda. The deepening of the secondary market calls for more players that are well informed about dynamics of trading financial instruments on the secondary market. The source of these market players lies with small and medium enterprises and the general public. Their participation on the secondary market will entail more transactions and trades taking place thereby attracting even more players.

The Liquidity Reserve Requirement LRR usually is a monetary policy instrument used by the financial market regulator to manage money supply in the market. It provides confidence; trust and comfort to the general public on the financial market players operations as they are assured funds are safe with financial institutions. CDH Rwanda as discount house is not subjected to

LRR because a discount house does not take deposit, they only trade securities and any funds taken by CDH Rwanda is 100% secured by a financial paper like T-Bill or T-Bond.

The challenges faced by CDH Rwanda are:

There was limited availability of financial instrument when it commenced, because central bank suspended issuance of short dated paper to pave way for the introduction of the OTC market which was just being set up.

In the market, the bulk of T-Bills in issue were being held by the banks to maturity, before CDH Rwanda started as they were not trading them, the option of trades between banks or to other people was not there. Because banks were keeping T-Bills at maturity, this made their availability for secondary trade even more problematic.

The suspension of Reverse Repo activities by the central bank was one of the challenges faced by CDH Rwanda. The Reverse repo was in the discount house regulation but CDH Rwanda was served from the Central Bank to suspend trading of Reverse Repo as it was deemed a prohibited activity, the Central Bank was saying that this product is like to give out loan and CDH showed them that it is not giving out loan but trading papers as a Repo is approved then Reverse Repo is nothing than a reverse of a repo. It has taken over a year to be acknowledged as a permissible activity as a permissible activity of the discount house under the new regulation which came into effect in July 2011.

The implementation of changes in the settlement procedures has had a profound adverse impact on the company's operations. Even if the old system was not reliable for the discount house operations as mentioned above by respondents the changes in the settlement was worse than the first as it asks CDH Rwanda to have funds on their accounts in the central bank before doing any transactions and it was not given access to the discount window.

The important challenge to be mentioned is the lack of support from the central bank. As mentioned in the chapter 2 that according to Fred Oware (1992) the central bank must be

publicly seen to be supportive of the concept of discount houses. The discount house is the channel through which the central bank controls the liquidity in the banking systems.

The central bank did not put in place the access of CDH Rwanda to discount window and CDH Rwanda was always obliged to discount their securities when they were in shortage of funds.

The business of discount house was new in the Rwandan financial market. There was a need to have a point of reference on how the discount house operations are regulated in economies where they were in existence. In the first working year CDH faced so many challenges as it was unknown by the market and people did not know their services. Respondents talked about the economic small size based on its capital which implies negligence from partners and there were no support from the regulator in the new banking environment.

Respondents from CDH Rwanda mentioned also the competition from commercial banks as one of the challenges because CDH Rwanda faced competition from commercial banks that have been offering higher interest rates even on short term investments which was not the case before, and this to attract more deposits

Auctioning of funds by corporate was also there as a challenge faced by CDH Rwanda as the main corporate players started auctioning their funds to all the banks creating a price war on funds amongst the commercial banks including CDH Rwanda. These funds were usually taken at interest rate way above the T-Bill rates.

#### ***4.1.5 Suitable strategies to the challenges faced by CDH Rwanda***

Respondents from commercial banks and large corporate gave some strategies for improvement as follows:

- In the absence of a developed money market, banks have a need to hold a portion of their assets in the form of reserves that are immediately available
- CDH to assist in the implementation of monetary policy because they are instrumental in encouraging wider participation in the market.
- Personalize marketing where CDH Rwanda can do face to face marketing
- Making mass marketing campaign to big institution and government ministries in Rwanda about the product and services offered by CDH

## ***CHAPTER 5: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS***

### ***5.1. Summary of main findings and conclusion***

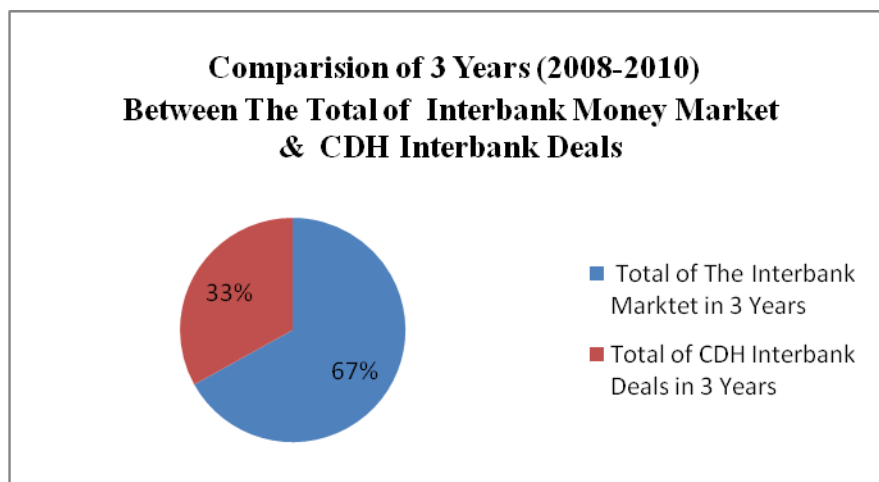
The research aimed at analyzing the role of Discount House in the development of a money market taking a case of Rwanda. This study was undertaken after analyzing the different products offered by CDH Rwanda the only discount house which was in Rwanda.

CDH Rwanda has made some significant contributions towards the development of the financial sector in Rwanda. Interbank trade has grown and there is room for even higher levels of trade. The following are the key contributions made towards meeting the objectives:

- Repo transactions
- Reverse Repo
- Call money
- Interbank trading
- Buying and selling T-Bills or T-Bonds
- Discounting of securities
- Negotiable Certificate of Deposit (NCD)
- Commercial Paper

The figure below illustrate 33% as the volume for CDH Rwanda trading from 2008 to 2010 while 11 other players such as commercial banks contributed 66%.

**Figure 5.1: Rwanda Interbank Money Market**



To facilitate liquidity management of economic sector, money markets fulfill a number of additional economic factors: interest rate on money market instruments which serves for pricing all debt instruments, the central bank use money market instruments as tools at monetary policy, short term interbank markets finance long term lending.

The challenges faced by CDH Rwanda are that it was new in the market and it was the only discount house in Rwanda. It was known by banks but low public awareness about CDHR and its products. Another challenge was the lack of understanding of the discount house business model by regulator and the capital requirement that was imposed by the central bank in the new regulation from 300mios to 1.5 billion. There is a low saving culture among the population and this affected the CDH Rwanda book as the main source of funds was in banking sector and corporate companies.

## **5.2. Conclusion**

The objective of the study was to examine the level to which CDH Rwanda contributed to the money market and to measure the results of CDH Rwanda in the development of the secondary market instruments in Rwanda. Another objective was to evaluate the role of CDH Rwanda in developing the interbank systems and procedures. If we consider the three objectives, it was found that CDH Rwanda contributed a lot in the development of the money market as shown by statistics, in 2007 before the introduction of discount house in Rwanda the total annual volume of

interbank was 23.6 billion and the figure soared to an annual volume of 169.5 billion in 2008, 549 billion in 2009. If we consider CDH deals from 2008 when it started up to 2010, the interbank trades was 31.3 billion in 2008, 267 billion in 2009 accounting 48.6% of the total interbank deals in the whole market. The volume traded by CDH in 2010 was 311 billion or 60% of the total volume traded in the whole market in the same year.

The interbank market provided the banks with a possibility to adjust their liquidity on a daily basis depending on their position. It provided an option for the banks to invest their excess liquidity in short term products offered by CDH Rwanda instead of leaving them in their operating account. CDH Rwanda activated the secondary market trading of financial instruments mainly treasury bills and treasury bonds in Rwanda. The source of these market players lies with the banks, corporate companies, small and medium enterprises and even the general public. The two last market players are the ones that have higher demand for liquidity. Their participation on the secondary market is very important and required more transactions and trades.

The last objective was to establish the challenges and opportunities of discount house in Rwanda, and in the challenges that faced CDH Rwanda were that it was new in the market and it was the only discount house and the lack of apparent understanding of the business and the role of the discount house by the regulator resulted into the slow acceptance of the company in the Rwandan market.

In general, CDH Rwanda contributed in the development of money and it has been quite successful in creating flexibility in investing in short term financial instruments that can build upon into the immediate future.

### ***5.2.1 Internal environment Analysis (strengths and weaknesses Analysis)***

#### ***A. Strengths***

- (a) CDH Rwanda was the first and the only discount house in Rwanda
- (b) Strong emphasis in innovation and customer satisfaction
- (c) Unique and flexible products

## ***B. Weaknesses***

- (a) New business model in Rwanda, low public awareness about CDH Rwanda and its products
- (b) Inadequate market penetration
- (c) Narrow focus on business opportunities

### ***5.2.2 External environment Analysis (opportunity and Threats Analysis)***

#### ***A. Opportunity***

- (a) There is potential for money market instruments to be introduced such as Commercial Paper, Bankers Acceptance and Invoice Discounting facility
- (b) CDH Rwanda had a low market share and should have worked towards increasing her share of the market
- (c) Potential of high economic growth exists in Rwanda
- (d) Good political will to develop the financial sector in the country
- (e) Very high potential for co-operation with other players
- (f) High lending interest rates
- (g) High and large appetite for credit by the corporate sector
- (h) Large untapped clientele base that is currently not using bank facilities which any coming discount house can target with more attractive, flexible and competitive products and services

#### ***B. Threats***

- (a) Lack of understanding of the discount house business model in Rwanda by the regulator
- (b) Change in capital requirement which came from 300 million to 1.5 billion
- (c) Low saving culture among the population
- (d) Competition from commercial banks
- (e) Lack of sufficient tradable financial instruments as treasury bonds which are rarely issued

### **5.2.3. Business environment assessment**

#### **A. Political environment**

- (a) The country continues to enjoy peace and stability since the end 1994 genocide
- (b) The country maintains a zero tolerance stance on corruption and this has been attracting foreign investors

#### **B. Economic environment**

- (a) Rwanda is an agro business economy with about 80% of the population living in the rural areas
- (b) Improved infrastructure: electricity, road network, telecommunications, health care, housing etc...
- (c) High lending rates with high deposit rates for the corporate but low investment rate for individual investors
- (d) Limited investments incentives
- (e) High taxation rate
- (f) Exportation predominantly in tea and coffee
- (g) Regional integration
- (h) Rwanda Development Board to promote attraction of new foreign investors

#### **C. Technological environment**

- (a) High investment in information technology generally
- (b) High and booming mobile phone technology
- (c) Banks introducing products which rely on IT
- (d) Introduction of the new system RTGS to fasten the payments in financial sector

### ***5.3. Recommendations***

The discount house itself needs to undertake a strategic appraisal of their current role in the market a part of challenges we recommend the following:

#### ***5.3.1. To the potential discount house***

It is very unfortunate that CDH Rwanda closed the door five months ago due to voluntary liquidation but potential discount house is recommended to establish a comprehensive and sound policies, put procedures and processes for prudent management in all the key risks areas ie, credit risk, operational risk, market risk, strategic risk, compliance risk.

The discount house should establish a new product policy to ensure that the risks inherent in new products, business line or activities are properly assessed.

For the new discount house to open in Rwanda, they should make sure the regulator understand very well the discount houses business model. They should make sure that they have same interpretation on the discount house guideline to avoid future interruption of some products. It is of paramount importance that the regulator should understand the business model because discount houses thrive where they have support of the central bank.

There are few corporate players in the Rwandan economy and the discount house which wants to come in should put strategies on how to target SMEs and individuals of high net worth.

New potential comer should think about two things. 1<sup>st</sup> enhance brand and image of the company in adopting more pronounced program with well articulated objectives such as:

- Advertising through print and electronic media
- Production and distribution of product brochures
- Advertising through electronic bill boards
- Sponsorship of sporting and community activities as well as making donations to vulnerable members of society as one of marketing tool
- Organizing breakfast seminars and corporate cocktails for clients

2<sup>nd</sup> develop and enhance beneficial strategic alliances and relationships such as:

- Making presentations at functions organized by professional bodies like private sector federation and Rwanda Development Board (RDB)
- Making all trade/professional associations potential partners in development for the sake of business growth
- Ensuring more visible presence at important private and public sector functions

### ***5.3.2. To the Central Bank***

The government policy has to move in the direction of facilitating the development of the discount houses into active dealers in government securities. The regulator before licensing one more discount house business in Rwanda, it should first understand the discount house business model and make sure it has the same view with the investor to avoid mistrust just to be comfortable of the discount house .

In order to make Discount houses effective the central bank should retain its regulatory and supervisory roles and administer a free market favored guidelines. Such guidelines or regulations should strive to create an appropriate and conducive market devoid of any suspicions that would assure owners of Discount Houses, investors and money market participants, fair returns on their efforts.

The establishment of a discount house in Rwanda will enable the further development of the money market in particular and resultant improvement in capital market activities in general in Rwanda. It is recommended that the needed encouragement and support be given to the discount houses.

#### *5.4. Suggestion for further research*

This study evaluated the role of the discount house in the development of a money market in Rwanda. However it is important to notice that this investigation only covered the money supply market side and much more would be desired on the demand side.

The recommendations of the study highlighted the related areas of further research that could enhance further understanding on the phenomenon in the country. Thus, the emphasis on the related variable factors in relation to the evolution of the Rwandan economy cannot be underrated and hence very imperative to assess the findings of the following studies.

- The absence of alternative investment options to underpin the high level of lending in the industry.
- The limitations of Institutional capacity in realizing the best returns on members funds in the capital market operations

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## ***INTERNET SOURCES***

1. <http://www.Bnr.rw>
2. <http://www.jsd-africa.com>
3. <http://www.cibng.org>

## **APPENDICES**

Aurore Mimosa Munyangaju

Tel 0788305557

Email: [aurmimosa@hotmail.com](mailto:aurmimosa@hotmail.com)

Kigali

January 31st, 2013

**Re: Request for research data**

Dear respondent,

I am a student in MBA, of Maastricht School of Management (MsM), outreach programs at school of Finance and Banking (SFB) in Project Management specialization. I am conducting a research on “**The role of discount house in the development of a money market, the case of Rwanda**” for the completion of the Masters Degree Program.

I would be grateful if you would help me and answer the following questions for me to get all information that I need and I will keep all information provided confidentially and will be used only for the purpose of this research.

Thanking you for the support.

Sincerely,

Aurore Mimosa Munyangaju

**Questionnaire to the key players in the financial sector**

1. What is the position in your institution

- (a) Managing Director
- (b) Treasurer
- (c) Director
- (d) Other. Please specify

2. What is your activity?

- (a) Business
- (b) Banks
- (c) Microfinance
- (d) Corporate company
- (e) Central Bank
- (f) Other (specify)

3. Would you expect any advantage to work with a discount house (CDH)?

- (a) Yes
- (b) No
- (c) If yes, specify

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4. Have you ever dealt with a Discount house (CDH)? If yes for how long

- a. Less than 1year
- b. Between 1-3years
- c. Over 3years

5. What kind of product interested you personally or your institution

- a. Money market
- b. Capital market
- c. Both

6. Did you like CDH Rwanda products?

(a) Yes

(b) No

(c) If yes, what kind of products did you like? You can choose more than one if possible

- 1. Repo
- 2. Call money
- 3. Reverse repo
- 4. Negotiable Certificate of Deposit
- 5. Interbank
- 6. All

7. What did you benefited from CDH Rwanda

- (a) Savings
- (b) Borrow money against securities
- (c) Short term placement
- (d) Long term placement
- (e) All of them

8. What did you or your institution gain from working with CDH?

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9. How did CDH Rwanda contributed to the money market in Rwanda

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10. What kind of opportunities did you got while working with CDH

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11. What kind of challenges did you find in working with CDH

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12. What are the sustainable strategies to the challenges mention?

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**Interview guide to the key players (from institutions of interest)**

1. How did CDH Rwanda contributed to the money market in Rwanda

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2. What kind of opportunities did you got while working with CDH

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3. What kind of challenges did you find in working with CDH and what are the sustainable strategies to the challenges mention?

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## THE TARGETED AUDIENCE

| <b>Banks</b>       |                                 |
|--------------------|---------------------------------|
| <b>ACCESS BANK</b> | Access Bank                     |
| <b>BCR</b>         | Banque Commerciale du Rwanda    |
| <b>BK</b>          | Bank of Kigali                  |
| <b>BNR</b>         | Banque Nationale du Rwanda      |
| <b>BPR</b>         | Banque Populaire du Rwanda      |
| <b>BRD</b>         | Banque Rwandaise de Development |
| <b>COGEBANQUE</b>  | Compagnie Generale de Banque    |
| <b>ECOBANK</b>     | Ecobank                         |
| <b>EQUITY</b>      | Equity                          |
| <b>FINABANK</b>    | Finabank                        |
| <b>KCB</b>         | Kenya Commercial Bank           |
| <b>UOB</b>         | Urwego Opportunity Bank         |

|                                     |  |
|-------------------------------------|--|
| <b>Micro Finance and Corporates</b> |  |
| <b>ACB Sa</b>                       | Amasezerano Community Banking Sa                           |
| <b>Cogear Sa</b>                    | Compagnie Générale d'Assurance et de Réassurance au Rwanda |
| <b>Corar Sa</b>                     | Compagnie Rwandaise d'Assurance et de Réassurance          |
| <b>Duterimbere</b>                  | Women Cooperative Microfinance                             |
| <b>Goshen Finance Ltd</b>           | Goshen Finance Ltd   |
| <b>MMI</b>                          | Military Medical Insurance                                 |
| <b>Phoenix</b>                      | Phoenix of Rwanda Assurance Co Ltd                         |
| <b>RIM Sa</b>                       | Reseau Interdiocesain de Microfinance                      |
| <b>RSSB</b>                         | Rwanda Social Security Board                               |
| <b>Sonarwa</b>                      | Société Nouvelle d'Assurance du Rwanda                     |
| <b>Soras Sa</b>                     | Société Rwandaise d'Assurance                              |
| <b>Vision Finance ltd</b>           | Vision Finance (microfinance)                              |
| <b>Umwalimu Sacco</b>               | Umwalimu Sacco   |
| <b>Unguka</b>                       | Unguka Bank  |
| <b>Zigama CSS</b>                   | Zigama Credit and Savings Society                          |