

T.C
ISTANBUL OKAN UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES

THE BANKING SYSTEM IN MALI
AND FINANCIAL RELATIONSHIP OF COMMERCIAL BANKS
WITH CENTRAL BANK

ZEINABOU SOUNTOURA

MASTER OF BUSINESS ADMINISTRATION

Program:MBA

Advisor: Asst.Prof.DR.BÜLENT GÜNCELER

ISTANBUL, July 2021

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ABSTRACT

The process by which banks create Money is so simple that the mind cannot believe it.

(Galbraith)

Mali being a member of WAMU has seen its economy be governed by common provisions. Indeed, a single Central Bank is common to 8 countries. This explains the power of the Central bank.

The aim of this study is to deploy and develop the banking system in Mali and financial relationship of commercial banks with central bank.

KEYWORDS: presentation of Mali development of Mali banks, financial relationship with central bank and commercial banks.

ABSTRACT

Bankaların Para yaratma süreci o kadar basittir ki akıl buna inanamaz.
(Galbraith)

Mali'nin WAMU üyesi olması, ekonomisinin ortak hükümlerle yönetildiğini gördü. Gerçekten de, tek bir Merkez Bankası 8 ülkede ortaktır. Bu Merkez Bankası'nın gücünü açıklıyor.

Bu çalışmanın amacı, Mali'deki bankacılık sistemini ve ticari bankaların merkez bankası ile olan finansal ilişkilerini yaygınlaştırmak ve geliştirmektir.



ANAHTAR KELİMELER: Mali'nin tanıtımı, Mali bankaların gelişimi, merkez bankası ve ticari bankalar ile mali ilişkiler.

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ABBREVIATION

MBA: Master of Business Administration

WAEMU: West African Economic and Monetary Union

ECOWAS: Economic Community of West African States

CFA: Chartered Financial Analyst

CEMAC: Central African Economic and Monetary Community



I. Introduction:

The banking sector is poorly understood by the society and the citizens. Admittedly, there are many points in common between banking and non-banking companies, but banks have specific features that justify and require adapted approaches and analyzes.

Banking is rapidly changing industry, customer expectations change and evolve, financial practices align with international best practices, and there is a need for banks to adapt quickly.

More than ever, the discourse of banks, mainly those of Western industrialized countries, focuses on customer satisfaction and their loyalty. The quality of the service is an issue for the achievement of these objectives.

It is no longer enough for a bank to be interested only in its business number, but great attention must also be paid to whoever contributes to the training of its turnover, namely: the consumer.

Banks do not only exercise Money but are also the organizations that produce Money. According to the adage <Any credit extended by a bank increases the Money supply by creating a bank deposit (Scriptural Money) of an equivalent amount, and any repaid credit reduces the currency in circulation>. Banks play a very important economic role. They are like financial markets they help direct Money from those who temporarily have too much to those who need it. They have a big role in the selection of projects according to their economic prospects. Their role can be compared to the heart in a human body which distributes oxygen-rich blood to organs that need it.

In Africa, to support the trading companies that have settled there since the colonization period, European banks appeared in the colonies.

To maintain their economic position acquired from their experience, they transformed their African agencies in 1960s into local law subsidiaries whose decision-making centers remained located in the West. Until 1980s, they cohabited with a public and Para public banking sector which served as a support to the State for the financing of agricultural and industrial development. These development banks experienced resounding bankruptcies

due to a total absence of prudential risk management policy and management errors characterized by decisions to grant credit based on subjective criteria such as family appearance, political or religious. This phase of turbulence saw the closure of loans of 50% of banks and a clear awareness of the need to control banking risks.

Various techniques for measuring these risks have been developed over the years by banks. But these risks have undergone many developments and have become a major concern in the administrative and financial management of banks.

Indeed, with the process of globalization, the interdependence of financial markets and the progressive interest of these banks in favor of these markets, the study emphasizes the deterioration in the quality of the signature and the risk that the counterparty can not honor its commitments in terms of credit risks. Measures to minimize financial losses in terms of market risks and the fight against internal bank failures in terms of operational risk management.

Since 1988, faced with exacerbated international banking competition deemed unbalanced due to the various regulatory constraints imposed in certain European states and in the USA. So-called agreements allow the development of prudential regulations applicable to all African banks of the other WAEMU countries. Mali has adapted to this development, which is essential to the stability of the international financial system.

For several decades, numerous studies have highlighted the precocious economic situation not only of certain companies, but also of Malian businessmen.

Aimed at receiving public funds in the form of a deposit (cash payment, check payments, collections, and transfers, etc). The national agricultural development bank redistributes on its own behalf or on behalf of third parties in credit, investment, and financial operations.

Since its creation in 1988, the challenge has been up to see how to make profitable intermediation banking services in an environment where most economic players are increasingly concerned with meeting a need for consumption rather than accumulation.

II. Presentation of Mali

Mali is a West African state, bordering Mauritania in the West, Algeria in the North-northeast, Niger in the east, Burkina Faso, and Ivory Coast to the South-southwest, Guinea to the southwest and Senegal to the West-southwest.

Former French colony to French Sudan, Mali became independent on September 22, 1960, after the break-up of the federation of Mali, bringing together Senegal and the Sudanese Republic. Its motto is “one people, one goal, one faith “and its flag consists of three vertical stripes of green, yellow and red.

The Republic of Mali has retained the borders inherited from colonization, those of French Sudan. Previously, several kingdoms and empires followed one another, encompassing an important part of present-day Mali and the neighboring countries.

With 19 million residents, the Malian population is made up of different ethnic groups the main ones being is Bambara. French is the official language, but the most used is Bambara which is spoken by more than 50 % of the population. Its capital is Bamako, whose urban area had 2.529 million inhabitants in 2019.

With an essentially rural economy, Mali is a landlocked country and one of the least advanced countries in terms of socio-economic development.

The country is a part of the Economic community of West African States (ECOWAS) and the African Union. Since 2012, Mali has been the target of jihadist attacks and has been confronted with community conflicts.

Mali is a vast landlocked country in West Africa with a population of 20 933 072 and a GDP per capital of 657 Dollars. The Malian economy is predominantly rural, with two-thirds of the population living on agriculture, especially cotton.

The impact of the coronavirus epidemic (covid-19) on the Malian economy is for the moment limited. A net importer of the oil, the country is benefiting from the sharp drop in crude prices. A traditional haven in times of crisis, gold is Mali's leading export item. The crisis should therefore lead to an improvement in its terms of trade which would allow the current account deficit to be reduced.

These potential beneficial effects should however be put into perspective, especially as exports of Malian agricultural products risk suffering from a collapse in prices and a drop in demand from the Euro zone. Moreover, if the direct effects of the slowdown in Chinese activity on Malian exports are moderate, Mali could experience difficulties in importing in a context of disruption of international value chains.

In a baseline scenario where China and the European Union experience a limited economic slowdown and the price of oil falls by 25%, Mali GDP growth is expected to decline to 4.9% in 2020 from 5.1% in 2019.

In a more pessimistic scenario, with a 50% drop in oil prices a very marked slowdown in the international economy and significant contagion of the Malian population with the virus, the impact on the Malian economy would be much greater. Social distancing measures and the lack of medical infrastructure capable of coping with the health crisis would disrupt domestic economic activity with the GDP growth that could drop to around 4%.

Mali has been room for fiscal and monetary maneuver to conduct counter-cyclical policies. It could, however, find it difficult to fund itself between global uncertainty and risk aversion on the part of investors. In the short-term, the government would benefit from redirecting spending in favor of public health services and taking measures to mobilize more sources of revenue, including international technical and financial partners.

Mali's economy is mainly based on the agricultural sector, which contributes 36% of the gross domestic product.

About 80 % of the population depends, directly or indirectly on agricultural activities. As a result, the agricultural sector appears to be the engine of growth and food security in Mali. However, in the regions of Mopti, Timbuktu and Gao, the prospects for agriculture are

limited due to the very low yields and its food nature. Much of the production is sold by farmers

during harvest to meet other needs (clothing, education, health, debt repayment...), as it is their main source of income. According to key informants, raising livestock, selling fodder for livestock, growing vegetables and non-farm activities such as petty trading, brick making, masonry, repairing motorcycles and carpentry are important. Other current income-generating activities in the target regions.

Adverse climatic events affect agricultural production. Drought, flooding, or unstable rainfall affect crop and pasture yields as well as water viability for people and animals.

Flash floods are also causing the isolation of some areas of the central Niger Delta and lakes of Mopti, Timbuktu, and Gao, making food production and access difficult for the population. Decreasing rainfall, and increasing temperatures have already limited the capacities of the government agencies and communities to effectively manage their natural resources. A rapid cycle of desertification has reduced the limited area of arable land, contributing to increased internal migration.

Mali has one of the youngest populations in the world with median age of 16.2 years. About 65% of the population is under 24. The total population is estimated at 19,414,009 and is growing at a rate of 3.6% per year. Access to employment and income is major challenge for young people. Given the limited economic opportunities, especially in rural areas many migrate to other parts of Mali or participate in the armed conflict. The conflict has also fueled significant migratory flows to North Africa and Europe.

Most young people are not independent because they do not exercise any profession and have no source of income to meet their needs. Some of them see themselves as totally dependent on their parents, as the following statement indicates. "We are not autonomous, to be autonomous you have to be able to take care of yourself, but we are like parasites because until the age of 37 you live with the parents. So, we are far from being autonomous, to be an autonomous you need to have a source of income, but a young person between 25 and 37 years old has nothing to do. It is the mother who feeds him.

Women make up 51% of the country's population. Cultural norms disadvantage women in many cases.

Compared to men, women receive less formal education and can not inherit land. Consequently, their food security and general development possibilities are hampered by the traditional practices that retail today.

Overall, women have little influence over decision-making, as one informant in Mopti noted: women are very little involved in decision-making. Usually, the decision is up to the man. For example, if women want to go to a health center, the man must give his consent first, and then to go to the market or to any meeting. The involvement of women in decision-making is very low in Djenné because Djenné is a city of traditions and religion. Women do not have the right to speak to certain activities. She is not entitled to be contacted and she is not entitled to certain information.

The dependence of the population on humanitarian aid would influence the choices and priorities of certain households. For example, in Gao a key informant noted that some households prefer to wait until they receive help rather than looking for alternatives themselves to improve their nutrition.

1. Prevalence of poverty

Between 2018-2019, around 43.8% of the Malian population was considered poor based on consumption estimates. In rural areas, poverty reached 54.1%. By region, poverty was more widespread in Mopti, Segou, and Gao. Unfortunately, poverty has not declined significantly over the past decade, although slight improvements have been recorded from 2013-2015 levels (47.2).

Table 2. 1. Prevalence of poverty in targeted cities 2018-2019

Cities	Poverty
Gao	46.5%
Mopti	56.6%
Segou	49.6%
Timbuktu	21.1%

2. Access to land and land management

In general, farmers own the land on which they work. In the cities of Mopti and Timbuktu, agriculture is practiced by sharecropping by around 32% of households, unlike other localities where it is practiced by only 4%. The rental of land, although prohibited, is observed only in dependently manage the income they derive from them. Since the democratic transition, natural resources have been managed in a decentralized manner and in accordance with the laws and degrees governing the management of natural resources. However, there is a gap between the customary regime and the legal regime in terms of legitimacy by tradition and by the registration respectively.

In Mopti region, the resource management regime has gradually evolved to be in step with the various social, cultural, and economic changes. It is part of a customary regime, based on the right of the first occupants to a codified system that promotes cohabitation between the different communities of the inner delta established in the 19th century.

In the localities of Bandage and Docents, the rules of resource management are mainly established by local customary institutions. The land is transferred from father to eldest son, or from eldest son to younger son. Land is usually transferred to married Men.

Women can only access small plots of land for market gardening or agriculture with the consent of their husbands. Land owned by women can not be transferred. This practice limits women's prospects in agricultural activities, as well as them empowerment. The uncertainty of land rights and unequal access to land and natural resources define the conflicting situation of land tenure in Mali. This uncertainty prevents producers from taking full ownership of land management in rural areas. Land management is therefore a bottleneck for plant, animal, and fishery production. At the production level, farmers try not to invest in soil restoration and conservation as land can often be taken away from them at any time. Access to land is generally less difficult when customary conditions are respected. Access to pastures is free regardless of the user's origin during the rainy season, herds are not allowed to enter

agricultural areas. During this time, herds can access water points which are controlled by local associations focused on environmental protection. The inadequacy of pastures, the extension of developed agricultural areas and the non-compliance with the provisions of pastoral charters and customary rules exacerbate conflicts between farmers and herders.

The qualitative survey reveals that in Docents (Mopti), ancestral practices do not allow anyone to be excluded from access to land.

The poor can apply for it by respecting customary rules.

The area of land suitable for agriculture and livestock is shrinking due to conflict, climatic shocks, and informal and formal land allocation methods. The coexistence of modern land laws and traditional rules and rules and practices leads to a debate on the legal and institutional framework for the management of natural resources. The application of the state code leads the legislator to recognize customary rights and practices and to seek computability between traditions and customs and land law. Traditional rules and practices can be useful in regulating and managing natural resource conflicts at the village level. They are included in the village social and economic development plans, which underlines their relevance for local development.

3. Access to credit

The financing of agricultural activities is limited due to the low profitability of the agricultural sector and the high risk associated with agricultural production. The results of the fieldwork indicate that insufficient resources and poor coverage of financial service providers in the most vulnerable areas. High interest rates and limited support and assistance to farmer organizations and cooperatives further limit access to finance.

Regarding the presence of financial services in the areas, informants noted that credit institutions previously funded the activities of young people and women with the conflicts, these credit institutions were forced to leave their premises. Financial institutions fear the risk of non-repayment of loans because economic activities are difficult due to insecurity, as this passage shows. We do not know rich banks are financing, so we must create income-

generating activities. To have access to financing, which is very difficult, financial institutions do not take risks with the insecurity in the region.

Several NGO's have provided repayable loans with interest ranging from 3% to 5% to facilitate access to finance. This facilitated the empowerment of certain groups of women before the security situation worsened. Naira in the region of Docents (Mopti) has granted loans to young people for their business through associations and economic interest groups. Currently, there are no credit services in the region, as all these partners have left due to the insecurity.

4. Access to education

The education situation in areas affected by the security crisis remains a major concern. As of October 2019, nearly 30% of schools in Mopti, Timbuktu, Niono and Ansogo were closed. Insecurity and natural disasters affect an estimated 3,161,790 people, including 300,000 children in municipalities where schools are not functioning. Since the start of the crisis, Mali has spent around 10.4 billion FCFA on education, or 0.16% of GDP.

At the village level, the lack of access to education is explained by two intercalated factors. When schools are functioning, families may decide not to send their children to school for fear of insecurity, which reduces the total number of enrollments.

On the other hand, teachers have left many villages following requests from armed groups, as the following passage describes. In some localities, teachers have received firm instructions to leave the village by unidentified armed individuals. Any recoupment today is a danger (Ansogo). Compared to other regions. Access to schools is less affected in Niono, the interviewees noting that schools are generally functional and that this year an additional school has been built in the region.

Overall, girls have less access to education than boys and among those enrolled, girls are more likely to drop out of school due to early marriage and pregnancy. Cultural preferences and practices help perpetuate gender disparities in this regard.

5. Water Sanitation and Hygiene

The security crisis has considerably worsened the conditions of access to water, hygiene, and sanitation. Flooding, seasonal drops in groundwater levels, and pressure from livestock on water resources have compromised access to WASH in the Mopti and Timbuktu regions. In Niono, access to water in some villages is not possible, forcing the population to go to Niono village or other place. In Gao, access to water is also limited but thanks to the work of development organizations, access has improved (Agent, Social Development, Gao). Lack of access to water, in addition of being a risk factor for populations, is an obstacle to essential hygiene practices.

This situation is made even more complicated by the internal displacement of the population. In Mopti, cholera outbreaks have been reported. This situation constitutes not only a threat to public health but also to security, due to the potential risk of conflict between populations.

Water problems related to villages and herds and the weakness of the management and maintenance system of WASH infrastructure remain the main challenge for adequate access to WASH resources. It should also be noted the weak capacity of the technical coordination services, as well as the almost total absence of development actors in this area due to insecurity in some localities. Nevertheless, the government of Mali is thriving to improve the populations access to drinking water by extending the SOMAGEP drinking water distribution network, as is the case in Docents and Gao.

6. Social protection-Conflict and insecurity (amazonaws.com, tarih yok)

Inter-community tensions, between Daoussahak (Tuaregs) and Peuls, in region of Gao, between the Dozo (Bambara) and the Peuls, or the Dogons and the Peuls in the region of Mopti, are of a historical nature and are fueled by access a control of natural resources.

Conflicts caused by terrorist groups and armed groups often overlap with ethnic tensions, which has resulted in a steady increase in conflicts since 2018. Historical ethnic rivalries are instrumentalized by armed groups. For example, fighters linked to al-Qaeda and the Islamic

State provoke quarrel between neighbors, the Peuls and the Dogons and gain ground by offering to protect the victims of the conflict they are fueling. Questions relating to bad governance, social injustice, and the feeling of exclusion in certain social classes are additional elements that add to the underlying reasons for tensions and conflicts, as the following passage underlines. It is the lack of communication between people that has provoked the crisis and the grudge. When the armed groups arrived in the locality, the weaker communities joined them to take revenge on the communities that persecuted them.

The control of local institutions or community leadership as well as trade and smuggling routes have become for some armed groups the main issues of internal tensions and the conflict raging in the North.

Observers in Gao and Mopti, noted that business activities have declined as some market players (notably carriers) have reduced, or stopped altogether, after actual threats and attacks, compromising the supply of gas food and other necessities (Agent Social Development Gao and Agent Social Development Mopti). Attacks and the use of improvised explosive devices (IEDs) have resulted in some areas being embargoed. Since the onset of the complex crisis that hit Mali in 2012, armed groups have found fertile ground for recruiting among them. Many poor discontented and uneducated young people who are drawn to both easy Money and radical ideologies. In the region of Mopti certain tensions are linked to the management of natural resources. But other intercommunity conflicts are linked to settling of scores against the Fulani, suspected of belonging to radical groups, that regularly commit abuses in this region.

Armed groups are multiplying and clashes between these groups have created a situation of insecurity and limited access to basic social services. This situation has weakened to socio-economic fabric of the country and related significant protection needs.

At the same time, the implementation of several development activities was halted, with many regions becoming inaccessible. The delivery of aid to the most affected areas is limited, with armed groups deliberately blocking emergency food, hijacking trucks, and killing aid workers. For example, food delivery in Mondoro district in Mopti was almost

impossible due to insecurity on the roads and minefields. For now, if we want to reach Mondoro we must go through Burkina Faso, then through Koro.

Populations dependent on agriculture and livestock are no longer able to follow the agricultural and pastoral cycles, given the precariousness of the security environment. In general, in the affected areas, insecurity has become a major problem for the population and interferes with the activities of Daily living, as the following passage indicates. “I have heard that village in Niono circle where no one cannot move to go in his field, if you go out, they take you to kill you, it is the municipality of Toridaga in the village of Dabakan.

In the region of Mopti, conflicts rationally oppose farmers and herders. They relate to access to land and the sharing of natural resources. In the past, tensions were short-lived and were resolved through traditional mechanisms and through the intervention of elders and religious leaders in villages. These traditional mechanisms are now reinforced by conflict management commissions, headed by administrative authorities. When conflicts can not be resolved by the village chief, then the perfect at district level. However, in the current context of instability, this mechanism does not work, as reported by a group from Docents because of fear of reprisals, the authorities no longer settle the conflicts between the inhabitants. The gendarmes no longer know how to intervene between people. So, the state must take responsibility for the stability.

III. Definition and explanation Of Money and bank

1. Money

Money makes it possible to save, measure and facilitate trade. There have not always been coins to be used as change. Metallic currency appeared first. Value was determined by the weight of silver or gold it represented and not by its symbolic value.

Economists define Money as a widely accepted means of payment. Basically, Money is anything that can be easily used to buy goods and service.

It's clear from the definition that currency (paper bills and coins) is Money. Some payments are also made by writing a check or using a debit card.

A transfer from your bank account to another bank account, this type of payment is called checking and it is also called Money.

What about savings accounts?

Technically, you can not use the funds in a savings account to buy goods and services directly. But in practice you can move funds from savings account to a checking account, so we also define savings account to be Money.

The process by which banks create Money:

Where does Money come from?

Money is not only creating by government, but also by private companies and banks. Banks create the Money they lend, not from their profits, not from the Money deposited but directly from the repayment promises made by the borrowers. The signature of a borrower commits him to pay the amount of his loan plus the interest otherwise he may lose his house or any property he owns.

1.1. Creation of fiat Money

Fiat Money or fiduciary Money refers to coins and paper Money whose value is determined by the trust placed in them by users and not by their cost of production. A 10 euros paper money is worth 10 euros in fiat currency, because its user knows that he can buy a good or a service worth 10 euros in exchange for this note. This value is therefore not determined based on the production cost of the ticket, a value which is significantly lower.

It is indeed the belief in the exchange value which characterizes fiat Money. This belief is guaranteed by a recognized authority such as the State or the Central Bank.

Most currencies in the World are fiat currencies, Euro, or the US dollar. Fiat money takes the form of paper money and coins. The major drawback of this type of currency is that it is susceptible to the effects of inflation.

The money supply represents all the money in circulation, it covers all the means of payment available to economic agents, that means companies, households or even administrations. It includes different types of Money: fiat Money, divisional money, and scriptural money (which alone represents 87% of the Money in circulation)

History of the CFA Franc

The CFA franc was born on December 26, 1945, the day France ratified the Bretton Woods agreements and made its first declaration of parity to the international Monetary Fund (IMF). It then means “Franc of the French Colonies of Africa”.

It will thereafter take the denomination of franc of the African Financial Community for the member states of the West African Monetary Union (WAMU), and franc of the Financial Cooperation in Central Africa for the member countries of the Union. Monetary of Central Africa (UMAC).

The CFA franc is the denomination of the common currency of 14 African countries members of the Franc Zone. These are the following states:

Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal, and Togo, which constitute the West African Economic and Monetary Union, of which the issuing Institute is the BCEAO.

Cameroun, Central African Republic, Congo, Gabon, Equatorial Guinea, and Chad, which constitute the Economic and Monetary Community of Central Africa (CEMAC), whose issuing institute is the Bank of the States of Central Africa (BEAC).

1.2. Table 3. 1 Control of money supply

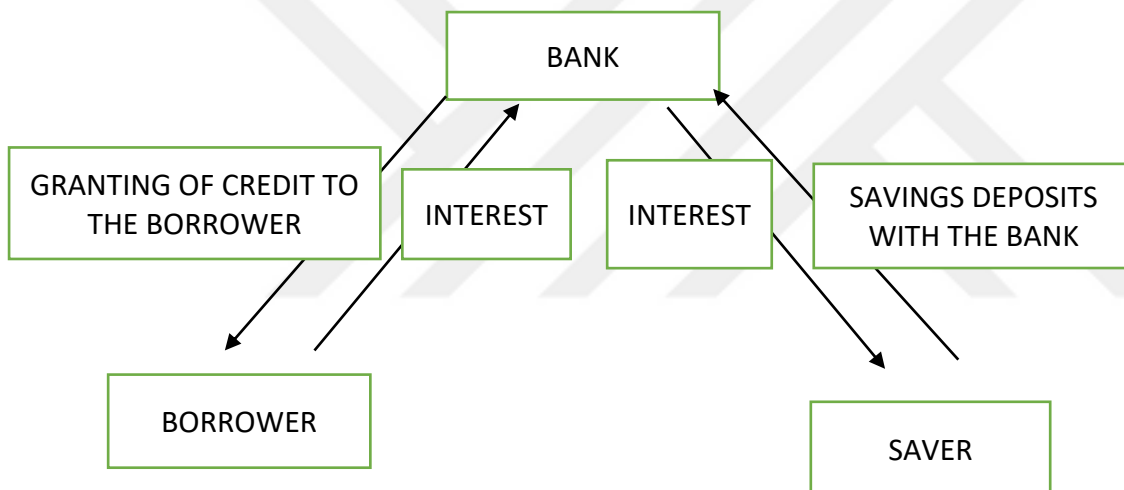
CFA PARITY	DAY	CONVERTIBILITY
CREATION OF CFA	DECEMBER 26, 1945	FCFA 1= 1.70 FF
DEVALUATION OF THE FRENCH FRANC	OCTOBER 17, 1948	FCFA 1= 2.00 FF
INTRODUCTION OF THE NEW FRENCH FRANC	JANUARY 1, 1960	FCFA 1 = 0.02 FF
DEVALUATION OF THE FCFA	JANUARY 12, 1994	FCFA 1 = 0.01 FF
LASHING OF THE TO THE EURO	JANUARY 1, 1994	FCFA 655.957 = 1 EURO

2. Bank

A bank is a financial institution that provides banking and other financial services to customers such as accepting deposits, lending loans, money transfer and selling third party products like insurance, mutual fund, and portfolio management.

A bank fulfills two basic tasks: in one part, it takes the money that savers deposit into their account, and on the other hand, it grants loans to its customers. The bank plays the role of intermediary between savers and borrowers (Illustration). A bank also provides financial services such as payment settlement, asset management or foreign exchange transactions.

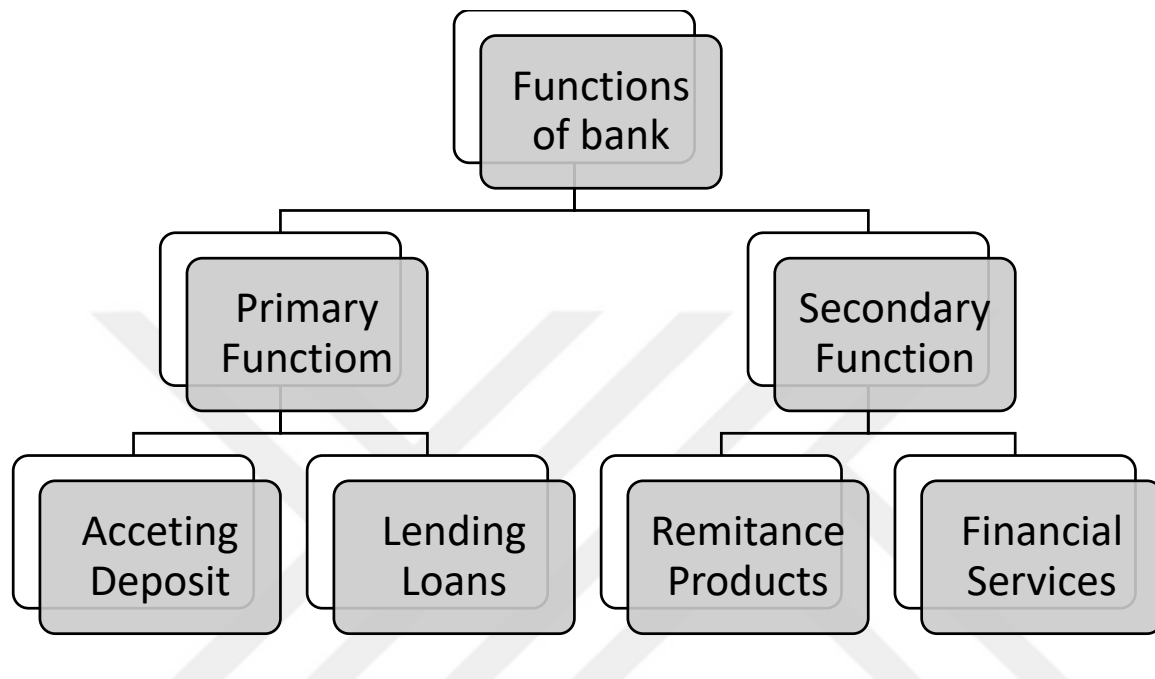
Figure 3. 1



When banks accept deposits, its liabilities increase as it must pay interest to the customer but when it provides loans advances its assets increases as it earns interest.

As financial intermediaries, banks stand between depositors who supply capital and borrowers who demand capital.

Figure 3. 2 Function of a bank:



The functions of commercial banks can be broadly categorized into:

2.1. Primary functions:

2.1.1. Accepting deposit:

The primary function of commercial banks is to accept Money from the people in the form of deposits which are usually repayable on demand or after the expiry of a fixed period.

The deposits may be of various types such as savings deposits, current deposit, fixed deposits and recurring deposits, the banks pay a rate of interest to the depositors.

Savings deposits: a savings account is sometimes referred to a passbook account. It is a sight deposit of Money. This deposit is made either in a bank or in a similar organization such as a savings bank for example. The savings account an annual interest, which the saver receives. The depositors can not use such an account to make a payment directly.

There are several types of savings accounts that differ in opening and closing methods.

What are the conditions for opening, operating, and closing the municipalities for savings accounts?

And what are the general and specific conditions specific to each of these accounts?

To open a savings account, certain conditions must be done. These conditions are several types and will be detailed below for each type of account.

But we must know that for example they concern the age of the saver and the minimum amount that he must make at the opening. They can also relate to tax domiciliation in Mali or the possibility of combining several savings accounts.

Any opening of a savings account triggers the preparation of the account statements. These statements are drawn up periodically and include all the transactions carried out.

The savings account has only one holder.

It is not possible to open a joint account savings account.

It is also not possible to open a savings account in a joint account.

The savings account is also nominative.

For controlling all savings account holders are required to present to the bank or savings bank: an official and valid piece of identification showing a photo of the holder and proof of address.

The holder of savings account must keep the bank or savings bank informed of any change in his personal situation that may affect the operation of the account.

This obligation holds for the duration of the contractual relationship between the individual and the bank or savings bank. Maybe a change of address, a change of tax domicile, a change of telephone number, married or divorce, loss of employment or change in capacity.

What are the general and specific conditions of a savings account?

The general operating conditions of a savings account concern: payments, withdrawals, repayment at sight, the account statement, issuance of a card, compensation, and pricing of services.

The holder of a savings account, except for the Livret B may make payments into it up to the applicable legal maximum. Payments are possible in cash by check or by transfer. Each type of savings account imposes a minimum payment amount.

Withdrawals can also be made in cash by check or by wire transfer. However, it is not possible, regardless of the withdrawal method, for the savings account to have a debit balance.

The funds deposited by the saver may also be reimbursed to him at sight, considering the time limits for collection.

For the account statement, it is sent to the correspondence address of the account holder. In the event of complaints about the transaction notified on the statement, the saver must contact the fund within thirty days of sending it. The savings account normally gives the right to the issuance of a withdrawal card unless its holder already holds one associated with another account. The public authorizes set the remuneration for a savings account except for the Livre B and the young booklet. Finally, regarding the pricing of services:

When opening a savings account no fees or commissions are charged; however, charges are levied on the account for certain transactions.

Fixed deposits: fixed deposit refers to a sum of money placed on deposit and blocked in a bank account. This sum can only be withdrawn by its owner after a certain period fixed in advance in a contract signed by the persons concerned by the deposit.

The term deposit, which allows you to withdraw money at anytime. In return for blocking the money, the term deposit gives its holder a higher interest rate.

The interest rate that governs this type of deposit is freely set by banking institutions, it may or may not be indexed to the money market. If the term deposit contract is broken before maturity, penalties may be applied.

Recurring deposits: The deposit system in which the depositor is allowed to deposit a specified amount of money at regular intervals with the bank or financial institution on a deposit date for an extended period is called recurring deposit. It is also a kind of term deposit on which the bank gives interest on savings at a rate determined based on compound interest. The interest rate varies from bank to bank. The entire amount is refunded with interest earned, at the expiration of the term for which it is deposited.

Deposition is done from time to time at regular intervals in this product. Due to the repetition of deposits, it is referred to as recurring deposit. This account is opened for specific purposes, which will take place in the future, such as the purchase of land, a car, or a house, etc. is not required to invest more in the account. The account holder can withdraw the amount after the expiration of the term. In addition, withdrawing the amount in the middle of the term is not allowed, although a depositor can close the account if he needs funds.

The product is beneficial for those who want to save up to a specified term. They don't have to deposit huge amount for opening the account in nominal amount is required.

2.1.2. Lending loans:

The second primary function of bank is to lend loans and advances to the corporate sector and households. Normally the rate of interest levied on these loans and advances is higher than what it pays on deposits.

The difference in the interest rates is called INTEREST SPREAD, which contributes to bank's profitability.

The loan relationship occupies a central place in the context of a monetary economy. This is the reason why, many research in the theory of intermediation examine this relation which goes hand to hand with the information role of the banks, a role founded on their own knowledge and evoked very often to justify their existence and deepen their activities. Indeed, financial markets are imperfect and the relationship between lender and borrower is connect by **asymmetry** information.

In the banking market, information asymmetry is defined as the fact that borrowers have more information than Lenders about their business.

Granting credit is a decision that is both irreversible and risky since the quality and profitability of the investment are linked to an uncertain future as well as to the current situation, where information is imperfect on the behavior of the borrower and is detrimental at the time of granting credit, since it reduces the ability of the lender to distinguish good customers in order to facilitate the financing process by reducing information costs and to implement mechanisms intended to reduce risk taking.

This allows it on the one hand to select loan applicants, and on the other hand to monitor their performance.

Information is therefore no longer a good that can be freely disposed. It became an indispensable strategic instrument in the explanation of the imperfect in banking theory. There are two important sources of imperfections on the one hand, the asymmetry of pre-contractual information which gives rise to problems of adverse selection, and which arises when borrowers have more information than their donors on the quality of their investment projects. This type of symmetry calls into question the price balance between supply and demand for financing. Considering that the donors can not know the level of risk of the projects financed, then they are in effect asking for:

Remuneration which will depend on the average risk of the projects as he sees them. This means that low-risk projects are overpriced while high-risk projects are underpriced. This implies a reduction in the average quality of projects and again eliminates part of the requests for funding.

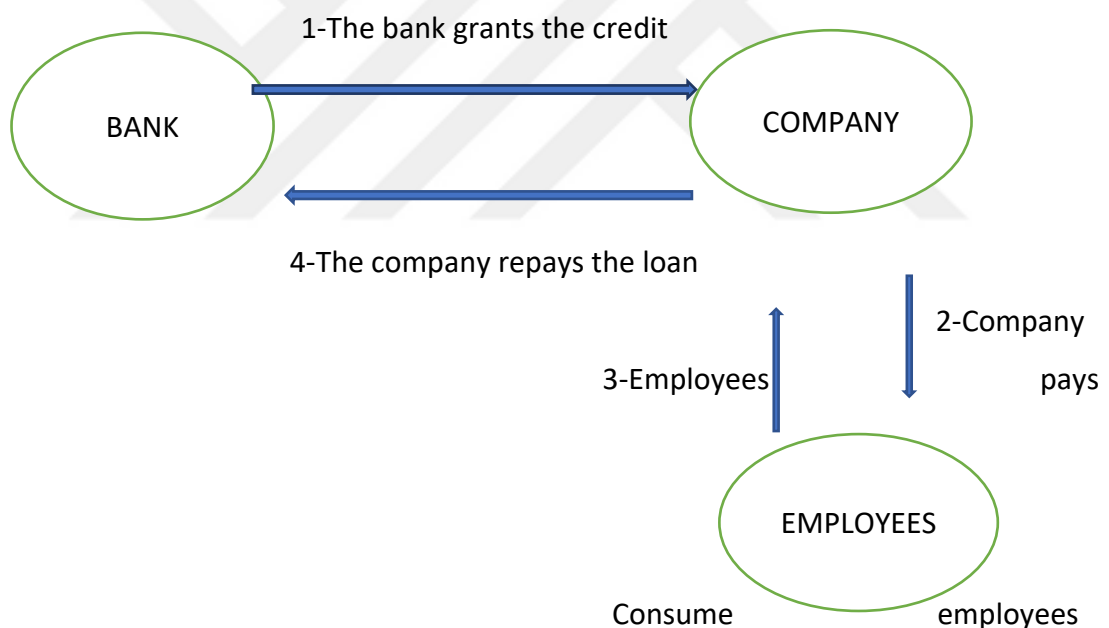
This type of asymmetry leads to inefficient allocation of credit and to credit rationing. On the other hand, problems of engagement or **bankruptcy** can reduce the efficiency of financial markets by imperfectly insuring firms against various shocks to their income. This type of post-contractual information problem is qualified as a MORAL HAZARD which jeopardizes compliance with the clauses of the financial contract. This problem is a difficulty in writing down the rights and obligations of credit applicants in all possible cases. Indeed, the borrower can take advantage of his information superiority to play against the interests of the lender. He may, moreover, choose a riskier project than that planned or declare false results obtained so that this precontractual symmetric position may still make it impossible, or at least difficult to carry out the operation.

The bank must play its role in reducing these asymmetries by producing information on the quality of potential borrowers. On one hand this is a preliminary examination to distinguish the ex-ante good from bad quality of a borrower such as the screening of borrowers in a context of adverse selection.

On the other hand, it is also matter of preventing the opportunistic behavior of borrowers during the implementation of the project such as monitoring in a moral hazard framework.

But the question is: are these mechanisms sufficient to reduce the information asymmetry problems that arise when granting credit? The answer should be no, screening signaling, and monitoring are all mechanisms aimed at reducing information problems, but which must be complementary to a system for sharing or exchanging information on credit between Lenders, since the bank does not always succeed to determine the quality of the borrower based on the information it has. It is often tempted to collect more information on the latter, and this will only be effective through a structure of exchange of information on the latter, and this will only be effective through a structure of exchange of information on the credit worthiness of borrowers between the various banks in the country.

Figure 3. 3



During the first three phases, Money is held by the company or employees so there has been Money creation during the credit.

When the loan has been repaid, there is no more Money with any agent. The repayment of the loan to the bank, therefore, corresponds to the destruction of Money.

Contrary to what is often said, the banks do not play only an intermediary role between those who want to lend Money and those who want to borrow it, they also create Money and play an active role, no economy modern can not live without them.

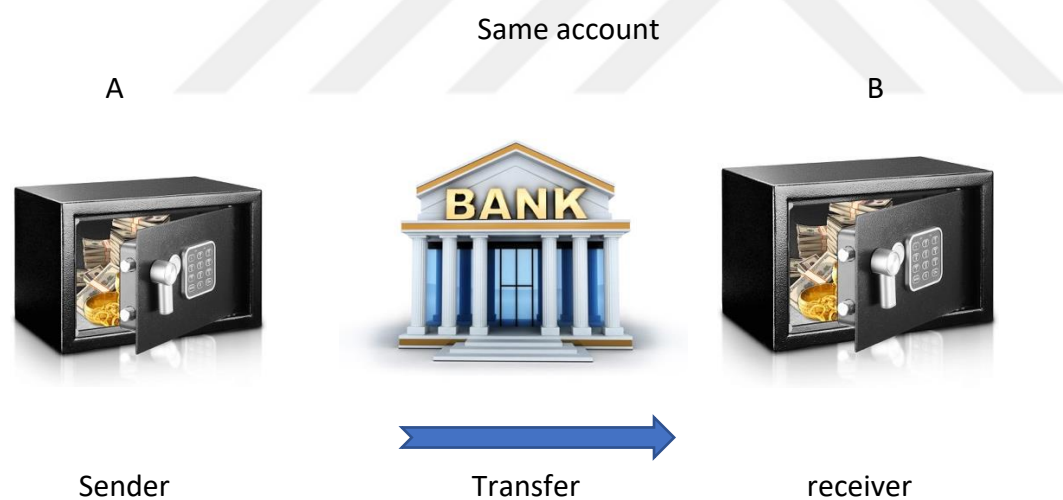
The example Presented above is, of course extremely simplified. The company does not only pay salaries but also interest to the bank and dividends to its shareholders, but that does not change the logic of the system.

2.2. Secondary function:

2.2.1. Remittance products:

Is the order given by a customer to his bank to transfer a specific amount of Money either to another account belonging to him open at the same bank or at a different bank, or to the account of a third party held at the same bank or at another bank.

The transfer therefore allows the transfer of funds either between two different accounts opened by the same person with the same banker or with two different bankers.



Or

Two different banks

B



Transfer

Either between two different people having their accounts with the same banker or with two different bankers.

Both accounts at the same bank



Or



The beneficiary's account is with another bank

Receiver



Transfer



Sender

The transfer order is given either on paper by completing a special form made available to customers by the bank, or by writing a simple letter on paper, mentioning the following formula “please by debiting my account transfer to the credit of the account number...”

On electronic when it comes to transmitting repetitive bulk transfer orders. This support is generally used by companies and professionals in the payment of salaries, pensions, social security allowances etc.

Or by SWIFTs, especially in the event of transfers abroad.

SWIFT is an interbank tele transmission network through which transfer orders pass between two banks which maintain correspondence links bilaterally. Messages sent by SWIFT are standardized.

This standardization ensures the speed of transmission and makes it easier to read messages when they arrive. It is a safe, fast, inexpensive, and reliable system.

How to write a transfer order

Mandatory information:

Name, Surname, and bank details of the beneficiary (his RIB or bank identity statement if it is national transfer or its IBAN (International Banking Account Number if it is an international bank transfer).

Name, Surname, and account number of the ordering party (his RIB if it is a national transfer or his IBAN if it is an international transfer),

Amount of the sum to be transferred in figures and letters

Date and signature of the principal.

All transfer must be signed by the ordering party, then executed by the banker once are checked the sufficiency of provision and regularity of the signature. In the case of failure to these two conditions, the Money transfer is rejected.

Forms of transfer:

- One-off bank transfer and permanent transfer.
- One off bank transfer allows you to transfer Money from one bank account to another on an occasional basis to pay a phone bill for example.
- Permanent transfer at fixed deadlines, for examples on the 24th of each month the same amount to the same person. On the dates indicated by the customer, his bank will make the requested transfer without the customer having to renew their transfer instruction each time. Particularly suitable for regular expenses, such as the payment of rents, the payment of salaries, the automatic feeding of a savings account etc.

This transfer provides greater security, both for the creditor and for debtor, avoiding oversights. It is however possible to suspend the standing order by notifying your bank before the transaction.

- Single and multiple transfer
 - Simple transfer is from one account to another account
 - Multiple transfer is from one account to multiple accounts. This is a mass transfer generally reserved for professionals and companies which in principles only use magnetic media or electronic cards to transmit repetitive bulk transfer orders to their banks to a defined list of beneficiaries like payment of salaries, pensions, social security allowances etc.
- Immediate transfer and deferred transfer.
 - Immediate transfer is a transfer whose entry date is identical to the effective date (default option).
 - Deferred transfer is a transfer whose date has been defined later.
- Internal transfer and external transfer.
 - Internal transfer is between two accounts opened at the same bank.
 - External transfer is between two accounts opened in two different banks.
- Transfer abroad is particularly suitable for transactions carried out internationally, the transfer abroad thus allows the transfer of Money to an account opened in a foreign bank. This is the case of an importing company that orders its banker to debit its account to credit that of a third-party exporter. The foreign transfer order is very often made by SWIFT. Only the beneficiary's IBAN number is required to proceed with the operation, which contains all the data necessary for the precise identification of the bank account to be credited.

The advantages of transfer are the simplicity, without any cash handling, all you need is a simple accounting entry.

This is secure, usually involving large amounts. Unlike the check and the bank card, they can be lost or stolen.

It is quick since it allows Money to be transferred from one account to another regardless of whether these accounts are held in the same branch, same bank, or same country.

It has become an essential banking service since even if a transfer is rejected for insufficient provision, this does not constitute an offense and does not lead to criminal penalties, as in terms of checks.

2.2.2. Financial services:

The fundamental role of the financial services is intermediation which is to connect savers and borrowers and those who want to reduce their risks and those who are willing to take those risks.

People who save for retirement can benefit from intermediation, the more future retirees grow on their Money, the less they need to save to meet their income goal taking inflation into account. To do this they have to lend their Money to someone who pays them by paying them interest so that they can use that Money or lending and fundraising is complicated and risky, savers often do not have the experience or time to do it themselves. They therefore have an interest in taking back from an intermediary.

Some savers deposit their Money in commercial bank, the oldest category of financial service provider. This bank receives deposits from various sources and pays interest to their holders. The bank earns the Money that he uses to remunerate depositors by lending to individuals to buy a house, to businesses to invest or pay their salaries or to a government administration.

Daily the bank provides various services. It ensures that depositors are charged an appropriate rate of interest when granting loans to them and on the other hand guarantees the demand withdrawal of their deposits. In the case of a mortgage loan, the bank offers the possibility of buying a house spreading the payment over time. The same goes for businesses and public administration which have a multitude of financial needs. The remuneration for these services is the difference between the interest that the bank charges on its loans and what it owes its depositors.

Another type of intermediation: insurance, individuals may well be content with saving for unforeseen expenses just as they are saving for retirement, but retirement is much more

likely than an illness or a car accident. For this type of risk, it is preferable to take out an insurance policy.

The insurer consolidates the premiums and assumes the risk of having to compensate people who become ill or have a car accident with the premiums paid and any proceeds from the insurance company's investments.

Financial service providers therefore help channel Money from savers to borrowers and redistribute risk. The added value they bring to the investor lies in the pooling of savers Money the monitoring of investment and the pooling of risk so that it remains manageable for the various participants. After all it is true that banks assume the risk that borrowers do not repay their loans relieving depositors of this risk. Because of the multiplicity of borrowers, they will not be penalized too much if one or two of them stop repaying. While individuals could do a lot of financial services themselves, it may be more economical to pay someone else for it.

Remuneration for financial services varies widely and costs are not always very transparent. For relatively simple transactions, billing can be a flat rate for example 100 dollars administration fees. Charges can also be fixed 20 dollars an hour commission of 1% of the value of the mortgage loan or linked to profits the difference between the rates on loans and deposits for example. For each type of remuneration, the incentives are different and adapted according to the situation.

Without financial services someone with cash to invest might have a hard time finding people who want to borrow and vice versa. Likewise, people would be so keen on saving for risk that they would hardly buy goods and services.

In addition, there is often a long time between the purchase of a service and the date on which the provider must provide it. Much of the service market is built on trust. For example, buyers of insurance policies trust that the insurance company will still exist at the time of their death. They expect that she will have enough Money to compensate their named beneficiaries and that she will not defraud their heirs.

The importance of financial services for the economy and the need to promote trust between providers and consumers. Many of these services have been encouraged by governments to supervise. This control, which varies from country to country is based on three pillars: licensing, regulation, and supervision. In the United States several agencies some state-owned others federal oversee and regulate various segments of the market. In the UK the Financial Services Authority is responsible for overseeing the entire industry in Mali.

The supervisory authorities ensure compliance with the rules and approve financial service providers. Their oversight may take form of periodic reporting and monitoring as well as inspections and inquiries into complaints. It can also encompass legal protection for consumers, such as caps on credit card interest rates and bank overdraft charges. However, due to the recent boom in the financial sector, the authorities sometimes lack the means to contain risks. Regulation and law enforcement do not always prevent bankruptcies: they do not necessarily cover new activities and authorities do not always detect fraud. Supervisory authorities are therefore often empowered to take over bankrupt institutions if necessary.

The role that mortgage-backed securities played in the recent crisis illustrates the unintended consequences of using new financial instruments. In this case financial institutions seeking a stable source of income bought mortgage loans from the banks that issued them and then distributed the repayments among various bonds, the yield of which was linked to that of the underlying mortgages. This operation was beneficial to the banks which by selling the mortgages obtained liquidity with which to grant new loans but since the banks which issued these loans had no intention of keeping them, they became less careful about the creditworthiness of borrowers.

However, these loans turned out to be riskier than the financial institutions that purchased them had anticipated, and the bonds paid less than they expected. Borrowers were at increased risk of default due to low incomes, which reduced the yield on these bonds for their holders, two factors that hampered growth in gross domestic product. Initially, mortgage-backed securities were meant to mitigate risk and could have done so under normal circumstances but in the end, they only magnified it.

Among the countless financial services, the most popular are:

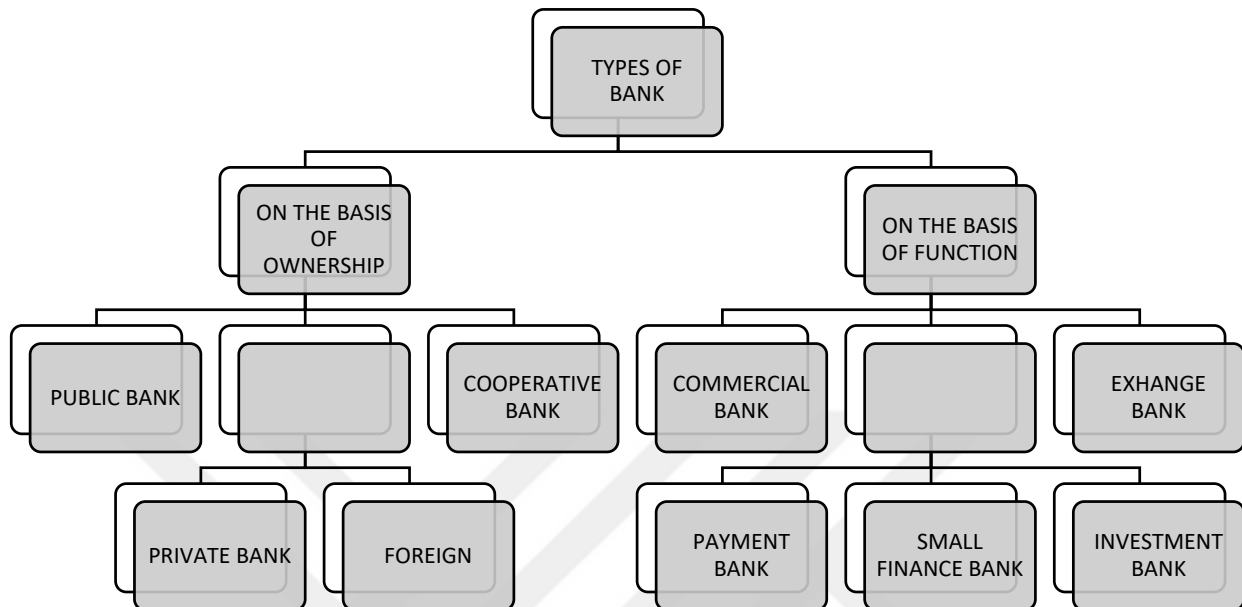
Insurance and related services

- Direct ensures group together the premiums paid by those who wish to protect themselves against a risk and compensate those who suffer a guaranteed loss, such as a car accident or the sinking of a boat.
- Reinsures, which can be companies or high net worth individuals, agree for remuneration to assume certain of the risks guaranteed by the direct insurer.
- Insurance intermediaries such as agencies and brokers, match those who want to protect themselves against a risk for a fee and those who are willing to take on that risk for a fee.

Banks and other financial service providers

- Accept deposits and repayable funds and grant loans: providers pay those who entrust them with Money, which they can then lend or invest to generate a profit equal to the difference between what they pay to depositors and what they receive from borrowers.
- Administer payment systems: providers enable the transfer of funds between payers and payees, and they facilitate transactions and settlements through credit and debit cards, bank drafts such as checks and wire transfers.
- Trade: service providers help borrowers find funds by selling equity stakes or issuing bonds.
- Manage assets: providers advise clients or invest funds on their behalf for a fee.

3. Figure 3. 4 Types of banks



3.1. Based on ownership

3.1.1. Public bank:

A public bank is banking company owned by the state or public actors. It is therefore a state-controlled company. More than 50% of the shares is held by the government of the country.

3.1.2. Cooperative bank:

Cooperative banks are like commercial or public banks, they belong to their customers, but they have no shareholders.

Cooperative banks are owned by their customers who can be natural or legal persons. Also called Mutual banks, a cooperative bank is characterized by two main elements: the customers own their bank, and they are both partners and users. Therefore, the dividends paid by the cooperative bank each year partly go to the customers of the bank. By becoming the share capital of this bank an done becomes a partner of the bank. Holding shares in a

cooperative bank means both receiving dividends each year and participating in the decisions taken relating to the bank during general meetings of shareholders.

Cooperative banks are considered to have lower profitability than that of the capital banks, which can be interpreted as a sign of inefficiency or on the contrary of better sharing of value between stakeholders. Indeed, cooperative banks were created by Professional groups to compensate for the deficiencies of the banking system at the end of the nineteenth century in terms of financing the economy.

The objective of these Professional groups was to have access to financing in sufficient volumes and at good price and not to optimize banking capital accumulation. This results in original governance rules but adapted to this context.

The mutual bank model has been confronted with two shocks of unequal scope: the gradual expansion of activities, first in terms of customers, then of professions sometimes far removed from their historical vocation, the relationship with the stock market listing, the advantages of which in terms of fundraising or as an instrument of strategic rapprochement with other partners have exercised a strong power of attraction.

The reconciliation of mutualist governance rules and capitalist governance rules did not flow naturally, with important consequences in terms of the priority given to the creation of value in the subsidiaries or networks of cooperative banks and in terms of the distribution of its distribution.

In WAEMU, agriculture remains the dominant activity economically. The informal sector, predominantly urban has a variable importance depending on the economy. The data are sometimes incomplete about its size. The evolution of economic activity has presented in all the countries of union a practically identical profile and a similar observation. After a post-independence start-up phase characterized by ambitious investment programs and a consequent increase in external debt, all these countries found themselves faced with a serious, deep, and lasting crisis, characterized by multiple distortions affecting their economies. Large and inefficient public enterprise sector, inappropriate economic policies,

justifying draconian adjustment programs depending on the case, with an essential component, that of the adjustment of the financial sector.

All the of WAEMU's banking systems are being restructures, with varying levels and one notable aspect, that the disappearance of agricultural credit structures in three countries of the Union (Benin, Niger, Togo), the difficult situation of institutions whose viability is not yet questioned (CNCA-Senegal and Burkina Faso, BNDA-Mali). This situation sharply poses the problem of agricultural credit to population in rural areas.

For the purposes of the study mutual savings and loan structures have been placed under the informal heading, even though some of them are not legally informal in nature, as they have adopted statues of associations economic interest groups, pre-cooperatives, or cooperatives. Except for Benin, which has specific legislation in this regard, they were considered informal due to the lack of regulation of their financial activities. Moreover, several networks wanted to benefit from specific regulations adapted to their practical mode of operation, derogating from the WAEMU banking framework law.

3.1.3. Private bank:

Is a bank that provides very personalized and sophisticated financial services, often summarized under the expression "wealth management", to individuals holding significant net wealth.

Originally family-run with a personal commitment from the private banker on his family assets, they are sometimes specialized departments of generalist network banks, which provide their high-end customers with services of a level like those of an independent private bank. Some groups prefer to have a subsidiary dedicated to private banking.

Certain banking groups consider that their activity of managing investment funds, or even stockbroker, is more the responsibility of private banking than of investment banking. This results both from the differences commercial and technical approach between these two professions and from the need to establish a legal and ethical barrier between them. This

principle known as the Chinese Wall between their services to individuals and those linked to the financing of listed companies notably avoids insider trading and price manipulation.

3.1.4. Foreign bank:

The term foreign bank generally refers to any United States operation of a banking organization headquartered outside of the U.S. The first foreign banks established their presence in the United States in the mid-1800's, with New York being the first state to license or regulate these institutions. While state governments took the lead in welcoming foreign banks to the United States, the federal government has also acted to ensure that American markets are open to banks from all nations.

Today foreign banks are a significant presence in the American financial system, providing many important benefits to individuals, business, and the general economy. In fact, foreign banks make almost 40% of all loans to American Business. As of December 31, 2000, state-licensed foreign banks held 1.132 trillion dollars in assets.

Foreign banks most often come to the United States to provide service to American subsidiaries of clients in their home countries or to a specific group of individuals. Once here, however they provide a wide range of wholesale banking services. They are most active in New York, California, Florida, Illinois and Georgia, but also maintain operations in our own state, Connecticut, as well as several other states. Foreign banks operating in Connecticut currently include UBS AG (Switzerland), Bank Austria AG, the bank of Ireland, Société General (France) and the Royal Bank of Canada.

Foreign banking organizations can acquire or establish freestanding banks or banks holding companies in the United States, these banks are regulated and supervised as domestic institutions. Generally, however it is more cost-effective and productive for foreign banking organizations to operate as another of several available structures: branches, agencies, loan production offices, representative offices, Edge Act, or agreement corporations. Each of these business structures has a different set of Powers and regulatory requirements.

3.2. Based on function:

3.2.1. Commercial bank:

Commercial banks are banks that directly serve customers. Commercial banks offer a wide variety of banking products and services to individuals and businesses. These services are generally well suited to the specific customer segments with which commercial banks deal. Commercial banks offer individuals and businesses a range of deposit products such as checking accounts, savings accounts, certificates of deposit, etc. One of the main functions of commercial bank is to provide loans. Loan products include business loans, trade finance mortgage and housing loans, auto loans personal loans etc. Commercial banks also offer several services to their customers such as secure deposits, letters of credit, provision of foreign currency etc.

Actors of Commercial Banks in Microfinance:

Little has been written about the role of commercial banks in microfinance. Because commercial banks have been so notably absent from this field. In their absence, many nongovernment organizations (NGOs) and other specialized institutions have created financial Technologies that serve increasing numbers of the poor and sustain loan repayment rates that are not only competitive with traditional commercial banks but also offer profits without subsidies.

Now commercial banks in the developing countries have begun to see microfinance not only as a valuable public relations tool but a profitable venture and are beginning to examine the micro-finance market. At the same time, some NGOs have transformed themselves into regulated banks. Today's microfinance landscape is being shaped by regulated microfinance banks created from these two different backgrounds, each offering their own distinct strengths and weaknesses.

In November 1996, the U.S agency for international development (USAID) sponsored a conference to examine the expansion of banking services to microenterprises in the developing world. The first event of its kind, the conference brought together bankers from 17 regulated financial entities in 16 developing countries to capture and share experiences,

learn about each other's practices, and discuss obstacles. There were large, multi-service and state-owned banks and small, specialized banks and finance companies.

3.2.2. Bank exchange:

One of the main functions of Money is intermediary of exchanges. It has permitted the development of a diversified market on which many players can exchange multiple products. To understand this, we can start from a cartoonish example.

Let's say Will has an apple but he wants an orange, Alima has an orange, but she wants a pear, Laurine has a pear, but she wants an apple. No exchange can take place because the needs of each other are directly complementary.

The introduction of currency Will help solve the problem. The bank lends Money to will, with his change Will can buy Alima's orange, then the change she has just received, Alima can buy Laurine's pear, which allows Laurine to buy Will 's apple.

Can then pay back the bank.

It is important to understand under what condition the market can operate. As currency has no value by itself, what market participants want is to be able to exchange products of the same value. If a stakeholder agrees to sell a product with real utility in exchange for Money that has none, it is because he thinks he can use this currency to acquire a product of equal value. However, whoever receives Money from the bank can acquire a product without offering anything in exchange. He will turn only offer a product if he is obliged to pay back the bank for the change it has on him.

In the example, Will is forced to sell his apple to Laurine to get the change that will allow him to repay the bank. If he was not obliged to pay back the bank, he would have no reason to give his apple to Laurine who would then end up with worthless Money, that is in a way stolen.

The essential condition so that the currency issued by the banking system can be used as an intermediary of exchanges is that the bank strictly impose the repayment of the credits, they have granted.

3.2.3. Payment bank:

A payments bank is like any other bank but operating on a smaller scale without involving any credit risk. In simple words, it can carry out most banking operations but cannot advance deposits, offer remittance services, mobile payments, transfers, purchases and other banking services like ATM/debit cards, net banking, and third-party fund transfers.

Why payments bank? The main objective of payment and financial services to small business, low-income households, migrant labor workforce in secured technology-driven environment.

The liquidity traps

For **Keynes**, the interest rate results from a trade-off between the desire to own Money and the securities shows, that the interest rate evolves inversely with the money supply due to the motive of speculation. This is the result of expectations, a person holding securities having an interest in selling them if he thinks that their price will fall, if he is anticipating a rise in interest rates conversely, a person anticipating a rise in the price of securities, that is a fall in interest rates, an interest in buying securities. (keynes)

The securities market, that is also the interest rate, will equalize when the supply of those who anticipate a rise in interest rates is balanced by the demand of those who anticipate a fall in rates.

When interest rates drop and approach zero, a double phenomenon will: The number of people anticipating a further decline tends to decrease.

3.2.4. Small finance bank:

A small bank is a bank, or the department of a bank, where credit granting activity is based on supporting large companies, institutional investors, local authorities, and States in their major financial operations and complex, often in an international context. It includes, mergers and acquisitions, structured finance, project finance and export finance.

In the structure of banks, the financing activity is sometimes linked to the investment bank.

3.2.5. Investment bank:

An investment bank is a company whose main purpose is to advise investors (private financial) it puts them in touch with companies to finance their projects or is responsible for managing their funds under mandate. That is the difference with deposit bank, it therefore does not re-lend the deposits of customers (or those of customers of other banks), but it gives access to the capital market by issuing shares and bonds.

However, most investment banks are no longer independent but are now part of banking groups which also have depository, insurance, and other banking activities. The investment banker advice the company in its search for optimal financing. The investment bank sometimes has an internal structure of investment bankers, but it is a source of great tension with the terms in charge of client relations with investors.

IV. Organization of the Banking system:

In Mali, as in many other countries in Africa the banking system includes: a National Agency of Central bank of West Africa, a National Credit Council, Banks, Financial institutions, Professional Association of Banks and Financial Intuitions (APBEF).

The supervisory body for banking activity in WAEMU member states is Bank commission, which is headquartered in Abidjan, Ivory Coast.

1. The Central Bank of West African States:

Is the issuing institute common to the eight member states of the West African Monetary Union (WAMU)?

It is an international public establishment headquartered in Dakar. In addition to the issuance of currency signs in the Member States of the Union for which it has the exclusive privilege, the BCEAO is responsible for: The centralization of the Union's currency reserves, the management of the monetary policy of the Member States of the Union, Keeping the accounts of the treasuries of the States of the Union, the definition of the banking law applicable to banks and financial institutions.

2. The National Credit Council:

In Mali there is a National Credit Council which sits at the national agency of the BCEAO.

It is chaired by the Minister of Economy and Finance or his representative.

The Committee assess the financing needs of the country's economic activity, proposes to the Board of Directors the amount of domestic credit and that of the assistance that the Central Bank may grant to the Banks and the Treasury, and ensures its use and maintenance control in the State concerned.

3. Banks in organization banking system

The banking system in Mali has 14 banks: the National Bank of Agricultural Development (BNDA) , the Bank of the Habitant of Mali(BHM-HIS) , the ECOBANK , the International bank for the Trade and the Industry of Mali(BCIM), the Coris bank the Bank of Development of Mali (BDM-HIS), the Malian Bank of Credit and Deposit (BMCD), the International Bank for Mali (BIM-HIS), the Commercial Bank of the Sahel (BCS-HIS) ,the Bank of Afrika (Boa-Mali), the bank Atlantic bank, Regional Solidarity Bank-Mali, and United Bank of Africa (UBA).

Plus, these banks there are financial institutions that also do credit operations. There are two: the financing (SOMAFI) specialized in the lease credit and the credit Initiative (CI-SA) specialized in the financing of the PMES and the MALIAN Society of credit.

4. Financial institutions:

According to Article 4 of the Banking Law no2012-24 of July. 24, 2012, financial institutions of a banking nature are legal persons, authorized to carry out all banking transactions for

which they have been authorized. Like banks, financial institutions of a banking nature must be registered on the list of financial institutions before carrying out their activities.

In general, financial institutions of a banking nature are in principle authorized to process the same credit transactions as banks, but they cannot receive deposits from the public.

Currently, there is only one financial institution of a banking nature within the Malian banking system.

5. The Professional Association of Banks and Financial Institutions of Mali:

Is a non-profit association to which any bank or any financial institution operating in Mali adheres and is required to join? Its purpose is to create and maintain useful relationships between its members, to ensure the unity of the rules which must govern its members, to collect data and information of interest to the profession and carry out surveys or studies likely to shed light on the action of members and improve their image with customers and authorities, to pool information on the solvency and morals of their customers, and to participate through various actions in training permanent staff of its members in order to guarantee professionalism in the banking system, to present all suggestions concerning general interests to the Government, Chambers of Commerce and other Professional organizations, to act as an amicable judge or as referee-rapporteur in cases disputes that can be brought before it.

APBEF-MALI acts as an intermediary between its members and the Monetary and Financial authorities and can fulfill the same role between the banks and the Banking Commission of the UMOA.

It exercises the Powers vested in it by law or by regulatory texts or these statutes. It studies questions concerning the exercise of the profession, groupings, creation of common services. It brings about agreements on these issues and may be mandated by the Minister in charge of Finance to ensure the effective management of the common bodies that the banks will constitute. APBEF-MALI is empowered to take legal action in any instance where one of its members is involved and where it considers that certain general interests of the profession are at stake.

The banking system is never made up of a single bank but of several banks that can be grouped into two categories:

The central bank which issues legal tender and deposit banks that lend Money their customers have deposited with them.

Central bank: A central bank is a monetary issuing institution specific to a country or a currency area. The central bank is the bank for commercial banks and oversees the monetary policy of a state or a zone. The impact of a central bank's monetary policy is major on the real economy, financial markets and therefore the foreign exchange market.

The central banks with the most influence over Forex are the European Central Bank (ECB) and the United States Federal Reserve (FEB).

Central banks do not deal directly with customers, instead the central bank is known as the banker's bank and controls the entire banking industry. The country's central bank maintains deposits for the government. The government deposits funds for the purpose of providing health insurance, social assistance, unemployment benefits, etc.

These loans are intended for banks for overnight funding purposes and at lower interest rates than federal funds.

Central banks provide several services to the federal government and other commercial banks, such as clearing funds between member banks, issuing government bonds, paying for various social security programs and Medicare etc.

Central banks also play an important role in regulating the country's supervisory policy. The central bank increases or decreases interest rates, increases, or decreases reserve requirements, etc. The central bank formulates banking rules and regulations and is also responsible for monitoring compliance with the banking regulations put in place by carrying out regulatory tests.

To understand the articulation between these two types of banks, we can start from a simplified example where the banking system is composed only of a central bank and a deposit bank. Suppose that, initially the central bank grants loans, for example to the state

so that it can pay the salaries of civil servants. This is only a simple game of writing, but for the sake of simplicity, we will assume that the loan is given in the form of notes, at the end of this first phase the central bank has a claim on the state which must appear on the assets side of its balance sheet. In return, it must enter in its liabilities an amount corresponding to the currency issued.

It may seem surprising to Show notes on the liabilities side of a balance sheet because they do not really constitute a debt in the usual sense of the term. This inscription has first historical origin, the currency was pledged on gold, other word the central bank was required to return the gold banknotes on simple request.

From an accounting point of view, the inclusion of the currency issued as a liability is mainly justified by the commitment made by the bank to sell its receivable at maturity, which makes the monetary issue appear as a simple transaction, debt swap or more specifically, like a cross-loan of receivables, with the central bank lending notes and the government lending a treasury bill.

Suppose that the value of the currency issued on the loan to the states is 1000 and that this sum is entirely spent in the form of wages. Households then have a value of 1000 in banknotes, but they can decide to deposit a part of it, for example 800, in their current accounts in a deposit bank. At the end of this second stage, households which are the only holders of Money outside the banking system, hold 200 in the form of notes and 800 in the form of current accounts. The reports of the various stakeholders are Presented at this time as follows:

Central bank

Assets		liabilities	
Receivable	1000	Notes payable	1000

Deposit bank

Assets		Liabilities	
Notes receivable	800	Deposits	800

Households

Assets		Liabilities	
Note's receivable	200		
Deposits	800		

For the deposit bank, deposits are indeed debts because, at any time, depositors can ask to be repaid in notes issued by the central bank. But if there are enough depositors, the law of large numbers can work and the experience of bankers teaches them that, statistically depositors never withdraw all their assets at the same time. The deposit bank therefore notes that the value of the banknotes holds never drops below a minimum threshold and that it can lend banknotes for an amount below this threshold even if the banknotes do not belong to him. In the event of withdrawals greater than expected, it will normally be able to refinance itself with the central bank.

So, suppose the deposit bank that has 800 banknotes sends 200 to a company. For each household taken individually, nothing has changed because it can always at any time use its account to make payments. Overall households therefore still have 1 000 in currency, including 800 in their current accounts and 200 in banknotes. But at the end of this loan the companies also have 200 of currency in the form of banknotes, so that the Money supply is to say the Money held by agents other than banks, went from 1000 to 1200. There was therefore monetary creation.

The reports of the various stakeholders are then Presented as follows:

Central bank

Assets		liabilities	
Debt	1000	Notes payable	1000

Deposit bank

Assets		Liabilities	
Notes payable	600	Deposits	800
Debt	200		

Households

Assets		Liabilities	
Notes payable	200		
Deposits	800		

Companies

Assets		Liabilities	
Notes payable	200	Debt	200

If we group together the balance sheets of all the banks, we obtain:

Banks

Assets		Liabilities	
Debt	1200	Notes payable	1000
Notes payable	600	Deposits	800

By consolidating we will say by regrouping and simplifying what can be consolidated, we obtain:

Banks

Assets		Liabilities	
Debt	1200	Notes payable	400
		Deposits	800

Household deposits Money in their banks and the loans they grant to business can give the illusion that banks are just a simple intermediary. But, overall, at the macroeconomics level, Money is nothing more than the counterpart of the debts acquired by the banking system from the State, companies and households. It is therefore, indirectly, an undifferentiated title deed on a part of the assets owned by agents financed by the banks, the value of the currency being directly linked to the value of those assets.

Since almost all economies agents are at least partially, financed by banks, Money represents an undifferentiated title deed on a part of the economy, more precisely on a basket made up of shares of the assets of the different agents, each agent weighing for an amount equal to that of the bank loans that he has contracted.

Deposit banks create Money directly

The example we have just presented makes it easy to understand how a deposit bank can create Money. However, nowadays deposit banks create Money directly by granting loans. In fact, when they grant credit, deposit banks do not lend central bank notes, but they open current accounts to their customers which they credit with the amount corresponding to the credits they granted.

To understand the mechanism of Money creation by deposit banks and a central bank. We will assume that the deposit bank grants a loan of 3000 to company 1 by opening a checking

account. Then we will assume that company 1 uses its loan to pay 2000 to company 2 which has a checking account at bank A and 1000 to company 3 which has a checking account at banks B.

- Deposit bank A grants its customer a loan

At the end pf this part, the reports of the two speakers will look like this:

Deposit bank A

Assets		Liabilities	
Debt on company 1	3000	Current account on company1	3000

Company 1

Assets		Liabilities	
Current account A	3000	Debt to A	3000

- Company 1 pays to company 2 and 3

At the end of this phase, the reports of the various stakeholders will look like this:

Company 1

Assets		Liabilities	
Current account A	3000	Debt to A	3000

Company 2

Assets		Liabilities	
Current account A	2000		

Company 3

Assets		Liabilities	
Current account B	1000		

Deposits bank A

Assets		Liabilities	
Debt on company 1	3000	Current account C1	0
		Current account C2	2000
		Debt to bank B	1000

Deposits bank B

Assets		Liabilities	
Debt on bank A	1000	Current account C3	1000

When company 1 pays to company 3, bank A asks bank B to credit the amount of company 3 and in return it asks bank B to grant it a loan of an equal amount. Thus, bank A will receive interest from company 1 for the 3000 loan it has granted but it will have to pay the bank B interest on the 100 loan she gave him. If one of the companies decides to withdraw Money in the form of banknotes, Money issued by the central bank from its account, then the deposit bank will apply for a loan from the central bank.

6. The risk

The question of risk is central in production projects. A production project is never certain of achieving its objectives and those who financed it risk suffering losses. One of the easiest ways for funders who want to protect themselves against these losses is to ask the Project manager, which is the contractor, to provide guarantees to cover them.

This practice has two main consequences, it places the risk associated with the project on the sole entrepreneur, on the other hand it limits the number of potential entrepreneurs since only those who are sufficiently rich can start on a new project. However, there is another way to guard against risks.

A bank can generally estimate the risk of losses associated with a production project, that out of all the projects proposed to it, it can statistically estimate an overall loss. For example, the bank may estimate that for a certain Project it has a 3% risk of loss, that is statically it estimates if it lends 100%, it will refund only 97%. This means that the entrepreneur who

received 100% of change only provided in return a good worth 97% and that Money with a value of 3% was issued with no real consideration.

To avoid this problem, the bank will incorporate a risk Premium of 3% at the interest rate the bank charges its client. For example, if the risk-free interest rate is 5% on the market, the bank will grant a loan to its customer at a rate of 8%, of which 5% corresponds to his remuneration and 3% to the risk Premium.

Thus, the bank created 100% of change by granting its credit, it destroyed 8% by receiving interest. His result is equal to the difference between the interest received, which is 8% and his loss of 3 suffered on his loans, so it is 5%. This result of is redistributed to households in the form of dividends, which increases the Money supply accordingly. Over the whole process, the bank created $100-8+5=97$ of change, which corresponds to the wealth created.

Table 6. 1 Risk

Money received (destroyed)		Money issued	
Interest received	8%	Credit granted.	100%
Balance: change created	97%	Dividends paid.	5%

7. The structure (worlbank)

Mali's banking sector has grown significantly in recent years, but it still lacks depth and Access to banking services is limited. The banking sector constitutes the bulk of the Malian financial sector, holding around 97% of the assets in this sector. The private credit to GDP ratio was 21,8% in 2013, which is higher than the median for Africa (17.4%) and for all low-income countries (16,4%) ^3.

Since the opening of a new bank in 2014, 14 commercial banks have been operating in Mali. The sector is only moderately concentrated with the three largest banks controlling 48% of deposits and 40% of loans. Mali has only one specialized bank, habitat bank of Mali which is in difficulty. The National Agricultural Development Bank (BNDA) formerly specialized in this area, now operates as a general commercial bank although it continues to pursue activities

focused on the agricultural sector. Mali also has three small non-bank lending institutions, a leasing company and two guarantee funds, one for mortgage loans and the other for the private sector, including SMEs. The guarantee fund for the private sector did not come into operation until the end of 2014. These 17 financial institutions are subject to regional regulations of the WAWU and are placed under the control of the WAWU Banking commission.

The situation evolved positively in the Malian banking sector between 2009 and 2013, as shown in table below. Credit and deposits grew faster than GDP, and the number of branches and bank accounts continued to grow throughout the period, despite the slowdown observed in 2012 and 2013. During this period, loans to the economy grew by 65%, deposits by 47%, the number of branch banks by 75% and the number of accounts by 86%.

Table 7.1 Structure

	Evolution of banking sector				
	2009	2010.	2011.	2012	2013
Total assets (FCFA M)	1572.7	1844.2	2041.3	2167	2530.8
Deposits (FCFA M)	1161.4	1337.7	1457.2	1531.1	1702.8
Growth in % from one year to the next		15.2%	8.9%	5.1%	11.2%
Loans	818	936.8	1124.7	1174.7	1344
Annual growth credit to private sector/GDP %	17.6	18.1	20.9	4.4	1.4
Number of bank branches	249	281	343	400	433
Agencies for 100 000 hits	1.72	1.87	2.2	2.46	2.52
Number of bank accounts	594 784	655 355	901 584	1 101 688	1 104 057

SOURCES: WAMU Central bank of West African.

The capital structure in the banking sector has undergone several changes, and the sector is now dominated by foreign, mostly African shareholders. Moroccan banks are the most

present in the market, as they hold the majority or a significant share of the capital of four banks and have a total market share (assets) of 50%. WAEMU banks come in second with a total market share of around 16%. The most notable transformation in the structure of the sector is the reduction in the share of capital held by the state and the public sector.

Banks controlled by the public sector held 60% of assets and 70% of deposits, now banks whose capital is majority owned by foreign private shareholders control 91% of deposits and 90% of loans. Habitat bank of Mali (BHM) is the only bank in which the state is the main shareholder, but it is in difficulty, it has only 3% of the market and it must be the subject of a merger with the Malian Solidarity Bank. The concentration rate of the three largest banks is at an average level and is declining (from 57% in 2006 to 45% in 2013), with new entrants taking market shares away from the main player. French banking groups, which are predominant in many countries of WAMU only control a small bank in Mali, BICIM which has a market share of just 4%.

The constitution of WAEMU banking groups is a recent phenomenon, in part facilitated by the approval of the system of single approval of banks and financial institutions in the sub-region. The last two to enter the market are institutions belonging to groups headquartered in WAEMU are Burkina Faso and Togo. The development Bank of Mali (BDM), which is the largest Malian Bank has also undertaken to expand its operations in the region by opening subsidiaries in Ivory Coast and Burkina Faso and the offices are in Guinea-Bissau and in France.

The state also holds a majority stake in the capital of Mali Mortgage Guarantee Fund (FGHM).

Asset quality appears to be relatively low, and provisions may be insufficient. Gross non-performing loans represented 19.3% of the total in 2013 and net non-performing loans 8.3% which is higher than the WAEMU averages of 15.3% and 6.6% respectively. The largest share of non-performing loans (40%) is attributable to the trade and commerce sector and is relatively higher than the proportion of loans going to this sector (33%). Provision covers 62% of the amount of non-performing loans. Conflicts and political instability in 2012 led to a sharp increase in NPLs that year, but preliminary (unaudited) figures for 2014 show a

marked improvement in asset quality over the past 12 months (15.9% gross NPLs and 5.59% net NPLS with an allowance level of 68.6%). Banks typically keep NPLs on their balance sheets for many years before accrual, even if they are fully provisioned, pending the outcome of lengthy legal proceedings. The volume of gross nonperforming loans is consequently inflated, sometimes by bad debts inherited from banks restructured and privatized years before. These bad debts inherited from other entities, which are concentrated in three banks, represent about 30% of the bad debts in the system. Banks are currently not required to file a loan until it is more than 180 days arrears.

One of the main weaknesses of the system is the degree of risk concentration under WAEMU regulations, banks can lend up to 75% of their capital to a single borrower, and commitments representing more than 25% of equity cannot exceed the equivalent of 800% of funds. However, despite the extreme flexibility of the limit on commitments on a single signature, some banks do not comply with the regulations, particularly during periods seasonal peaks. As of the June 30, 2014, for example four banks were not meeting the limit of commitments to a single borrower and loans to the five largest borrowers in the system represented almost 100% of banks equity. The regional authorities have indicated that they will address the issue of the cap on significant liabilities under ongoing regulatory activities and the move to Basel 2/3. This will not resolve the issue of lax enforcement. The commission should be at a minimum, strictly enforce the ceiling in force. Banks should be able to grant larger volumes of syndicated loans with entities outside Mali. Raising the proposed minimum capital level could also alleviate the problems facing smaller banks.

The Liquidity: bank loans have grown faster than deposits in recent years. Since 2009, deposits have increased by 47% and loans by 64%. Most banks were nevertheless able to meet the liquidity coefficient (12 banks and Fis out of the 15 to 30 June 2014 and 14 out of the 15 in December 2014). The relative shortfall in deposits could be exacerbated by the adoption of single treasury account (CUT) by the government, whose accounts were previously open with commercial banks and represented 19% of deposits in December 2014. Although that the first phase of this operation notably the transfer of government accounts began in 2014. The second phase will result in the withdrawal of the banking system from the accounts of public bodies (the amount of which is currently estimated at CFA 149

billion). Banks are generally successful in maintaining sufficient liquidity but competition for deposits, especially term deposit rates comes even as the BCEAO has lowered policy and usury rates and price competition to attract major commercial borrowers increases.

Since the end of 2014 banks report that they are granting lending rates that can be as low as 5.5% to 6% to their best customers, while the rates paid on very large accounts can reach as high as 5.5% or 6%. Good clients are now able to negotiate the remuneration of their demand deposits, which never bore interest in the past. This increased competition and shrinking margins are likely to be beneficial in the long run for the system, and the move to a single treasury account is necessary. Given the already high loan-to-deposit ratio (90% at the end of 2013) however it will be important to manage withdrawals in such a way as to avoid creating liquidity problem soar forcing banks to reduce credits to the economy. The Central Bank of West Africa and the Malian state are aware of the risks and are carrying out simulations to assess the impact of this operation.

The level of liquidity provided by the central bank is exceptionally high in the case of Mali and throughout the monetary union. The BCEAO provides increasingly important liquidity to banks. Central bank loans represent 9% of banking assets in the zone, against less than 1% for comparable African countries. In Mali, central bank financing increased by 867% between 2011 and 2013, reaching over 12% of shareholders liabilities and equity by the end of 2013.

Banks are taking advantage of opportunities to refinance at low cost with the BCEAO to finance the purchase of government securities. Banks can currently obtain financing from the BCEAO at the rate of 2.5%, knowing that treasury bills have a yield of around 5% this operation is both easy and profitable for banks. Most central bank refinancing appears to have been aimed at financing the purchase of government securities. Holdings of these securities grew by 37% in 2013 alone and resented 18% of bank assets at the end of the year. This expose both the government and the banks to liquidity risk in the event of a tightening of monetary policy.

8. Legal framework and banking supervision:

The legal prudential and control framework of the Malian banking system is essential and governed at the level of the WAEMU community, although national authorities also play a role in this area. The main supervisory bodies are:

The WAEMU council of ministers: it defines the general legal and regulatory framework and is also the appeal body for decisions on the liquidation of credit institutions.

The Central Bank of West Africa: it formulates monetary policy and supports the supervision of banking activity through its eight national directorates, supervises payment systems and determines the accounting and credit policies applicable to banks,

WAEMU Banking commission (CB): it supervises credit institutions and has the power to sanction cases of non-compliance with the rules and put institutions under temporary administration. The banking commission must also approve the granting of banking licenses, The national finance ministry: it has the power to issue and withdraw banking licenses on the recommendation of the Central Bank of West Africa and CB.

It is important to strengthen and modernize banking supervision in WAEMU countries, particularly in the following areas.

Regional prudential standards are not in line with international good practices in fundamental respects, about the ceiling for commitments on a single signature (75% of the capital against 25%) and the requirements for allocating provisions which are relatively low. Loans are only filed after being in arrears for 180 days and banks have up to four years to set aside provisions equal to secured loans. The amount of non-performing loans is therefore underestimated and that of capital overestimated.

The prudential framework does not cover market risks, country risk or interest rate risk.

Banks financial statements are not Presented in accordance with international accounting standards.

Bank holding companies are not subject to regulations or consolidated supervision. So, the expansion of regional banking groups, which certainly offers opportunities, also presents risks that must be taken into account.

It is also important that the supervisory bodies of the country in which the bank is headquartered, and the host countries cooperate closely in the supervisory activities of regional banking groups. This is not a problem for WAEMU banking groups, but it is for groups headquartered outside of WAEMU and to date cooperation between regulatory bodies, national and host country supervision remains insufficient.

The banking resolution framework has shortcomings, due in part to the sharing of responsibilities between national and regional authorities.

The region shows regulatory tolerance, although compliance with prudential standards has improved in recent years. At the end of 2014 however, the only standard met by a credit institution in Mali was the standard regarding the cap on investments in non-financial enterprises.

The WAEMU authorities are aware of the weakness of the system and are taking steps to strengthen banking supervision and regulation. Plans have been implemented to move from supervision based on compliance under Basel 1 to risk-based supervision under Basel 2/3. This transition is being led by the Central Bank of West Africa with technical assistance from the IMF, and it will give the Banking Commission jurisdiction over bank holding companies. The accounts standards applicable to banks under the banking Chart of Accounts are being upgraded to better align with international Financial Reporting Standards (IFRS). Regarding the adequacy of capital to needs, it was announced some time ago that the minimum amount of equity would be raised to CFA 10 billion, this measure was in 2016. Banks that fail to meet the minimum standard by the end of 2015 was expected to submit by the end of the year a plan indicating the measures they were taken to meet the minimum standard this obligation. This increase in the minimum amount of equity capital should not have a major impact on concentration and consolidation as most banks in Mali already have equity more than CFA 10 billion or expected to be able to increase the amount of their own funds without too much difficulty. A supervisory college has been formed for one of the WAEMU banking groups.

9. Consumer protection

The legal and regulatory framework leaves little room for consumer protection, and neither the Central Bank of West Africa nor the commission Bancaire has an explicit legal mandate to ensure the latter. The mission and main objective of the central bank and the Banking Commission is to ensure the stability and soundness of the sector, although some measures can be considered as consumer protection measures.

These are the maximum interest rates that banks can charge (usury rates), a recent instruction that certain banking services must be provided free of charge, and the decision taken in 2014 to set up a Fund deposit guarantee. It is also worth noting that the recent uniform Law regulating credit reporting bureaus includes relevant provisions for consumer protection. Each WAEMU member state has a National Credit Council, formed by the Central Bank of West Africa, and chaired by the Minister of Finance, whose mission is to study the operating conditions of the banking system, in particular its relations with customers. Two consumer associations, RECOMA and ASCOMA are members of the Council. However, the latter does not seem to have published or disseminated any of its analyses or deliberations in this area.

Although the Central Bank of West Africa has recently strengthened the information obligation, the conditions and tariffs are still not transparent in practice. The lack of harmonized and comparable information on the prices of all banking products hinders competition in the sector and certainly contributes to the high cost of financial products and services. A recent instruction requires banks to report their base rate, minimum and maximum rates on loans and deposits to the Central Bank of West Africa, the banking Commission and relevant consumer associations or returns. Banks are also not subject to any minimum requirement to disclose terms to their customers. In many jurisdictions, financial institutions are required to provide simple statements explaining key terms relating to products offered to consumers in simple easy to understand language.

There is no effective and expeditious dispute resolution mechanism to deal with customer complaints. This type of mechanism is of particular importance in countries where the courts cannot be relied upon to provide prompt affordable and predictable remedies to consumers. This gap should be filled by appointing an ombudsperson or an equivalent person. Clearly, an initiative has been launched to set up a regional mediation mechanism, as well as a Banking Services Quality Observatory. Once these are in place, it will be important to collect detailed data on complaints, analyze them and publish them to identify the main problems and use this information for policy formulation. Consumer protection in addition, there is no minimum requirement or standard for internal complaints in banks or other credit institutions. This loophole should also be remedied, and standards ensured.

10. Credit to the economy and financial inclusion

Credit to the economy and depth of the banking sector is limited but growing and broadly consistent with countries with similar macroeconomic fundamentals. Banks occupy a predominant place in Mali's financial sector, holding around 97% of the financial sector's assets. The ratio of private credit to GDO was 21.8% in 2013, higher than the median for Africa (17.4%) and that of all low-income countries (16.4%). The ratio of domestic deposits to GDP, which was 23.1% is of the same order of magnitude as the median for low-income countries (23.5%).

The sector benefiting from the most important commitments of the banking sector is that of trade and commerce which receives 3% of total loans and is followed by the manufacturing sector (17%). The mining sector, which accounts for more than two-thirds of Malian exports, is mainly financed from abroad.

The volume of government securities held by banks is growing faster than loans to the private sector. While government securities don't seem to crowd out credit to the private sector now, they could certainly threaten to do so in the future. In accordance with the laws and regulations in force, the securities issued by the WAEMU States are tax-exempt, have a zero weighting for the purposes of capital valuation and can be refinanced at any time by the

Central Bank of West Africa. The volumes of government securities held by banks have therefore increased very rapidly by 37% in 2013.

The last Malian bond issue three years in February 2015 has a yield of 5.5% which corresponds to a taxable yield of around 8.2% this rate is higher than the lending rates currently granted to the largest corporate clients, even if we disregard the various capital requirements. The zero. Weighting of securities issued by WAEMU states can also lead to an overestimation of the adequacy of the banking system's capital to needs, since none of the sovereign states in the region runs a zero risk of failure.

Sixty-five percent of loans in Mali are short-term and companies have difficulty financing their longer-term investment needs. This can itself be attributed to the higher risk associated with longer-term funding as well as funding constraints and regulatory hurdles. It is difficult for banks to recover their loan amounts or to enforce collateral due to problems with compliance with contracts and the framework for collateralized transactions, so they prefer to finance short-term, self-amortizing and transactions, generating well defined cash flows.

One of the WAEMU prudential standards further stipulates that 50% of medium and long-term assets must be covered by medium and long-term liabilities (this proportion was 75 until 2014). Before the limits on maturity transformations were eased, this standard was a barrier to financing investments, as many banks had already reached the cap, or even exceeded it. In the absence of comprehensive financial data on banks for 2014, it is unclear whether this is still the case. The regional bond market is not operated by Malian banks, and it is not clear that they can raise funds in this market. Somewhat surprisingly according to a representative of the Professional Association of Banks, a bond issue could be interpreted by the domestic market as an indication that the bank is in financial difficulty.

Banks in Mali generally extend loans to a relatively limited range of companies and can generate comfortable margins thanks to this traditional clientele. However, with the arrival of new institutions and stronger banks, they face more intense competition for these customers, putting downward pressure on lending rates. Recent competitive pressures have had the positive result of forcing banks to actively seek new and more profitable financing

opportunities at the level of retail customers mainly urban workers and SMEs. The share of financing to the 50 largest borrowers has therefore fallen, from 60% of the total portfolio in 2012 to 39.4% in December 2014.

Efforts to improve financial intermediation and expand customer base face several obstacles. The limited degree of financial inclusion and the weakness of credit to the private sector are attributable to weak legal, judicial, and regulatory frameworks for financial sector development as well as to factors unrelated to financial sector policy that must be considered in a more general economies, social and political context.

National and regional authorities are aware of these obstacles and are taking steps to address some of them, including establishing a private credit information bureau (BIC), improving the framework for secured transaction, and proceeding with regulatory reforms.

The main obstacles are in particular:

Deficiencies in the application of contracts and the inadequacies of the legal and judicial framework which hamper the recovery of loans. All banks indicated that the main obstacle to expanding credit and diversifying their customer base was that they could not rely on commercial courts to enforce contracts and collect their loans.

Deficiencies in the framework of guaranteed transactions. It is difficult for banks to register, oppose and enforce security interests in movable and immovable property. The serious shortcomings that characterize the land titles and land registration system, the absence of an electronic register of security interest for movable guarantees and the possibility of enforcing guarantees outside the framework of a slow and unpredictable judicial system are all these factors discourage credit expansion.

The size of the informal sector of the economy. According to the ILO survey 94% of Malians work in the informal sector, the highest percentage in Africa. Most businesses, especially SMEs, operate mainly in the informal economy and based on cash payments, making it difficult for banks to extend credit to them.

The lack of up to date and complete information on the credit risks of current and potential borrowers. The current systems, which are managed by the central bank do not provide up to date complete and accurate data. Mali has just passed a law authorizing the

establishment of a new regional private credit information bureau (BIC) which is due to become operational soon.

Inadequate or lack of reporting of financial data and lack of financial or administrative capacity at the level of small entrepreneurs, which limit their Access to institutional finance.

Low population density and large rural areas, combined with poor physical Access and infrastructure discourage the establishment of new branches and make it mor difficult for banks to serve large segments of the population

Lack of organized supply chains to overcome the challenges of enforcing contracts and mitigating credit risk banks strive to structure their funding so that they have a determined source of repayment and cash flows that they can directly seize. This was possible for them in the case of the cottoned sector, but most agricultural and other supply chains are not organized in such a way as to allow the granting of credits structured in this way.

Lack of long-term resources, which makes it difficult to finance investments. The resources of banks are constituted to a very large extend by sight and short-term deposits, and institutional investors such as life insurance companies do not generally keep long-term deposits in the banking system. Banks can only change maturities to a limited extend, on the one hand for risk reasons and on the other hand for regulatory reasons.

11. The balance sheets

We can appreciate the place and role of the central bank in monetary creation by referring to the **balance sheet** of central bank.

The central bank balance sheet is important as its main liabilities. McLeay Radia and Thomas noted that Money is a form of **IOU** which allows agents to settle transactions. Anything can mean transaction in both parties agree fort The transaction. (Radia M. a.)

Asset's

Foreign assets (net)

Government balances (net)

Central bank operations (net)

Other items.

liabilities

Banknotes

Commercial bank reserves

Capital and Reserves

The elements on the asset side of the balance sheet, it can be both on the asset side or liabilities side when they appear on a real-World central bank balance sheet. The components can be both central bank and wider economy, it is very important to understand the nature and the changing in the components of the central bank's balance sheet for understanding the whole economy.

- Foreign assets: foreign assets (and liabilities) are other currency than the domestic currency. The main form of foreign assets held by central banks is foreign exchange reserves for a variety of purposes including intervention, the need to meet external obligations on foreign currency debt (public and private) and to cover trade balances.

When a central bank intervenes to counter appreciation in the domestic currency all other things being equal it will increase its holding of foreign exchange reserves. The central bank will intervene by selling domestic assets (likely reserves) in exchange for foreign currency denominated assets. This has the joint impact of increasing supply of domestic currency assets and increasing the demand for foreign currency assets which should offset the appreciation pressure. The impact of such intervention will lead to a lengthening of the central bank's balance sheet.

Table Appreciation

LIABILITIES

NOTES	FX	Forei gn exch ange	NOTES	FX
REQUIRED RESERVES			REQUIRED RESERVES	
FREE RESERVES			FREE RESERVES	
GOVERNMENT			GOVERNMENT	
CAPITAL AND RESERVES	OTHER		CAPITAL AND RESERVES	OTHER

reserves are also a prerequisite for a central bank being able to intervene to offset depreciation in the domestic currency.

The central bank will intervene by selling foreign assets in exchange for domestic currency denominated assets. This has the joint impact of increasing the supply of foreign assets and

reducing the supply of domestic assets which should offset depreciation pressure. The impact of such intervention will often lead to a shortening of the central bank's balance sheet.

Table

LIABILITIES

NOTES		NOTES	
REQUIRED RESERVES	FX	REQUIRED RESERVES	FX
FREE RESERVES		FREE RESERVES	
GOVERNMENT		GOVERNMENT	
CAPITAL AND RESERVES	OTHER	CAPITAL AND RESERVES	OTHER

- Government balances:

In addition to maintain balances for commercial banks in many countries the central bank also acts as banker for the government, where government deposits fund at the central bank these appear as liabilities. Fundamentally such accounts are identical to reserve accounts, although they may be treated differently within the central bank's operational framework, they may not be subject to reserve requirement or remunerated in the same way. Balances held on such accounts are reserves. When the government increases its balance at the central bank, through collecting taxes or issuing debt, it does so at the expense of the balances of commercial banks: when it reduces its balance, through expenditure or paying salaries, it does so by increasing the reserves available to commercial banks.

The elements on the liabilities side of the balance sheet represent central bank Money and as such can only be liabilities.

- Central bank operations:

Given the nature of a balance sheet, the quantitate of commercial bank reserves available to the banking system is determined by changes in the remain elements of the central bank's balance sheet. In addition, as noted by Whitesell (2006), there is often a unique quantity of reserves consistent with the central bank's achievement of its desired operational target and which ensures that payments can be made between commercial banks.

As most changes in the other elements of the central bank's balance sheet are exogenous, the central bank requires some mechanism to respond to these changes to ensure that the optimal quantity of reserves is available to the banking system. It is through central bank operations that the central bank controls the viability of reserves to the system. Operations that provide reserves to commercial banks will show as assets to the central bank while operations that reduce the number of reserves held by commercial banks will appear as liabilities.

Types of central bank operation: central bank operations can take a variety of forms. Operations to supply liquidity to the market include both active (open market operations) and passive (standing facilities) operations.

Active operations are operations that are open to a wide range of counterparties; initiated by the central bank and settled through an open auction mechanism.

Passive operations are operations that are conducted bilaterally between commercial bank and the central bank at the initiation of the commercial bank.

12. Collateral

From a balance sheet perspective, when a central bank lends to a commercial bank it creates a fresh asset, but what exactly is the asset it holds? If the central bank were to lend unsecured to the commercial bank. However, it is almost unheard of for a central bank to lend to commercial banks in an unsecured manner. Instead for risk management purposes central banks will take collateral to protect the central bank against the possibility of loss resulting from credit and market risk. Therefore, the asset on the central's balance sheet is the collateral taken in return for the provision of reserves.

In addition to risk management purposes, collateral choices coupled with the form of central bank operations, are made with the knowledge that such choices can have a significant impact on both the functioning of the central bank and the wider economy. From a central bank perspective collateral choices impact on central bank income and exposure to credit.

When coupled with a destruction of productive capacity in the economy this can in extremis lead to hyperinflation.

The form of central bank Money market operation and the collateral it takes can have a significant impact on its balance sheet. Such choices can affect its income, its exposure to market, credit, and churn risks and the overall.

Table 10. 1 Impact of central bank collateral choices

	Repo of government bonds	Repo of private sector assets	Outright purchase of short maturity government bonds	Outright purchase of long maturity government bonds
Income	Positive when backing banknotes and unremunerated reserves. None when backing remunerated reserves.	Positive when backing banknotes and unremunerated reserves. Potentially positive backing remunerated reserves dependent on price charged for collateral taken.	Positive when backing banknotes and unremunerated reserves. Small when backing remunerated reserves if term premia positive.	Positive when backing banknotes and unremunerated reserves. Potentially large when backing remunerated reserves if term premia positive
Market risk	small	Modest, depends on the collateral taken.	Potentially modest.	Potentially significant.

Credit risk	None	Modest, depends on the collateral taken.	None	None
Churn risk	High, increases as term of repo decreases.	High, increases as term of repo decreases.	Modest	Low
Liquidity	High	Dependent on the liquidity of the underlying asset.	Modest, at extremist could be utilized in repo if required.	Lower, at extremis could be utilized in repo if required.

For the wider economy we can summaries the impacts of different operations and collateral choices as follows:

	Repo of government bonds	Repo of private sector assets	Outright purchase of short maturity government bonds.	Outright purchase of long maturity government bonds
Economic impact	Minimal	Impact will increase as substitutability of collateral and reserves declines.	Some limited portfolio rebalancing effects. Potential impact on supply of assets.	Significant portfolio rebalancing effects. Potential impact on supply of assets.
Liquidity	None	Significant, dependent on liquidity of	Modest	Modest

		underlying asset.		
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- Other items:

Other items cover all other elements of the central bank's balance sheet that are not included in the components discussed above. On the asset side, central banks commonly have investment portfolios and property. On the liabilities side, a central bank may hold accounts for other institutions, in addition to reserve accounts for foreign central banks.

- The banknotes in the liabilities side:

The Money in circulation by the central bank or the Money in the automatic teller machines (ATMs) also by the wider population. In most economies' banknotes enter circulation through commercial banks. The process involves commercial banks drawing down banknotes in exchange for reserve balances held at the central bank. The population now receive Money or banknotes through direct withdrawals from commercial banks or from other agents.

- Commercial bank reserves:

Those are reserves that banks hold in an account at the central bank. As such, they are a claim on the central bank. Reserves and the banknotes are the most liquid risk-free asset in the economy, and they are the ultimate asset for settling payments, banking transactions between customers of different banks are either directly or indirectly settled through transfers between reserves accounts at the central bank. Reserves can be thought of as a current account balance held by commercial banks at the central bank in the same way that individuals hold such accounts at commercial banks.

13. Intervention in the interbank market:

When a bank needs cash to meet payments made by their customers (if the customers withdraw more Money from their accounts than they deposit), they will borrow from another bank. On the other hand, when a bank has cash available (customers put more

Money into their accounts than they take out), the bank offers it to other banks. This is called the interbank market. Banks lend for very short terms, sometimes only 24 hours and up to a year. Payments between banks are made exclusively through accounts they hold at the central bank. This payment is called “central bank Money “. The currency is only used by banks on the interbank market and therefore does not circulate in the economy.

The interest rates on the interbank market serve as a reference for banks to set the interest rates on the loans they grant to their customers.

But when a bank cannot find the necessary amount from other banks, it can ask the central bank which will lend liquidity at an interest rate known as the “main refinancing rate”. To do this, the bank must provide the central bank with a guaranty in the form of the quality debt securities it holds. It is called refinancing with the central bank. This is the main mode of intervention of the central bank. This has modified the rate of these main refinancing operations 40 times since its creation in 1999 (21 decreases and 19 increases).

If the central bank increases the rate on its refinancing operations, the banks will pass this increase on to the cost of the loans they grant. Economic agents will be more reluctant to borrow and will therefore reduce their consumption (for individuals) or their production (for companies).

Conversely, if the central bank lowers the refinancing rate, the banks will decrease the interest rate on their loans. Economic agents will be more inclined to borrow and will then increase their consumption (for individuals) or their production (for companies).

In the event of tensions on the interbank market (banks no longer want to lend each other), the Central Bank can also provide liquidity (granting temporary loans guaranteed by securities for example) which has the effect of lowering the market rate monetary. Conversely, it can also intervene to withdraw liquidity (it sells public debt securities to banks for example) and steer the Money market rate up.

14. Role of lender of last resort:

Without such support, solvency problems at a single bank can quickly cause customers in other institutions to empty their accounts: this is called a bank run. This is causing a liquidity crisis throughout the banking system. The banks therefore try to sell their assets. This pulls their prices down and the movement continues until the banks owe more than they own. This how a liquidity crisis triggered by a bank panic can degenerate into a solvency crisis, justifying a posteriori the fear that has led depositors to rush to their bank.

This form of instability has been addressed by requiring central banks to play the role of lender of last resort. When people know that whatever happens they will see their Money again, they don't panic and withdraw their assets. Furthermore, such a weapon is rarely used, because its very existence presents a chain of loss of confidence. In a monetary union, the government bond market is structured in the same way as the banking system.

V. Relationship of commercial banks with central bank

To guarantee the solvency of the banks in the economy, the central bank intervenes in the banking market for one reason:

The central bank intervenes to guarantee the capacity of banks to cope with withdrawals. Indeed, this supervisory authority of the banking market requires them to block a percentage of their deposits in the form of mandatory reserves, which cannot be used to distribute credit. It should be noted that the reserve requirement ratio is one of the instruments of control by central banks over the quantity of Money in circulation.

Regarding the central bank's relationship with economic agents, including companies, it should be noted that: according to the rules of the central bank, a company should not finance itself only by credit. Indeed, beyond a certain level of indebtedness, the central bank believes that financial charges can end up penalizing unbearably results, and it is for this reason that banks should no longer lend.

According to the central bank, companies must find, in addition to short-term means, longer-terms means of financing, financing which in a fact only becomes payable in the

event of the dissolution of the company (capital company, company in the very long term...). In the balance sheet, all the capital and long-term debts constitute the equity of a company.

1. Central bank vs commercial bank

Commercial banks provide banking products and services to individuals and businesses. Central banks provide products and services to the country's government and other commercial banks in a country with many benches, a single central bank oversees all banking operations. Central banks have the power to print Money and control the country's control policy. Commercial banks and the government have accounts with the central bank, which is the banker's bank and government banks. The central bank regulates the entire banking system and balances funds among commercial banks. While commercial banks provide lending services to individuals and businesses, central banks provide loans to commercial banks.

2. The rules and regulations for central bank:

The boards of Central Bank are the Presidents of the 8 countries of WAEMU. Those 8 Presidents are representing by the Minister of the economy and finance and those ministers form a minister's advice.

The minister's advice is like administration advice of Central bank of West Africa.

The minister's advice transmits the guidelines to the governor of the Central bank of West Africa which should be apply.

The bank commission control the activities of all commercial banks and does not report to anyone except the governors of the Central bank.

Commercial Banks should certify their balance sheet by an auditor cerise.

When you open an account in a Commerciale bank, they cannot touch you without your knowledge, but the Central Bank can touch to the account of Commercial Bank if anything happens, and they will them know after touching their account.

Every Commercial bank as an account in Central Bank, and to be able to have an account in the Central bank the Capital should be FCFA 10 billion.

VI. Literature check

An article of Cairn info (www.cairn.info) is saying that the creation of the Malian Solidarity Bank (BMS-SA) in 2002 is part of the Government of Mali's strategy to fight against poverty, which provides to promote access for disadvantaged populations (women, young people) credit and promote income-generating activities. This context is also characterized by a withdrawal of the State from the productive sectors in favor of private investment. Author (Dominique Lesaffre)

The same article is also saying that the banking landscape in the Franc Zone has undergone profound changes over the past 30 years with the appearance of new players and the disappearance of entities that have long been present on the market. Indeed, the period stretching from independence in 1960 to 1985-1990 was marked by the strong domination of French banks such as the International Bank for West Africa (BIAO), BNP, crédit Lyonnais and Société Générale. State or development banks were also present in the market. However, the serious solvency and liquidity crisis that occurred at the end of the 80s and the beginning of the 90s which impacted the banking system of the Franc Zone, led the supervisory authorities to impose a monitoring of more restrictive regulatory standards for credit institutions as part of their activities. Thus, the WAEMU and CEMAC Banking Commissions, respectively attached to the BCEAO and the BEAC, were created for the purposes of banking supervision and stability. It has gradually emerged from a strengthening of bank control systems and, more generally, a greater awareness of risk. Author (Dominique Lesaffre)

International monetary fund 2012 Article IV Consultations, ask for quick credit facility disbursement request and extended credit facility agreement cancellation staff report, IMF staff supplement, information notice to the public on the deliberations of the board of directors, and declaration of the director for Mali

In accordance with the provisions of Article IV of its Articles of Association, the IMF usually annually, holds bilateral consultations with its members. In the context of the 2012 Article IV consultations with Mali, the following documents were released and are included in this package:

- The staff report on the 2012 Article IV Consultations, request for disbursement under the Rapid credit facility and cancellation of the extended credit facility agreement, prepared by a team IMF staff following discussions that ended on November 14, 2012, with the Malian authorities on economic developments and policies. Based on the information available at the time of these interviews, the drafting of the staff report was completed on January 18, 2013. The views expressed in the report are those of the staff team and do not necessarily reflect those of the IMF Executive Board.
- Debt sustainability analysis prepared by IMF and World Bank staff.
- An Information Annex prepared by the IMF.
- A public information note (NIP) summarizing the views of the executive board as expressed in the consideration of the staff report on January 28, 2013, which concluded the consultations under the article IV.
- A press release on the approval of disbursement under the rapid credit facility.
- A statement by the IMF administrator for Mali.

The policy governing the publication of staff reports and other IMF documents authorizes deleting sensitive information. (Rapport du FMI No.13/44)

Accademic Literature

This thesis contribute to the knowledge of the Presentation of Mali and a better understanding of the banking system and financial relation with commercial banks and central bank. The rules of central bank for commercial banks and their explanation.

VII. Conclusion

Mali, which is part of the franc Zone, sees its sector be governed by a Central Bank which is the parent institution of commercial banks and regulator of economies within space. This institution has made its small obstacle course and has its own history like any organization. It has strengths and often shortcomings.

Considering the perpetual change to which the financial sector is subject the Central Bank of West Africa nevertheless tries to adapt and improve to face the challenges global economic.

The banking environment within ECOWAS has over the years been subject to the alternative of change due to the presence of new actors and the sequential reduction of organizations that have dominated the market for a long time. It should be noted that from the access independence until the approach of the second millennium, this period was marked by the strong domination of foreign banks or predominantly foreign capital.

Nevertheless, banks states or development were also present on the market. However, following the severe solvency and liquid crisis which occurred in the late 1980s and early 1990s which impacted the banking system of the franc Zone, led the supervisory authorities to impose a more restrictive follow-up of regulatory standards for credit institutions during their activist.

So, the WAEMU banking commissions attached to the Central Bank of West Africa were created at for banking supervision and financial stability purposes gradually emerged a strengthening of the control systems, banks and more generally, greater awareness marked about risk. These post-crisis years saw the advent of a new type of banking African banks which in the 2000s will become the famous banks Pan-African. These banks, which appeared in the 1980s, have gradually extended their regional network to neighbors.

Commercial Banks are forced to follow the guides of the Central Bank which causes incomplete financing of the economy. Central Bank of West Africa defends itself with a line of defense against this by brandishing the stability that these measures can bring or commercial banks re asking for more leeway. This situation creates a financing gap on the part of the banks and credit institutions attributable to the following factors: a lack of long-

term resources to finance similar projects maturity, the difficulty of understanding counterparty risk, a high rate of bad and doubtful debts, the inadequacies of the operational and legal framework preventing banks to take guarantees, the small size of the formal sector, within the formal sector a large number of enterprises do not have reliable accounts, loans denominated at rates that are too high and likely to crowd out many borrowers, deliberately conservative strategies on the part of some credit institutions, a marked preference by credit institutions for securities, a probable lack of visibility of the macroeconomic context to medium and long-term (inflation, geopolitical crises, security context, etc).

Regarding more specifically the securitization of fund transfers, can be considered that the flows of migrants are more sustainable than deposits and that African banks are probably more exposed to a massive withdrawal of deposits than to a sudden stop of transfers of migrants.

Indeed, transfers from industrialized countries do not stop even in times of crisis. The assurance of regular flows and sustainable development for banks could gradually and depth of their lending policies, encouraging them to finance more long-term projects and considerably increase their profitability.

Banks, in the context of long-term loans, would then be able to develop expertise in financing according to the activities and better estimate the risks. This could result in a lower spread and hence the cost of financing. Banks would become more important actors in financing the development of companies in the Franc zone.

African banks could develop the mode of financing by private equity implying that the financier brings capital resources to the beneficiary and is associated with the management of the company. Establishments could specialize by sector activity to develop expertise and effectively understand the risks and the prospects of gains associated with the projects carried by the companies receiving funding.

Credit institutions could also develop further leasing via dedicated subsidiaries. The advantage for the lender is in the possibility of recovering the property in the event of non-payment of drafts from the borrower.

About the part of customer deposits not channeled into credit (5% in WAEMU, 28% in CEMAC) by the banks of the Franc zone, amounting to 1,208 million euros in WAEMU and 592 million euros in CEMAC, the potential for finance by leasing is very important and moreover profitable than investing with Central Bank and sovereign bonds. SMEs in Franc Zone countries would finally have access to means of equipment allowing them to carry out their activities and create added value.



VIII. Recommendation: Some measures that may emanate from the supervisory authorities for a better financing of the economy

The current legal and operational framework makes it difficult for credit institutions taking physical guaranties as part of the granting of loans should be improved. Indeed, the legislative framework of country of the Franc Zone is especially poorly adapted to economic realities countries very marked by an informal context.

The economic literature has shown that the exchange information had a positive impact on lowering interest rates and the increase in volume of loans. The BCEAO has already implemented in place of risk and balance sheet centers. However, the character systematic collection and the quality of information should be improved.

The risk centers, in addition to identifying the level bank indebtedness of companies, could on the model French offer ratings for several they meet certain characteristics. BCEAO and BEAC could involve commercial banks in the implementation of this project.

The formal basis of companies reporting their balance sheets to risk and balance sheet centers could be extended by developing the activity of an approved management center and making membership compulsory for certain companies whose activity would meet certain characteristics. These approved management centers could provide their technical, accounting, and financial expertise or ensure all accounting and financial obligations of companies.

The expansion of Islamic finance could be a source complementary for the financing of projects. The establishment of African credit institutions could form partnerships with institutions specializing in Islamic finance and granting Sharia credits as such compatible. African banks could also act as a relay to Islamic banks. The countries of the UEMOA space and CEMAC have legal and operational framework enabling them to achieve Islamic finance operations.

However, this framework must be subject improvements especially about microfinance. The BCEAO and IDB signed a memorandum of understanding in September 2012 for the

promotion and development of the finance industry Islamic law in WAEMU member states. At the current stage of development and banking rates of the countries of the Franc Zone, the Islamic finance could be particularly suited to Islamic bond financing (sukuk) or the other end of the spectrum to microcredit/finance projects.



IX. Methodology

I have done some research of the Banking system in Mali and the financial relationship with commercial banks and central bank.

I started my research by reading some books like SYSCOHADA, Basic for Bank Directors (Federal Reserve Bank of Kansas City, division of supervision and risk management), SYSCOHADA let me understand so many things about the West Africa countries banking system. It actually the explanation of the banking system in WAEMU, SYSCOHADA is different from USGAAP AND ISFRC. USGAAP is what United States and Canadian follow for their banking system and ISFRC is for France maybe with other Union European countries.

I also ask few people to get some information, on is working in United Bank of Africa, who explained to me how Central bank are related to Commercial Banks and the role of the bank commission.

And of course, I have done so many research on the internet about the banking system like World bank, the web site of West African and Monetary Union, I watched some videos on YouTube which teach me the story of the banking system same the of GOLDSMITH.

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