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# CONGOLESE FINANCIAL SYSTEM AND THE FINANCING OF ECONOMIC ACTIVITIES IN THE DEMOCRATIC REPUBLIC OF CONGO

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## Abstract: -

*The financial systems of Sub-Saharan African countries, including the Democratic Republic of Congo, are shallow and poorly developed. They rely mainly on a weak and concentrated banking sector, offering mostly short-term financing. The financial markets of Sub-Saharan African countries, including the Democratic Republic of Congo, are embryonic with bond markets dominated by the issuance of sovereign bonds and stock markets reserved for a few large companies. Governments and the international community have a major role to play in developing and deepening the financial systems of sub-Saharan African countries and thereby maximize the contribution of private domestic resources to development finance: governments, by limiting the uncertainties associated with regulation, by building institutions and infrastructure to promote agent trust and market efficiency and by promoting competition and the integration of financial systems into the global market, and the international community, by accompanying reforms, providing technical assistance and capacity-building services, or by supporting companies in the sector. Any reflection on the link between finance and growth comes up against three major difficulties. The first is to define and measure "financial development". The second consists in unraveling the web of causalities obviously crossed between the development of financial systems and growth. The third relates to the definition of appropriate public policies, which are likely to find a satisfactory balance between market imperfections, which can result in extremely serious crises, and the costs of inappropriate regulatory policies, but also to guide the financial development for maximize the impact on long-term growth.*

**Keywords: -** *financial systems, central bank, intermediation, disintermediation*

## INTRODUCTION

### 1. Problematic

The financial system plays a decisive role in financing economic activities, thus promoting sustainable and sustainable growth. Located in the heart of the economic activity, it ensures the connection between the different economic agents in surplus of financing[Michel MOURGUES, 1990, pp. 118-119], and those, in need of financing. To this end, it constitutes, on the one hand, a monetary flow determinant in an economy and, on the other hand, a direct support sector for the economic development of any economy, through, among other things, the granting of loans. , the collection of savings and the orientation of savings towards the productive sectors. The Democratic Republic of Congo, however, despite the presence of a coordinated financial system within it, has for nearly four decades been in a state of critical underdevelopment to such an extent that it is now classified as a poor country. Heavily Indebted (HIPC) by the Bretton Woods institutions. The Congolese economy is in a state of critical crisis that can be summed up mainly by political instability, the lack of efficient production infrastructure, inadequate transport and communication infrastructure, the tightening of agriculture and a strong financial disintermediation. In view of the problem posed above, our work will seek to find a financial explanation of the economic crisis that has shaken the Democratic Republic of Congo for nearly four decades. Otherwise, it will be a question of defining the function of the Congolese financial system and its share in the financing of the economic activities in this country. To achieve this, we will attempt to answer the following questions:

- Does the Congolese economy benefit effectively from the advantages associated with the presence of a financial sector within it?
- How does the financial sector work in this country?
- What is the role of the Congolese financial system in financing the real sector?

### 2. Research hypothesis

Knowing that a hypothesis is a provisional admission of the facts before they are subjected to the control of the experiment on field by the researchers and correlatively to the questioning raised by the problematics of a given scientific research, we propose to formulate the following hypothesis:

- The macroeconomic instability of the Congolese executive is mainly explained by the "inefficient" functioning of its production apparatus.

### 3. Methodology of the study

To carry out our study, we will use descriptive and analytical methods. The first so-called descriptive method will describe the different financial institutions that make up the Congolese financial system, as well as the role of each of them. While the analytical method will allow us to analyze the report of the Congolese financial system in the real sector of the Congolese economy.

### 4. Delimitation of the study

In any scientific work, in order not to bias the results, it is important to define and specify in what order the investigations will take place. Thus, in order to preserve the validity of the results, this study will cover the period from 1990 to 2000. And will focus on the financial system in general. This choice is justified by the fact that during this period the Congolese economy sank into a crisis which became more and more profound and which was amplified by the looting of 1991.

### 5. Division of the work

Apart from the introduction and downstream the general conclusion, this study will include three chapters. The first will focus on the definition of concepts, the second will present the financial system and its operation and the third and final chapter will discuss the financial system and the functioning of the economy in the Democratic Republic of Congo.

## Partie 1. The financial system and its intermediation

Generally the financial system is a set composed of banking financial institutions and non- banking financial institutions which aim to finance the economic development of the country[TROUSER, 1980, pp123-125]. By banking financial institutions, we mean financial institutions creating money (banks of banks). While non-bank financial institutions are the set of savings banks and other fund-raising institutions in a country but do not create money. Intermediation is a process by which Clients are transformed into loans Financial mechanisms are the processes by which the economy is financed, which can be achieved by the capital markets or financial intermediaries In general, financial intermediation consists in the transfer of the funds of the agents in financing capacity to those who are in need of financing.In this respect, CHAINEAU remarks in a relevant way what follows[COLIN, 1990,p.459]. Transferring resources from over-resourced agents to defenseless ones is not easy. Indeed, resource lenders would like to lend at a certain maturity and acquire some type of debt. This situation of suppliers and unsuccessful applicants, he continues, could considerably hinder the development of the capital market through financial intermediaries (deposit banks, savings banks, insurance companies, etc.). And, we manage to reconcile the divergent motives of agents with surplus resources and those with a deficit of resources. However, the goal in practice to bring the units in resources that is to say those who save to invest their funds from units lacking resources. At this stage two cases can arise namely:

- The case where the motivations of one and the other do not meet is the process of indirect financing including two sources;

• If the terms of the lenders and borrowers match, this is a direct funding process.

The two sources that comprise the first case consist on the one hand, to that animated by the non-bank financial intermediaries and does not lead to a monetary issue, and on the other hand, that emanating from the financial intermediaries which is creator of currency to which we define below. This is how this section will approach the process of direct and indirect finance. The process of direct finance is the financing of the economy by the capital markets. Regarding transfer mechanisms, there are as many as there are different forms of securities, these securities ensure the circulation of cash surpluses of agents of the non-banking sector. They are mobilizing titles representing either the rights of partners or the rights of lenders and which provide an income to their owners.
As for the indirect financing process, it consists of the financing of the economy through banking and non-banking intermediation. The non-banking organizations, acting as intermediaries, collect the savings of the agents with surplus of financing, savings which they redistribute to the agents with deficit of financing. That is to say, they borrow the resources they lend. In this context, their importance lies in the fact that they succeed in reconciling the divergent motives of surplus agents and those of agents with a deficit in resources. In doing so, these agencies help to reduce the share of global savings that would have been terrorized without their intervention and thereby increase the supply of loanable funds.
In order to show the place occupied by non-banking financial institutions in intermediation, we will highlight the conflict arising from direct finance in these terms: "At present, it often happens that lenders do not want to securities that can be sold by borrowers but are willing to accept other forms of securities. So, the desires of lenders and borrowers become impossible to reconcile through direct finance. And it is only financial intermediaries who can imagine other, more attractive forms of securities that they provide to lenders. In fact, the role of financial institutions is to allow the displacement of savings that would not have agreed to invest in securities. This category of intermediaries issues short-term securities by satisfying the liquidity conditions sought by the investor.
Indeed, its financial aspect lies in the fact that these organizations participate actively in the collection of savings made in the form of a deposit whereas it takes the banking form from the moment when it brings the creation of the fiduciary or scriptural currency according to the case.
If, for non-bank financial institutions, deposits made the credits, here is the opposite. These are the credits that make the deposits. Further on, we will see that every bank action is a creator of money. In practice, there is a reconciliation between banks and non-banks financial intermediaries by a dual function played by banks: Beside the function of monetary creation, banks play more and more an important role in the collection of savings.

### 1.1. The Non-banking financial institutions and their typology in the DRC

The Non-bank financial institutions, as we already mentioned above, are organizations whose purpose is to grant medium-term credit to specific sectors of the economy, to collect and manage voluntary or compulsory savings. and participate in different activities in the financial market. They receive funds from agents with financing capacity, in some institutions this savings is perceived involuntarily, case of the INSS and in other on the other hand, it is voluntary, thus is the object of a displacement of the agent to the institution (SONAS). Unlike banking institutions for which the period is short-term, non-banking institutions are supposed to focus on investment projects likely to expand productive capacity in the economy in the medium and long term.
In the category of non-bank financial institutions, it is important to distinguish development finance institutions from institutional investors who collect savings; housing finance institutions, development finance institutions. Since the colonial era, the Democratic Republic of Congo has experienced five development finance agencies, namely the SCCMI (the credit society for the middle classes and industry, unfortunately it has not survived, liquidated after 30 years its legal existence) in 1977 (it was created in 1947), the CAC (Controlled Agricultural Credit), which was created as a bilateral American-Zairian project set up to provide technical and financial assistance to sectors. Institutional Investors: Currently in developed countries, investment institutions tend to play the same role as monetary institutions because of the competition they place in investing. The Non-bank financial institutions, as we already mentioned above, are organizations whose purpose is to grant medium-term credit to specific sectors of the economy, to collect and manage voluntary or compulsory savings. and participate in different activities in the financial market.
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Institutional Investors: Currently in developed countries, investment institutions tend to play the same role as monetary institutions because of the competition they place in investing. In the Democratic Republic of Congo, on the other hand, the two institutional investors no longer exercise their initial mission and experience difficulties in their management. We distinguish the National Social Security Institution INSS (National Social Security Institution); its mission is to organize and manage the social security system and we have the SONAS (the national insurance company) it enjoys the

monopoly of insurance in the country and it has for object all the operations of insurance, of reinsurance, co-insurance and all transactions relating to real estate transactions. Savings collectors, we have the CADECO (Caisse General Savings of Congo) created in 1950 with the mission to improve the lot of Congolese masses. Savings and credit cooperatives. M,Housing financial institutions: the public and parapublic sector distinguishes us from the office of the African cities, which aimed at realizing on the land made available for the Belgian Congo and Rwanda Urundi, all the operations aiming to ensure the development for the construction of housing, and for the private sector there were two institutions, the Financial Companies of Kinshasa (COFIKI) and the Real Estate and Movable Company (MOBIMO). Both had the same social object namely the realization of financial transactions and real estate and movable transactions. Unfortunately, all these institutions have suffered from the fact that the state was sole shareholder in the majority of cases, thus, it has hindered the proper functioning of these institutions in various ways:

- The choice of managers, most of whom had neither the technical background nor the experience required to perform the duties assigned to them (CBC), increased the problem of adverse selection;
- The selection of the beneficiaries of the credit who were recruited in the ruling class and the failure to release all the capital subscribed by the State have aggravated the risk of moral hazard;
- The obligation of these financial institutions to finance unprofitable operations or treasury assets, without consideration, in addition to the acquisition of equity in the capital of public enterprises (which have proved unable to cover their operating costs alone));
- The lack of freedom in the pricing policy and the unrequited occupation of the buildings of these institutions (case of the INSS).

### 1.2. The bank and its economic role in the country

The literature not only Congolese formulates several definitions on the term bank without ever reaching a clear definition, which would gather around it the unanimity. For example, the banking and stock market dictionary specifies that the bank is defined as any financial institution that ensures the issuance of fiduciary money or receives from the public funds that it uses in the course of its operation. discount, credit, exchange or financial transaction [MOURGUES, 1994, p. 62].
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The bank plays an important role in the economic life of any country including:

- Provide economic agents with liquidity to meet their investment and consumption needs. The bank finances the economy by injecting money into the economy through credit, discount and investment operations;
- Facilitate transactions between economic agents through its shift between the two groups as an intermediary in satisfying their respective aspirations, all economic agents practically resort to the services of banks;
- The State uses bank resources to compensate for the insufficiency of the volume of treasury revenue or to fill the temporary deficit due to the erratic nature of their collection;
- In this context, companies have the opportunity through the banks to make a bridging between expenses and revenues, and the ease of making purchases over a relatively short period of time for certain basic necessities;
- Households usually use banks when they want to buy durable goods.

The bank thus contributes to the positive transformation of the structures of the ideas and techniques by the financing of the economy which must be done according to the economic function of the banking institutions having several objectives.

### 1.3. Money and its functions in the exchange economy

Currency can be defined as an institution characterizing the exchange economy. It is also possible to present it by insisting either on the properties which it must necessarily fulfill to play completely its role [Mvudi, 2007, pp. 47-49]. It is also defined as a property which gives an immediate purchasing power, general and indeterminate [Mabi, 2006, pp.24-26]. In a complex and decentralized economy, money is the only instrument of exchange. It serves as a counterpart to the offers and demands of all goods on the markets. The need for money only appears in an exchange economy. The introduction of money is therefore not what marks the exchange economy, but an essential step in the organization of the exchange, the minimization of its costs. Currency is the condition of entry into the market. It should be logical to infer that the prior existence of a cash reserve is the condition of all real transactions; that is, consumer goods or investment goods. It is what one can call the function of financing of the currency [BOLALUETE, 1998, pp.62-63].

Money plays three essential functions in the economic circuit, namely: value reserve function, unit of account and exchange intermediary.

- The store of value function is a means of transferring purchasing power from the present to the future;
- The unit of account function indicates the conditions under which prices are denominated and the debts recorded;
- The function of exchange intermediary, it is what we use to buy goods and services. "This note is an instrument of payment for the payment of all private and public debt".

In a modern and complex economy, trade is usually indirect and therefore requires the use of money.

**Part 2. The functioning of the Congolese financial system in the context of monetary institutions in the country**

They are the ones who have the ability to create money. In the Democratic Republic of Congo, these institutions are: the issuing institution (central bank), all the deposit banks and postal check accounts, the national bank dominates the financial institutions of a country by the role It is essential to play a role in monetary and financial policy, in addition to the banknote monopoly. It is the bank of banks, manages the foreign exchange reserves of the country and oversees the credit policies of other banking institutions.

### 2.1. The central bank of Congo

In each country or monetary zone, there is a bank of issue often called central bank. It is the official bank of the State created in Congo by the decree-law of February 23, 1961. It enjoys the exclusive privilege of issuing banknotes and minting coins throughout the entire Democratic Republic of Congo. Before 22 June 1964, the date of its entry into activity, the Monetary Council, created by the decree-law of 3 October 1960 after the liquidation of the central bank of the Belgian Congo and Rwanda Urundi, exercised all the powers of the central bank in terms of money issues and credit control and foreign exchange.

### 2.2. The statutes of the Central Bank of Congo

Law No. 005/2002 of 7 May 2002 on the establishment, organization and operation of the Central Bank of Congo: Title 1: lists the provisions relating to the independence of the Central Bank of Congo, in matters definition and implementation of monetary policy and this independence aims at stabilizing the general level of domestic prices.

**The board of the Central Bank of Congo**

In the Democratic Republic of Congo, there are seven members for the board of the Central Bank of Congo, namely:

a) The governor;
b) The vice governor;
c) Five directors, including the director of the treasury and four directors representing respectively the National Assembly, the Central Bank of Congo, the Federation of Congolese Enterprises, the university. The term of office of the governor and vice governor is four years and is renewable only once.

### 2.3. Function and competence of the Central Bank of Congo

In general, any central bank must perform two missions: safeguarding monetary stability and regulating cash flows in relation to other needs of the economy.

- Competence of the Central Bank of Congo:

They are defined in article 3 of its statutes: the Central Bank of Congo is in charge of defining and implementing monetary policy in order to ensure the stability of the general levels of domestic prices.

- Missions of the Central Bank of Congo (CBC):
  - Ensure the internal and external stability of the currency;
  - Control the activity of credit institutions;
  - Conclude international financial and monetary agreements;
  - Banker and cashier of the State;
  - Government Economic, Monetary and Financial Advisor.

- Deposit banks and the means available to them

They are banks formed in the form of Congolese companies by limited liability shares pursuant to Ordinance No. 72/004 of 14 January 1972 on the protection of savings and the control of financial and banking intermediaries. For example, they receive short-term, callable funds (deposits) for their own use in banking, credit or investment transactions.

In general, there are three categories of means of action namely:

- own funds;
- the funds received from the public;
- Borrowings.

Own funds: They include capital and reserves on the other hand. By capital, in the Democratic Republic of Congo the credit institution to be approved, must have a minimum capital released, the amount of which is determined by the Central Bank of Congo (# 177, 5000000 US dollars). Funds received from the public: these funds constitute the bulk of the banks' resources. We distinguish:

- demand deposits;
- term deposits;
- Notice deposits.

Borrowing: Banks can borrow either from the issuing institution or from other short deposit banks on the money market, agricultural, and livestock. SOFIDE (the development finance company). It is conceived as an extension of the great monetary reform of 1967, as a financing instrument for development. SOFIDE was created on 9 January 1970 with the purpose of financing the economy in the form of loans or equity investments in favor of of project whose profitability can objectively be established whatever the section interested[MASSANGU, 2004, pp. 42-44]. The Bank of Agricultural Credit (BAC), she received the mission to contribute to the economic development of the Democratic Republic of Congo, by facilitating the creation, extension or modernization of businesses in the agricultural sector. The promotion fund of the industry which was born in 1989 on the ashes of the fund of development conventions, organization created in 1979 in the context of the great economic crisis that shook Zaire from 1977 to the end of the sad experience of Zairianization, radicalization and retrocession. In fact it was created to promote the production of raw materials consumed by local manufacturing industries as well as for the production of local goods competing with imported goods, to support industrial exports and to contribute to the construction and rehabilitation of industrial facilities. public utility in the operating zones of companies generating the industrial production tax.

**Part 3. Congolese financial system and financing of economic activities in the DRC**

In general, the credit instruments allow the companies to obtain immediate availabilities through the term loans that they hold[MABI, 2006, pp. 158-159].

In the Democratic Republic of Congo, the various credit instruments used by the issuing institution are:

- The interest rate ;
- Refinancing of banks;
- Financing capacity;
- The compulsory reserve;
- The treasury bill.

**3.1. The interest rate and refinancing of banks**

It should be noted that the objective pursued by Congo's central bank is to maintain positive real interest rates. As such, it conducts a regular readjustment of the key rate according to the evolution of the inflation rate [MOURGUES, 1994, p. 215]. Given the evolution of the macroeconomic framework and the control of inflation, the issuing institution has gradually reduced its positivity from ten to four points. The rigorous policy of the management of this instrument had the merit of making play the rate of the bank without role of reference rate of the Congolese banking system. By refinancing of the banks, we mean the reconstitution of the liquidities of the banks before being able to grant new credits, either by the discounting of the effects of which they are carriers, or by the recourse to the money market [MASSANGU, 2004, pp. 92-93].

Refinancing covers all mobilization operations within the banking system. Bank refinancing was organized around three windows, namely: rediscounting, call money and current account advances. Apart from the lines of advances in current accounts which were communicated to the banks, access to the other counters was free. A new policy is being developed to combine call money and current account advances into one permanent convenience window, while rediscount transactions will be converted into a term loan with a maturity of up to seven days. The refinancing operations of the Central Bank of Congo are covered by the pledges of public and private good standing, that is to say, currencies, the effects of companies listed by the credit and financial markets as being first-class.

**3.1.1.The Financing capacity and reserve requirement**

The financing capacity and the reserve requirement show that this credit instrument aims to limit the expansion of credit granted by banks according to the volume and structure of their deposits, pending the emergence of a financial market through which would act as the indirect instruments of monetary policy. In terms of the distribution of credit and in order to promote the financing of the economy, the central bank of Congo fixed the reserve requirement rate at 2% whereas it was formerly at 40% or 55%. Given the preponderance of foreign exchange, which accounts for 85% of total deposits in banks, the bank also applies the 2% rate to foreign currency deposits.

**3.1.2.Treasury bill paper (TBP) and the problem of the financial sector**

By treasury bill, we mean a liquidity regulation instrument used by the Central Bank of Congo. As a pure instrument of monetary policy, the treasury bill (TBP) has partly solved the thorny problem of liquefaction of banks' free assets, thereby reducing significantly and at the same time the pressure on the demand of banks. numeraries. The evolution of the subscriptions to the commercial paper (TBP) shows that it constitutes an effective monetary regulation tool of the central bank of the Congo. For economic operators, it represents in a stable monetary environment, an alternative to the foreign exchange market because of the attractive nature of the rates of remuneration. All measures taken under the credit policy have improved the business climate and the availability of significant internal and external resources needed to revive the economy. The Congolese economy is hit by a multifaceted crisis. The monetary disorder that has won over the Congolese financial system is one of its most obvious manifestations. The period from 1991 to 2000 corresponds to the difficult socio-economic and political context characterized in particular by looting, hyperinflation, incoherent monetary measures (blocking deposits, non-repayment of treasury bills) and instability. policy. This situation has contributed to weakening the financial system in the Democratic Republic of Congo and particularly the savings and credit cooperatives (COOPECS) which lost between 1991 and 1993, nearly 80% of their clientele.

### 3.1.3.The Congolese financial system and the financing of economic development

One of the fundamental questions facing the Monetary Authority in developing countries is ultimately to realistically assess the contribution of financial institutions to the development of the real sector of the economy and social it is to to say the degree of substitution of money for failing domestic savings, without, however, provoking a monetary imbalance, indispensable or rather immeasurable, resulting in most cases in successive devaluations of the national currency. The Congolese state is directed through central planning for the major part of the economic activity, its technique is concretized by the central orientation to gather the surpluses of the economic and administrative sectors, and to affect them for uncontrolled ends in certain key ministries. But investing is first of all knowing the environment in which one intends to operate and yet the Congo (Zaire) lacks nothing.

The collapse of the currency and the banking system shows that the order can be understood as a functioning state of the monetary system of a country characterized in particular by the use of a stable currency, convertible at par banks, circulating without restriction in the country and enjoying the confidence of all economic agents. The national currency cannot properly fulfill its essential functions if it does not enjoy a certain stability in its relations to commodities and other currencies. The strength and growth of the financial system depend on it. Between 1990 and 1996, Congo's monetary system was marked by a malfunction that severely affected the value of the national currency. The most obvious manifestations of this currency crisis were hyperinflation, the "dollarisation" of the economy, the jittery liquidity crisis in the banks, the loss of credibility of the central bank and the rejection of certain monetary signs by the population, we summarize below the circumstances that led to this monetary disorder.

**Hyperinflation**

Table 1. below shows that the year 1990 was devoted to the beginning of hyperinflation in Congo ... In reality, the Congolese economy has a long tradition of inflation dating back to the first years of the war. independence of the country.

**Table 1. Hyperinflation in the years 1990-1996**

| Year | Inflation rate | Depreciation rate in% | Money growth |
|---|---|---|---|
| 90 | 233,2 | 74 | 233,2 |
| 91 | 3642 | 96,6 | 2297,8 |
| 92 | 2989 | 97,2 | 3425 |
| 93 | 4652 | 99,1 | 3175,8 |
| 94 | 9797 | 97,2 | 7878,8 |
| 95 | 370,3 | 78,8 | 313,8 |
| 96 | 752,9 | 86,8 | 534,8 |

Source. Prepared by the author on the basis of data from the report of the Central Bank of Congo, 2002, pp. 212-214

According to Vincent NGONGA N., hyperinflation is generally characterized by inflation rates that are well above the monetary expansion. Their criterion thus leads to the conclusion that Congolese hyperinflation is broadly extended over the period from 1990 to 1996, except in 1992 when the inflation criterion remains very high for a long time, they look for other safe havens and end up fixing the prices of movable and immovable property in foreign currency to preserve their proposed purchasing power does not apply. As shown in the table above.

### 3.1.4.larization of the economy and the acute liquidity crisis in Congolese banks

In parallel with this sharp increase in domestic prices, the whole period has been accompanied by an accelerated depreciation of the exchange rate, sustained by both the excessive expansion of liquidity and the flight to the national currency [Michel MOURGUES, 1990, pp. 110-111]. Indeed, economic agents generally avoid holding their wealth in this form. In terms of maturity, let us say that, overall, the pre-eminence of sight deposits during the 1990s is still persistent and at the beginning of this new millennium, thus making economic development difficult because of a lack of investment. Table 2 shows the evolution of sight deposits and term in national currency in the years 1993-2003.

**Table n ° 2: Evolution of demand deposits and term in national currency in the years from 1993 to September 2003 (in thousands of CDF and in%)**

| Year | Deposit in sight | | A term deposit | | Total | |
|---|---|---|---|---|---|---|
| 1993 | 19,7 | 93,4 | 1,4 | 6,6 | 21,1 | 100 _ |
| 1994 | 1142,2 | 98,8 | 13,6 | 1,2 | 1155,8 | 100 |
| 1995 | 3306,5 | 97,4 | 88 | 2,6 | 3394,5 | 100 |
| 1996 | 27045 | 95,4 | 1304,4 | 4,6 | 28349,4 | 100 |
| 1997 | 71166,4 | 98,9 | 796 | 1,1 | 71962,4 | 100 |
| 1998 | 123,1 | 96,4 | 4656 | 3,6 | 128290,1 | 100 |
| 1999 | 517830 | 99,7 | 1785,3 | 0,3 | 519615,3 | 100 |
| 2000 | 3410230 | 99,9 | 358,3 | 0,1 | 3410588,3 | 100 |
| 2001 | 10753758 | 99,8 | 24958 | | 10778716 | 100 |
| 2002 | 8135308 | 98,1 | 161574 | 1,9 | 8296882 | 100 |
| 2003 | 7617000 | 91,9 | 674000 | 8,1 | 8288000 | 100 |

Source: Prepared by the author on the basis of data from the report of the Central Bank of Congo, June 2004, pp. 191-

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**Note:** Currency deposits have not been retained, relative shares are calculated by the author. The data are first rounded to a close rank.
The reading of this table 2 proves enough that the Congolese financial system suffers from a liquidity crisis, more than 90% of deposits are covered by demand deposits.

**3.2.The Financial disintermediation in the Democratic Republic of Congo**
Under this point of our study, we have successively dealt with the fundamental causes that have been the basis of the dysfunction of the Congolese financial system. Three categories of structural causes of financial disintermediation have been distinguished in the Democratic Republic of Congo. They are both:

- Macroeconomic;
- Sectoral;
- Managerial.

**at. Macroeconomic causes**
We retain as major elements through the macroeconomic causes the following points:

- the persistence of hyperinflation;
- The growth of the informal sector.

In the Democratic Republic of Congo we have noticed that hyperinflation is caused by, among other things, the monetary financing of the budget deficit and economic activity. On the one hand, the currency depreciation and the dollarisation of the economy continue; but on the other hand the decline in economic activity caused by the collapse of the production of the state-owned company Gecamines, from which the state regularly draws more than 48% of its revenue. Table 3 below shows the evolution of hyperinflation and the budget deficit in the years 1990-2000.

**Table 3. Evolution of hyperinflation and the budget deficit (1990-2000)**

| **Descriptio** | **1991** | **1992** | **1993** | **1994** | **1995** | **1996** | **1997** | **1998** | **1999** | **2000** |
|---|---|---|---|---|---|---|---|---|---|---|
| Inflation rate | 3642 | 4652 | 9797 | 370,3 | 752,3 | 752,9 | | 134,8 | 526,6 | 451,4 |
| Deficit | 1458,3 | 1089,7 | 1546,6 | 127,3 | 67,6 | 70,6 | 43,7 | 186,5 | 115 ,7 | 85 ,6 |

Source: IRES for inflation rate has finances for budget deficit (in million USD)

The growth of the informal sector in the face of the decline in the purchasing power of our currency, financial institutions will have their resources diminished, and as a result, we have seen the marginalization of credit institutions with a total volume of deposits representing less 2% of the money supply, credit outstanding estimated at less than 1% of GDP. Financial disintermediation has serious implications, including the underutilization of the productive capacity of the economy given the lack of internal financing in terms of the real economy (the Democratic Republic of Congo has 10 million) of wood production capacity. tropical but it does not even produce half because of lack of funding, lack of credits. Table 4 below shows the volume of low deposits in Congolese banks in the years 1990-2000.

**Table 4. The volume of small deposits in Congolese banks in the years 1990-2000**

| Description | **1990** | **1991** | **1992** | **1993** | **1994** | **1995** | **1996** | **1997** | **1998** | **1999** | **2000** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Deposit at sight (a) | 159,5 | 113,6 | 199,3 | 51,5 | 29,8 | 22,3 | 24 | - | 1 | 20,7 | 24,4 |
| Term Deposit (b) | 50 | 51,4 | 34,3 | 46,5 | 65,4 | 60,6 | 53,4 | 83,9 | 1,3 | - | - |
| Total deposit (a) + (b) | 209,5 | 165 | 233,6 | 98 | 95,2 | 82,9 | 77,9 | 85,9 | 2,3 | 20,8 | 24,5 |
| Current GDP (e) | 7099,5 | 6501,7 | 5821,1 | 5033,8 | 4838,9 | 4872,7 | 4820,2 | 4558,7 | 4387,9 | 372,28 | 3279,1 |
| bank credit (d) | 77 | 37,6 | 25,8 | 9,9 | 27,3 | 38 | 36,9 | 1,4 | 0,8 | 13,4 | 21,4 |
| (c):(d) x 100 | 2,90% | 2,50% | 4% | 1,90% | 1,90% | 1,70% | 1,60% | 1,88% | 5,24% | 5,50% | 7,40% |
| (e):(d) x 100 | _ 1,1 | 5,80% | 4,40% | 2,20% | 5,60% | 7,70% | 7,60% | 3,70% | 1,80% | 3,60% | 6,50% |

Source: Author's calculation based on NGONGA and MUSUSA: "persistence of dollarization in Congo", in economic and social specifications, Vol XXV n ° 1, April 1999 IRES? UNIKIN and report of the Central Bank of Congo 1998-2000.

It can be seen from Table 4 that the volume of deposits is very low and evolves in a jagged pattern for the entire period under study. This low level of deposits has repercussions on bank loans, which are also very low during this period.
These indicators demonstrate the inability of the Congolese financial system to mobilize savings and finance the economy. They thus constitute the very characteristics of the financial disintermediation within the Congolese economy throughout this period under analysis. In fact, the lower the ratio between bank deposits and the payment initiation services"the more the savings mobilized by the financial system decrease more and more in relation to the national income.

**b. Sectorial causes**

The monetary policy of the central bank has also contributed through the direct instrument of capping credit and the mandatory coefficient. These policies have limited the means in the hands of the banks and therefore stifle the distribution of credits.

**c. Managerial causes**

According to Paul Popiel, banks operating in a deteriorated management environment are progressing in four stages:
1. Technical errors;
2. Recourse to an accountant who realizes when a bank plays, for example, on the artificial accounting of forecasts to hide the weakness of its accounting results;
3. The hopeful management that allows a bank to practice a credit policy too risky to play its own resurrection;
4. Fraud which consists for example of a bank running out of resources to practice face- to-face transactions in order to derive a subtle income from a black intervention or for an opportunistic bank to grant credits in foreign currency to finance the internal activities.

**Conclusion**

At the end of our study on "the Congolese financial system and the financing of economic activities", we discovered that the Congolese financial system faces many difficulties that are complex and multifaceted. In the course of our approach, we have also based on the presentation and operation of the Congolese financial system and on the other hand financial disintermediation in the Democratic Republic of Congo. Our analysis revealed that the incoherence of monetary policies, the instability of the macroeconomic framework, in particular the persistence of hyperinflation, the growth of the informal financial sector, the lack of credibility of our deposit banks, are due to the dysfunction of the Congolese financial system. We agree with the conviction of the monetary authority of the Democratic Republic of Congo which says with relevance that the sanitation is the obligatory way by which the monetary authority must pass to get the Congolese financial system out of the crisis on the one hand. , and to mobilize local and foreign savings and to drain them towards the productive activities of others.

Thus, banks and NBFIs must be cleaned up at two stages:
1. An audit by the Central Bank of Congo of all these institutions or institutions;
2. The adoption by the Central Bank of Congo (CBC), the lender of last resort, of the assistance of the Banking Financial Institutions and the Non-Banking Financial Institutions of a vast program of restructuring of viable institutions as well as that of the outright liquidation of the institutions not viable.

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**Système Financier Congolais Et Le Financement Des Activites Economiques En Rdc**

**Résumé**

Les systèmes financiers des pays d'Afrique Subsaharienne parmis lesquels la Republique Democratique du Congo sont peu profonds et peu développés. Ils s'appuient principalement sur un secteur bancaire peu mature et concentré, offrant surtout des financements de court terme. Les marchés financiers des pays d'Afrique Subsaharienne et parmis lesquels la République Démocratique du Congo sont embryonnaires avec des marchés obligataires dominés par l'émission d'obligations souveraines et des marchés boursiers réservés à quelques grandes entreprises. Les gouvernements et la communauté internationale ont un rôle majeur à jouer pour développer et approfondir les systèmes financiers des pays d'Afrique Subsaharienne et ainsi maximiser la contribution des ressources domestiques privées dans le financement du développement : les gouvernements, en limitant les incertitudes liées à la réglementation, en bâtissant des institutions et des infrastructures afin de favoriser la confiance des agents et l'efficacité des marchés et en promouvant la concurrence et l'insertion des systèmes financiers dans le marché mondial, et la communauté internationale, en accompagnant les réformes, en fournissant de l'assistance technique et des services de renforcement des capacités ou encore en soutenant les entreprises du secteur. Toute réflexion sur le lien entre finance et croissance butte sur trois difficultés majeures. La première consiste à définir et mesurer le « développement financier ». La seconde consiste à démêler l'écheveau des causalités évidemment croisées entre le développement des systèmes financiers et la croissance. La troisième a trait à la définition de politiques publiques adaptées, susceptibles de trouver un équilibre satisfaisant entre les imperfections des marchés, qui peuvent se traduire par des crises extrêmement graves, et les coûts de politiques réglementaires inadaptées, mais aussi de guider le développement financier pour en maximiser l'impact sur la croissance à long terme.

**Classification JEL : F65, O16, O55.**

**Mots-clés:** système financier, banque centrale, intermédiation, désintermédiation