

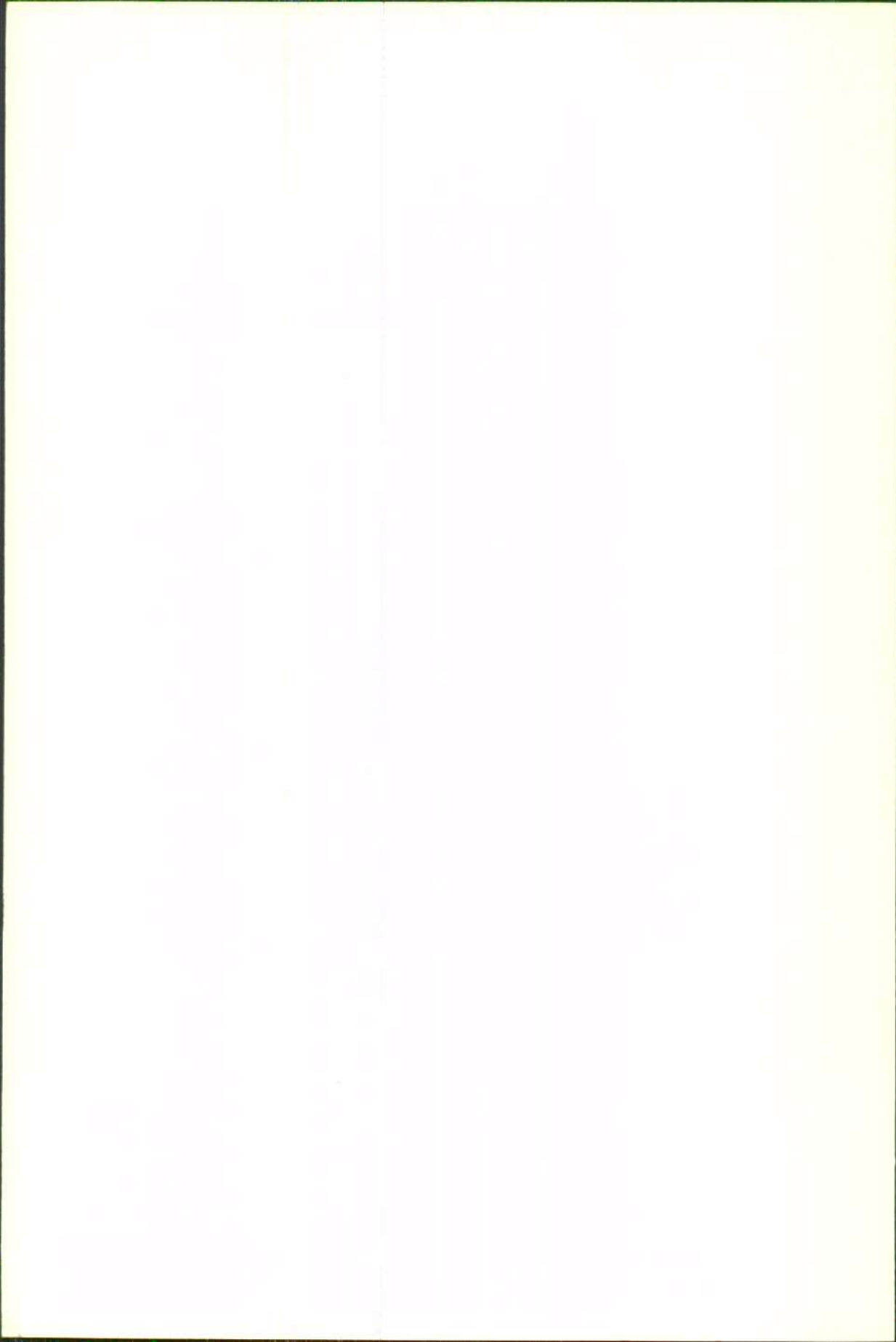
**THE CREDIT MARKETS OF AFRICA**  
A series of monographs under  
the general editorship of  
Professor Giordano Dell'Amore

# **SAVINGS BANKS AND SAVINGS FACILITIES IN AFRICAN COUNTRIES**

Edited by Adalberto Alberici and Maurizio Baravelli



cassa di risparmio delle provincie lombarde — milan









THE CREDIT MARKETS OF AFRICA

A series of monographs under the general editorship of  
Professor Giordano Dell'Amore

SERIES OF MONOGRAPHS ON THE CREDIT MARKETS OF AFRICA:

No. 1. *Banking Systems in Africa.*

No. 2. Sergio Bortolani: *The Banking System of Niger.*

No. 3. *The Mobilization of Savings in African Countries.*

No. 4. Paolo Mottura: *The Banking System of Tunisia.*

No. 5. Bruno Rossignoli: *The Banking System of Algeria.*

No. 6. Lorenzo Frediani: *The Banking System of Gabon and the Central Bank of Equatorial Africa and Cameroon.*

No. 7. Adalberto Alberici & Maurizio Baravelli, eds.: *Savings Banks and Savings Facilities in African Countries.*

IN PREPARATION:

Marco Onado & Antonio Porteri: *The Banking System and the Formation of Savings in Lesotho.*

---

# SAVINGS BANKS AND SAVINGS FACILITIES IN AFRICAN COUNTRIES

EDITED BY ADALBERTO ALBERICI AND MAURIZIO BARAVELLI

---

---

ALL RIGHTS RESERVED

Milan, 1973

---

## CONTENTS

INTRODUCTION, by Roberto Ruozì	IX
CAMEROON	1
CENTRAL AFRICAN REPUBLIC	7
CHAD	11
CONGO BRAZZAVILLE	19
DAHOMEY	23
EQUATORIAL GUINEA	29
GABON	33
GAMBIA	35
GHANA	37
KENYA	41
LESOTHO	45
LIBERIA	47
MADAGASCAR	49
MALAWI	55
MALI	61
MAURITANIA	63
MAURITIUS	65
MOROCCO	69
NIGER	77

## VIII

## SAVINGS BANKS AND SAVINGS FACILITIES IN AFRICAN COUNTRIES

RWANDA	81
SENEGAL	83
SIERRA LEONE	87
SOMALIA	93
SUDAN	97
TANZANIA	103
TOGO	111
TUNISIA	115
UGANDA	121
UPPER VOLTA	125
ZAIRE	129

## INTRODUCTION

On the occasion of the Conference on the Mobilization of Savings in African Countries, which was organized by the International Savings Banks Institute and the *Cassa di Risparmio delle Provincie Lombarde* and held in Milan in September 1971, a ten-point questionnaire was sent to leading personalities in the banking and financial world of all the countries invited to take part in the Conference. This questionnaire is reproduced below.

1. Is it being recognized in your country that effective mobilization of personal savings depends to a large extent on sound money management practised by broad sections of the population, including regular use of the savings and credit facilities of appropriate financial institutions? Do you think the existing savings and credit facilities in your country are adequate for this purpose? Do you think they need extension or improvement? If so, in what respect in particular?
2. Have any measures been taken to encourage the mobilization of personal savings? Is any governmental or non-governmental organization dealing in particular with these questions?
3. Has the necessity to mobilize personal savings for development been mentioned:
  - a) in the National Development Plan of your country?
  - b) in one of the recent statements by your Head of State, Minister of Finance, or Governor of the Central Bank?

- c) in a communication to an important meeting at national level?
- 4. If so, could you briefly state what particular points were stressed? Or could you refer to a particular text?
- 5. What institutions in your country provide savings facilities:
  - a) commercial banks?
  - b) post office savings banks?
  - c) other kinds of savings banks?
  - d) building societies?
  - e) credit unions?
  - f) savings co-operatives?
  - g) other institutions (mention type)?
- 6. Are these institutions showing a satisfactory growth during recent years as to: number of accounts? total amount of savings and time deposits? number of offices? extension of services? Do they operate in urban as well as in rural districts? Do they reach broad sections of the population? If possible, give the relative figures in the form of tables stating the situation at the end of three recent calendar years.
- 7. Do you think it will be possible in your country to increase the flow of personal savings deposits?
- 8. If so, do you think this increase could be stimulated by one or more of the following measures:
  - a) publicity for savings (by press, radio, television, posters, etc.)?
  - b) including savings and methods to stimulate savings and sound money management, in the educational programmes of schools?
  - c) education of adults in this respect? penetration of the illiterate market?



- d) improvement of efficiency, scope and services of savings institutions?
  - e) better co-operation between savings institutions?
  - f) support by government measures?
  - g) support by international organizations?
  - h) other measures or initiatives?
9. What measures or initiatives to increase the flow of personal savings deposits do you think would be particularly useful? Have any projects been worked out in this respect? If so, please state particulars. Do you think a feasibility study in your country concerning the establishment of efficient savings and credit facilities would be useful? What other steps or studies would you recommend? What kind of assistance would possibly be needed in this field from international organizations? Would the temporary help of a team of experts be useful?
10. Please state any additional comments, questions or suggestions concerning the mobilization of savings in your own country, or in the African region in general.

The above questionnaire was kindly filled in and returned by most of the persons to which it was sent. In the case of a few countries from which no reply was received, the relevant information was obtained later in personal interviews, when Italian experts visited the countries concerned under the direct or indirect auspices of the Centre for Agricultural Credit in Developing Countries attached to the *Cassa di Risparmio delle Provincie Lombarde*.

Thanks to these, full replies were eventually at hand for 27 countries. In the case of another seven (Algeria, Egypt, Ethiopia, Ivory Coast, Nigeria, Swaziland and Zambia), it was felt unnecessary to insist on completion of the questionnaire, since all its points

are adequately covered in reports by Conference participants. Reference is made to these reports in the Proceedings of the Conference published in 1972 as volume 3 in the series entitled *The Credit Markets of Africa*<sup>1</sup>.

This left seven countries from which no first-hand information was at hand. These countries are not included in the present survey, since it was thought preferable to omit them rather than risk misleading readers by information not accurately reflecting official or responsible views — and hence, to judge by the positions of respondents to our questionnaire, differing in quality from the information provided by those countries which lent their collaboration to our survey.

The survey has brought to light much useful information. Its limitations derive in part from the formulation of the original questionnaire as such, and in part from the fact that the replies to it were very uneven, especially as regards the wealth of detail furnished on separate points.

Because of this heterogeneity, it seemed inadvisable to publish the replies in their original text. Instead, Dr. Adalberto Alberici, of the Università Commerciale "L. Bocconi" of Milan, and Dr. Maurizio Baravelli, of the University of Pavia, made a valiant, though not entirely successful, attempt to streamline the information furnished by respondents and to supplement it with material from other sources, carefully so chosen as to leave intact the spirit of the original replies.

It is on these that the present volume rests, and the *Cassa di Risparmio delle Provincie Lombarde*, as its publishers, is therefore

<sup>1</sup> International Savings Banks Institute and Cassa di Risparmio delle Provincie Lombarde, *The Mobilization of Savings in African Countries*, Milan, 1972, p. 81-106, 111-114, 141-181.

in no way responsible for any inaccuracies, shortcomings or errors as it may be found to contain. But readers may rest assured that every possible effort has been made to reduce such deficiencies to the minimum.

The information compiled and processed by the methods described is presented under separate country headings. It remains to bring the overall picture into sharper focus by briefly summarizing the chief results of our survey and commenting upon some questions of general import.

The most interesting point that emerges from the replies to the questionnaire circulated to participants in the 1971 Milan Conference on the Mobilization of Savings in African Countries is the extent to which virtually all African countries have become convinced that nothing can replace household savings as a primary source of economic and social development.

With increasing frequency this conviction is explicitly stated in the texts of national development plans, which are now beginning to rest at least in part on the mobilization of household savings. The same is true of official speeches by members of government and of statements by leading exponents of banking and finance in many countries. Again and again special stress is laid on making the population aware of the great contribution it can make to the nation's economic and social development.

But opinions differ as to the two principal methods of mobilizing household savings. Some hold that for a long time to come it will be necessary to rely on forced saving through taxation, while others prefer a mixed method with steadily growing emphasis on voluntary saving.

This difference of opinion rests basically on a question of approach. The advocates of forced saving regard the voluntary accumulation of household savings as a purely economic matter,

and as such exclusively dependent on income levels; the others tend to look at the motivations of voluntary saving not only in economic but also, and perhaps mainly, in social terms — with reference to income levels, certainly, but also to psychological attitudes, the desire to set something aside for emergencies, sociological factors, prestige, etc.

This second view, which would appear to be much the more correct and is also confirmed by the most recent literature on the subject, seems to command much wider adherence than the first. Very few replies suggest that steps for the voluntary mobilization of household savings must be condemned to failure pending a very considerable rise in the level of individual incomes, which now allegedly leave no room for saving at all.

In any case, this pessimistic view is gainsaid, among other things, by the widespread traditional forms of saving by which households in many countries withhold part of their income from current consumption.

Since these traditional forms of saving mean hoarding either of money or other goods, they are often frowned upon both by government and by economists on the ground that they divert resources from national production and hence contribute nothing, at least immediately, to financing economic development.

Now, it is certainly true that efforts must be made to minimize idle resources not available for development. But it can be argued that these traditional forms of saving, too, have a positive function to perform, at the very least on a temporary basis at specific, and rather low, stages of economic development.

In support of this argument it is suggested that maybe certain theories of development economics applicable in other fields may prove to be valid, too, in the field of saving. Take for instance mechanization in agriculture. We now know that, at the lowest

level of economic and social development in rural communities, mechanization may be regarded only as the last stage in a necessary process leading by several prior steps from the mere use of hand implements to animal traction, and so on. Any attempt to pass from hand implements to mechanization without intermediary stages has in nearly all cases ended in complete failure.

The reasons for such failure are obviously both technical and psychological. The same, or very similar, reasons can be assumed to hinder the mobilization of household savings by modern methods. It is surely most unlikely that an individual who knows little about the money economy and perhaps is not even used to saving in traditional forms, can be persuaded point-blank to hand over any part of his income, say, to a bank.

If this is true, we must conclude that the traditional forms of saving in Africa do fulfil a very important function. It follows that while traditional forms of saving ought to be discouraged in areas where they are widespread, in order to transform the "idle" saver into an "active" one in the interests of national economic and social development, they ought on the contrary to be encouraged in areas where they are not as yet well established, so as to transform the "total consumer" into an "idle saver" and thus to prepare the ground for the next step.

Among modern savings facilities in Africa today the most common are commercial banks and post office savings banks. There are others, to be sure, like a few ordinary savings banks, some credit unions, credit and savings co-operatives, building societies, etc., but in quantitative terms these are all of secondary importance for the time being, though they are often no less effective from the educational and promotional point of view.

There seems to be a distinct market division between commercial banks and post office savings banks. The former operate



almost exclusively in towns, where they attract the savings of the higher and more well-to-do social groups as well as of foreigners, while the latter get their deposits mostly from the poorer social classes, and more especially from the rural population.

In rural areas people in effect have virtually no access to financial facilities other than those of the post office savings banks — a situation which certainly does nothing to encourage local economic and social betterment. Nor, for that matter, can anything much more hopeful be said of the whole system of savings facilities described above.

Post office savings banks almost invariably end up by using the savings accruing to them to finance the Treasury (or worse, in capital exports, as happens in some of the French-speaking countries of Africa). The Treasury in turn often draws on these deposits for financing current expenditure, with predictably harmful effects both of a general kind, with respect to the imbalance of saving and investment in urban and rural areas, and of a particular kind with respect to the management and financial position of the post office savings banks themselves. As regards commercial banks, on the other hand, the position is so notoriously bad that no time need be wasted in describing it. To be sure, things have improved a little in those countries where the commercial banks have been nationalized. But so long as they continue to operate almost exclusively in the big towns, they will contribute little to the promotion of social and economic development and to the mobilization of household savings among broad sections of the population.

Indeed, the territorial coverage of the network of banks and other financial intermediaries is perhaps the single main factor capable of influencing the volume of household savings deposits in Africa.

Again and again the view is expressed that to set up more branches and spread them more widely throughout the country is the primary condition for teaching people the very idea of saving, let alone for the mobilization of savings for productive purposes.

But it is no easy matter to multiply bank offices in the conditions of most African countries, where many regions are sparsely populated, the road system and communications generally are poor, individual incomes low, and demand for financial services (not only for deposit facilities) is both small and undiversified. This situation is a deterrent especially for private commercial banks, which after all have to make a profit and hence cannot afford to run branches at a loss.

Instead, commercial banks sometimes operate certain offices on a seasonal basis only, or, more often, employ mobile units. Just how useful the latter really are is a controversial matter. In some countries individual banks have tried the system unsuccessfully, and in the view of some it is indeed bound to fail on psychological grounds — rural folk simply do not trust a van that disappears with their money for days or weeks on end, without their even being sure whether it will ever return at all. Others draw on a different type of experience, mainly in English-speaking countries, and regard mobile units as highly useful, especially if they not merely accept deposits but also grant loans to the people of the villages they visit at regular intervals.

The truth probably lies somewhere between these two views, in the sense that mobile bank units are certainly useful in regions which have already reached a certain degree of social and economic development and where people already have acquired the habit of saving, if only in the traditional forms of hoarding discussed earlier. On the other hand, mobile bank units are bound to be a good deal less successful in areas where the monetization of the

economy has not yet gone far and where life is dominated by concepts deeply anchored in tradition. In such areas, however, failure would be the fate not only of mobile units, but probably also of permanent and fixed bank offices, which it would therefore be unprofitable for commercial banks to establish.

From this point of view post office savings banks are in a much better position. The extent of their network has nothing to do with the motives governing the opening of bank branches, but with more general circumstances mainly connected with the spread of the postal service in the country concerned.

But against this advantage, the functional characteristics of post office savings banks, as described above, certainly are not suitable either for generating balanced economic development at local level, or for guaranteeing the safety of deposits. And it is hard to see how these defects can be eliminated by some simple transformation of post office savings banks.

The only realistic hope is that African countries might somehow work out a combination of post office and ordinary savings banks and thus create a system which (a) maintains the public-interest complexion common to both, (b) is administratively quite independent of the central authorities, while remaining formally under their control, and (c) stands ready to serve the economy at local level and at the same time is governed, as to mentality and behaviour, by the sound banking principles which govern ordinary savings banks in those countries where they are most highly developed.

Unfortunately, there are few ordinary savings banks in African countries. It would appear from the replies to the questionnaire on which this survey is based, that even where ordinary savings banks exist, they operate on a small scale and play no major part in promoting household savings.



But this first impression needs to be qualified. First of all, this survey excludes precisely some of the countries (e.g. Algeria, Egypt, Ethiopia and Swaziland) which have some of the best ordinary savings banks in Africa, as well as one, Zambia, where their establishment is imminent. Secondly, respondents from countries which already know ordinary savings banks (a case in point is Equatorial Guinea) have gone out of their way to stress their usefulness, while elsewhere (e.g. in Ghana, Mali, Sudan and Upper Volta) projects for their creation are under study or, as in Somalia, already operative.

But the main reason why so many respondents say nothing about ordinary savings banks is simply that little is known about them in their countries. Nothing could prove this point better than the extent to which, after the Milan Conference, requests for expert teams to study the possibilities of setting up local ordinary savings banks have multiplied, together with study and operative projects.

The creation of ordinary savings banks, therefore, has its rightful place, alongside the proliferation of banking facilities generally and all measures designed to raise individual incomes, as part of the action African countries can take in order to spread the concept and habit of saving among their peoples and to mobilize savings for productive purposes to the maximum benefit of all.

Other types of action mentioned by respondents to the questionnaire as particularly useful to these ends have to do, first and foremost, with publicity and rates of interest. But statements on these matters are made mostly with an eye on the future and remain in the realm of intentions and proposals, for little has in fact been done so far.

Publicity campaigns, admittedly, have been conducted, and sometimes with modern means, but in most cases they have been

few and far between. Barring rare exceptions, furthermore, they almost slavishly copied the models of industrialized countries, and failed to adapt their message to the social and psychological make-up of the local population. Not unnaturally, the results were on the whole disappointing, both for campaigns directed at the young (mostly through schools) and for those addressed to groups of adults (most often employees of public administration). It is true, of course, that any adjustment of publicity material to the typical psychological and sociological requirements of the local population is not only notoriously expensive, but needs prior study and practical preparation which may be beyond the financial and technical capacity of African countries.

This is a field, therefore, where help from international organizations could be most fruitful — as it could likewise be in the matter of training bank personnel, which is not under discussion here but was repeatedly mentioned by respondents to our questionnaire.

It is frequently, and rightly, said that international assistance is often wasteful and, because its resources are misused, of low productivity. This applies mainly to financial assistance, but also to assistance in kind.

However, in the two fields mentioned above — that is, personnel training and publicity campaigns for the promotion of savings — it should be possible to minimize waste and misuse of international resources. The best way to do this is to entrust both types of project to mixed teams of Africans and experts from industrial countries, for such teams are an excellent meeting ground for demand and supply as regards experience and technical know-how no less than finance funds.

On the second main point, interest rates, many respondents to the questionnaire feel that fairly high levels would be of effective

help in promoting and mobilizing household savings in Africa. This is one of those controversial matters which abound in the subject matter here briefly reviewed. Many authors, it will be recalled, take the view that saving in African countries is more profoundly connected with sociological motives (of prestige, for instance, and others) than with strictly economic ones, and point out that interest plays virtually no part in all the traditional forms of saving.

Again, the truth probably lies in the middle, and it is best not to generalize conclusions. Surely, there is reason to believe that the situation — meaning here the motives of saving and the incentive force of interest rates on deposits and on other types of investment of savings — is very different in rural areas from what it is in the towns, where the economy is almost fully monetized, where the higher-income groups live and where the presence of commercial banks has created a fairly sophisticated financial mentality and awareness.

It is probably right to think that in the towns interest rates can be used effectively by competing credit institutes in their effort to attract savings from the public. This certainly applies to savings already accumulated and invested in financial assets, but interest rates may well in addition constitute an incentive for the formation and mobilization of new monetary savings. There is thus every justification for the high-interest policy especially of newly founded African banks and of those emerging from repeated reorganization at the moment when, to all intents and purposes, they make a new entry into the market and have to compete for deposits. And this is true even though high deposit rates often spell difficulties for the banks' earning capacity, if only because high borrowing rates often cannot easily be matched quickly and durably by high lending rates.

The situation is quite different in rural areas, where large sections of the economy are not yet monetized, where incomes are low and fluctuating, where illiteracy is rife, economic and financial education is minimal, and there are no branches of commercial banks. Here there is reason to think that the transition from traditional forms of saving to bank deposits, as well as the mobilization of new savings, may well be fostered by factors other than the rate of interest. Examples are safe custody, liquidity, social prestige and other not strictly economic incentives, not to speak of the mere spread of bank offices into areas where there are none as yet. Nor must one forget religious influences, which are much stronger in the country than in the towns and which may make interest appear as an outright disincentive to saving.

If all this is true, there is a problem of how to diversify interest rates in the various regions of any one country so as to combine two objectives. The first and overriding objective must be to promote saving, and the second, to the extent that it does not prejudice the achievement of the first, is to safeguard the economic position of the institute which accepts savings.

In conclusion, a few words may usefully be said on the great variety of situations reflected in the replies to our questionnaire. This is, of course, in the first instance due to the very wide economic and social differences among the many countries of the African continent. But this variety has another reason as well, and this is Africa's profound ignorance of everything that has to do with the promotion and mobilization of savings.

Many of the replies to our questionnaire, and, for that matter, most of the theoretical and empirical literature on saving in Africa published so far, rest either on impressions and theoretical working hypotheses not supported by empirical research, or else on

exceedingly small-scale investigations, concerning perhaps only one village or one tribe, which do not allow of valid generalizations.

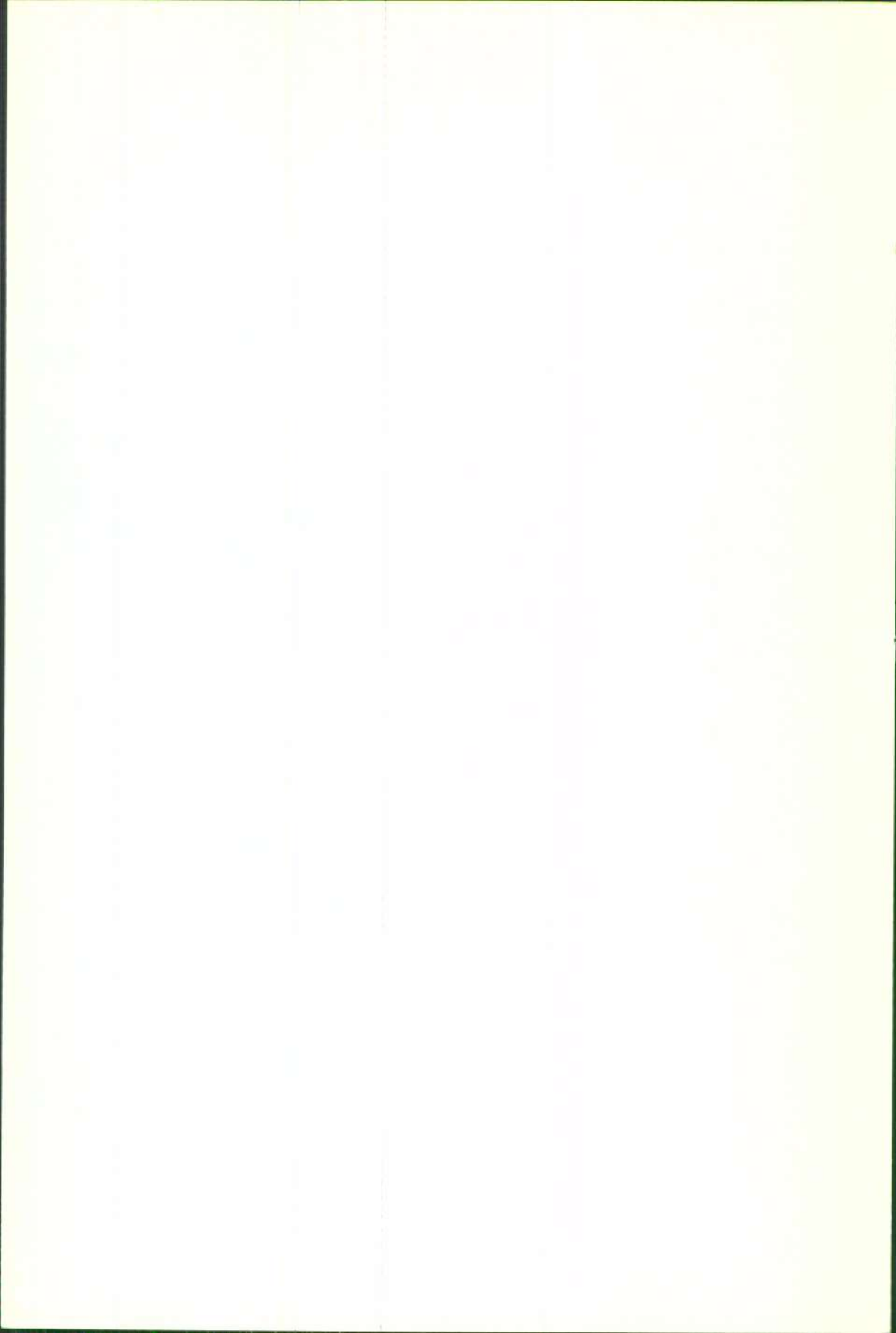
This state of affairs has at least two very serious implications. First of all, it reveals a major gap of knowledge in an enormous and dominating field of present-day economics, namely, the fight against underdevelopment as the very condition of the world's peaceful survival. Secondly, this gap of knowledge threatens to stultify any efforts that national governments as well as international assistance and development aid agencies may make to promote and mobilize savings in Africa. The consequences are only too easy to imagine.

The only hopeful aspect of the situation is that so many African governments are at least aware of its gravity. In the reply from Tunisia, for instance, we read of the government's intention to set up a research centre on family budgets. Assuredly, a study of all aspects of household consumption and personal saving would help to provide the government with a sound basis of fact for any relevant action it might decide to take.

In this field, too, international aid by multilateral or bilateral agencies could be most useful both in the technical and scientific planning of research centres of the kind Tunisia intends to set up, and in helping to finance them.

It remains to be hoped that the agencies concerned realize how important these problems are and that surveys such as the one here presented do not just remain an end in themselves but will be followed by action designed to solve the problems thus brought to light.

*Roberto Ruozzi*





## CAMEROON <sup>1</sup>

The problem of the mobilization of personal savings is one that has since the outset preoccupied the government of Cameroon, where it is felt, as the Head of the State put it in a recent declaration, that the persisting deficiency of private savings places the whole burden of development entirely on the state or else subordinates development to financial aid from abroad.

But the government's efforts to reduce hoarding and promote the mobilization of savings are hampered by the structural inadequacy of the banking system.

In Cameroon, a country of some 474,000 km<sup>2</sup> and a population of roughly six million, savings facilities are at present provided only by six commercial banks through their network of 73 offices, and by 127 post offices which handle savings and current accounts.

The commercial banks are concentrated in the towns and hence cannot easily tap rural savings. In the rural, least developed, areas of the country the cost of collecting savings is prohibitively high for the commercial banks. Some of these areas are indeed so remote that they can hardly be reached by road from the towns.

But even if the commercial banks found it profitable to extend their activity to these rural areas, for instance by sending

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Emmanuel Nlend, Manager of the *Caisse d'Epargne Postale*, Yaoundé.

agents down from time to time, they would still have the problem of gaining the confidence of the local population, whose members are notoriously disinclined to hand over their money to someone who comes round, say, once a month and gives them in exchange simply a receipt — a mere piece of paper to them.

The only bank that actually collects rural savings at present is the *Caisse d'Epargne Postale*, which can, through the country's already fairly numerous post offices, keep in more direct contact with the population even of the up-country areas.

Thanks to the denser spread of the network of post offices and to the greater confidence they enjoy among the population, the Post Office Savings Bank occupies a position of outstanding importance in the mobilization of personal savings.

Since, furthermore, the commercial banks are clustered almost exclusively in the more developed urban areas and cannot be expected to expand their network quickly into rural areas either in the short or in the medium run, it follows that, in the future as well, any promotion of rural saving is bound to come solely from the Post Office Savings Bank. The latter, with its public function, is not driven by the profit motive and therefore is in a better position to extend its post office network to even the remotest areas.

To repeat, the government of Cameroon are fully aware of the importance of mobilizing savings and in 1970 launched a large-scale campaign for the promotion of personal savings, with special reference to rural areas. This campaign makes use of the organization of the Post Office Savings Bank, while field work is the responsibility of the heads of administrative units, under the control and supervision of the Ministry of Territorial Administration.



The necessity to mobilize personal savings for development is explicitly mentioned in the above-named Ministry's circular to local authorities at the time when the campaign was launched. This text acknowledges the promotion of savings in all fields of economic activity as one of the ways of raising resources for economic and social development; it also points to the large amounts of money hoarded and hence withheld from the dynamic circuits of the economy, and suggests that the Post Office Savings Bank may prove the most suitable institution for counteracting this harmful practice.

Even earlier, in 1968, the Post Office Savings Bank had launched a savings drive of its own with the help of publicity means such as press, radio, television and posters. The results were so spectacular that at some point it was nearly decided to tone down the campaign, because the bank was unable to cope with the sudden inflow of such a considerable amount of new funds.

It was realized that the bank's technical organization would have to be strengthened if the campaign was to be fully successful.

As mentioned earlier, the banking system of Cameroon cannot be regarded as a suitable channel for the efficient mobilization of personal savings. Nevertheless, between them the commercial banks and the Post Office Savings Bank have in recent years shown satisfactory growth and there certainly has been some progress.

Between the years 1968 and 1970, the number of the deposit banks' offices rose from 52 to 73, and that of post offices from 97 to 127. The banks, furthermore, have made an effort to penetrate into rural areas with mobile units.

The Post Office Savings Bank has collaborated in the government's savings campaign and has financed a publicity campaign for the promotion of saving in schools.

TABLE 1

POST OFFICE SAVINGS AND CURRENT ACCOUNTS, 1968 TO 1971  
(end-June figures)

Year	Savings accounts		Current accounts	
	Number	Total deposits (CFA fr.)	Number	Total credit balance (CFA fr.)
1968	63,162	1,146,938,000	11,556	1,211,005,000
1969	72,327	1,342,521,000	11,805	2,374,550,000
1970	89,871	1,603,924,000	12,366	2,250,236,000
1971	100,977	2,093,000,000	12,906	2,618,500,000

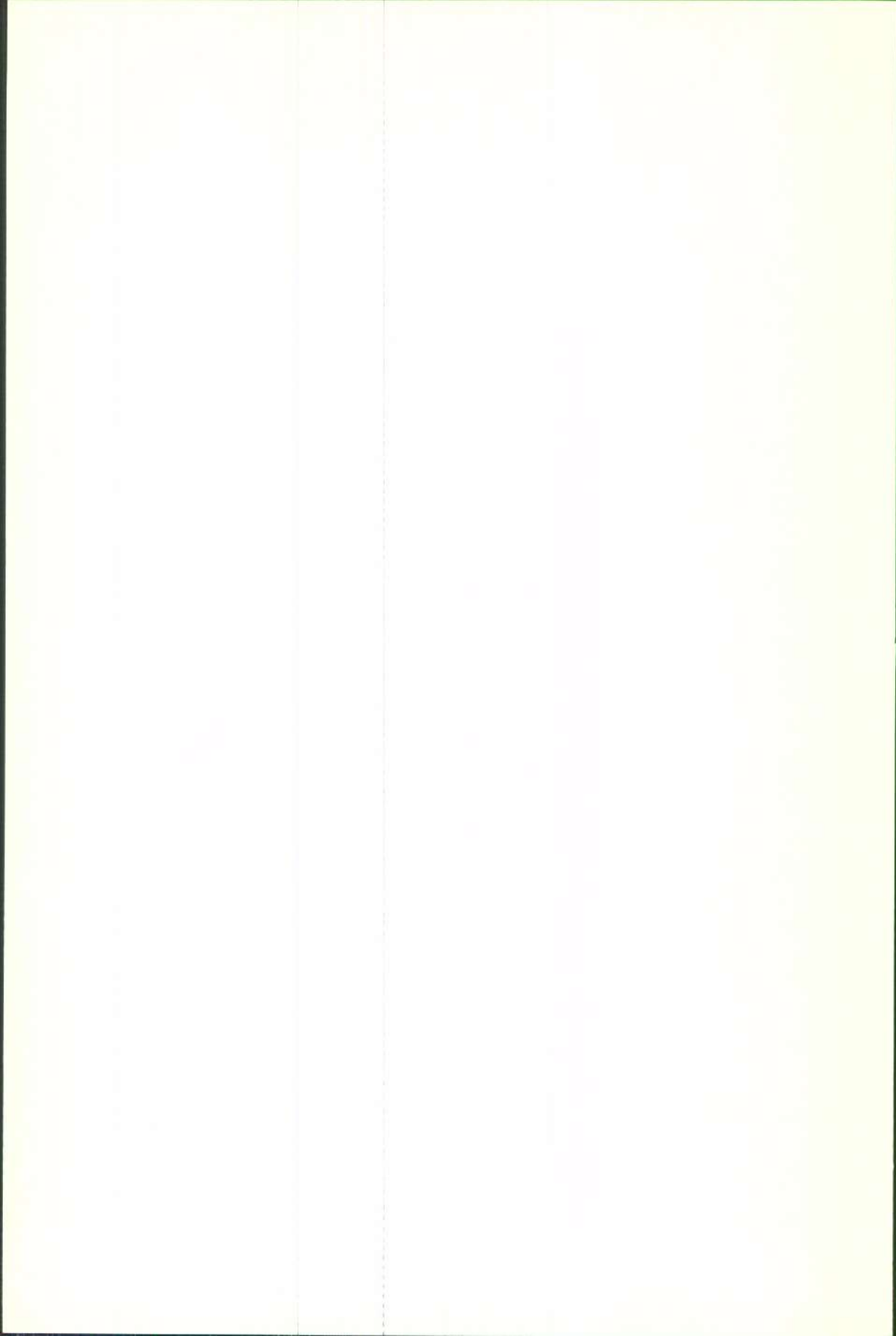
Table 1 illustrates the growth of post office deposits in recent years, in terms both of the number of accounts and of the total volume of depositors' credit balances on savings and current accounts.

The government of Cameroon are certain that the country possesses a lot of monetary resources that could be mobilized. To do so requires an efficient organization of savings facilities combined with an intensive publicity campaign. New branches need to be opened and mobile units introduced for rural areas, and there is also a case for collecting savings through other channels, for instance municipal rate collectors who could act as intermediaries between the public and the banking system.

In connection with the publicity and promotion campaign, the feeling is that it should carefully avoid any suggestion of forced saving. The purpose must be to persuade people to save, but to leave them free to decide whether they want to do so or not. The main lines of approach might be the following: (1) getting schools to teach the children the concept of saving as well as the methods of sound money management; (2) adult education for

saving, with special reference to the illiterate market; (3) improvement in the efficiency, scope and services of institutions offering savings facilities; (4) state support and co-operation by international organizations.

The campaign will need experts who are familiar with local reactions and attitudes. It will have to go on for several years, but not necessarily on a continuing basis everywhere; rather, it should follow the seasonal pattern of peak economic activity. Technical and financial aid from international organizations seems indispensable for such a campaign.



## CENTRAL AFRICAN REPUBLIC <sup>1</sup>

Although the necessity to mobilize personal savings for development is not explicitly mentioned in the national development plan, it is very much on the mind of the authorities in connection with their efforts to promote economic development.

Savings facilities are offered by the National Savings Bank and the commercial banks. The former deals with the working classes and medium income groups, the latter count the more well-to-do groups among their clients.

The National Savings Bank has been the most successful, and further growth may be expected during the coming years. It was founded in December 1963 under the name of *Caisse d'Epargne Postale*. Before then it had formed part of the *Office Equatorial des Postes et Télécommunications*, which served four countries of former French Equatorial Africa. In December 1963 the Central African Republic withdrew from that organization, under the terms of a convention which left all members free to do so.

A Presidential decree of 15 May 1970 altered the bank's name to *Caisse Nationale d'Epargne*. As such it is under the control of the Minister of Posts and Telecommunications, and administered by the *Office Centrafricain des Postes et Télécommunications*.

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Basile Kongbo, Director of the Post Office and Financial Services, *Caisse Nationale d'Epargne*, Bangui.

The monetary resources inherited from the *Office Equatorial des Postes et Télécommunications* amounted to 34 million CFA francs. These were deposited in France with the *Caisse Centrale de Dépôts et Consignations*, and bore interest at 4.4 per cent — an arrangement that rested on a convention signed in Paris on 19 March 1964 and at Bangui on 25 February 1964 between the Director of Posts and Telecommunications of the Central African Republic and the manager of the *Caisse Centrale*.

On 1 January 1964, a total of 88,872,115 CFA francs of deposits were standing to the credit of 8,701 accounts; by 31 January 1971 the corresponding figures were 284,688,023 CFA francs (+ 68 per cent) and 38,843 accounts (+ 77 per cent).

In the interests of economic development the government decided to repatriate the funds deposited in France with the *Caisse Centrale de Dépôts et Consignations*, and, under a convention signed in 1970 between the National Savings Bank and the National Development Bank, the funds in question were transferred to the credit of the latter.

The movement of deposits into and out of accounts at the National Savings Bank is illustrated in Tables 2 and 3.

The National Savings Bank plays a key part in mobilizing the savings of households and the working class. It uses the network of post offices, 51 of which (out of a total of 69) handle business on its behalf, including initial and subsequent in-payments as well as withdrawals, local accounts and telegraphic transfers. Once a year the post offices send the passbooks to the accounting agency of the *Caisse* for calculation and crediting of interest at 3.25 per cent.

In recent years the number of payments, both in and out, has been rising steadily, which is an encouraging sign of the success of the bank's activity in mobilizing savings. The latest figures are those of 30 June 1971: at that date, the National Savings

TABLE 2

INFLOW OF DEPOSITS TO THE *CAISSE NATIONALE D'EPARGNE*,  
1966 TO 1970

Year	Number of in-payments		Amount of in-payments (CFA fr.)	
	Initial	Subsequent	Initial	Subsequent
1966	4,191	19,563	19,850,706	162,996,619
1967	4,516	22,878	29,465,536	208,817,340
1968	5,461	29,012	29,941,586	257,850,043
1969	4,730	31,600	25,058,950	293,953,328
1970	4,756	33,023	25,406,757	330,533,698

TABLE 3

WITHDRAWAL OF DEPOSITS FROM THE *CAISSE NATIONALE D'EPARGNE*,  
1966 TO 1970

Year	Number of withdrawals	Amount of withdrawals (CFA fr.)
1966	34,631	184,329,292
1967	40,381	196,762,361
1968	50,043	258,181,244
1969	53,165	298,263,997
1970	56,109	327,336,758

Bank had 306,086,345 CFA francs standing to the credit of 40,224 accounts, thanks to a radio publicity campaign.

The publicity campaign is now to be intensified with the help of posters calling the attention of the public to the importance of saving.

The flow of personal savings into bank deposits may be stimulated by suitable measures such as an intensive publicity



campaign by means of posters, the press, radio and, in the near future, television; the inclusion of savings concepts in school programmes so as to educate the young; an increased effort to combat illiteracy; and films and other audio-visual means.

There is also room for better co-operation among savings institutes. Support by government and by international organizations is regarded as a useful help in studying and solving a number of problems in the more efficient mobilization of savings.

There is a felt need for a thorough study of the savings problem, including feasibility studies on the possibilities of establishing new savings institutes for the specific purpose of mobilizing domestic monetary resources.

To this end it would be regarded as a welcome move if experts were to be sent from abroad in order to carry out a detailed analysis of the organization and working of the National Savings Bank and to suggest a development plan for it together with efficient accounting methods and the most suitable management methods.



## CHAD <sup>1</sup>

Chad is a country devoid of mineral resources and its industry is still in its infancy, with total 1969 sales of around 14,000 million CFA francs, of which 91 per cent were attributable to only eight firms.

Credit is directed mostly to agriculture and related activities. Agriculture itself is also poor.

Part of the population is engaged in pure subsistence farming and hence remains outside the monetary circuits. The only industrial crop of some importance is cotton, but the country's 500,000 cotton growers have an annual average income of no more than 5,000 CFA francs. The herdsmen of the sahelian zone have an annual average money income of 8,000 CFA francs, and the corresponding figure for the fishermen of Lake Chad is about 25,000 CFA francs. Of the urban workers in the four biggest towns one fifth are unemployed and wages are so low (some 40 CFA francs per hour for unskilled workers and 90-130 francs for skilled labour) as to leave little room for saving. Overall, annual average income per head is about 16,650 CFA francs, and as such one of the lowest in the whole of Africa.

As things are at present, the only group with any savings potential at all are a few categories of wage earners, people in

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Jean-Baptiste Laokole, Manager, *Caisse Nationale d'Epargne*, Fort Lamy.

trade and tertiary activities, and, mainly, public employees. It is thought, however, that some savings are set aside also by such farmers, herdsmen and fishermen as have gone beyond the stage of mere subsistence production and have become part of the money economy. But in these cases saving mostly takes the form of hoarding because of the difficult environmental conditions and because the people concerned have very little economic knowledge. Their savings, therefore, are idle so far as the country's economic development is concerned.

In these conditions the government and the monetary authorities mean to mobilize hoarded savings and to increase the propensity to save among the higher income groups, and generally to develop the economy in the sense of integrating a growing number of workers in the monetary circuits.

Two banks have branches in the major towns. They are the *Banque Tchadienne de Crédit et de Dépôts*, which mostly handles the current accounts of the few existing industrial firms and of traders, and the *Banque de Développement du Tchad*, a typical development bank which also takes care of agricultural credit. Given the poor yields of local crops, it has not so far proved possible to set up a system of local co-operative credit institutes, but to do so is a project of high priority in the general effort to promote the development of more valuable crops.

Savings facilities are at present offered only by the *Caisse Nationale d'Epargne*, which uses post office premises and staff. All in-payments and withdrawals go through the country's 40 post offices, but their function is a purely mechanical one. They transmit the deposits which accrue to them to the head office of the National Savings Bank at Fort Lamy, which confirms the transaction and issues the documents giving title to the deposits. Similarly,

withdrawal requests are sent on to head office, which alone has the right to authorize them.

From the point of view of the bank, this system certainly has its advantages, in that it provides a network covering the whole country and gives the bank access to areas which it could not otherwise easily penetrate with branches of its own. It also keeps down costs. On the other hand the system has, from the point of view of savings promotion, the serious defect that savers cannot withdraw their deposits on demand.

The *Caisse Nationale d'Epargne* keeps the bulk of its resources (some 80 per cent of them) in sight deposits at the *Banque Tchadienne de Crédit et de Dépôts*, where they earn 4.5 per cent, and employs the rest in loans at just over 5 per cent either to the government or to public or semi-public agencies, within the limits permissible by the statute.

As can be seen from Table 4, both the number of accounts and the volume of deposits have been rising steadily, but both are still very low both in absolute terms and in relation to population and income. Nine tenths of all deposits come from the major towns, and only one tenth from rural areas. The average amount on individual deposit accounts has remained almost unchanged at around 14,000 CFA francs throughout the last six years.

Since the mere presence of bank premises always encourages the local population to save more, the first thing to do if one wants to attract more savings is to broaden the coverage and improve the organization of existing credit institutes, in this case more especially of the *Caisse Nationale d'Epargne*, which seems best placed for playing a key part in this respect.

Secondly, the population must be educated to save, and made familiar with the personal and social advantages to be derived

TABLE 4

ACCOUNTS AND DEPOSITS AT THE *CAISSE NATIONALE D'EPARGNE*,  
1964 TO 1970  
(end-year figures)

Year	Accounts			In-payments		Withdrawals	
	Number	Deposits (CFA fr.)	Number of transac- tions	Number	Amount (CFA fr.)	Number	Amount (CFA fr.)
1964	6,783	182,800,387	16,694	6,736	345,726,097	9,958	437,296,619
1965	7,715	186,635,898	18,529	7,263	99,098,443	11,266	99,098,443
1966	9,040	204,886,141	25,391	10,278	120,801,801	15,113	108,689,753
1967	10,604	217,992,638	32,134	12,622	149,330,519	19,512	142,768,768
1968	12,708	197,353,496	40,042	16,670	181,056,250	23,372	208,460,428
1969	15,567	239,332,958	54,317	22,315	244,501,227	32,002	209,707,421
1970	18,624	293,029,390	66,553	28,036	319,984,665	38,517	274,834,046

Collective savings - 31 Dec. 1964: 15 accounts, CFA fr. 83,001,473

31 Dec. 1970: 21 accounts, CFA fr. 35,556,007

— CFA fr. 47,445,466

from the accumulation of savings in sufficient amount to finance economic development.

As regards improvements in the organization of the *Caisse*, a number of suggestions may be made, both for the short and the longer run. The underlying reasoning is that, in the short run, the best way of increasing the inflow of deposits is to make contact with as many savers as possible, always keeping in mind that initially an increase in deposits is the overriding aim taking precedence over the bank's profits. In the long run, on the other hand, the *Caisse* will have to try and consolidate and strengthen its good reputation by sound management of its resources, and it will also have to broaden the range of its operations so as to attract more and more clients.

Among practical measures to be introduced by the *Caisse* so as to equip it with adequate facilities for accepting even the smallest savings, employ them usefully and repay them at sight together with accrued interest, the following may be suggested:

- (1) extend the network by opening new agencies and using more mobile units;
- (2) gain the confidence of savers by sound management and staff specially trained for contacts with the public;
- (3) pay higher interest whenever possible;
- (4) tie up savings schemes with the acquisition of durable goods, in the social interest;
- (5) offer equal service in all offices without any discrimination, so as to reach all social groups;
- (6) introduce a system by which all state or other public payments of pensions, wages, allowances or other benefits are directly credited to C.N.R. passbooks;
- (7) arrange for withdrawal without advance notice, making it possible for savers to take out at least part of their money from any post office at once, upon presentation of the passbook and an identity document;
- (8) introduce a service for the direct payment of bills for water, electricity, telephones, etc.;
- (9) launch a saving-for-home-ownership scheme offering specific advantages to individuals having accumulated a certain amount of savings with a view to obtaining a loan for the purchase, construction and/or furnishing of a dwelling to be occupied by themselves or members of their family;
- (10) launch a saving-fellowship scheme, under which the parents of a boy in whose name the passbook is made out can pay for his secondary or university education with the help of a state contribution amounting to a given percentage of the deposits.



Given the size of the country and the scarcity of social overhead capital in the form both of post offices and means of communication, there would seem to be a case for the National Savings Bank to start out by establishing mobile agencies for regular visits to rural centres, where they could collect some of the money earned by farmers from the sale of their cotton and food crops.

But harvests are likely to be poor at first, and the cost of creating and managing a network of fixed and mobile agencies will be high. Such a programme, therefore, clearly depends to a large extent on obtaining help from international organizations.

Beyond practical measures for the improvement of the National Savings Bank's organization, however, the promotion of saving needs a campaign to spread the concept of thrift and its merits. Since the propensity to save is associated with a certain mentality, the greatest care will have to be taken in choosing the means by which to create the necessary mentality.

Two approaches commend themselves. First, children will have to be taught at school that saving is a socially relevant action; and secondly, adults will have to be reached through the press, and with particular reference to the illiterate population, clear and simple statements will have to be devised to inform people of the beneficial effects of saving.

As early as 1967 the National Savings Bank launched an intensive publicity campaign, and the government, too, are aware of the importance of saving for development purposes, witness the fact that the first national economic development plan refers to the need of mobilizing savings as one of the conditions for the attainment of the new targets. Furthermore, the volume *Connaissance du Tchad*, published by the Ministry of Planning and Co-operation, devotes a whole section to the social and economic principles governing household saving.

Since the main purpose is to use saving as a means of mobilizing national resources for economic development, foreign aid must be considered as no more than supplementary and marginal. What needs to be done in order to increase the propensity to save voluntarily, or in other words to induce people to limit their consumption, will have to be done jointly by the credit institutes, more particularly the National Savings Bank, and the public authorities.





## CONGO BRAZZAVILLE <sup>1</sup>

The necessity to mobilize household savings for economic development is made quite clear in the five-year plan 1968-73, which also provides for the introduction of a saving-for-home-ownership scheme. This project has been the subject of a preliminary study by the *Caisse Nationale d'Epargne*, on behalf of the government.

The government has always encouraged programmes for savings promotion. Political authorities, government commissioners and district chiefs have taken an active part in publicity campaigns conducted in rural centres with a view to teaching the local people the concept of saving and induce them to save.

Savings facilities are provided by the commercial banks (*Banque Commerciale Congolaise, Société Générale de Banques au Congo, Banque Nationale pour le Commerce et l'Industrie au Congo, Banque Internationale pour l'Afrique Occidentale*), by the *Banque Nationale du Développement du Congo*, the *Caisse Nationale d'Epargne*, insurance companies and the *Caisse Nationale de Prévoyance Sociale*.

The National Savings Bank, *Caisse Nationale d'Epargne*, was set up by decree of 23 September 1964. It is a state-guaranteed

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Denis Babingui of the *Caisse Nationale d'Epargne*, Brazzaville.

but financially autonomous corporation, and uses the network of post offices, which are in immediate contact with the population. This makes it a credit institute at the direct service of the whole population, unlike the commercial banks, whose financial services are available exclusively in major towns.

The *Caisse* uses the funds it collects through post offices in accordance with the guidelines contained in the same decree by which the bank was set up.

The contribution which the *Caisse* has made in recent years to the mobilization of personal savings is very considerable. The number of accounts rose from 55,279 in 1968 to 68,776 in 1970, and deposits, over the same period, grew from 603,310,205 to 826,565,615 CFA francs. The management feel sure that there is further scope for growth, seeing that at present depositors number no more than 10 per cent of the population. But this, it is felt, requires a large-scale and intensive publicity campaign using a diversified range of media. Such a campaign might well take advantage of outside assistance especially for personnel training. Loans to rural areas, too, would be of help, since it is there that new savings from potential savers could be tapped. The campaign should concentrate on the working classes and provide information about the social advantages of saving and about such technical aspects as rates of interest, duration of deposits, etc. In this way it could help not only to increase the volume of deposits attracted, but to improve their stability.

Congolese experts recommend a number of incentives, including the distribution of savings books to the parents of new-born babies and to successful school leavers, or at specified periods, holiday camps, popular prize draws, television and radio lotteries, harvest prizes for farmers. This is obviously an ambitious programme which needs adequate financial backing.

Study, training and information fellowships would be welcome, as well as technical assistance by experts from international organizations, who might study on the spot how to set up a more appropriate and dynamic savings bank.



## DAHOMEY <sup>1</sup>

The reason why the mobilization of personal savings is unsatisfactory in Dahomey is not only that people do not practice sound money management, but above all that their incomes are very low (17,000 CFA francs per head in 1966).

In some rural areas, nevertheless, a fair amount is set aside for use in self-financing farm production or, more often, for ceremonial expenditure on the occasion of births, marriages, deaths and other family occasions. In the towns there is some hoarding, and to the extent that the money is not spent for similar purposes as in the countryside, it is invested in real estate.

In these circumstances very little use is made of the savings facilities of financial institutes.

These institutes themselves are not properly organized for the large-scale mobilization of savings and certainly need to extend their geographical coverage especially to rural centres. With the exception of the National Savings Bank, bank activity is concentrated in the towns.

As an incentive for people to deposit more money in banks the interest rate payable on savings deposits has been raised, and so has the ceiling applicable to them; similarly, the banks have

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Mamadou N'Diaye Boubacar, Manager, *Banque Centrale des Etats de l'Afrique de l'Ouest*, Cotonou.

increased the interest rate on the fixed-term notes they issue in denominations of at least 5,000 CFA francs and for at least six months.

The government's Planning Commission has concerned itself with the problem of the mobilization of savings in connection with its studies for financing the development plan, and it is proposed to set up a National Investment and Guarantee Fund, which is to pool the resources saved especially in urban centres. It would certainly be useful to create also an agricultural credit institution to discharge the same function in rural areas.

Even though the actual volume of personal savings attracted is small, savings facilities are offered by a remarkable variety of institutions, both "legal" and otherwise. The former group consists of the following.

(a) Three commercial banks, operating in three towns, accept time deposits and savings deposits. Time deposits must be for at least six months and the interest rate payable is graded according to the amount involved: 3.5 per cent for deposits between 0.2 and 5 million CFA francs, 4.5 per cent for deposits in excess of 5 million. Savings deposits, for which the lower and upper limits are 25,000 and 2 million CFA francs, bear annual interest at 3.25 per cent, and can be withdrawn at sight in multiples of 5,000 CFA francs.

(b) The *Caisse Nationale d'Epargne* operates through post offices throughout the whole country and mobilizes the bulk of the savings of medium-income groups. The lower limit of deposits in this case is 100 CFA francs, the upper limit again 2 million. The interest rate is 3 per cent.

(c) There is a national lottery which, for the last few years, has covered the whole country. It attracted 169 million CFA francs in 1968, 154 million in 1969 and 155 million in 1970.

In addition to these "legal" institutions, savings are mobilized through the following channels.

(a) Preco-operative village groups under the supervision of the Ministry of Rural Development and Co-operation and of the so-called intervention societies. The resources of these groups come from capital subscriptions at the time of their creation. On 31 December 1970 there were 9,807 of them, with combined capital subscriptions of 8 million CFA francs.

(b) Equipment and modernization associations exist in all sub-prefectures, and draw their resources from an obligatory levy of 100 CFA francs, collected from all tax-payers together with taxes.

(c) Rural development co-operatives exist only in certain regions. They are under the supervision of the Co-operation Division of the Ministry of Rural Development, according to which 400,000 farmers (out of a total rural labour force of 1,100,000) each year provide 40 million CFA francs towards the organization of a still embryonic agricultural credit system.

(d) Finally, there are the *tontines*, a kind of chit funds, which owe more to tradition than to legislation. They are extremely popular, and work as follows. A group of individuals agree to make regular (weekly, fortnightly, monthly) contributions to a common fund for a certain period, depending on the size of the group; this pooled money is used for loans to members, beginning with the first deposits and continuing until each member of the group has had his turn either according to a pre-established order or by lot. Members are co-opted, and the whole system obviously depends on mutual trust. There are no statistics available on the activities of these *tontines*, but the sums involved are believed to be quite considerable.

For bank and savings bank deposits, recent figures are shown in Table 5.



TABLE 5

COMMERCIAL AND SAVINGS BANK DEPOSITS, 1968 TO 1970  
(million CFA francs)

	1968	1969	1970
Commercial banks			
time deposits	369	364	397
savings deposits	325	421	527
Savings bank	368	403	458

As will be seen, deposits have been going up slowly but steadily. In any case, these figures are far from doing full justice to the real volume of savings, because many forms of savings (especially the *tontines*) completely defy measurement. Because the financial institutes take in only the savings of the urban population, the number of accounts is small.

In the view of the monetary authorities it should be possible to increase the flow of personal savings deposits, given that living conditions are steadily improving. But to achieve this needs a change in the mentality of the population through education.

The following measures are recommended to help channel savings towards financial institutes:

- (a) publicity by radio, press and posters;
- (b) adult education and information campaigns;
- (c) the inclusion in school programmes of the notion of saving, its function and usefulness;
- (d) reduction of tax on deposit interests, which are now taxed at 18 per cent;
- (e) methods by which savers both in urban and in rural areas are guaranteed strict bank secrecy;

- (f) expansion of the network of financial institutes so as to provide effective coverage throughout the whole country.

Some steps in this direction have already been taken by the banks. But none of the above-mentioned measures can really be effective unless and until savers are offered a satisfactory interest rate and absolute safety of their deposits, which means ultimately that the savings which are mobilized must be used to finance profitable investment.

Thinking ahead on how to finance the next development plan, the government of Dahomey requested and obtained from the United Nations Development Programme a team of experts, who are preparing a study on measures to stimulate and encourage domestic saving. The results of this study are not yet at hand.

In the conviction that saving rests on confidence, the monetary authorities feel that, alongside with an educational campaign for the population, it is necessary to launch a training programme, because only a supply of competent and absolutely honest staff can guarantee that the management of savings institutions is efficient and above suspicion, and that the institutes themselves command confidence.



## EQUATORIAL GUINEA <sup>1</sup>

The accumulation of personal savings is rather low in Equatorial Guinea in relation to the size of its population, but then there are three major obstacles: wages are low, the general level of education is low, and, worst of all, the propensity to save is low.

The Canary Islands Savings Bank (*Caja Insular de Ahorros de Gran Canaria*) has done a lot since 1967 to mobilize personal savings in connection with its policy of promoting economic development. In addition to encouraging saving, the Savings Bank has also been backing economic projects of social interest, and helping small and medium-sized industrial firms.

The Savings Bank started operating in Spanish Equatorial Guinea in 1967, the same year when it also extended its activities to Spanish Sahara. One of the reasons which led it to do so was the country's economic structure, which rests on the export of agricultural commodities, more particularly timber, cocoa and coffee. Fishery, oil palms and bananas are also of some importance.

Thanks to large-scale exports, the ports of Bata and Santa Isabel, from which all the major shipping lines to Spain and the Spanish islands sailed, became important commercial centres. In both ports the *Caja Insular* opened branches under the second

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Juan Marrero Portugués, Manager, *Caja de Ahorros de Gran Canaria*, Santa Isabel.

expansion plan of the Spanish savings banks. The intention was to tap and use the monetary savings accumulated locally, and also to encourage saving and help the growing colony of emigrants from Spain and the Canary Islands. Many workers were attracted from Spain by the high wages which had to be paid in the Province to get any white labour at all, and most of them expected to accumulate a small capital and then return home.

Thanks to the geographical position of the Canary Islands and also to their cultural and commercial ties with the Spanish Provinces in Africa, the *Caja Insular* had every reason to expect its new branch to be very successful. It was so successful, indeed, that the bank also ventured into Spanish Sahara, where the phosphate industry has good development prospects, not to speak of the hope of striking oil. Branches were opened in 1967 at Aaiún, Villa Cisneros and Sidi Ifni, and in 1970 at Güera. The Sidi Ifni branch, however, was closed again in May 1969, when the town passed into Moroccan sovereignty. Details of the number of accounts and the volume of deposits with all these branches are given in Tables 6 and 7.

The *Caja Insular* remained subject to Spanish law until 12 October 1968, the birthdate of the new Republic of Equatorial Guinea. Since then its local branches have operated under that country's law.

The government initially authorized the Savings Bank to repay such deposits as it had on 12 October 1968 at the rate of at most 5,000 pesetas per month and per depositor. Recently the validity of this provision was limited to Spanish citizens only, and under a new rule any repayments not drawn in previous months cannot be cumulated.

Because of difficulties of various kinds, the flow of deposits is subject to somewhat unpredictable fluctuations, but the bank hopes to increase its resources under a "joint operations" scheme it has

TABLE 6

ACCOUNTS AND DEPOSITS AT THE *CAJA INSULAR DE AHORROS DE GRAN CANARIA*, 1968 TO 1971

Branches	31 December 1968		31 December 1969		31 December 1970		31 July 1971	
	No. of accounts	Deposits ( <i>pesetas</i> )	No. of accounts	Deposits ( <i>pesetas</i> )	No. of accounts	Deposits ( <i>pesetas</i> )	No. of accounts	Deposits ( <i>pesetas</i> )
Aaiún	1,790	24,410,050	2,919	36,755,941	3,836	56,453,116	4,358	60,674,421
Villa Cisneros	481	4,348,227	756	11,209,634	855	18,483,670	1,090	22,409,705
Güera	—	—	—	—	11	10,899,010	145	9,385,305
Santa Isabel	834	13,695,313	1,178	4,813,978	1,211	12,657,335	1,640	14,816,208
Bata	687	7,445,060	837	1,171,622	1,014	3,959,026	1,196	6,508,032

TABLE 7

ACCOUNTS AND DEPOSITS BY SOURCE, 31 JULY 1971

Branches	Number of accounts		Deposits ( <i>pesetas</i> )	
	Indigenous	Foreign	Indigenous	Foreign
Aaiún	1,884	2,474	11,173,890	49,500,531
Villa Cisneros	425	665	5,894,328	16,515,377
Güera	35	110	2,104,086	7,281,219
Santa Isabel	1,034	606	6,173,233	8,642,975
Bata	740	456	3,544,712	2,963,320

proposed to the central bank of Guinea for the future of the Santa Isabel and Bata branches. Under this scheme 70 per cent of the local savings accruing to these branches would be invested in the country, and 30 per cent held in cash. Investment is to be exclusively in the form of loans under the control and with the authorization of the central bank, failing which no lending is to



be permitted. In case the total volume of loans exceeds the cash reserve, the central bank would furnish the funds required, subject to their reimbursement as and when borrowers repay their loans. The central bank is also automatically to act as guarantor for the borrowers. Until such time as the branches begin to make a profit, which most probably will not be for some years, such losses as are incurred will be carried forward to be amortized by future earnings, but in the meantime covered by the Canary Islands Savings Bank. The latter in any case is to hold itself for the time being fully at the disposal of the authorities, pending the successful completion of an independent national organization for the mobilization and investment of savings in Equatorial Guinea — it is hoped soon.

Government programmes include the establishment of a local savings bank, and therefore a careful watch is being kept on all matters connected with the activities of such credit institutes.



## GABON<sup>1</sup>

The government of Gabon recognizes that the mobilization of domestic savings is a fundamental factor in economic and social development. The five-year development plan, therefore, defines the lines of action to be followed in their lending and investment financing by the *Caisse d'Epargne Postale*, the *Caisse Nationale de Crédit Rural* and the *Banque Gabonaise de Développement*. All three are important in attracting household savings, and their supply of deposits has shown satisfactory growth in recent years.

The most successful of the three is the Post Office Savings Bank, a financially autonomous state corporation founded in 1965 and subject to the control of the Ministry of Posts and Telecommunications. It operates through 38 post offices distributed throughout the national territory. Ever since its inception, the number of its accounts and the volume of its deposits have grown steadily, as shown in Table 8.

In addition, the *Banque Gabonaise de Développement* has mobilized a considerable amount of domestic resources on its 2-year certificates (*bons d'équipement*), and the same is true of deposits at the *Caisse Nationale de Crédit Rural*, which finances agriculture and fishery, and also of those of commercial banks, which have been trying to expand their network.

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Antoine Ikinda, of the *Caisse d'Epargne Postale*, Libreville.

TABLE 8

ACCOUNTS AND DEPOSITS AT THE *CAISSE NATIONALE D'EPARGNE*,  
1968 TO 1970

Year	Number of accounts	Deposits (million CFA fr.)
1968	20,443	414
1969	23,763	487
1970	27,168	556

But much remains to be done to mobilize personal savings efficiently enough to give the government a solid base of domestic capital and thus to enable it to meet the state's financial requirements.

There is a case for better co-operation among financial institutions, and it is thought that the most useful measures for increasing the flow of personal savings deposits would be the following: to mount an intensive publicity campaign by radio, press, television and posters; to extend the branch network, possibly with the help of a certain number of mobile units; to gain the confidence of savers by employing personnel better trained in customer relations; to pay higher interest rates on deposits; to organize competitions with savings books as prizes; and to introduce new savings facilities.

Among the latter, one that commends itself is a sort of "cradle to cradle" savings scheme, under which a savings book would be issued to every new-born baby. One major advantage of such a scheme would be that the parents' affection for their children would constitute a psychological motive for them to save. This could be organized through savings clubs, such as exist in Sweden and Canada; the young couples who are members of the club would be required to open a savings account whenever they expect a new baby.

## GAMBIA<sup>1</sup>

The government of Gambia are acutely aware that the large-scale mobilization of personal savings depends to a large extent on sound money management. Ever since the country attained its independence, the government's fiscal policy was geared to the need of enabling the monetary authorities to keep changes in the currency's purchasing power within acceptable limits. A concerted effort was made to increase fiscal revenue and keep down current expenditure, so as to have more financial resources for implementing the economic development plan.

There are only two commercial banks in Gambia, plus the Gambia Co-operative Union Ltd., which is an apex organization of co-operative societies.

Gambia shares one of the most common characteristics of African banking systems, namely, the concentration of banking facilities in towns and their all but total absence in rural areas. Apart from the offices of the commercial banks in Banjul, the capital, there is only one branch elsewhere, at Basse.

In the light of this situation, the government propose to set up a development bank, in the hope of providing credit for those of the country's areas where there are as yet no banking facilities.

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Alhagi A. J. Senghore, Director of Posts and Telecommunications, Banjul.

In addition to the above-named institutes, savings facilities are offered by the Post Office Savings Banks, but only on a minor scale.

After the foundation of the Central Bank of Gambia in March 1971, a study on the interest rate structure was carried out, and led to the conclusion that the banks were not paying enough for attracting savings on an adequate scale. As a first remedial step, the government raised the rate of post office savings deposits from 3 to 3.5 per cent.

The importance of increased mobilization of personal savings for development was strongly emphasized by the Minister of Finance in his latest budget speech. He outlined two fundamental methods of increasing domestic savings, that is, to use fiscal policy for higher forced savings, or else to mobilize resources through financial institutions with a view to higher voluntary savings.

Most disappointingly, the flow of savings to financial intermediaries has in recent years not increased at the desired pace. Another disturbing development is the decline of total deposits at post office savings banks — which, incidentally, was the reason why the latter raised their interest rate on deposits.

In the hope of stimulating the flow of savings to banks as an indispensable condition of economic development, the Central Bank is contemplating steps to bring about a rise in interest rates on savings and time deposits at commercial banks as well, even though these resources did rise from 2,120,000 to 3,165,000 dalasi between the end of 1967 and the end of 1970.

Other steps to help in the mobilization of savings have been under consideration, but the official view is that the measures most common in other countries are not likely to be effective so long as they are applied singly, and that it is necessary to proceed on a broad front after careful study of the characteristic features of the country and its people. No project of this kind has been launched so far.

## GHANA <sup>1</sup>

The need to mobilize personal savings for development is mentioned in the one-year development plan 1970/71, and in the budget statements for 1970/71 and 1971/72.

Particular stress is placed on the important role which the monetary system can and should play in promoting national savings, as also on the fact that increased savings would enable the country to finance a higher level of investment from its own resources and hence to rely less on foreign capital.

Like other countries, Ghana has come to recognize that effective mobilization of personal savings depends to a large extent on sound money management practised by broad sections of the population, including the regular use of the savings and credit facilities of appropriate financial institutions. But at present, neither the volume of savings nor the financial system's credit capacity is nearly large enough for the country's real development needs.

The first thing to do to remedy this situation is for the banks to penetrate deeply into inland rural areas where banking facilities now are few and far between. Second, the procedures of depositing and withdrawing money must be made simpler so as to give even illiterate savers easy access to the banks. And third, it is of the essence that savings institutions should improve their own efficiency.

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. John Sackah Addo, Vice-Governor of the Bank of Ghana, Accra.



Apart from all this, some measures have already been taken to encourage the mobilization of personal savings. These include a 1962 amendment to the legislation governing the Post Office Savings Bank, the opening of new branches by the commercial banks especially in rural areas, and in 1970, an increase from 2½ to 5 per cent in the rate paid on post office savings.

Apart from the Minister of Finance and the Governor of the central bank there are no organizations in Ghana which deal specifically with the problem of mobilizing savings.

Savings facilities are provided by the Post Office Savings Bank, as well as by commercial banks, building societies, credit unions and co-operative societies. Some of these institutions have shown satisfactory growth in recent years and all of them operate successfully both in urban and in rural areas. Details about the Post Office Savings Bank and the commercial banks are given in Tables 9 and 10.

Notwithstanding the great efforts already brought to bear on increasing the flow of savings to bank deposits, there is scope for a further increase to be achieved by publicity campaigns designed to reach all population groups including especially the illiterate ones, by teaching saving in schools, by improvements in the efficiency, scope and services of banks, and by the support of financial intermediaries by government measures.

So far no national savings campaign has been launched, but projects of this kind are now under study. Individual banks and other institutions have their own publicity programmes covering such media as radio, press, television, posters and essay competitions. But in order to launch really efficient programmes for the mobilization of personal savings Ghana will have to be able to count on collaboration by foreign countries, especially in the form of their

TABLE 9

ACCOUNTS AND SAVINGS AT THE POST OFFICE SAVINGS BANK,  
1968 TO 1970

	1968	1969	1970
Number of accounts	822,494	855,590	985,323
Number of offices	486	486	486
Total savings ( <i>million new cedi</i> )	8.8	9.0	9.7

TABLE 10

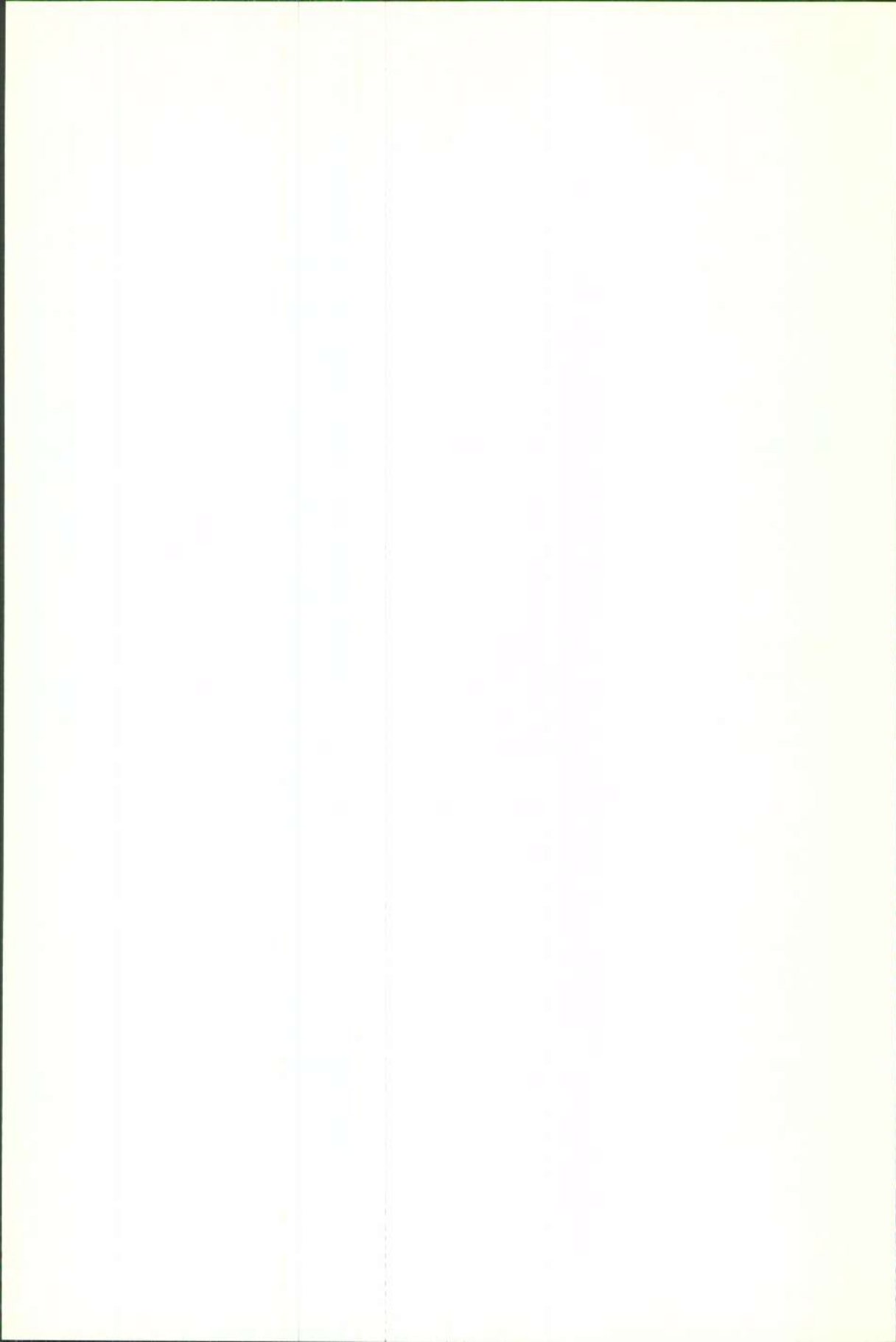
SAVINGS AND TIME DEPOSITS AT COMMERCIAL BANKS, 1968 TO 1970

	1968	1969	1970
Savings deposits ( <i>million new cedi</i> )	61.5	69.3	80.2
Time deposits ( <i>million new cedi</i> )	32.0	29.7	41.3
Number of branches	187	190	187
Number of savings accounts	446,377	481,297	492,410
Number of time deposit accounts	1,662	1,658	1,833

sending experts to study on the spot what problems need to be dealt with.

In this spirit Ghana has recently signed a co-operation agreement under which the Italian Ministry of Foreign Affairs and the *Cassa di Risparmio delle Provincie Lombarde* have undertaken to make available Italian personnel and to train Ghana personnel for a thorough reorganization of the Post Office Savings Bank, thus helping to put into effect with more ease than expected the 1972 provisions under which that bank is to be transformed into a real and true ordinary savings bank.





## KENYA<sup>1</sup>

It is definitely recognized in Kenya that effective mobilization of personal savings depends to a large extent on sound money management practised by broad sections of the population, including regular use of the savings and credit facilities of appropriate financial institutions. Existing savings and credit facilities are by and large adequate for this purpose.

Kenya is one of the few countries in Africa which, within certain limits, happens to have a more extensive banking system than would actually be required at the present stage of economic development.

A number of measures have been taken to encourage the mobilization of personal savings.

When Kenya gained its independence in 1963, it already had a fairly diversified financial system, most of the components of which had evolved through the normal process of market pressure. Nevertheless, the overriding need to launch a vigorous economic development programme dictated the creation of new, highly specialized credit institutes. The government, therefore, took energetic steps to expand savings facilities and to rectify deficiencies in loan facilities, and to this end entered the fields of commercial

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Hiram Karani, Manager, Bank of Kenya, Nairobi.

banking, housing finance, insurance and the provision of development finance for all major sections of the economy.

The necessity to mobilize personal savings for development is frequently mentioned in public statements by the Head of State, the Minister of Finance and the Governor of the Central Bank of Kenya, as well as in important economic publications of the government. Particular stress is laid on this problem in the current economic development plan 1970-1974.

Savings facilities are offered in Kenya by commercial banks, post office savings banks and building societies. Details of the amount of time deposits and savings deposits held by these three groups are given in Table 11.

All of them operate mainly in towns, but the commercial banks do reach even remote rural areas by means of mobile units. Broader and more efficient action needs to be taken in this direction, given that the bulk of Kenya's population lives in rural areas.

There seems to be no reason why it should not be possible in Kenya to increase the flow of personal savings to bank deposits, but the appropriate strategy to this end is not to employ particular techniques like publicity or educational programmes, etc., but rather to create conditions which enable the population to earn more than the present average *per caput* income. If, thanks to an appropriate economic policy, average income per head can be raised, then the flow of savings deposits, too, should increase.

In these circumstances it is thought that projects assisted by international organizations or teams of experts would be of little use. Kenya already has adequate institutions for mobilizing personal savings. The problem is, rather, how to find profitable investment opportunities for the existing deposits for purposes of economic development. This is a particular symptom of an intermediate stage of development which Kenya shares with the whole of Africa,

TABLE 11

SAVINGS FACILITIES, ACCOUNTS AND DEPOSITS BY GROUPS OF INSTITUTIONS, 1967 TO 1970  
(end-year figures)

Year	Commercial banks	Post office	Building societies
<i>Time and savings deposits</i> (thousand Kenya shillings)			
1967	33,861	5,016	6,215
1968	39,195	5,078	6,367
1969	48,512	5,303	5,916
1970	65,902	5,334	—
<i>Number of accounts</i>			
1967	—	557	9,227
1968	—	581	9,681
1969	—	587	10,651
1970	—	—	14,578
<i>Number of offices</i>			
1967	191	332	2
1968	238	346	2
1969	241	373	3
1970	—	—	3

and which can briefly be described as follows. Everywhere Africans are being encouraged to take an active part in industrial and commercial life and, as a result, the previous lender-borrower relationship is changing fast. It is this change which has been partly responsible for the temporary underutilization of savings in Kenya during the last few years. But there is evidence that the situation is beginning to change for the better.



## LESOTHO <sup>1</sup>

In Lesotho the necessity to mobilize personal savings is given great emphasis in the first five-year development plan 1970/1971-1974/1975, and was also stressed by that country's representatives at the Milan Conference on the Mobilization of Savings in African Countries, in September 1971.

But no specific measures have been taken to encourage the mobilization of savings, because it is felt in Lesotho that the main problem is to raise average *per caput* incomes first, and then to create under government auspices such institutes as might use savings in investment most productive from the point of view of the country's economy.

Savings facilities are provided by commercial banks, a post office savings bank, building societies, credit unions and savings co-operatives. Growth has been reasonable in recent years, especially as regards the number of new depositors and the combined volume of time and savings deposits, while rather less has been achieved in the matter of increasing the number of offices and the scope of services they offer to the public.

Thanks not least to the geographical features of the country, its financial intermediaries ought to be able to reach broad sections

<sup>1</sup> Replies to the questionnaire were assembled by Professor Marco Onado and Dr. Antonio Porterí during a visit to Lesotho in May 1972.



of the population and to expand their services not only in urban but also in rural areas.

Subject to the limitations mentioned earlier, it is thought possible to increase the flow of personal savings deposits, and the most suitable measures to this effect would probably be (a) school and adult education for saving; (b) improvement in the efficiency, scope and coverage of savings institutions; and (c) better co-operation among them.

It is widely held in Lesotho that great help can be expected from teams of experts visiting the country for a while to render technical assistance. One such team, sent by the *Cassa di Risparmio delle Provincie Lombarde*, recently studied ways and means of setting up a national savings bank capable of co-ordinating the intake operations of the existing 45 rural credit unions and some 130 savings and credit co-operatives, as well as of taking care of investing on the spot such savings as are collected locally.

## LIBERIA <sup>1</sup>

The necessity to mobilize personal savings is mentioned repeatedly in communications to important meetings at national level. A report by the President of the Liberian Bank for Industrial Development and Investment recommends the establishment of a savings bank to mobilize savings for low-cost housing. Such an institute should be able to mobilize large resources for housing investment at less than usual cost.

The same recommendation recurs in a report by a team of experts under the auspices of the United Nations Development Programme, who made a housing survey and conducted a study on the need for a housing programme and on the means of financing it.

The volume of savings mobilized so far falls short of the country's needs. More resources need to be mobilized, and this requires government support.

It is likewise felt necessary to set up specialized savings institutes with government support, and to step up the savings campaigns launched on their own by existing commercial banks.

There are no organizations in Liberia that concern themselves with these problems, but some measures to mobilize personal savings have been taken by commercial banks and savings co-

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Alexander Romeo Horton, President, Bank of Liberia, Monrovia.

operatives, the only institutions which offer savings facilities. But they all operate only in towns, and none of them has registered satisfactory growth.

It is thought possible to mobilize personal savings in Liberia on a larger scale than now, with the help of all the measures listed under point (8) of the questionnaire (reproduced at the beginning of this volume). One of the measures most recommended is the creation of specialized institutions promoting the mobilization of personal savings by such incentives as attractive interest rates or the organization of savings clubs and similar associations.

Liberia would welcome technical assistance from international organizations, in such matters as the setting up and management of savings institutes and the conduct of promotional programmes. The temporary help of a team of experts would be most useful.

One thing that would greatly assist the mobilization of savings in Liberia would be the creation of a central bank.

## MADAGASCAR <sup>1</sup>

Most of the population live in a subsistence economy and earn far too little money to make room for the accumulation of any savings capable of being mobilized. Sound money management on the part of individuals, leading, through an adequate system of financial intermediaries, to optimum distribution of income between consumption and saving is thus the prerogative of a minority of the population, whose standard of living and attitude are closer to those of developed countries.

With reference to the behaviour of that minority, the recent success of the commercial banks' efforts to raise deposits suggests that much can be expected from an intensive approach to potential clients as well as from an appropriate interest rate policy. The banks will surely be induced to persevere along those lines, and to diversify the financial services they offer to savers. A similar drive is expected of the Post Office Savings Bank, which could take more advantage of the dense network of post offices at its disposal and could both diversify its financial services and improve their speed and simplicity.

Recent measures to encourage the mobilization of personal savings were co-ordinated by the Finance Ministry and mostly

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Jean Kientz, General Manager, *Institut d'Emission Malgache*, Tananarive.

designed to offer adequate returns to savers. Thus the interest rate on Treasury bond issues, of which the first dates from October 1968, was raised repeatedly (Table 12), the rate on post office savings deposits was raised from 3.25 to 3.75 per cent in April 1970, and the rate on time deposits at banks as well as on their fixed-term notes was also increased in several steps (Table 13).

The necessity to mobilize personal savings for development was explicitly recognized in the first national development plan 1964-1968, which provided for 40 per cent of investment during the planning period to be covered by self-financing and domestic savings, and in this connection strongly recommended that the savings facilities offered to the public should be diversified to a greater extent and that effective action be taken against usury. More recently, "national development planning days" have provided an opportunity to stress the need for active mobilization of savings for the second plan (1972-1974).

Savings facilities are provided by commercial banks (*Banque Malgache d'Escompte et de Cr dit*, *Banque Fran aise Commerciale*, *Banque de Madagascar et des Comores*, *Banque Nationale pour le Commerce et l'Industrie*) and by the Post Office Savings Bank. The commercial banks have recently tried hard to decentralize, and since 1963 have added 11 permanent and 3 intermittent branches to their network. But they still concentrate on urban areas, where they are in touch with the business community. Their deposits rose very satisfactorily in recent years (Table 15), even allowing for the price rise and the increase in the money supply. Lower growth rates were reported by the *Caisse d'Epargne Postale*, which deals mostly with the poorer classes (Table 16). Even so, the monetary authorities feel sure that it should be possible to increase the flow of deposits to banks by means of appropriate measures such as: more active publicity for saving, especially in rural areas;

TABLE 12

TREASURY RATES OF INTEREST, 1968 TO 1970  
(per cent per year)

Category	Rates paid as of			
	26 Oct. 1968	12 March 1969	15 Dec. 1969	1 March 1970
Premium bonds	2.00	2.75	3.50	3.50
1-year bonds	2.50	3.25	4.00	4.00
2-year bonds	3.00	4.00	4.75	4.75
Subscriptions on current account:				
6 months	—	—	—	3.60
1 year	2.00	3.25	4.00	4.00
2 years	3.00	4.00	4.75	4.75

TABLE 13

BANK RATES OF INTEREST, 1967 TO 1969  
(per cent per year)

Category	1967	Rates paid as of		
		1 Jan. 1969	30 May 1969	20 Nov. 1969
Time deposits:				
6 to 12 months	2.75	3.70	—	4.60
1 to 2 years	3.25	4.35	—	5.15
2 years	3.75	5.35	—	6.15
Fixed-term notes:				
6 to 12 months	2.00	2.75	3.00	3.60
1 to 2 years	2.50	3.25	3.50	4.00
2 to 2½ years	3.00	4.00	4.25	4.75
2½ to 3 years	3.40	4.20	4.60	—
3 to 4 years	3.75	3.75	3.75	5.10
4 to 5 years	3.90	3.90	3.90	5.30
5 to 6 years	4.00	4.00	4.00	5.50

more education for children through civic courses at school and for adults on the occasion of their civilian service; intensive campaigns against illiteracy, especially in rural areas; new technical



TABLE 14

## NETWORK OF COMMERCIAL BANKS, 1963 TO 1970

Items	1963	1970
Number of offices	40	54
of which: permanent	39	50
intermittent	1	4

TABLE 15

## TIME DEPOSITS, 1968 TO 1970

Items	1968	1969	1970
Number of accounts	2,481	2,982	4,363
Amount ( <i>million Mal. francs</i> )	3,181	4,689	6,804

TABLE 16

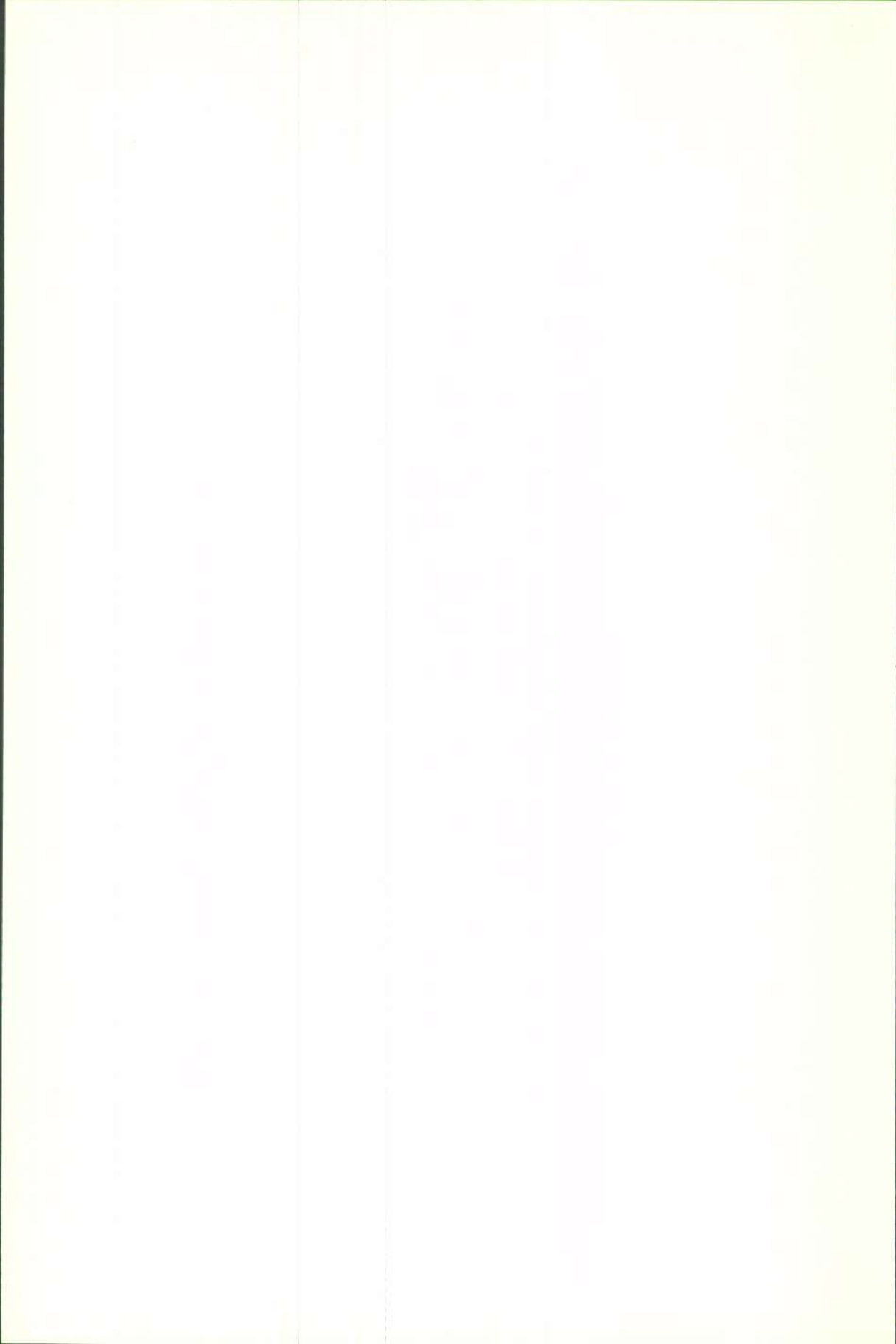
## POST OFFICE SAVINGS, 1968 TO 1970

Items	1968	1969	1970
Number of savings books	70,892	75,077	78,765
Amount ( <i>million Mal. francs</i> )	1,681	1,815	1,931

forms of savings facilities with a view to reaching additional population groups; and a successful public loan issue.

Upon the request of the government, the International Monetary Fund recently made an expert available to study the working and efficiency of the Post Office Savings Bank, and in his report he recommended above all reforms designed to improve information to savers and to make procedures quicker and simpler.

He also made a number of suggestions concerning ways of broadening the range of services and technical facilities offered to savers. These suggestions could be of interest also to commercial banks; they include "loyalty premiums" for deposits kept for long periods; time deposit accounts bearing higher interest; savings schemes for specific categories of savers (pre-school and school schemes, schemes for young people and the professions); and special technical ways of saving, like savings clubs, saving for home ownership, or prize draws.



## MALAWI <sup>1</sup>

Malawi became a sovereign and independent state only in July 1964, after the dissolution of the Federation of Rhodesia and Nyasaland.

At the last session of Parliament in March 1972 the Head of State called upon savers to buy local registered stocks in order to help finance the government's development programmes. He explained the advantages of this form of investment compared with the purchase of company shares, particularly in so far as it offered an opportunity to help finance the construction of hospitals, schools and roads.

As long ago as 1963 the necessity to mobilize personal savings as a prior condition of economic development found expression in the issue of three- to five-year development bonds, which found a favourable reception. Since 1964, when Malawi became independent, the government have been much concerned with financial problems. Among other things, the Post Office Savings Bank was reorganized and as a result was able to expand vigorously and to overcome the awkward position in which it found itself at the time of the country's accession to independence, when withdrawals exceeded deposits. The bank now also runs a system by which it collects savings deducted at source from the wages of Malawi citizens

<sup>1</sup> Replies to the questionnaire were assembled by Professor Francesco Arcucci and Dr. Lorenzo Frediani during a visit to Malawi in 1972.

working in South African mines and other enterprises, and this has helped to swell deposits.

Another measure was to merge the numerous building societies, which before independence were branches of foreign ones. These mergers led to the foundation of the New Building Society, which has registered rapid growth in recent years, especially as regards the volume of deposits.

Savings facilities are provided in Malawi by commercial banks, by the Post Office Savings Bank, the New Building Society and a small business concern called Mercantile Credit Ltd.

(a) *Commercial banks* were three in number until 1 July 1971, when the first two of those listed below amalgamated to form the National Bank of Malawi. Before then the Standard Bank Ltd. had seven branches and 17 agencies mostly in towns and in major commercial centres, as well as 39 mobile units travelling to rural areas. Barclays Bank D.C.O. had five branches, 14 agencies and 29 mobile units. The Commercial Bank of Malawi, finally, which was founded in 1970, had 6 branches and 48 mobile units. Both the agencies and the mobile units used to be open for business only on certain days each week, and even then only for a few hours. Recently instructions were given for offices to be open to the public until 12.30 four days a week.

(b) The *Post Office Savings Bank* is the main channel for mobilizing rural savings, given that its very dense network reaches far larger sections of the population than are accessible to the commercial banks. Its deposits amounted to 5.2 million kwachas at the end of 1970.

(c) The *New Building Society* has its seat at Blantyre and agencies at Limbe, Zomba and Lilongwe. Its deposits are state-guaranteed and at the end of 1970 amounted to 3.8 million kwachas.

(d) The *Mercantile Credit Ltd.*, whose impact on the mobilization of savings is almost negligible.

Details of the growth of deposits in recent years are given in Tables 17 to 19.

TABLE 17

COMMERCIAL BANK DEPOSITS, 1965 TO 1971  
(deposits in thousand kwachas)

Year	Number of accounts	Savings deposits	Time deposits	Total deposits
1965	—	3,414	2,836	6,250
1966	23,390	4,410	3,388	7,790
1967	24,251	5,284	3,286	8,570
1968	31,723	6,138	4,238	10,376
1969	39,743	7,382	4,834	12,216
1970	45,395	8,124	6,318	14,442
1971	47,317	8,910	8,934	17,844

TABLE 18

POST OFFICE SAVINGS BANK DEPOSITS, 1965 TO 1970  
(deposits in thousand kwachas)

Year	Number of offices	Savings deposits	Number of depositors
1965	101	2,083	69,257
1966	126	2,549	96,474
1967	140	3,058	111,319
1968	152	3,555	124,342
1969	155	4,407	129,097
1970	—	5,177	—

Much has been done during these last few years by the government to reorganize the banking system and to improve and diversify services so as to reach the population of rural areas; but much still remains to be done.



TABLE 19

NEW BUILDING SOCIETY DEPOSITS, 1965 TO 1971  
(thousand kwachas)

Year	Time deposits	Investment deposits	Savings deposits	Total deposits	Increase in total deposits (per cent)
1965	800	710	290	1,800	—
1966	676	1,073	298	2,047	13.7
1967	1,235	1,000	354	2,589	26.5
1968	1,482	1,308	486	3,276	26.5
1969	1,524	1,550	502	3,576	9.2
1970	1,551	1,708	530	3,789	6.0
1971	1,537	1,798	556	3,891	2.7

The bulk of the population is still at subsistence level, but with the spread of the money economy the savings potential should increase. After six years of political independence, Malawi is still fighting for economic independence, but it augurs well for the country's future that average income per head has risen in these six years from 39.4 kwachas in 1964 to 57.0 in 1970.

As regards methods of stimulating the mobilization of personal savings, all that has been done so far is that the commercial banks sponsored radio programmes, which met with some success. Nothing has been tried so far at government level, because it is felt that much remains to be done before the financial intermediaries can really reach broad sections of the population.

One helpful step that was taken recently was to make arrangements for the wages of workers in some branches of the economy to be paid directly into their savings accounts.

The government feel that the country's political stability is the most important condition for an effective mobilization of savings and hence rapid economic development. Certainly, the purposes

of balanced development, such as Malawi hopes to achieve, can be furthered by co-operation from different sections of the population as well as from national and foreign organizations. It is a deep-rooted problem which cannot be solved by *ad hoc* measures which have no impact on the country's economic and social structure.

In accordance with this view, the *Cassa di Risparmio delle Provincie Lombarde* in May 1972 sent experts to Malawi to study retail trade channels and make proposals on how to improve them with a view to raising the productivity of farming. This approach rested on the argument that if farm incomes rose and were used to better purpose, this should initially make room for an expansion of consumption and later make it possible to mobilize larger amounts of savings.



## MALI <sup>1</sup>

The authorities of Mali have long been aware of the necessity to mobilize personal savings, and this has been mentioned explicitly on several occasions.

Generally speaking the stress is on the importance of mobilizing private savings as a fundamental condition of economic development, given that public savings alone and foreign funds cannot generate capital formation on the required scale.

It is recognized in Mali that the effective mobilization of personal savings depends on the habits of the population and more particularly on the use they make of banking services.

But there are virtually no savings facilities in the country except for its capital. Clearly, the banks will have to increase their geographical coverage and also to diversify the facilities they offer.

No specific measures have been taken to encourage the mobilization of personal savings, apart from the establishment of a development bank which has taken over from the Central Bank the task of promoting action on all problems of credit.

In addition to the development bank, Mali has two commercial banks and a post office savings bank. The deposits of the commercial

<sup>1</sup> Replies to the questionnaire were assembled by Dr. Claudio Dematté during a visit to Mali in 1972.

banks have been growing, but both of them still operate only at Bamako and have no branches outside the capital.

The post office savings bank shows no major changes as regards either the total amount of deposits or the network; even so, it is the only institution with country-wide coverage and as such also the only one which might potentially mobilize savings in rural areas.

It should doubtless be possible to increase the flow of personal savings deposits, even though the result would hardly be spectacular at least in the short run. Good results could be expected from all the measures listed in the questionnaire, and more particularly from education at all levels of the population, including an approach to the illiterates through films, television and radio, as well as from improvements in the efficiency, scope and services of savings institutions.

But it is hard to pick out the most effective measures, if only because no research has been done on this at all so far. To pronounce a considered opinion, one would have to make a careful study of the behaviour of potential depositors, preferably through motivational surveys. Furthermore, it would be useful to pinpoint the factors which might raise the propensity to save and to deposit money in banks; such a study might require research on customs and mentality in various local communities.

Recently, the government of Mali asked the *Cassa di Risparmio delle Provincie Lombarde* for technical assistance in transforming the existing post office savings bank into an ordinary savings bank. The Italian experts have already prepared a report, which it is hoped to submit very soon to the government of Mali for their consideration and possible operational decisions.

## MAURITANIA <sup>1</sup>

The mobilization of personal savings is very difficult in Mauritania, because little is saved by a population consisting largely of nomad herdsmen and widely dispersed farmers with rather low incomes. The farmers, always threatened as they are by unpredictable weather conditions, often keep the proceeds of good harvests in order to be able to survive in years of drought. The herdsmen do often get quite a lot of money for the sale of animals, but generally reinvest virtually all their profits in buying more livestock.

Officials, office employees and workers have ancestral obligations of mutual family aid, and have little chance of saving such money as they may earn above their needs, because it all goes to relatives. The rather numerous traders, finally, reinvest their profits in their own business.

In these circumstances, the only resources that could possibly be mobilized at all are the money assets of the herdsmen and the temporary ones of farmers. But here one is up against the problems of the rural population's mobility and dispersion. Animal husbandry is extensive, and livestock raisers are forever taking their herds from pasture to pasture, far from the towns and in regions almost

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Pierre Braemer, Manager, *Banque Centrale des Etats de l'Afrique de l'Ouest*, Nouakchott.



totally devoid of roads. Farming, too, is extensive, and farmers cultivate huge areas and live in villages often far from each other. It would be very difficult to maintain systematic contacts with these people for purposes of mobilizing their savings. The network of savings facilities would have to be very large and that would make it too costly in relation to the volume of possible savings to be collected. It would, in short, not be profitable.

Both the *Caisse Nationale d'Epargne* and the commercial banks have made efforts to organize the mobilization of savings more efficiently, but so far without encouraging results. The National Savings Bank, which covers the whole country through post offices, has shown little growth since its foundation in 1969. At the end of that year, it had deposits of 3,390,000 CFA francs in 246 accounts; the corresponding figures were 4,086,000 CFA francs and 383 accounts on 31 December 1970, and 4,886,000 CFA francs and 413 accounts on 31 May 1971.

The National Savings Bank is mounting a major information campaign directed at managerial staff responsible for saving, and also at young people. The commercial banks have tried to attract savings deposits from their clients, but so far have not managed to open more than 61 savings accounts, with combined deposits of 12,680,000 CFA francs.

## MAURITIUS <sup>1</sup>

The White Paper published recently by the government under the title Development Strategy, outlined the necessity for financial and credit institutions to launch a national campaign for the effective mobilization of savings. The country's financial institutions, that is, the commercial banks, the Co-operative Central Bank and the Post Office Savings Bank, are expected to devise means to ascertain the savings potential. This is not easy to do, because local financial institutions have not so far worked out any effective method for such computations.

Personal savings are as a rule mobilized through normal banking channels. There are 32 commercial bank branches, and the Co-operative Central Bank has a network of 156 societies. Together, these are regarded as sufficient outlets for mobilizing the personal savings of the population of Mauritius.

A number of measures have been taken to encourage saving. For instance, small savers are exempt from income tax on the first 500 rupees of interest on savings bank accounts; money can be withdrawn from savings accounts at sight; and arrangements have been made for illiterate savers to open savings accounts at banks by signing, as it were, with their thumbprint.

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Mootoosamy Sidambaram, General Manager, Mauritius Co-operative Central Bank, Port Louis.

TABLE 20

DEPOSITS AT COMMERCIAL BANKS AND THE CO-OPERATIVE  
CENTRAL BANK, 1968 TO 1970  
(million rupees)

Year	Demand deposits	Savings deposits	Time deposits	Total
1968	378.4	200.0	187.2	765.6
1969	412.9	235.1	196.6	844.6
1970	620.8	438.3	327.9	1,387.0

The necessity to mobilize personal savings is also mentioned in the four-year development plan.

As mentioned before, savings facilities are provided by commercial banks, the Co-operative Central Bank (which to all intents and purposes is likewise a commercial bank) and by the Post Office Savings Bank. Recent figures for bank deposits are given in Table 20.

A national savings campaign could probably be launched with the participation of all banks. Likewise, a National Savings Committee could be set up, comprising representatives of banks and government, as well as people from different walks of life. By involving all the people in the National Savings Movement, the habit of thrift could spread very rapidly and the advantages would be immediate and substantial. Other means from which good results might be expected are a publicity campaign by radio, television, press and posters, and the establishment of a school savings scheme.

But at the bottom there still remains the problem of how to arrive at an accurate assessment of the country's savings potential by appropriate scientific methods. In some developed countries, the banks have worked out methods of measurement based on such key indicators as income per household or per head, the number

of bank accounts per family, deposits per head, etc. In Mauritius, it would probably be helpful to carry out a sample survey of households to estimate their savings potential and pattern, and then to work out a behavioural model. Allowance would have to be made for varying conditions, such as residential and non-residential urban areas, developed, developing and undeveloped rural areas, as well as for such factors as the number of householders in any given locality, the number of family members and their occupation, annual or monthly family income and expenditure, and finally the average savings potential per household.

Any help that foreign organizations might provide towards evolving such a scientific methodology would be most welcome, and so, particularly, would be a team of experts made available to the Mauritius Co-operative Central Bank on a temporary basis.



## MOROCCO <sup>1</sup>

Morocco is a predominantly agricultural country, in which two forms of society coexist: one traditional and resistant to every kind of innovation, the other modern and ready to accept new patterns of economic and social life.

This dualism is reflected in the economic system, and not least in the financial and banking system. The latter is well developed and diversified, but has to operate in an environment largely still anchored in the conditions of precolonial days. The degree of the economy's monetization remains low, there is much hoarding, the public distrust credit institutes and lack such elementary economic understanding as would make room for the spread of means of payment other than currency. One of the reasons for the people's reluctance with banks is that lending for interest runs against religious precepts in Morocco.

The banks in their turn do little to remedy this situation. Although most of the commercial banks are incorporated under Moroccan law, their capital and their management are largely in foreign hands. In consequence, their dependence on foreign interests is pronounced, and their policy is still the same as the colonial banks pursued in the days of the Protectorate. None have made much effort to extend their network except the four banks with

<sup>1</sup> Replies to the questionnaire were assembled by Dr. Vincenzo Nesci during a visit to Morocco for a study of the Moroccan banking system.



Moroccan capital. These are the *Banque Marocaine du Commerce Extérieur* (B.M.C.E.), the *Crédit Populaire du Maroc*, the *Union Marocaine de Banque* and the *Compagnie Marocaine de Crédit et de Banque*, which between them account for more than half the country's branch network, mostly concentrated in the coastal strip between Tangiers and Casablanca. The other banks have only between one and three branches each, all of them either at Casablanca, the economic capital, or at Rabat, the administrative one.

It is a clear pattern of bank offices clustered around a few growth poles, leaving unserved all the less advanced, especially rural, areas. It follows that the banking system is not adequate for the efficient mobilization of savings.

Notwithstanding this unpropitious situation, the government have long been aware of the absolute necessity to mobilize all disposable monetary resources in the interests of sound and balanced economic development and of freedom from the influences associated with foreign aid. Present policy follows the appeal for national saving launched by King Hassan II in his speech from the throne in 1967. The same approach is manifest in the five-year plan 1968-1972, in the speeches of the Governor of the *Banque du Maroc*, in the proceedings of conferences on the subject of saving, and in factual reports prepared in recent years by government officials and experts from international organizations.

Statistics on saving in Morocco are incomplete and hard to interpret, but the Research Department of the *Banque du Maroc* is making arrangements for a census to be held as soon as possible in order to fill in the gaps in savings data furnished by the national accounts. These latter give a figure of 2,560 million dirham for total gross saving in 1971, which corresponds to 13 per cent of GNP.

There are some figures of financial savings, and these, though incomplete, are more reliable and useful. Financial savings, as defined, include time deposits at banks, deposits at the *Caisse d'Epargne Nationale* (C.E.N.) and at the *Caisse Nationale de Crédit Agricole* (C.N.C.A.), Treasury Bills in the hands of individuals, firms and insurance companies, fixed-term notes issued by the *Banque Nationale pour le Développement Economique* (B.N.D.E.) and all funds raised on the capital market (see Table 21).

Time deposits at banks are seen to have risen by 87 per cent during the last five years, thanks mainly to higher interest rates since September 1967. Until then, banks paid so little on time deposits as to make them unattractive in comparison with other categories of deposits, from which they were not sufficiently differentiated. The authorities were reluctant to interfere with interest rates, partly because they believed that the supply of savings would prove inelastic with respect to interest, and partly because they were afraid of the inflationary effects of dearer money.

But in 1967 it was felt that nothing must be left untried in an effort to mobilize savings, and that there was a case for exploring the possibilities of manipulating interest rates and abandoning the cheap money policy which had been pursued until then and which, in the absence of efficient planning, had actually had harmful effects on economic development. What had happened was that cheap money had encouraged capital-intensive to the detriment of labour-intensive investment, which would have been more useful for economic take-off. Although the monetary authorities expected benefits from their new policy only in the long run, they decided to revise borrowing rates by a decree dated 8 September 1967 (Table 22).

While it is too soon to assess the full effects of this measure, the striking increase in time deposits at banks suggests that it

is beginning to bite. Their fall of 5 per cent in 1970 gave no cause for alarm, since it was attributable to cyclical factors and an unusually tense political situation.

The *Caisse Nationale d'Epargne*, which answers to the Ministry of Posts and Telecommunications, saw its deposits more than double between 1967 and 1971, from 101 to 216 million dirham (Table 21). This institute took over in 1959 from the Moroccan branch of the French *Caisse Nationale d'Epargne*, and is now very active in the collection of savings. It works through 241 post offices all over the country, where anyone can, without particular formalities other than the issue of a passbook, deposit money on sight. Deposits earn 3.10 per cent annually, their reimbursement is guaranteed by the state, and they are accepted up to a maximum limit of 50,000 dirham for individuals and 250,000 dirham for co-operative societies and similar groups. Depositors can pay in money at any post office (subject to the sum not being less than 2 dirham), and the same applies to withdrawals up to 1,000 dirham; for larger withdrawals they must go to the post office where they originally opened their account.

The C.E.N. does very valuable work both economically and socially speaking, especially in view of the inadequate banking network. Yet there remains the drawback of having no independence at all from the Ministry of Posts and Telecommunications, which regards the C.E.N. as merely one of several departments attached to it. Staff are often concerned predominantly with postal services, and are totally inadequate for banking. Furthermore, the C.E.N. is required by law to deposit all its funds except a working balance with the *Caisse de Dépôts et de Gestion*, a public corporation typically concerned with financing public works. The 4 per cent interest which the C.E.N. is paid on these deposits do not cover its costs, so that it has to rely on a special government subsidy.

A reform project under study provides for close collaboration between the C.E.N., the C.N.C.A. and the *Crédit Populaire*, but considerable difficulties, mainly political, stand in the way of such a reform.

Along with doubling its deposits in five years (Table 21), the C.E.N. also succeeded in raising the number of its accounts very considerably, as shown in Table 23. Depositors are mostly farmers (35 per cent), officials and employers (33 per cent), servicemen (7 per cent) and pensioners. Passbook balances average about 582 dirham; only 5.20 per cent of depositors have balances between 1,000 and 5,000 dirham, and a mere 1.40 per cent have between 5,000 and 10,000 dirhams.

To conclude this account of the C.E.N.'s activities, mention should be made of its annual publicity campaigns for saving. These campaigns use a variety of media, including radio and TV commercials and travelling theatre groups. Special efforts go into the distribution of publicity material to schools, and at present a project for launching a savings-stamps scheme is under study. The results so far have been encouraging, witness the sharp increase in the number of accounts in 1967 and 1968, as a result of previous campaigns, and more recently in response to a two-week publicity campaign in 1970. In the month following that campaign, 21,143 in-payments totalling 88,995,152 dirham were made on existing accounts, which means increases of 61.4 per cent in the number of in-payments and of 18.8 per cent in their value, compared with the monthly average of 1969. In addition, 2,210,396 dirham were paid in on newly opened accounts.

In comparison with the C.E.N., deposits at the *Caisse Nationale de Crédit Agricole* (C.N.C.A.) look insignificant. These are sight deposits accepted since 1970, and by the end of 1971 they stood at less than 17 million dirham, but there is reason to think they will grow.



TABLE 21

FINANCIAL SAVINGS, 1967 TO 1971  
(million dirham)

Items	1967	1968	1969	1970	1971
Time deposits at banks	254	360	431	408	476
C.E.N. deposits	101	128	155	183	216
C.N.C.A. deposits	—	—	—	18	17
Treasury Bills:					
6 months	—	—	—	30	41
6 months or 1 year in c/a	48	43	45	54	39
B.N.D.E. fixed-term notes	10	10	8	10	10

TABLE 22

INTEREST RATES DECREED ON 8 SEPTEMBER 1967

Rates on	Per cent
Sight deposits	1.50
Time deposits and fixed term notes:	
3 months to less than 6 months	2.50
6 months to less than 12 months	2.75
12 months to less than 18 months	3.00
18 months to less than 24 months	3.25
24 months to less than 36 months	3.75
36 months to less than 48 months	4.10
48 months to less than 60 months	4.25
more than 5 years	free rate

Three- and six-month Treasury Bills issued since February 1970 for sale to the public have proved less popular than was hoped, despite their fairly high interest rate of 3.5 per cent. But success may yet come, witness the first results of a publicity campaign angled more especially at public employees.

TABLE 23

INCREASE IN NUMBER OF C.E.N. ACCOUNTS, 1966 TO 1971

Year	Number of accounts	Annual increase per cent
1966	202,020	—
1967	243,766	20.6
1968	315,551	29.4
1969	323,611	2.5
1970	353,969	9.3
1971	371,000	4.8

Treasury Bills for 6 months or 1 year in current account are not sold to the public, but only to insurance companies for inclusion in their actuarial reserves.

Fixed-term notes issued by the B.N.D.E. have not found much favour with the public, either. According as they fall due in 3 months or 1 year, these notes carry interest at 3.50 or 3.75 per cent, and although their total amount outstanding was nearly always up to the 10-million ceiling permissible by law, the public took up only a tiny fraction, while the bulk was placed with insurance companies.

For some years attempts have been made in Morocco to channel personal savings to the capital market, where dealings are made predominantly on behalf of insurance companies, of a few special institutes like the *Caisse Centrale de Garantie* and, to some extent, of banks, which in practice subscribe the greater part of long-term issues.

Private investors go in for securities only on a small scale. But in recent years the stock exchange expanded considerably thanks to the activities of institutional investors, some of the banks and



the *Société Nationale d'Investissement* (S.N.I.). The latter is an investment company set up in 1966, largely with state capital, for the purpose of managing a portfolio of securities issued by private and public companies as well as directly by the state. One interesting aspect of the S.N.I.'s activities is its attempt to draw the public, at least indirectly, into stock exchange financing. Two thirds of the company's capital increase were offered to the public, with resounding success; no less than 60 per cent of the total issue, which was reserved for Moroccan nationals, was subscribed by employees and workers.

## NIGER<sup>1</sup>

The volume of monetary funds collected by institutions concerned with the mobilization of personal savings in Niger is very small indeed. The reason, it would seem, is not that savings facilities are inadequate, but rather that people simply do not save enough. At 20,000 CFA francs (80 U.S. dollars) *per caput* income is among the lowest in the world, and therefore it is hard or indeed impossible for people to save anything at all.

Farmers often get into debt to traders or the public administration when the harvest is poor. The country's 25,000 wage earners can indeed count on a continuous and constant income, but they often have to pay regular instalments on credits from the *Société Nigérienne de Crédit Automobile* for the purchase of a car, or else on credits from other suppliers. These monthly outgoings leave little free income over for saving, given that 80 per cent of all wage payments go to people earning less than 25,000 CFA francs per month.

The mobilization of savings in Niger is hampered by uncertainties and fears which make people prefer to invest in buildings, jewels or livestock, or else to hoard money. Farm

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Abdou Gado, Assistant General Manager, *Banque de Développement de la République du Niger*, Niamey.

incomes fluctuate widely from one year to another depending on the size of the harvest and the price of marketed produce. Hence farmers have to keep some liquid reserves at hand, but even those often fall short of what is needed for tax payments and loan reimbursement.

Although there are no organizations in Niger which concern themselves specifically with savings promotion, the necessity of stimulating the formation and mobilization of personal savings has been underlined by the Commission in charge of preparing a programme for financing the ten-year development plan. The Commission set the 1974 target figure for personal savings at 13 million CFA francs.

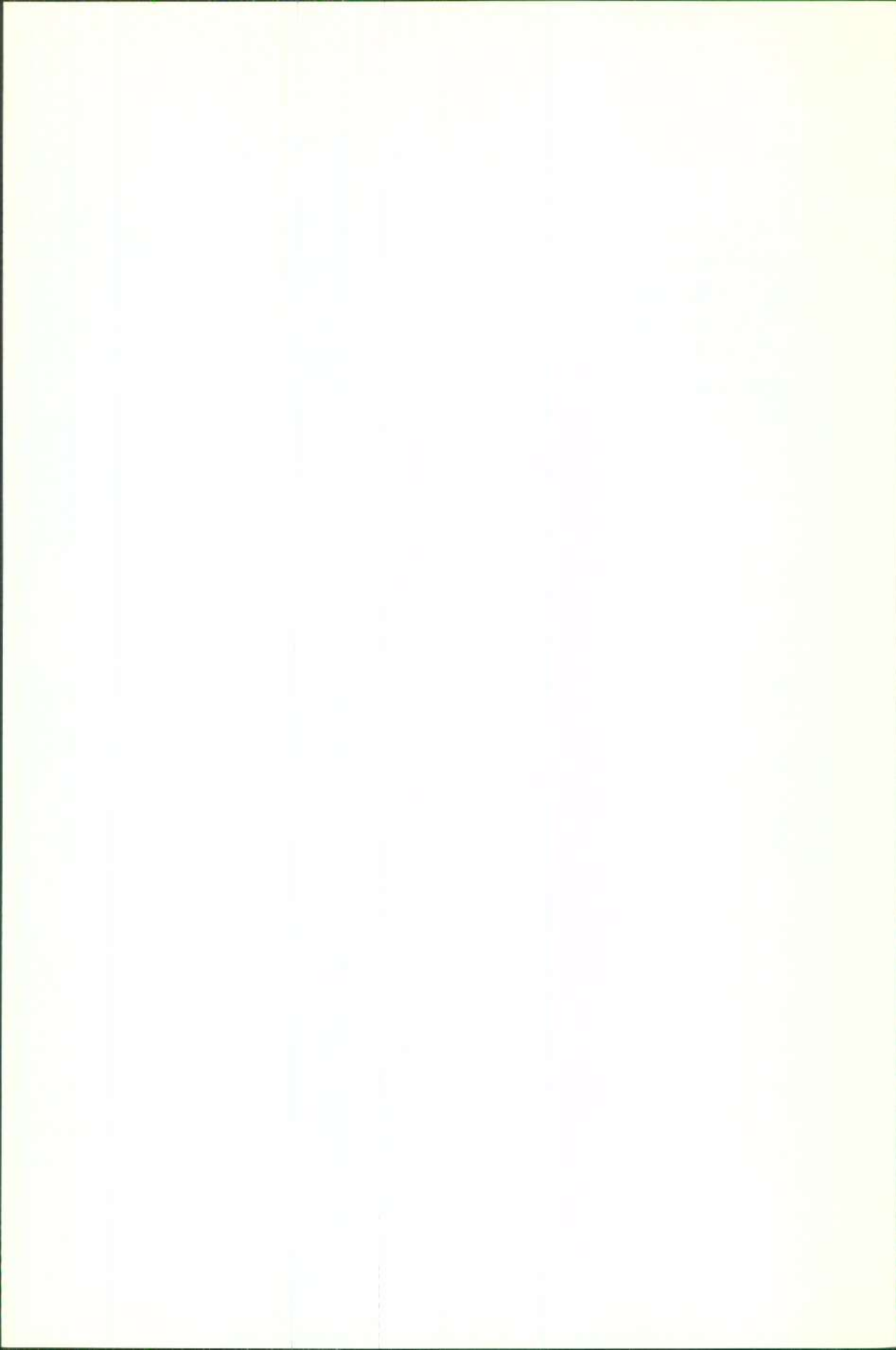
Not long ago the President of the Republic and leading economic personalities discussed the problem of saving in a radio feature.

Savings facilities are provided in Niger by the *Banque de Développement de la République du Niger* (B.D.R.N.), the *Banque Internationale de l'Afrique Occidentale* (B.I.A.O.), by the Postal Administration, by a savings bank (whose funds are managed by the B.D.R.N.) and by the *Union Nigérienne de Crédit et de Coopération* (U.N.C.C.), the apex organization of co-operative societies. But all of them with the exception of the U.N.C.C. operate only in major towns and neglect other zones, so that savings facilities are spread very unevenly among the population.

The best approaches to increased mobilization of personal savings would be adult education and the creation of savings banks and provident societies at village level. But even such measures cannot produce much effect until the economy is more highly monetized thanks to improved agricultural productivity, the spread of cash crops and better animal husbandry. What is more important

than anything else, perhaps, is to stabilize the prices of the main agricultural products, for the farmers' fear of price fluctuations is the primary cause of hoarding.

It is no good, in a developing country, to improve savings facilities before taking steps to encourage saving itself, so long as personal savings are nil or indeed negative.



## RWANDA <sup>1</sup>

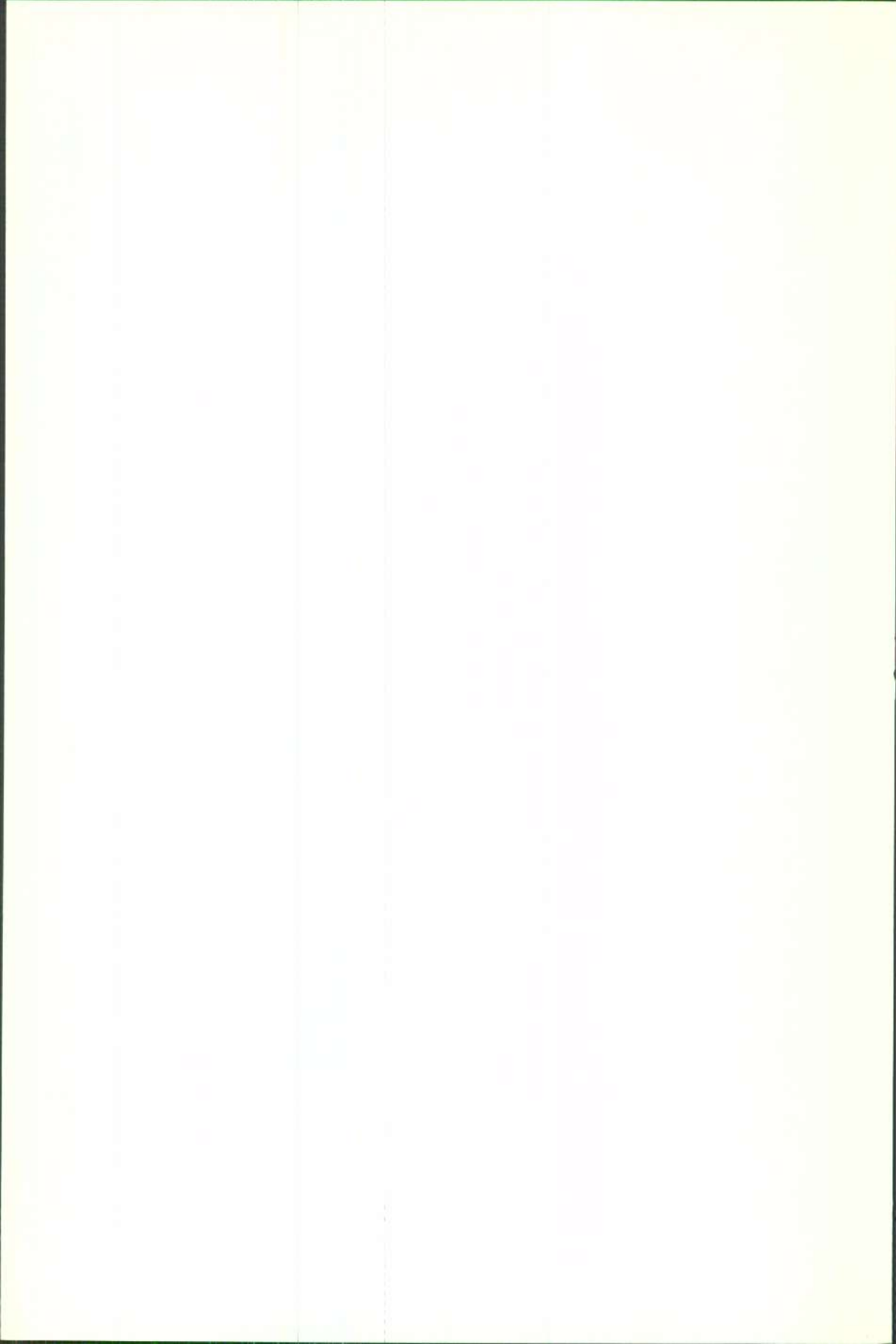
The financial infrastructures of Rwanda are not adequate for the efficient mobilization of personal savings. Savings facilities are provided only by the commercial banks and the Post Office Savings Bank, and in addition to their inadequate network they all suffer from organizational and staff deficiencies.

Nevertheless, the necessity to mobilize personal savings for development is mentioned in the development plan, which makes provision for a sort of "work and save" scheme. It has also been stressed by the President of the Republic in a speech on 1 May 1970, where he admonished the population to save and to use the services of the Savings Bank in order to make their savings available to the community.

No specific measures have been taken so far to encourage the mobilization of personal savings. But the Central Bank, with the help of foreign experts, is at present working on a programme for mobilizing personal savings on a large scale. The monetary authorities feel confident that they can succeed, even if only very slowly, to increase the volume of deposits by special promotion measures, including prize draws. But no such projects have so far been worked out.

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Jean Birara, Governor of the *Banque Nationale du Rwanda*, Kigali.





## SENEGAL <sup>1</sup>

The necessity to increase personal savings is stressed in the first four-year development plan, from which the following passage is quoted: "Voluntary saving depends on people being *able* and *willing* to save, and that applies as much to business firms as to individuals."

In this spirit, the four-year plan envisaged public action along the following lines:

- (a) to channel savings accumulated in rural areas to productive investment (but such savings are difficult to tap, partly because the population is thinly spread and partly because people have no confidence in financial intermediaries, not to speak of the low standard of living, which hardly ever leaves room for the accumulation of savings);
- (b) to increase savings deposits in urban areas;
- (c) to encourage corporate saving through fiscal incentives (tax exemptions, depreciation allowances, etc.);
- (d) to encourage saving in rural areas so as to increase the resources of the development bank, which has enormous operational scope.

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. M. M'Baye, Deputy Manager, *Banque Centrale des Etats de l'Afrique de l'Ouest*, Dakar.

However, the results of this action have not been spectacular so far, because in Senegal the propensity to save is low. There are several reasons for this:

- (a) the propensity to consume is high and the demonstration effect leads to luxury expenditure out of small money incomes;
- (b) the banks do little to attract deposits, and more particularly pay very low rates (savings deposits earn only 3.25 per cent);
- (c) there is a noxious practice called *bouki*, meaning that warrants representing goods bought on credit are sold for cash at a price well below the purchase price of the goods (people who do this are prosecuted, but not severely enough to deter them);
- (d) international interest rate differentials work to the detriment of the West African Monetary Union, of which Senegal is part, and encourage investment elsewhere;
- (e) there is no capital market and the money market does not work nearly well enough.

In spite of this unpropitious situation, a number of measures have been taken to encourage the mobilization of personal savings. For instance, interest is now paid on sight deposits at a rate ranging from 1 to 2.5 per cent (for balances of 20,001 CFA francs or more), and higher rates (between 3.5 and 4.5 per cent, according to the amount involved) are paid for time deposits tied for more than six months. Similarly, extra interest (3.25 per cent) is paid on savings deposits with average balances between 25,000 and 2 million CFA francs.

In the great majority of cases, savings deposits have average credit balances between 25,000 and 500,000 CFA francs and belong to depositors who usually put their money into the Post Office Savings Bank; in spite of the above mentioned possible

TABLE 24

POST OFFICE SAVINGS BANK DEPOSITS, 1966 TO 1969

I t e m s	Dec. 1966	Dec. 1967	Dec. 1968	Nov. 1969
Number of accounts	46,884	48,699	51,782	53,652
Total deposits (million CFA francs)	375	401	462	464
Average balance per account (thousand CFA francs)	12.5	12.1	11.2	11.4

competition from other financial intermediaries, that bank has throughout the last few years seen both the total volume of its deposits and the number of its accounts rise continuously, as can be seen from Table 24.

Depositors who habitually keep more than 500,000 CFA francs on their accounts on the whole prefer to deal with commercial banks, where withdrawal procedures are simpler and more differentiated services are available.

Another measure that was taken, in March 1970, was to raise the ceiling on savings deposits from 1 to 2 million CFA francs, and this definitely encouraged saving among the middle and higher income groups.

Savings facilities are provided in Senegal by the commercial banks, the *Banque Nationale de Développement* and the *Caisse d'Epargne Postale*. Some savings go into the chit funds called *tontines*, pilgrimage associations and home-ownership schemes.

Private (corporate and personal) deposits at commercial banks have risen quite satisfactorily in recent years (Table 25). The number of bank offices is increasing slowly — too slowly indeed, because competition is keen in banking and branches must show a profit.

TABLE 25

COMMERCIAL BANK DEPOSITS, 1968 TO 1970  
(million CFA francs)

Type of deposits	Sept. 1968	Sept. 1969	Sept. 1970
Sight	10,786	10,660	12,186
Time: 3 months to 5 years	999	1,681	1,935

Some of the measures suggested in the questionnaire, like publicity campaigns and penetration of the illiterate market might encourage people to save, but they could do nothing to solve the basic problems underlying the insufficient accumulation of personal savings in Senegal — among others the low money incomes of most of the population.

There is, however, some corporate saving to be traced in the national accounts. It might be worth doing research on how these funds are used to the benefit of the national economy.

## SIERRA LEONE <sup>1</sup>

The volume of personal savings in Sierra Leone is inadequate in relation to investment needs. The authorities are fully conscious of this deficiency and have taken several measures, including higher taxation so as to raise the volume of forced savings, the creation of more savings institutions, the introduction of an interest rate structure attractive to savers, and, lately, press and radio publicity campaigns for saving.

It is clearly recognized in Sierra Leone that the formation and mobilization of savings is a primary factor in economic development. This is not only mentioned in the national development plan, but has more than once been forcefully stated by the Head of State, by the Minister of Finance in his budget speech, by the Governor of the Central Bank in his annual report, and generally speaking at all conferences at home and abroad at which Sierra Leone was represented.

The institutions which take in savings and mobilize them via credits to the economy are commercial banks, post office savings banks, credit unions, savings co-operatives, and life insurance companies.

There has been some growth in recent years as regards both the total volume of deposits and the number of accounts (Table 26),

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. A.S.C. Johnson, Governor of the Bank of Sierra Leone, Freetown.



TABLE 26

COMMERCIAL BANK AND POST OFFICE SAVINGS DEPOSITS, 1968 TO 1970  
(million leones)

	Dec. 1968	Dec. 1969	August 1970
Commercial banks:			
savings deposits	8.6	10.3	10.8
time deposits	3.0	3.7	3.5
Post office savings deposits	2.6	2.5	2.6
Total deposits	14.2	16.5	16.9

but not enough growth for the country's real needs. Much remains to be done, particularly in the matter of these institutions reaching all classes of the population and the more remote areas. At present the best services are available only in the economically more highly developed areas.

Once the public has more economic awareness thanks to appropriate savings campaigns by radio and press and through the schools, and once the savings institutions are efficient enough to support government action, then indeed it should be possible to increase the flow of personal savings much more vigorously than in recent years.

As things are at present, it is felt in Sierra Leone that the best way to increase national savings is to raise the volume of forced savings by means of an appropriate fiscal policy.

Pending the preparation of studies and measures for mobilization of savings on a larger scale, collaboration on the part of international organizations and foreign countries would certainly be appreciated. Capital aid is needed, and also experts and skilled workmen who can add to local technical know-how.

Along with his replies to the questionnaire, the Governor of the Bank of Sierra Leone sent two papers relevant to the mobilization of savings in his country. One is known as the *Brown Report* and entitled *Measures for increasing credit to Sierra Leoneans*, and the other deals with one of the proposed measures, the creation of a Loan Advisory Service. The papers are summarized below, beginning with a background sketch to explain why such schemes are being advocated.

Indigenous entrepreneurs in Sierra Leone have access to very few sources of credit, and even then only to quite small amounts. Except when they can borrow from a commercial bank or under some government credit scheme, they have to pay high charges and, consequently, such new enterprise as develops is largely in the hands of foreigners.

Nor is credit the only shortage; entrepreneurship is another.

If the country's own citizens are to play an active part in future development, arrangements must be made to meet the credit demand of local entrepreneurs and to train potential ones for industrial activities.

Government agencies are too short of funds to lend enough. What is worse, loan recipients have in the past not always been selected with sufficient care; sometimes applicants with no genuine need for capital were granted loans which they used for purposes other than those declared, and some loans were for the short term and would better have been left to commercial banks. But commercial banks, too, lend little to indigenous entrepreneurs, partly because they want no repetition of their past bad debt record, and partly because few local borrowers can offer acceptable security. Land, the best security, is not held on a freehold basis in the Provinces and in the Western Area cannot be sold freely.

It is suggested that these problems might be mitigated in three ways:

- (a) by the creation of a Loan Advisory Service;
- (b) by measures to improve security for bank credit;
- (c) by higher interest charges.

(a) *Outline of a Loan Advisory Service*

The purpose of the scheme is to channel more of the available loan funds to citizens of Sierra Leone. The idea is that the Service should act as a co-ordinating agency for all sources of credit in the government and banking sectors, and in addition should collect information and render technical assistance.

The Secretary should collect information about the type of projects frequently carried out and about suitable equipment for them. He should also keep a register of debtors, drawing on the records of government agencies (in so far as they relate to dealings with individual borrowers), of banks and, if possible, commercial firms. This should make it impossible for a bad debtor of a commercial bank to obtain a loan under the scheme.

As regards technical assistance, the Secretary should be in a position to advise borrowers on project design and to assist them in obtaining machinery and spares. With respect to credit, he should advise on suitable types of loan, devise a workable repayment schedule and see to it that loans are spent on the projects for which they were intended.

The Loan Advisory Service should consist of representatives from the Agricultural Credit Scheme, the Fisheries Loan Scheme, the Development of Industries Board, and commercial banks. All Board members should be of high enough rank to commit their respective institutions. The decisions of a Board so constituted would surely be proof against the influence of non-economic factors.

The Board should meet once a month and be served by a full-time Secretary, himself a senior official, possibly from the Bank of Sierra Leone. He should screen and prepare loan requests prior to their submission to the Board.

The procedures of loan processing should be such as to obviate the twin danger of lending to applicants who are unlikely to repay and to those who are unlikely to make good use of the loan.

To this end, it is suggested that when a would-be borrower approaches any bank or government agency, he should be required to fill in a preliminary form outlining the proposed investment project. These forms should be sent to the Secretary of the Loan Advisory Service for submission to the Board. Having taken a tentative decision on the best sources for the loan, the Board should assign an Advisor to the applicant, to assist him in the completion of the main application form giving detailed information on costs, profitability, security and guarantors. The Advisor would also be expected to investigate the project and to prepare a report and recommendations of his own, to be submitted to the Board together with technical information assembled by the Secretary and his comments on the credit-worthiness of the applicant. On this basis the Board is finally to decide whether a loan is to be granted, and if so, by whom.

#### *(b) Security for loans*

Three ways are suggested for improving loan security, namely, an adaptation of the system used by the Agricultural Credit Scheme, removal of the problems caused by the Lands Act in the Western Area, and the introduction of bearer bonds.

The Ministry of Agriculture scheme for lands in the Provinces might be extended to other loans, and the Paramount Chiefs should



be urged not to allow any piece of land to be assigned to more than one person.

As regards the Western Area, the 1962 Lands Act makes it impossible to sell land to anyone not of Sierra Leone nationality, which means that the land of a defaulting debtor may not be sold. This law should be amended, or else the Loan Advisory Service should be empowered to reallocate such land.

The introduction of bearer bonds, finally, would enable many more people to borrow for consumption purposes and should help to foster the habit of saving through contractual savings schemes for government employees and the personnel of large commercial firms.

(c) *Higher interest rates*

An increase in lending rates would go some way towards covering the higher administrative costs of commercial bank credits to Sierra Leone citizens. It is suggested to introduce minimum and maximum bank lending rates, in the range between 5 and 15 per cent. Such an upper rate would not be unduly high in comparison with the charges of moneylenders, it would help to narrow the gap between the organized and the unorganized parts of the money market, and it would compensate the commercial banks for taking greater risks.

The measures outlined would, it is suggested, speed up development in those parts of the country's economy which are in the hands of its own citizens.

## SOMALIA <sup>1</sup>

In Somalia it is generally accepted that the formation and mobilization of savings are essential conditions of economic development. In a country which sets itself definite development targets, no amount of foreign capital inflows can in the long run replace domestic capital formation. But savings will in fact be accumulated and mobilized only if the monetary authorities succeed in taking adequate measures for encouraging these processes in more and more economic sectors.

Somalia's central bank, with the support of the government, has always regarded it as one of its fundamental aims to encourage and mobilize savings. Recent measures taken to this effect include the following.

Banks were required to adopt uniform minimum interest rates for various forms of deposits and the public were encouraged to open savings accounts.

Foreign banks operating in Somalia collaborated with the monetary authorities by making an effort to reach broader sections of the population. Their mobile units backed a systematic drive to collect savings in rural areas and remote villages.

Much importance is attached to publicity as a means of acquainting the public with the role of saving in the country's

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Abdurahman Nur Herzi, Governor of the Somali National Bank, Mogadishu.

economic development. Publicity campaigns so far have made large-scale use of the press, radio and posters. There are prizes for new savers and school programmes now include topics under which children are taught the merits and use of savings. There are also annual essay competitions on the subject of saving, with prizes for students who take part in them.

Somalia attained its independence in 1960, and between then and 1970 the total volume of savings deposits, including those on time, increased fourfold, at an annual rate of some 15 per cent. This is a much higher growth rate than was registered by deposits on current account, and bears witness to the public's steadily rising confidence in the banking system and increasing awareness of the usefulness of the savings habit.

But although good progress has been made in recent years with regard to the number of accounts, to the volume of savings and to the extension of banking services, it was felt that further measures were needed to encourage the accumulation and mobilization of savings.

It was recognized that the endeavours of the authorities concerned could not achieve the desired results unless the banking system and other financial intermediaries supported them more effectively. The efforts of the monetary authorities were greatly hampered by the inadequacy of existing national financial institutions and by the reluctance of foreign-owned banks to commit funds to projects of real value to economic development.

With a view to creating the conditions for the fulfilment of the development targets proclaimed after the 1969 revolution, all foreign banks and a number of major service industries and companies were nationalized in May 1970. But nationalization of the banks was only a first step towards the creation of appropriate credit arrangements. Subsequent legislation testified to the intention



of reshaping the country's financial institutions so as to enable them to make a more effective contribution to capital formation and the mobilization of savings for productive investment.

Inevitably, the first and most important of the new measures reorganized the central bank so as to free it from all activities that might interfere with its primary functions, and to give it powers to lay down guidelines for the whole banking system. This reform took effect in January 1971 and redefined the functions of the Somali National Bank along the lines customary for modern central banks.

The merger of the nationalized foreign banks and the former commercial section of the central bank led to the foundation of two new commercial banks. Since there are neither post office savings banks nor credit co-operatives in Somalia, the commercial banks are required, by their statutes, to attract deposits with a view to mobilizing savings for productive purposes and also to extend credit to vital sectors of the national economy.

Although the commercial banks should, in principle, lend only for the short term, except for certain housing credits by special sections, they do in fact make also medium-term loans. Finally, a development bank was established to take care of industry's need of medium- and long-term credit.

Thanks to this new financial and banking structure it has become possible to formulate meaningful policies for the mobilization of local capital through the formation of personal savings at all levels.

The central bank, the commercial banks and the development bank all offer savings facilities, in different technical forms, and employ the resources so obtained in different, but complementary, loans.

These changes in the banking system had the purpose of achieving better co-ordination of economic growth. Yet this was only a first step and much remains to be done.

Support from foreign and international organizations could be of much help in solving Somalia's problems. The Somali National Bank recently negotiated an agreement with the Association of Italian Savings Banks, led by the *Cassa di Risparmio delle Provincie Lombarde*, under which Somalia's authorities are to be assisted in the mobilization of their country's savings. The Association is to provide technical assistance for working out an appropriate and efficient structure of banking services and also for training Somali personnel in modern methods of savings banks operations. Great hopes are placed in this project, which should enable a number of problems to be solved on the basis of joint studies.

Specific problems to be studied and solved include the following:

- (a) ways of improving the efficiency, scope and services of banking institutions;
- (b) ways and means of penetrating into rural areas and educating the public with respect to the role and usefulness of saving;
- (c) methods of stimulating saving and sound money management at all levels of the population, with special reference to the teaching programmes of schools and professional institutes;
- (d) better co-ordination of all institutions forming part of the credit market;
- (e) analysis of further measures to be adopted by the government;
- (f) the type and volume of aid to be requested from international organizations.

## SUDAN <sup>1</sup>

It has been recognized in Sudan that effective mobilization of savings depends largely on the habits and outlook of the population as well as on adequate savings and credit facilities. Generally speaking, the Sudanese are more given to conspicuous consumption than to saving and thrift. Even those who do not consume all they earn, are inclined to hoard their savings rather than to open an account with any of the existing modern financial institutions.

To some extent this situation must be blamed on incomplete information provided by publicity campaigns so far. These did indeed explain why people should save and made the point that how much one saves is more important than how much one earns, but most often they failed to tell savers how to place their money in such a way as to make an adequate supply of funds available to the public authorities. The same defect is apparent in campaigns addressed to the higher population groups; all that was different at these more sophisticated levels was the slogans, saving and thrift here being advocated as *sine qua non* factors of balanced economic development leading to a higher standard of living for all.

The two main groups of institutions which provide savings facilities are commercial banks and post office savings banks. There

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Ahmed Abdel Rahman El Sheikh, General Manager, People's Co-operative Bank, Khartoum.

TABLE 27

SAVINGS DEPOSITS AT COMMERCIAL BANKS, 1966 TO 1970  
(thousand Sudanese pounds)

Year	30 June	31 December
1966	6,056	6,757
1967	7,385	8,032
1968	8,633	9,721
1969	11,776	11,173
1970	12,095	11,627

TABLE 28

GEOGRAPHICAL DISTRIBUTION OF THE COMMERCIAL BANK NETWORK,  
31 DECEMBER 1969

Province	Population (thousands)	Number of commercial bank branches	Population per bank branch (thousands)
Khartoum	0,877	22	40
Kassala	1,629	14	116
Blue Nile	3,156	12	263
Kordofan	2,811	6	468
Darfur	1,794	4	423
Northern Province	1,133	3	377
Equatoria	1,303	1	1,303
Upper Nile	1,282	0	—
Bahr El Ghazal	1,427	0	—

is also a pilot ordinary savings bank, but this is still at an experimental stage.

The commercial banks play a very important part in the mobilization of personal savings (see Tables 27 and 28). But it must be remembered that until the Nationalization of Banks Act

was passed on 1 May 1970, the commercial banking system was dominated by branches of foreign banks; the only major exception was the Sudanese Commercial Bank.

Looking at the geographical spread of the banking system in terms of the total volume of deposits, the volume of credit and the ratio of bank offices to population, it will be seen that in some provinces, like Khartoum, Kassala and Blue Nile, banking activity is highly developed, whereas other provinces are not served at all. Even within provinces, banks cluster in the big towns. But then, concentration of banks in large centres is not peculiar to Sudan alone.

The total absence of banking services in many rural and agricultural areas, where most of the population live, made it impossible to take any direct steps to mobilize savings in those areas. After the nationalization of the commercial banks the new policy is to spread banking facilities to the remoter areas, to channel credit to them, make people familiar with modern financial institutes and thus encourage the mobilization of savings as against hoarding.

The post office savings banks (Tables 29 and 30) are modelled on those in Great Britain. They encourage and take in savings, and have no independence at all but are under the control of the Department of Posts and Telegraphs of the Ministry of Communications.

Their network is dense and supplemented by mobile units and consequently they are of primary importance for the mobilization of savings. But it is felt that their performance could still be improved, and to this end a number of measures are under consideration.

First of all it appears expedient to give the Post Office Savings Bank as much independence as is enjoyed by other banks. This implies, of course, that more highly trained staff must be employed

TABLE 29

POST OFFICE SAVINGS DEPOSITS, 1966 TO 1970  
(thousand Sudanese pounds)

Year	30 June	31 December
1966	8,875	8,875
1967	9,152	9,367
1968	9,597	10,729
1969	10,763	10,979
1970	11,335	11,577

Note: The current interest rate is 4%.

TABLE 30

POST OFFICE SAVINGS ACCOUNTS OPENED AND CLOSED, 1966 TO 1970

Year	Accounts opened	Accounts closed
1966	17,445	5,711
1967	14,074	7,129
1968	16,307	6,992
1969	17,304	8,032
1970	17,060	7,263

than hitherto. The attraction of post office savings accounts could be enhanced by changing some of their conditions, for instance by allowing 100 pounds to be withdrawn each week instead of only 50, as now. The current rate on deposits, incidentally, is 4 per cent. Contrary to post offices, postal agencies are, for security reasons, not allowed at present to accept savings deposits. Subject to arrangements for the safety of funds, they might usefully be authorized to do so. Finally, there is a case for reorganizing the Department of Posts and Telegraphs, which has never managed so far to conduct an effective savings policy at national level.



There are no two opinions in the Sudan about the fundamental importance of saving for development, and hence about the necessity to bring every effort to bear on promoting the formation and mobilization of savings. More than once this was said by the Head of State, the Minister of Finance and the Governor of the Bank of Sudan. As tangible proof of this view a National Savings Committee has been set up under government auspices. Its members are academics from various universities, as well as senior officials of the central bank, and its primary task is to study and devise methods to encourage the mobilization of personal savings, with particular reference to small savings.

It should be possible to increase the flow of personal savings deposits by various means, including:

- (a) publicity campaigns by press, radio, television and posters;
- (b) penetration of the illiterate market;
- (c) improvement of the efficiency, scope and services of savings institutions;
- (d) support by government measures;
- (e) support by international organizations, particularly through their providing technical experts as well as training for indigenous staff.

A pilot scheme has been launched under which one or more ordinary savings banks are being, or will be, set up to join other credit institutes in promoting the mobilization of savings in Sudan. This is widely regarded as an extremely interesting scheme which should produce excellent results. Certainly, there are plenty of opportunities for ordinary savings banks in Sudan, and they should be able to do much for the country's economic development through the mobilization of savings. The Bank of Sudan has signed relevant agreements with the Association of Italian Savings Banks.



## TANZANIA <sup>1</sup>

The government and monetary authorities of Tanzania are placing increasing emphasis on the mobilization of domestic savings. Their efforts have multiplied in the last few years when it became plain that the country's absorptive capacity for productive investment was outrunning its capacity to mobilize funds for that purpose.

Institutional arrangements for mobilizing financial savings are fairly well established, but further rationalization is needed as well as expansion to rural areas.

Attempts must be made to increase the public's propensity to save by large-scale publicity campaigns and also by introducing more varied financial instruments as well as incentives to meet the tastes and preferences of potential savers. Since about 95 per cent of Tanzania's population live in rural areas and are engaged in agriculture, better institutional arrangements are needed in order to encourage thrift and tap the incomes of farmers and peasants. Now people keep away from banks, but it is felt that it should be possible to remedy this state of affairs by bringing the services of financial intermediaries right into the rural centres.

This would acquaint people with modern methods of saving and make them aware of the existence of financial institutes which provide both savings and credit facilities.

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Daniel A.N. Yona, Senior Economist of the Bank of Tanzania, Dar es Salaam.

The government, especially in the last ten years, has done its best to encourage the mobilization of savings. Among other measures, it has set up a number of new institutions, such as the Post Office Savings Bank, the Permanent Housing Finance Company, the National Insurance Corporation, the National Provident Fund, the Local Authorities Provident Fund and the Government Employees Provident Fund. In addition to these, Tanzania has private credit and savings institutions, outstanding among which are the Diamond Jubilee Investment Trust and Industrial Promotion Services Ltd.

Among financial intermediaries other than banks the most important for the mobilization of personal savings is the National Provident Fund, which was set up by an act of Parliament as a compulsory savings scheme to provide retirement and other benefits for employees outside the government and not covered by other pension schemes. Tanzania's other provident funds operate on the same lines but on a smaller scale.

Major importance has been assumed in recent years by the National Insurance Corporation, set up in 1967. This is Tanzania's only insurance company, handles both life and general business and has become a major pool of savings. Thanks to an intensive publicity campaign, it has succeeded to raise the ratio of life policies to working population to a very respectable level.

The Permanent Housing Finance Company was reorganized in 1967 and since then has played an active part in mobilizing savings and providing mortgage loans for private homes. The Tanganyika Post Office Savings Bank dates from 1925 and still mobilizes savings on a minor scale.

All the non-bank financial intermediaries are under the general guidance of the Bank of Tanzania, which also assists them in various ways.

The necessity to mobilize personal savings is a point of major emphasis in the current five-year development plan. The first plan having been too optimistic about the possible volume of foreign aid, the political leaders and planners came to realize that rapid development can be achieved only by bringing every effort to bear on the mobilization of domestic financial resources.

In launching the second five-year development plan, of June 1969, the Minister for Economic Affairs and Development Planning stressed that the nation must manage to finance at least 60 per cent of planned investment from domestic savings and current revenue. The Minister enjoined the population to cut down on all non-essential consumption expenditure and announced that the government would expect all savings institutions to do their utmost to mobilize savings. The President of the Republic, too, took occasion in several speeches to counsel frugality and simplicity. In his turn, the Governor of the Bank of Tanzania more than once urged financial intermediaries to multiply their effort to reach more workers and farmers and to tap their savings as a valuable supplement to development funds, whether they are used to buy government stocks or lent to finance priority investment projects.

Savings facilities are provided in Tanzania by the following institutions:

(a) Commercial banks, which take in both savings deposits and time deposits. The former stood at 205.2 million Tanzania shillings on 31 December 1970, and the latter at 615.9 million; together, they accounted for the largest proportion of deposited savings.

(b) The post office savings bank is popular mainly with small savers. Its strength lies in a dense network both in urban and rural areas (more than 110 offices, of which at least 75 in rural

areas), but even so it operates on a small scale. Its total deposits on 31 December 1970 were 46 million shillings.

There are no other savings banks in Tanzania except perhaps for the Diamond Jubilee Investment Trust, which, in addition to its activities as a finance company, accepts time and savings deposits from individuals and business.

(c) Building societies, among which the Permanent Housing Finance Company is the only one of major importance. Its reorganization in 1967 was followed by impressive growth; of its total deposits of 42 million shillings on 31 December 1970, 23 million were on fixed term and 19 million savings deposits.

(d) Credit unions, whose impact on the mobilization of savings is almost negligible.

(e) Provident funds, among which the National Provident Fund is second only to the commercial banks as regards the proportion of national savings. Its total investments from contributions stood at 243 million shillings by 31 December 1970. Other provident funds are insignificant.

Otherwise, savings facilities are offered mostly by finance companies, among which those most worth mentioning are Industrial Promotion Services Ltd., the Tanganyika Development Finance Co. Ltd., the Diamond Jubilee Investment Trust Ltd. and the Karadha Company Ltd.

The growth of deposits has been remarkable in the last three or four years. Time deposits at commercial banks (Table 31) rose at an annual average rate of 45 per cent between 1967 and 1970, from 206 to 615.9 million shillings, and over the same period savings deposits rose at an annual average rate of 13 per cent from 141.6 to 205.2 million. This rapid growth of deposits was achieved in part thanks to a rationalization programme and to the spread of banking facilities to smaller centres in rural areas



TABLE 31

TIME AND SAVINGS DEPOSITS AT COMMERCIAL BANKS, 1967 TO 1970  
(end-year figures in million Tanzania shillings)

Year	Time deposits	Savings deposits	Total
1967	206.0	141.6	347.6
1968	356.7	159.7	516.4
1969	479.8	177.3	657.1
1970	615.9	205.2	821.1

after the merger of the nationalized banks in one really large bank, the National Bank of Commerce (N.B.C.), which thereupon found itself with a network of 36 branches and 35 agencies. In subsequent years some of these were closed and others opened, in the interests of good geographical coverage. Much was done to bring into the network small towns and rural areas, where mobile or fixed-location agencies proved preferable to full-fledged branches, and the N.B.C. thus ended up in December 1970 with 35 branches and 89 agencies, including a number of mobile ones.

The National Provident Fund (N.P.F.) has chalked up remarkable progress in its short history. It started in 1965 and by the end of that year had 1 million shillings paid in by 134,000 employee contributions. More and more joined in the following years, and so did employers, until in 1970 employee members numbered 668,600 and contributions amounted to 76.1 million shillings (Table 32).

For the post office savings bank, the growth of deposits has been moderate but steady in the last few years, and it is always more successful than other institutions in rural areas. It has innumerable depositors, but average deposits are so small as to add up to only a modest total volume. In 1960 there were

TABLE 32

CONTRIBUTORS AND RESOURCES OF THE NATIONAL PROVIDENT FUND, 1965 TO 1970

Year	Contributors ( <i>thousands</i> )		Contributions * ( <i>million shillings</i> )	Total investments ( <i>million shillings</i> )
	Employees	Employers		
1965	134.0	1.1	1.0	—
1966	236.4	2.1	36.3	33.8
1967	302.0	2.5	50.6	81.1
1968	—	—	54.2	132.0
1969	583.0	4.1	60.1	182.3
1970	668.6	4.7	76.1	242.6

\* Includes investment income.

128,100 depositors and total deposits of 32.7 million shillings, which works out at an average balance of 250 shillings; this had dropped to 170 shillings in 1965, 172 in 1966 and 155 in 1967, and then rose again to 167 shillings in 1970 (when 272,900 depositors had total deposits of 45.6 million shillings).

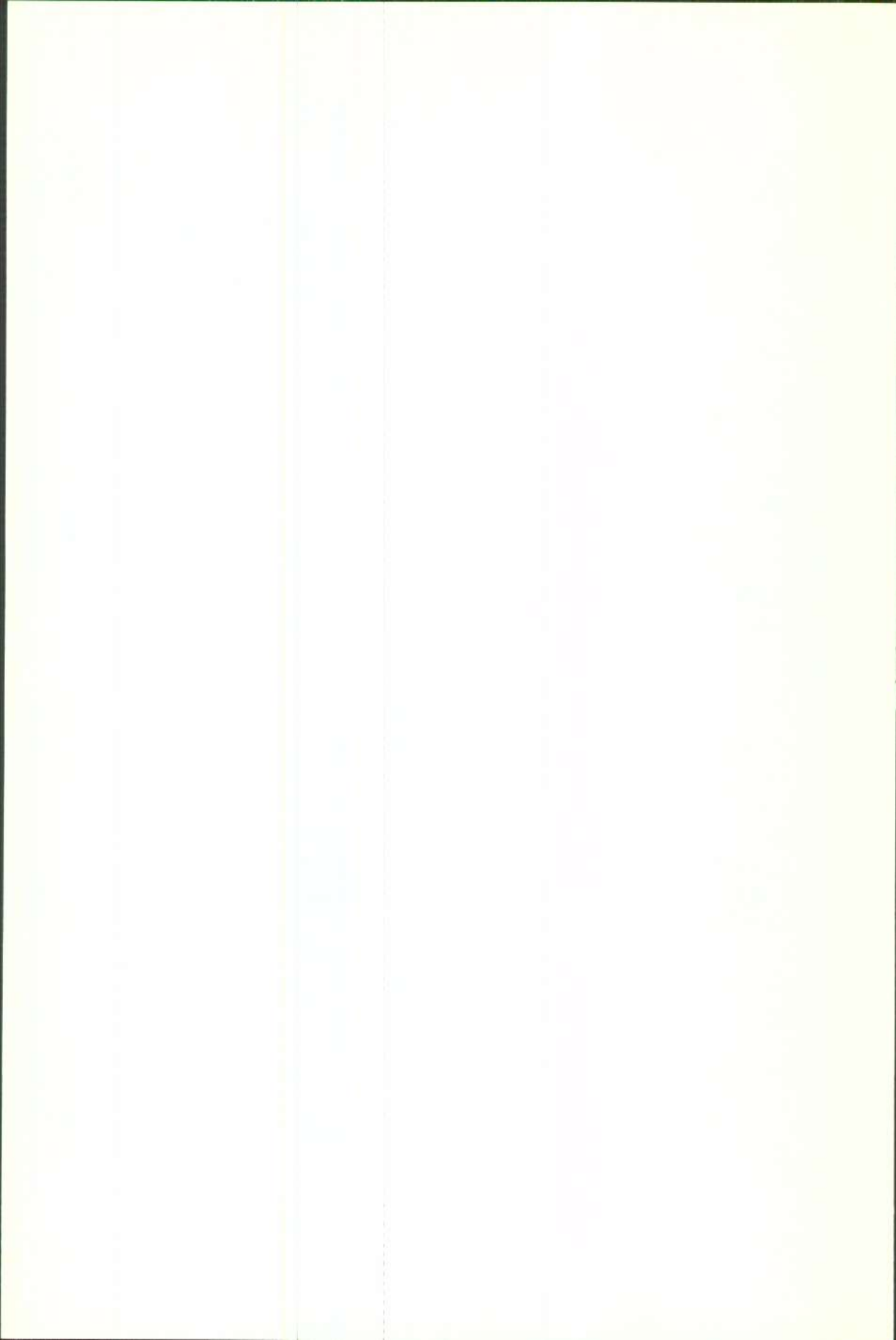
Much has been done, but much remains to be done, and the satisfactory mobilization of personal savings certainly is not round the corner yet. A large part both of the rural and the urban population has yet to learn the virtue of saving. There is ample evidence that shopkeepers and farmers sometimes hide a lot of money at home or bury it in the ground, where it may remain forever in case the owner should die. These funds should be tapped, and it is felt, too, that savings institutions should be able to raise sizeable amounts through publicity campaigns by radio, press and posters. Radio, of course, would have the inestimable advantage of reaching the illiterate part of the population.

It would be well for school programmes to include lectures which encourage saving so that when pupils leave school and start work they know about personal financial management and might make a substantial contribution to the mobilization of savings. Nothing has been done so far in this direction.

All these methods ought to yield good results, but the whole effort would be vain without a real change of mentality on the part of those who hold managerial positions in financial intermediaries. They have not as yet grasped that it is not enough just to sit in an office waiting for savers to come and knock at the door, but that the banks must play an active part, go out to the public and educate as many of them as possible to save.

A great effort will be required of all concerned to increase the efficiency of financial institutions and their services to clients, if satisfactory results are to be achieved in the mobilization of savings. Nor can success be hoped for without a co-ordinated effort of government, the monetary authorities, the financial institutions themselves and international organizations.

As a first step of such a programme a publicity campaign should be launched, but, to be really effective, it should be preceded by detailed studies on the part of foreign specialized organizations or experts. A team of experts would be helpful, too, in advising on the most efficient methods to run savings and credit facilities and charting a long-run programme for increasing personal savings. In this spirit Tanzania stands ready to consider any offers of collaboration forthcoming from international organizations or foreign countries.



## TOGO <sup>1</sup>

There is not enough encouragement for the mobilization of personal savings among the population of Togo, but this cannot be ascribed to unsound money management on the part of the various social classes — even though there is certainly room for improvement in this matter.

Savings facilities are adequate and reach most of the population, though again there is room for improvement, especially as regards bank premises and bank staff.

The government have taken some, but not sufficient, measures to encourage the mobilization of personal savings. For instance, insurance companies are required to invest their technical reserves with the development bank of Togo. In addition, the *Caisse Nationale d'Epargne Postale* organizes an annual Savings Day with, among other attractions, a lottery and a football match.

The necessity to mobilize personal savings for development is mentioned in the second economic and social development plan 1971-1975, which foreshadows the establishment of a National Investment Company for the purpose of mobilizing savings and channelling them to economic and social investment in industry and power, agriculture, the crafts and trade. In operational terms, this new institute is scheduled to take on the following functions:

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Bawa Sandani Mankoubi, General Manager, *Banque Togolaise de Développement*, Lomé.

(1) to study and arrange finance for development projects; (2) to provide loans or guarantees for investment of outstanding economic and social significance; (3) to set up new firms in priority sectors, with or without the participation of private capital; (4) to create social overhead capital necessary for economic and social development; (5) to provide venture capital for firms; (6) to manage the shareholdings of the state as well as of local authorities and public agencies; (7) to manage the financial resources of public and semi-public corporations; (8) to guarantee state contracts to suppliers. All the financial operations of this new National Investment Company are to be carried out via three affiliates, the *Fonds National d'Investissement*, the *Fonds National d'Aval et de Garantie des Crédits aux Entreprises Togolaises*, and the *Caisse Nationale d'Amortissement*. The National Investment Company will be responsible not only for domestic investment, but also for foreign funds earmarked for productive investment, which means it will have to see to it that good use is made of external funds and to control the implementation of the beneficiary firms' technical and financial programmes on the basis of its own prior feasibility studies. The government are even considering the possibility of making this new company responsible for all priority investment under the second development plan.

Another occasion on which emphasis was placed on the mobilization of personal savings for development was an important training seminar for political party leaders, held in March 1971 by the *Rassemblement du Peuple Togolais* (R.P.T.). In connection with a discussion of the targets and provisions of the second development plan, the point was made that domestic savings must be mobilized so as to minimize recourse to foreign finance funds.

Savings facilities are provided in Togo by the commercial banks, the *Banque Togolaise de Développement*, and the *Caisse*



*Nationale d'Epargne Postale*, which works through the post offices. All of them have in recent years shown satisfactory growth as to number of accounts, total amount of deposits and number of offices. For the last two years the commercial banks, too, have been trying to cover all regions of the country.

At the end of 1970 the Post Office Savings Bank was keeping 43,868 accounts with a combined balance of 744.3 million CFA francs. In addition to these, the Central Bank of the West African Monetary Union had records, on 30 April 1971, of another 7,792 million CFA francs of deposits, distributed as follows: Treasury and Post Office giro - 103.2 million; sight deposits - 5,294.5 million; time deposits - 2,394.4 million.

The monetary authorities of Togo think that it should be possible to increase the volume of savings deposits by means of publicity, adult education and penetration of the illiterate market.

As things are at present, the Post Office Savings Bank cannot be said to work satisfactorily, because its premises and equipment are inadequate and it does not have enough staff. A proposal for the construction of a new head office has been approved and is to be carried out at once. There is plenty of suitable local personnel for running the bank efficiently, and neither technical assistance from abroad nor foreign experts are needed in this respect.

In the statutes of the *Banque Togolaise de Développement* there is explicit provision to the effect that the bank is to accept and invest all savings and resources, all loans and grants made available through international and foreign organizations; it may also float loan issues at home and abroad, and finally service certain public loans and manage state shareholdings. On this basis, the mobilization of savings via the development bank should be encouraged.



## TUNISIA <sup>1</sup>

The necessity to mobilize personal savings was stressed by the Head of State in two important speeches, one on 22 January 1959 addressed to the nation, and the other on 27 October 1966 to the National Assembly. On both occasions, he forcefully made the point that saving was the fundamental condition of self-financed growth and economic independence, and this was restated in the Ten-year Projections 1962-1972, in the three-year plan 1962-1964 and the four-year plan 1965-1968.

The National Credit Council has been asked to study and devise methods by which to cut down household consumption so as to make room for more saving. This certainly is not an easy thing to do, and not the least among the obstacles to an increase in the volume of personal savings by sound money management on the part of individuals are those obstacles which are of a psychological nature. The demonstration effect, for instance, always works against the propensity to save; what is worse, it is in evidence even among the poorest classes who have no real chance of social progress and go for status symbols to the detriment of their family budgets, in other words, spend on ostentation what they might possibly save. Clearly, this has serious economic implications for the country's savings potential.

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Hassen Belkhdja, Chairman-General Manager, *Société Tunisienne de Banque*, Tunis.

In rural areas the problems are more complex still. Because of regional imbalances, much of the rural population has still hardly emerged from the subsistence economy.

These are structural obstacles and their removal is possible only in the long run. Nevertheless, the authorities do think it is possible to increase the public's propensity to invest, and in recent years have taken steps to this end. The results are encouraging, but still far from satisfactory.

Tunisia's banking system as well as its financial system have undergone rapid changes since independence, the intention being to adjust them to the new political and economic realities and to the purposes of planned economic and social development. But this reorganization has not yet borne its full fruits. The gap between urban and rural areas persists, and so does the very marked dualism within the rural areas.

More than 75 per cent of financial intermediaries are concentrated in urban areas. In the interest of balanced economic development, savings and credit facilities must be improved and extended, and there is also a felt need for new institutions such as savings and credit co-operatives, building societies, and so on.

All classes of the population must have effective access to credit, and this goes more especially for small savers both in towns and in rural areas. To achieve this, the Tunisian financial system will in future have to be more active and less selective, and will have to get rid of a lot of red tape.

In this spirit a number of measures have been taken to increase the propensity to save of households and individuals. They include the following:

- (1) tax exemption for interest earned on savings books;
- (2) bonus rates for deposits left untouched in savings accounts for a prolonged period; these are in addition to the normal

interest of 3 per cent annually, and amount to an extra 1.5 per cent on average balances held for between 18 and 24 months, and to 2 per cent on those held longer than two years;

- (3) still under study by the National Credit Council, a proposal for special rates on savings deposits of Tunisian workers abroad, and also a national home-ownership savings scheme;
- (4) publicity campaigns by radio, television, posters, neon signs and cinema cartoons, conducted mainly by commercial banks, both public and private.

Savings facilities are provided by Tunisia's eleven commercial banks at 150 offices, by the *Caisse Nationale d'Epargne des P.T.T.* which works through 362 post offices, and by a number of institutional investors such as the *Caisse des Retraites*, the *Caisse de Sécurité Sociale* and insurance companies. Details regarding the commercial banks and the Post Office Savings Bank are given in Table 33.

Although much has already been done to stimulate saving, it should still be possible to increase the flow of personal savings. This can be done by strengthening such action as is already in course, thanks to new methods of penetration throughout the population and throughout all actual and potential markets. But this depends crucially on better co-operation within the financial system and between it and the public authorities.

The institutions which mean to attract savings must go out to the public, extend their network and their active presence to the places where people work, where they go for entertainment and all others where the public can be found. The public banks are in a better position to do this than the private ones, which have a network of only 40 agencies, distributed as shown in Table 34.

TABLE 33

SAVINGS DEPOSITS AT POST OFFICE AND COMMERCIAL BANKS,  
1969 TO 1971  
(deposits in thousand dinars)

Institutions	1969		1970		1971	
	Savings accounts		Savings accounts		Savings accounts	
	Number	Deposits	Number	Deposits	Number	Deposits
<i>Caisse Nationale d'Epargne des P.T.T.</i>	343,134	7,825	334,583	8,517	344,082	10,456
Public banks		4,266		5,362		7,910
<i>of which:</i>						
<i>Société Tunisienne de Banque</i>	23,815	3,773	31,286	4,846	40,735	7,110
<i>Banque Nationale de Tunisie</i>	1,551	493	2,031	516	2,539	800
<i>Banque du Sud</i> (1)	—	—	—	—	—	—
Private banks		2,871		3,400		4,200
<i>of which:</i>						
<i>Union Bancaire pour le Commerce et l'Industrie</i>	846	891	997	1,004	1,189	1,151
<i>Union Internationale de Banques</i>	433	361	630	684	842	675
<i>Banque de Tunisie</i>	—	453	—	(3)	—	(3)
<i>Société Marseillaise de Crédit</i>	772	715	910	820	1,011	1,038
<i>Crédit Foncier et Commercial</i> (2)	—	—	—	—	—	—
<i>British Bank of the Middle East</i>	306	209	351	273	409	317
<i>Banque Franco-Tunisienne</i>	1,728	58	1,776	60	1,848	66
<i>Arab Bank</i>	—	184	—	(3)	—	(3)

(1) Initiated savings accounts in 1972.

(2) Takes in no personal savings.

(3) Figures not available.



TABLE 34

BANKING NETWORK, 31 DECEMBER 1971

Banks	Network
Public banks	
<i>Société Tunisienne de Banque</i> (head office in Tunis)	1 branch in Tunis 30 agencies in Tunisia 3 agencies abroad (Paris, Marseille, Beirut) A fleet of mobile units serving small rural communities in the Sahel
<i>Banque Nationale de Tunisie</i> (formerly <i>Banque Nationale Agricole</i> ) (head office in Tunis)	2 branches in Tunis 24 agencies in Tunisia 45 local credit offices
<i>Banque du Sud</i> (head office in Tunis)	11 agencies in Tunisia
Private banks	
<i>Banque de Tunisie</i> (head office in Tunis)	24 agencies in Tunisia
<i>Union Internationale de Banques</i> (head office in Tunis)	5 agencies in Tunisia: 3 in Tunis 1 at Sfax 1 at Sousse
<i>Union Bancaire pour le Commerce et l'Industrie</i> (head office in Tunis)	2 agencies in Tunisia: 1 at Sousse 1 at Sfax
<i>Crédit Foncier et Commercial</i> (head office in Tunis)	2 agencies in Tunisia: 1 at Sousse 1 at Sfax
<i>Société Marseillaise de Crédit</i> (head office in France)	5 agencies in Tunisia: 2 in Tunis 1 at Sfax 1 at Sousse 1 at Mahdia
<i>Banque Franco-Tunisienne</i> (head office in Tunis)	No agencies
<i>Arab Bank</i> (head office at Amman)	1 agency in Tunis
<i>British Bank of the Middle East</i> (head office in London)	1 agency in Tunis

But the most important measures no doubt will have to be taken by the state itself. It could proceed along two lines, one designed for short-run, and the other for long-run effects. Examples of measures holding out good promise of results in the relatively short run are an extension of tax exemption for life assurance premiums, the introduction of progressive interest rates payable on deposits according to their average amount and duration, and incentives for families and individuals to set up limited liability companies. This latter idea might have particularly fruitful implications, for it opens the prospect of saving through equity investment on the Tunisian stock exchange.

The utmost importance, furthermore, attaches to long-run measures which the state might take to stimulate the mobilization of personal savings. If school programmes included courses on the national economy and on the merits of saving, the young would come to see that the ideal of progress can best be pursued by dynamic action and discipline, rather than by doubtful expedients and ostentation.

Adults in their turn need information, education and training. Saving could be stimulated by nation-wide campaigns acquainting people with existing savings facilities and also by the introduction of new ones. Elementary courses on basic economics and economic development might be helpful, and the fight against illiteracy should be conducted by methods suitably chosen for different income groups.

The government might well draw on the services of its corps of Social Assistants with a view to obtaining detailed consumption surveys as a basis for a direct approach to householders. There is, finally, a case for setting up a research centre on family budgets in Tunisia, possibly with help from an international organization.

## UGANDA <sup>1</sup>

Uganda is an agricultural country, with more than 95 per cent of its population living on the land. The gross national product of little over 900 million U.S. dollars (including the product of the non-monetary economy) depends to a large extent on the prices of a few major export commodities, like coffee, cotton and tea. Industrialization is the order of the day, so that the country can produce more of the manufactures it now imports and new job opportunities can be created. But this cannot be done without mobilizing domestic resources.

Average *per caput* income, however, is barely 50 U.S. dollars, and hence the effective mobilization of savings is an uphill task. It is true, on the other hand, that some part of money incomes can be saved without impairing the standard of living of the farmers and rural folk who derive their means of subsistence directly from the land they work.

Among institutions which collect the people's savings, the post office savings banks proved less effective than might have been expected from their dense geographical coverage. Savings facilities are provided, too, by ordinary savings banks and commercial banks, but the most successful of all were the co-operative

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Edric Spencer Kamulegeya, General Manager, Uganda Co-operative Development Bank Limited, Kampala.

development banks, which work through co-operative societies in direct contact with the farm communities.

A number of different methods have been tried in an effort to increase the population's propensity to save, but today the country relies on two main savings schemes, the Salary and Wage Earners' Saving Scheme, and the Rural Saving Scheme.

The first is for persons in regular employment, and initially evoked good response especially among teachers, who then made it more widely known. The Rural Saving Scheme is devised for mobilizing the savings of peasant farmers, the country's economic backbone. The farmer is not accustomed to the money economy, and the banks do little to attract him; if he saves any money, he is more likely to put it into a tin or bottle which he then buries in the ground or hides in the grass-thatched roof of his house, or sometimes he hands his money over for safe custody to the local Asian store (much of the country's economic resources having until recently been in the hands of an Asian minority).

Now, the Rural Saving Scheme mobilizes farm savings through selected co-operative marketing societies, to which the farmers belong and which are the centres of rural life. The farmers deposit their savings with their co-operative marketing societies, obtain working credits from them and market their product through them. The society issues passbooks with the depositor's photograph, and in its turn opens two accounts with the Uganda Co-operative Development Bank: one for the society's own funds, and the other for its members' savings deposits. Each local co-operative may withdraw 10 per cent of deposits to meet immediate demands by members; larger withdrawals are subject to notice. The Co-operative Development Bank keeps records for every single depositor, and hence can exercise control over the local co-operatives. In localities where the Bank has no agencies, it also uses mobile

units to collect deposits from societies. The deposits of the members of co-operative societies are insured from the moment when they are accepted by the latter until the money is banked with the Uganda Co-operative Development Bank.

With the resources so accruing to it, this Bank grants working and improvement credits to farmers, again through the local co-operative societies.

Young as it is, this Rural Saving Scheme has already made it clear that depositors have more confidence if there is one central institute to which the co-operative societies which accept deposits are affiliated. Another point that has emerged is that a proper mechanism has to be devised to enable depositors to pay in and withdraw money promptly whenever they wish. The best way is to have mobile bank units, which can reach remote areas and keep continuous contact with head office via radio telephone. Third, every depositor must feel absolutely certain that he is not going to lose his savings through the society's fault; this is why deposits must be insured from the moment when they are handed over to the co-operative or the mobile unit until they finally reach the bank account. Next, interest rates paid on deposits must be competitive with those offered by other financial intermediaries. And finally, the people must be told about the advantages which the mobilization of savings can spell both for individuals and the national community. By winning the people's minds, their savings can be won too, to the benefit of the country's economy and of their personal economic advancement. Without saving, however little it may be, there is no hope for the future of nations.

In Uganda, the mobilization of savings is seen to serve two purposes, one personal and one national. From the personal point of view the intention is to foster among people a sense of financial discipline and responsibility, so that they can plan and manage their



financial affairs to better purpose. Only people who can do that may eventually manage their national finances responsibly. To achieve this end, it is not too early to begin teaching children at school the habit of thrift.

Nationally speaking, the aim is to supply the government, the banks and the insurance companies with investment funds, and thereby to reduce the country's dependence on foreign capital and give it full economic independence. Political independence must be followed by economic independence, for the inflow of foreign capital may fall off at any moment if funds are attracted elsewhere by higher returns or frightened off by the sort of political instability which has been characteristic of many African countries in recent years. These problems must be taken seriously. They can be met only by vigorous action designed to promote saving among all classes of the population and to channel the resources so obtained towards investment of the kind most fruitful for the economy.



## UPPER VOLTA <sup>1</sup>

The political and economic leaders of Upper Volta recognize that effective mobilization of personal savings rests on their rational use on the part of the population itself and of the financial institutions through their credit policy.

In the circular of 24 January 1967, which defines the general policy lines of the development plan 1967-1970, it is stated that every effort must be made to facilitate the formation of local savings for use in productive investment, and to reduce prestige consumption not economically justifiable.

But in pursuing these aims the government are encountering considerable obstacles because the country has no adequate financial system for collecting personal savings.

Residents of major towns can deposit their savings with deposit banks and with the *Caisse Nationale d'Epargne*, but the bulk of the population in rural areas is outside the reach of these institutions' network and hoarding is the rule. Funds deposited with the National Savings Bank are managed by the Treasury, and the banks attract and handle only a very small proportion of the monetary savings of households. In the view of the monetary authorities this is a serious obstacle to the effective mobilization of personal savings, and they would prefer a system of mobilization

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. M. Congo, Manager, *Banque Centrale des Etats de l'Afrique de l'Ouest*, Ouagadougou.

resting primarily on the banks. But the banks are somewhat reluctant to expand their network to cover rural areas, because of the high cost of opening new branches.

The National Savings Bank, on the other hand, which uses the network of post offices, could do much to improve the mobilization of savings by more energetic action to attract savings and, even more so, by channelling them to productive investment.

Some measures to promote the mobilization of personal savings have been taken in Upper Volta by the banking system. Private banks have conducted several publicity campaigns by means of leaflets, and the *Caisse Nationale d'Epargne* has made a great effort to penetrate rural areas. The government, in its turn, requires all public-sector employees to open a current account either with a bank or with a post office, for direct payment of their wages or salaries.

Taking together the institutions which provide savings facilities — commercial banks, the *Banque Nationale de Développement* and the *Caisse Nationale d'Epargne* — there has been satisfactory growth in recent years with respect to the total volume of deposits and their average duration, as well as to the number of depositors, but no new offices have been opened recently. Total time deposits with commercial banks and the *Caisse Nationale d'Epargne* amounted to 917 million CFA francs on 30 September 1968, and to 1,109 million two years later. Between 31 December 1969 and 31 December 1970, the number of passbooks issued by the National Savings Bank rose from 20,864 to 23,403.

While the commercial banks operate only in the country's two big towns, the National Savings Bank does reach the rural areas through the post offices, but the savings it attracts come mostly from war orphans and pensioners. The monetary authorities regard it as extremely difficult to increase the flow of personal

savings deposits, since people prefer to hoard their money in spite of the risks involved (termites, fire, theft). The reason is that people do not have much confidence either in the banks or in the National Savings Bank, and in any case know very little about the facilities offered by these institutions.

In the view of the monetary authorities, the way to increase the propensity to save and to deposit money with banks is more active publicity, especially in the vernacular and by radio, so as to reach large parts of the illiterate population.

The *Caisse Nationale d'Epargne* upcountry, and the commercial banks in the towns, should step up their publicity campaigns for saving, and the government should support them, but should not intervene directly so as to avoid creating psychological resistances among the population, who might suspect new taxes behind such measures.

It is also thought that regional development agencies and their community leaders could be used to good purpose in an approach to the broad masses, who are not readily receptive to new ideas in money matters. These men are trusted by the villagers and their advice may be heeded.

But ultimately, time is regarded as the only factor that can have any real influence in increasing the masses' propensity to save via bank deposits. Nevertheless, the government have already taken some steps toward the promotion of national savings. Among other things, the United Nations Development Programme was requested to send a team of experts to study the feasibility of technical assistance in organizing a nation-wide campaign for the mobilization of household savings and in enhancing the efficiency of senior personnel responsible for such a campaign. The UNDP team, which incidentally included an expert from the *Cassa di Risparmio delle Provincie Lombarde*, made two recommendations,

one concerned with publicity media and the other of an institutional kind. The team felt that virtually all the traditional means of publicity could be used to good purpose, including radio and press, school and religious campaigns, etc. From the institutional point of view, the team advised the government to go ahead with forming the national committee for the study and promotion of savings, which had been set up by a decree of 3 December 1971, and also to reorganize and strengthen the National Savings Bank. In connection with the latter the experts, while not disputing the logic of its being attached to the Office of Posts and Telecommunications, strongly recommended a gradual loosening of these ties and the transformation of the Bank into an autonomous agency responsible for its own management and investment policy.

## ZAIRE <sup>1</sup>

Personal savings can be mobilized only to the extent that households dispose of a margin of income which they can afford not to spend for a certain period. There is every indication that such a margin does exist in Zaire, but because of the financial system's structural and functional deficiencies the public is somewhat distrustful of credit institutes. In these circumstances the government have adopted a number of measures designed to channel personal savings to financial intermediaries. Most important from the point of view of mobilizing personal savings are the attractive interest rates which commercial banks pay on deposits thanks to the enlarged investment opportunities now open to them. Another very useful step was the reorganization of traditional savings institutions.

The possibilities of creating an active capital market are being explored by a special commission set up by the government and headed by the Central Bank. Ever since this commission began its work, the mobilization of savings for development has become a key objective for the monetary and economic authorities. The necessity to do so is mentioned in the reports of the Finance and Economics Ministries and of the Bank of Zaire (1970/1971), as well as in speeches by the Governor of the Central Bank to the

<sup>1</sup> Replies to the questionnaire were kindly furnished by Mr. Emony Mondanga, Member of the Management Committee, *Banque du Zaïre*.



Capital Market Commission and in the Commission's own report to the Head of State.

One of the major choices that have to be made right now is that of the most effective means of attracting existing savings. There is no lack of savings facilities, these being provided by commercial banks, the *Caisse d'Epargne du Zaïre* and the *Office des Chèques Postaux*, not to speak of contractual saving via insurance effected with the *Société Nationale d'Assurance* and the *Institut National de Sécurité Sociale*. Of all these, only the commercial banks can show good growth, although just recently the *Caisse d'Epargne*, too, has been doing rather better and hopes to maintain the improvement thanks to its current reorganization. The commercial banks have branches in all the major towns, but it is the *Caisse d'Epargne* which has the most extensive network and is primarily concerned with rural savings. In this respect its only rival is the *Office des Chèques Postaux*, since very broad sections of the population have access to post offices and only a small sum is required to open an account.

Commercial banks are steadily gaining more and more customers, and the structure of deposits is altering to the benefit of time deposits. Both developments are the result of deliberate policy on the part of the Central Bank, which has given the commercial banks more scope for investment. Under the rules of the monetary authorities, commercial banks have to pay certain minimum rates for time deposits, ranging from 3.25 per cent for 15-day money to 12.5 per cent for two-year deposits. Interest paid on foreign exchange deposits may not be more than 1 per cent higher than the rates current abroad for the same currencies.

As regards the chances of increasing the flow of personal savings deposits, the problem is to find the most suitable means of channelling savings to banks. There are not many measures that



can be usefully applied in the short run. Some can be put into effect fairly quickly, like publicity campaigns, improvements in the efficiency, scope and services of savings institutions, or support by the government and international organizations; but others mentioned in the questionnaire are of a more long-range nature.

Studies concerning the possibilities of creating a national capital market have brought to light a variety of general and particular reasons for the weakness of personal savings; these include monetary instability and political disturbances during the early years of independence, the public's preference for real estate investment and foreign currency holdings, the absence of incentives to save (interest rates, publicity), and the inefficiency of some public financial institutions.

The most promising remedies lie in an active interest rate policy throughout the financial system and in a thorough overhauling of the public institutions concerned with the collection of small savings. This can be done by financial reorganization, sound management and extension of geographical coverage. Some steps in this direction have already been taken. In addition, the studies now in hand make out a case for creating a stock market and also for adopting more specific techniques such as the introduction of local savings clubs, savings and credit co-operatives and investment trusts.

If such wide-ranging and ambitious plans are to be put into effect without too much delay, temporary help from international organizations and foreign experts will indeed be necessary and welcome.



PUBLISHED BY SERVIZIO STUDI E STATISTICA  
OF THE CASSA DI RISPARMIO DELLE PROVINCE LOMBARDE  
PRINTED JULY 10, 1973, BY TIPOGRAFIA COMENSE - TAVERNERIO (COMO)





