THE FINANCIAL INFRASTRUCTURE AND ACRICULTURAL DEVELOPMENT IN TANZANIA

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SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE IN AGRICULTURAL ECONOMICS

UNIVERSITY OF READING

AUGUST 1988

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ACKNOWLEDGEMENTS

I wish to express my gratitude to Mr Allan Harrison for his supervision during the preparation of this study. My special thanks are also due to Prof. Martin Upton for his assistance during the earlier stages and Dr David Hallam, the course supervisor, for his guidance and encouragement throughout the course.

I am also grateful for the financial support from the British Government which enabled me to pursue the course at Reading University.

My thanks also go to Mrs B Green for typing the dissertation.

ABSTRACT

In any economy there is a sector which portrays the highest potential for the contribution to economic growth. In Tanzania, like in many non-oil producing African countries the agricultural sector is the most important. Development efforts in such an economy have to pay due weight to such a sector. This study looks on to the roles and contributions of a financial infrastructure to agriculture development in Tanzania.

The study has five chapters. Chapter 1 is an introductory one and gives the background of the economy and justifies the study. Chapter two establishes the basis of evaluation by reviewing and presenting the roles of the financial infrastructure. Chapters three and four are evaluationary ones. Whereas chapter three looks into the structure and set up of the financial system, the philosophical basis of establishment, objectives and roles of the financial institutions, chapter four evaluates the achievements of this system in fulfiling four identified roles of a financial infrastructure; establishing a medium of exchange, mobilization of savings, issuing credit and acting as a tool of economic stabilization.

There is evidence of a deliberate effort by the financial system to assist the agriculture sector. The philosophical basis of establishment of institutions, roles and provisions at the Central Bank portray the importance accorded to Agriculture.

The weaknesses and low performance of financial institutions in assisting agriculture are attributed to the low level of financial

widening and deepening - widening in terms of branch network and deepening in terms of serving more clients. Poverty, unwillingness and resistance by the rural populace are rejected as the reasons for failure in savings mobilization or use of credit.

Stable developmental strategies are called upon for harmonious functioning of the financial system.

CHAPTER 1

1.0 INTRODUCTION

1.1 Main Features and Economic Background of Tanzania

Tanzania has an area of approximately 940,000 square kilometres and a population of about 22 million people. (Ministry of Finance, 1986)

Since 1980, Tanzania's economy has been characterised by a critical shortage of foreign exchange. The Gross Domestic product growth has been low and at times negative, and combined with inflation and high population growth, the result has been falling standards of living. These economic difficulties have largely resulted from declining value of exports, due to both weak world commodity prices and falling production coupled with escalating costs of imports, particularly petroleum imports. The rise in import prices and fall in export prices has resulted in substantial decline in terms of trade since 1978.

There were signs of improvement in 1984 with the GDP rising by 3.2 percent after falling by 2.0 percent in the previous year. Growth slowed in 1985 to 2.3 percent but recovered by 3.8 percent in 1986. (Bank of Tanzania 1986, MDB 1986, Ministry of Finance 1987). Growth continued in 1987, and the National Income was reported to have grown at a rate of 3.6 percent on the basis of 1976 prices. With a population growing annually at a rate of 3.3 percent, per capita income rose in 1986 and 1987 for the first time in many years.

Tanzania depends on foreign trade substantially and has not been performing well for several years. In 1986 Tanzania's foreign trade deficit declined marginally. For the mainland the trade deficit was US$ 699 million. (Bank of Tanzania 1986.) In 1985 to 1986 there was a rise in value of exports from US$ 286 to US$ 348 million attributed to an increase in volume and not in price. Sisal and tobacco are exceptions, whose quantities did not increase. Prices of all exports remained stagnant with the exception of coffee and tobacco whose prices fell. The value of imports reached US$ 1047 million in 1986, a rise of US$ 48 million from 1985. The increase was a result of the import support programme under the Economic Recovery Plan and also due to trade liberalization, allowing imports by idividuals without depending on foreign currency from the Central Bank.

With Tanzania's dependence on trade, the exchange rate has a major impact on allocation of resources within the country. Table 1 presents the official exchange rates of the shilling against US$. Shilling devaluations took place in March 1982 (12 percent), June 1983 (20 per cent) and June 1984 (26 percent). In 1986 the Government made major changes to its exchange rate policy and introduced gradual adjustments to the exchange rate. Further on stronger devaluation took place and by mid 1988 the exchange rate was at a level of US$ 1 per T.Sh. 180.

The most widely used measure of welfare in Tanzania is the living costs in terms of the National Consumer Price Index (NCPI). This guages the living costs of all families in urban areas and covers centres in each mainland region. In the year 1988 the Minister of Finance reported a gradual decline in the rate of increase in prices.

The increase in commodity prices had slowed down from 33.3 percent in 1985 to 32.4 in 1986. In 1987 the increase slowed to 26.6 percent (Msuya 1988).

1.2 The Role of Agriculture in the Economy

As in many other developing African countries, the agriculture sector plays a crucial role in Tanzania's economy. Judged by its contribution to the GDP, agriculture is the most important sector. Over the period 1977-1986 it has contributed 50 percent of the total GDP (Bureau of Statistics 1986). Agriculture contributes more than 80 percent of the total export earnings (MDB 1986), and it employs almost 90 percent of the population.

The products of the agriculture sector are commonly divided into export and food crops. Export crops produced in Tanzania include coffee, cotton, sisal, tobacco, tea, cashewnuts, pyrethrum, cordamon and cocoa, whereas major food crops include maize, paddy, wheat, sorghum, millet, cassava and beans. In its wider definition the agriculture sector also entails livestock keeping, fisheries and forestry products.

Tanzania's agriculture is made up of predominantly small scale farmers with a few estates and state farms, The large scale sector is concentrated on (i) Sisal and a limited number of coffee and tea farms, and (ii) Food production state farms under (NAFCO), ie the National Food Cooperation for cereals, (SUDECO)Sugar Development Corporation for sugar, and (NARCO) National Ranching Company owning ranches

Table 1: Tanzania; Official Exchange Rates for T. Shilling

Date	Shhs per US$
December	
1979	8.2
1980	8.2
1981	8.3
1982	9.6
1983	12.5
1984	18.1
1985	16.4
1986	51.4
1987*	100.0
1988*	180.0

Sources: Bank of Tanzania (1986)

* Estimated from exchange rates offered by Commercial banks.

and lastly (DAFCO) Dairy Farming Company.

Agriculture production is, however mainly dependent on small holders and almost 90 percent of Tanzania's labour force works in this form of agriculture.

In view of the importance of agriculture, Economic development in a Tanzanian context is synonimous with Agriculture Development. Agriculture is the target Sector for economic development in the country.

1.3 Justification of the Study

Developing agriculture requires concerted and coordinated efforts of different services, institutions and economic policies.

This study concentrates on the role of financial infrastructure in agriculture and thus economic development in Tanzania.

The financial infrastructure refers to a set of institutions and policies which provides a payment mechanism and a link between savings and investment. The effect of the financial system on agriculture and economic development has not been ascertained with empirical evidence though it has undergone substantial scrutiny and debate by scholars. There have been at times efforts to analyze different components of the financial infrastructure eg, credit programmes in isolation or to look at effects of a single tool eg, money on a particular economic agent. These efforts fail to reveal effects of finance to agriculture and the economy as a whole; often misleading and underrating its importance.

It is on the base of the above knowledge and reasoning that this brief study puts an effort to look into this problem in a wider perspective, looking into the financial infrastructure as a whole and its effects on agricultural development. It dwells on the set up of financial institutions, philosophical basis of establishment, roles, operations and policies under which they operate, Empirical evidence is presented wherever relevant and available.

CHAPTER II

2.0 THE ROLE OF A FINANCIAL INFRASTRUCTURE IN AGRICULTURAL DEVELOPMENT

2.1 The Importance of Financial Infrastructure

Caselli (1984) noted that the relationship between financial development and economic development is certainly one of the most debated theoretical themes, although a general consensus supported by adequate empirical proof has not been reached. Nevertheless, it seemed unquestionable to him that relationships exists between the two aspects. The development of financial instruments and intermediaries is able to influence economic development through the process of monetization of an economy, separation between saving and investment, with a consequent increase in level of saving as well as in allocation of resources to different sectors of the economy.

The preceding view is also shared by Bain (1981). He first raises concern of the fact that there exists a contrast between the comparative neglect of the role of the financial system with the high level of public and government concern - financial institutions have always been in the public eye and frequently politicians attention. This phenomenon is not a mere coincidence and there is a basis for the latters concern. The governments, though without declaring in a single statement, do appreciate that the quality of services provided by the financial system affects the economy as a whole. Satisfactory payment facilities are now taken for granted, but productive economic activity is dependent on their existence. Raising the level of saving and investment and providing incentive for the allocation of the available resources to those uses where they are likely to give highest returns, is a tool used by financial systems to accumulate capital, one of the major engines of economic growth.

The authority also understands that the ultimate consequences of effects of the performance of the financial system will be borne by economic agents. ie savers and investors, and inbetween them brokers, advisors and regulators. It is important that financial institutions satisfy the needs of both lenders and borrowers. Savers wish to hold their savings for example bank deposits, which frequently differ in ways which borrowers would like to obtain funds, for example long term loans. Financial intermediaries should be able to reconcile these divergent needs.

One of the reasons for the failure to ascertain the role of financial infrastructure to agriculture and economic development has been the tendency to isolate and evaluate its components individually. For example it is common to look at money, savings or credit projects as isolated aspects. Long (1983) for example, pointed out that over the past two decades the ideas about the role of money have undergone profound changes. The simple views that money is irrelevant to real growth and that accumulation of money retard growth have been replaced by more complex considerations of the roles of finance in general, including monetary and non-monetary financial instruments and functions. This approach led to a conclusion that finance affects production and that a financial system is a mobilization and an allocation mechanism which transforms and distributes risks. Long concluded that the financial system's role must be viewed in terms of its capacity to establish the medium of exchange, as a system of mobilization and allocation of capital, a system of transformation and distribution of risk and as a major tool of stabilization policy.

In view of these authors' arguments it is evident that the financial system of an economy has an important role to play in economic development.

2.2 Perceived Role of Financial Infrastructure in LDC's

In the past, Economists dealing with financial systems in Least Developed Countries have been preoccupied with the effects of misunderstanding and misuse of the financial system.

It is argued by Chandavarkar (1970) that LDC's in attempts to deal with the problem of scarcity of domestic capital relative to the size of investment required to achieve high sustaining rates of growth of national and per capita incomes, found themselves using financial markets to issue cheap credit to offset low agricultural prices and yields. This effort worked to the detriment of savers and those who dont get cheap credit, and vitiated the financial system itself.

Other problems caused by insufficient knowledge of how finance interacts with development may be traced to the use of the financial system as a one way street for moving financial resources to borrowers. This approach provided illusions of control, but was often frustrated because it ignored an essential property of financial instruments which is fungibility. In addition, the developmental potential of voluntary savings mobilization through financial markets was neglected, eclipsed by emphasis on providing cheap loans to special interest groups.

The fact that development economists and others concerned with rural development usually viewed the financial system as a channel for moving cheap loan regarded as farm inputs, reveals the passive role they gave to the financial infrastructure. To them the financial system was a veil connecting real economic activity in an economy.

Modern finance may not be very useful in subsistence economies where trade consists of small amounts of barter. The usefulness of financial infrastructure increases rapidly however as households and firms begin to specialize in production, diversify consumption and make large investments.

The nature and geographical dispersion of financial activities in LDC's has for a long time imposed difficulties in enforcing policy directives. This has also allowed decision makers not to follow policies as put forward by regulations. Evasion of purposes of say credit has been common to loan issuing institutions and also by beneficiaries. Sometimes evasion is justified by attempts to seek high returning investments, but also policies failing to reflect realities faced by financial institutions have contributed to this problem.

It is important to understand that the contribution of financial infrastructure may not be a direct one, it is complex; secondary effects and indirect relationships abound. Research on to this study and policy directives should take into account all aspects and participants in the economic system.

2.3 The Role of Financial Infrastructure

The discussion on the importance of a financial infrastructure to an economy and the perceived role in least developed countries, enables us to deduce the role of a financial infrastructure.

The conclusions reached here are also shared and clarified in studies done by Goldsmith (1969), Gurley (1960) and Shaw (1973). The financial infrastructure makes four contributions to an economy.

(i) It provides the medium of exchange.

Barter is inefficient compared to monetized exchange. But where this is the only contribution to finance a simple system would be adequate, ie a Central Bank issuing paper money. A financial system does more than this.

(ii) Mobilization of Savings.

This is an act of mobilizing funds by accepting deposits.

(iii) Issuing Credit.

In this case the financial system provides longer term loans to investors, matched to the cash flows generated by their investments.

In the course of performing the last two tasks, the financial infrastructure allocates resources and transforms and distributes risk in an economy.

(iv) Economy stabilization.

This is an attempt to contend with cyclical changes in prices and output which affects the domestic economy and the balance of payments.

CHAPTER III

3.0 THE FINANCIAL INFRASTRUCTURE OF TANZANIA

3.1 Introduction

The financial infrastructure consists of the Bank of Tanzania as the Central Bank and the national Bank of Commerce as the main commercial bank. Other financial institutions exist for more specific services reflected by their naming. They include the Cooperative and Rural Development bank, The Tanzania Investment Bank, The Tanzania Housing Bank, The Post Office Savings Bank, The National Insurance Cooperation, The National Provident fund and The Tanganyika Development Finance Company Ltd.

The major role of agricultural finance is vested in The Cooperative and Rural Development Bank, The National Bank of Commerce, being the major commercial bank, serves the agriculture sector mainly for savings. The other financial institutions affect agriculture indirectly.

3.2 The Central Bank

The Central Bank of Tanzania took over its responsibilities from the East African Currency Board (EACB) in January 1966. By then the functions of the Bank were as spelled out by the National assemblies act to establish the bank:

An Act to provide for Establishment, Constitution and Functions

> of the Bank of Tanzania as a Central Bank to provide currency of Tanzania, to provide that the Bank shall be Banker to the Government and shall have certain powers in relation to other Banks and other Financial Institutions, to extend Banking Ordinance to Zanzibar and to make certain ammendments to Law relating to Banking and exchange control.
>
> (The United Republic of Tanzania 1965)

The main functions of the Bank at the beginning were thus the orthodox banks' responsibilities. To formulate and implement the monetary policy of the country, maintain internal and external value of National currency, having a monopoly of issuing currency, and as banker to government it had a major role in the conduct of government financial operations including management of public debt. Finally, the Bank had to act as a regulator and supervisor of the financial system.

In the course of its activities the Bank and the Government of Tanzania, appreciated the fact that the specific economic environment, economic structure and the development strategy adopted in Tanzania needed a new dimension of responsibilities for the bank. The Governor of the Bank of Tanzania clarified the need for new dimensions as follows: "Historically, since Central Banks first emerged in industrially developed countries, they set a model for developing countries, including African countries also. However this milieu in which Central Banks are called upon to function in African Countries is basically different and hence we find that a new dimension to functions of Central Banks has come to be added with view to making the functions more relevant and responsive to the needs of the situation." (Nyirabu 1984).

The new functions of the Central Bank thus concentrated on promotional activities for the rural (agricultural) sector and included:

(i) Extension of Banking.

Tanzania, as many other African countries, is very deficient in its banking system. In the Tanzanian context therefore, extension of banking facility for both mobilization of saving and channelling credit to priority sectors becomes an intergral part of economic development. The Central Bank has thus been called upon to promote an appropriate structure of financial institutions. For the size of Tanzania in relation to its potentialities for development the number of branches of NBC are very few. Thus widening of banking system in terms of opening new branches and deepening in terms of covering large sections of the population became one of the major tasks of the bank.

(ii) Development of Credit.

The distribution of credit is another area which required attention from the Bank. Tanzania inherited commercial banks which during colonial times had a major function of financing foreign trade in agricultural commodities and import of consumer goods. The financing needs of the domestic economy were totally neglected. Moreover it is claimed that resources of commercial banks which were rendered surplus found their way out to London markets. (Nyirabu 1984, Mittleman 1978). It implied that resources mobilized in Tanzania were siphoned off to finance trade and industries in developed countries. With this background the new task of the Bank was to divert credit away from this expatriate sector to the indigenous or domestic sector. Upon this, the Bank has a role of identifying priority sectors and ensuring commercial banks credit are channelled towards them.

(iii) Rural Credit.

This is a task which is not traditionally linked with Central Banks. The role which Agriculture plays in the Tanzanian economy has already been mentioned and increasing productivity in Agriculture is synonymous with economic development. Agriclutural credit has the potential to act as a force to the development of this sector.

This reasoning led to the amendment of the Act of the Bank of Tanzania in 1978 making rural credit a statutory responsibility of Tanzania. The amended act required the Bank to provide facilities such as refinance, guaranteeing of loans, training of personnel, supervision and inspection of institutions.

3.3 Commercial Banking System

A characteristic historical event in the development of the Tanzanian Financial Infrastructure is that of nationalization of all commercial banks. This was in response to the implementation of the Arusha Declaration of 1967, the country's blueprint for socialist construction. The assets and liabilities of seven foreign and two local banks were taken over and vested in a government owned Bank, The National Bank of Commerce (NBC).

3.3.1 The National Bank of Commerce (NBC)

This is the commercial bank which has had the traditional range of commercial banking facilities as well as trustee services, Its initial authorized capital was T Sh. 100 million of which the government's share of 60 percent was paid for by turning over to the banks its investment in the National Tanzania Bank of Commerce (Binhammer 1975).

In the first years the bank concentrated on establishing an efficient unified organization. The 1986 statistics indicate that the bank has 144 branches and 245 agency offices, an increase of 10 branches from 1985. Deposits have constantly been reported to be increasing, for example in 1986 they increased by 11 percent from 1985 (Ministry of Finance 1987).

The same report indicates that loans issued by the bank have constantly increased in nominal terms eg from TShs 5,687.6 million in December 1985 to TShs 17,809.0 million in 1986. The report points out that the increase was mainly due to loans for the agricultural marketing sector.

3.4 Credit and finance for the Rural Sector

3.4.1 Evolution of rural financial institutions

Genuine efforts have been made since 1947 to establish institutions to cater for finance in the rural area and the agricultural sector.

The trend to the present has been characterized by changing structures and names of a number of institutions.

The Local Development Fund and the African Productivity Loan Fund were formed in 1947 and 1955 respectively to provide special credit facilities as a means to increase productivity of peasant farmers. Complex procedures for loan application and security problems impaired the efficiency of these two funds.

The Land Bank of Tanganyika commenced operations in 1948 with capital subscribed by the Legislative Council out of revenues of the then territory. The main clients of the Land Bank were large scale expatriate farmers. Credits to small scale farmers were badly organized through a series of small funds which were inadequately financed and staffed. The main shortcoming of this bank was thus its inadequacy in meeting smallholder African farmers' needs.

The Land Bank was replaced by the Agricultural Credit Agency in 1961 which operated up to 1964. The bank was established following advice from the World Bank. It was structured as a government instrument for overall development of the agricultural sector. Most of the loans by the Agency were placed to the District Loan Committee with an attempt to decentralize and reach many African smallholder farmers. This attempt was achieved at considerable cost due to lack of qualified staff, which led to adoption of non feasible projects. Furthermore the cost of administering thousands of small individual loans placed a burden to the agency beyond its available resources.

Because of the trust put in cooperative unions in the mid sixties and building upon the experience of the past fifteen years, a decision was made that the cooperative movement should serve as the basic mechanism of distribution of credit to the rural sector and to agriculture in particular. This led to the formation of the National Cooperative and Development Bank (NCDB). The NCDB was established under the nominal control of the cooperative movement and became the holding company of the National Cooperative Bank (NCB) and the National Development Credit Agency (NDCA). In 1970 the NCB was absorbed by the National Bank of Commerce and NDCA succeeded by Tanzania Rural Development Bank. Binhammer 1975 sees the financial operations of NCDA as to have been not significant. M wakilasa (1982) assessed the bank and reached a conclusion that it was no different from the former ACA. Mabele and Msambichaka (1979) saw the reason of its dissolution in 1971 to be the failure to assist in socialist development. Despite a clearly stated policy of priority to ujamaa villages,the bank had issued credit only to one ujamaa village.

In 1971 the Tanzanian Government established the Tanzania Rural Development bank as a replacement of the NDCA with a mission to provide a comprehensive credit system for transforming subsistence living into modern cash economy (TRDB 1972). With the abolishment of the cooperative unions in 1975, the lending policy of TRDB was tied to the government's agricultural policy, namely of lending to ujamaa villages and other communal agricultural or communal development projects such as storage, transport and rural cooperative ventures, parastatals, district development cooperations and government-owned companies, with little lending to individual farmers.

3.4.2 The Cooperative and Rural Development Bank (CRDB)

TRDB changed its name in 1984 to the Cooperative and Rural Development Bank in response to re-establishment of cooperative unions. This indicated its new scope of interest, ie issuing finance to cooperative unions.

CRDB is controlled by a Board of Directors, including a Chairman and Managing Director appointed by the President of Tanzania. It has five departments: Administration, Finance, Development, Operations, and Regional representative. The organizational structure also entails committees for finance, research, workers and regional advisory board. The bank has offices in the regions, performing all functions of the bank including provision of technical assistance in project identification, appraisal and supervision.

Together with all finance activities it inherited from TRDB the new bank has increased its scope of activities to include saving mobilization with a long term objective of ensuring a revolving fund.

3.5 Other Specialized Financial Institutions

3.5.1 The Tanzania Housing Bank (THB)

The Tanzania Housing Bank was established in 1973 by the Government. This Bank replaced the Permanent Housing Finance Company (PHFC), a foreign financial institution which basically financed only medium and high cost housing in urban areas. The New Bank was deliberated with a task to finance every type of building which was economically viable. It offers house construction loans, roof loans, house improvement loans, loans for purchasing building materials. This is in addition to commercial loans for construction of stores and warehouses and the manufacture of local building material.

3.5.2 Tanzania Investment Bank

This Bank was established following legislation introduced by the Government in June 1970, with the task of making available long and medium term finance for economic development and providing technical assistance and advice for this purpose. (The United Republic of Tanzania 1970) Loans issued by this bank are more inclined towards the industrial sector, its clients being mainly government parastatals and private companies. There are indications that with time, the bank will involve itself more with the agricultural sector especially in provision of raw materials and spare parts. (Ministry of Finance 1987).

3.5.3 The Post Office Savings Bank

Legislation for the establishment of a post office savings bank in the former territory of Tanganyika was enacted in 1925. In 1933 an amalgamation of the administration of the Post and Telegraph service of Kenya, Uganda and Tanganiyika took place. The administrative control of the bank was thus under the Postmaster General serving all of them. Individual management by the three countries was retained after the breakdown of the East African Comunity.

It is reported by Binhammer (1975) that by 1965 there were 110 post office savings banks offices on mainland Tanzania of which 75 were located in predominantly rural areas not immediately served by commercial banks. Approximately 32 percent of total savings accumulated were attributed to these 75 rural offices and approximately 75 percent of these same offices had excess deposits over withdrawals. This suggests that the post office savings bank achieved its raison d'etre ie, to act as a thrift institution and provide warehouse service for safekeeping rural transaction balance. The 1986 statistics indicate the number of clients to have reached 711,407, the bank accrued profit amounting to TSh 69 million which increased from TSh 39 million the previous year. (Ministry of Finance 1987).

3.5.4 The National Insurance Corporation (NIC)

Insurance activities in Tanzania were under foreign incorporated companies up to 1967. The only locally incorporated company was the National Insurance company established in 1963 with 51 percent of shares held by the treasury and the remainder by various insurance and reinsurance companies, In compliance with the Insurance (Vesting of Interests and Regulations) Act of 1967 the treasury acquired all the shares of NIC outstanding to others and this company became the sole life insurer in Tanzania.

The investment potential of NIC depends on life premiums income from various types of policies, reinsurance policy, its administrative costs, its claim experience and the return from its investment portfolio.

The Ministry of Finance reported the income of NIC to have reached TSh 227 million per annum in 1986. The main problem faced by the corporation is a decline in number of clients, which the Ministry attributes to a difficult economic situation. The only area where NIC has benefited has been through policies covering motor vehicles, whose number has been increasing. The Corporation is also in the process of establishing a crop insurance programme of which feasibility studies are underway. This will be one of its big contributions to the Agricultural sector.

3.5.5 The National Provident Fund (NPF)

The NPF commenced its activities in 1965 as a savings plan from which retirement and other benefits would be provided. With few exceptions, all employees are compulsory members of the scheme. Contributions to this fund are paid by both employees and employers at set rates. Benefits are paid to members from their accounts in the fund for old age survivorship, invalidity, sickness and withdrawal in respect of marriage (for females) and emigration.

In the year 1986/87 the fund generated TSh 975 million out of which TSh 500 million are contributions by employers and employees, the rest coming from the fund's investments. (Ministry of Finance 1987).

3.5.6 Tanganyika Development Finance Company Limited (TDFL)

The Government of Tanganyika, the United Kingdom's Commonwealth Development Corporation and the Federal Republic of Germany jointly sponsored the establishment of the company in 1962. The objective in establishing the company was to create an internationally based and commercially operated development organization to supplement the efforts of the government in bringing about economic development.

Areas of interest and emphasis of TDFL are expansion of industrial, agricultural and other undertakings aimed at utilizing natural resources, providing employment and attracting and conserving foreign exchange. By the end of 1986 a total of TSh 579 million had been issued as loans for 75 projects. (Ministry of Finance 1987).

CHAPTER IV

4.0 PERFORMANCE OF THE FINANCIAL INFRASTRUCTURE

4.1 Introduction

This chapter's objective is to evaluate the performance of the financial infrastructure in terms of achievements in fulfilling the four roles of a financial infrastructure: establishing a medium of exchange, mobilization of savings, issuing credit and as a tool of economic stabilization.

4.2 Establishing the Medium of Exchange

4.2.1 The need for money

If a society accepts to handover individual choice to a central planning agency such as the Government, it is possible for an economy to operate without money. Seddon et al (1972) gives an example of the early days of the Soviet Union, where the state determined the relative quantities of different lines of production while distribution is affected by a system of rationing which accords with the prevailing notions of social justice. The weakness of such a system lies on the side of distribution once an economy has been raised above subsistence level.

In a free economy the only alternative to the use of money is a system of barter. But the barter system has three disadvantages:

(a) Rare coincidence of individual wants.

(b) Difficulty in adjusting quantities of goods bartered.

(c) Difficulty in establishing multiple exchange ratios.

Barter is thus inefficient relative to monetary exchange.

In further developed stages, wealth can also be held in form of other financial assets such as bonds, shares or building assets. Furness (1975) points out that these forms of holding wealth avoid the disadvantages of tangible assets and have advantage over money of earning interest, but they are less liquid. This is thus an important aspect to evaluate.

4.2.2 Currency in Tanzania; An historical perspective

The first function assumed by the Bank of Tanzania when it commenced operation on 14th June 1966 was a "bank of issue", a function which it took over from the East African Currency Board. The EACB had maintained its currency in circulation since 1919 denominated in East African shillings. Previously four major currencies circulated in East Africa in addition to shells and cattle. The circulating currencies were Indian Rupees, silver coins, German token coins and local coins expressed in rupees, issued by the British currency commissioner and backed by sterling securities. (Binhammer 1975, Newlyn 1967).

In 1966 the Bank of Tanzania introduced a separate currency in the country. At first it issued only its own notes denominated in Tanzanian shillings and later on coins. During the interim period the EACB made available stock of its own coins. Settlement was made by Bank of Tanzania either with credit in its books in favour of the Board or by outright purchase of sterling by the Board. The Board acted only as an agent with the supply and movement of coins being the responsibility of the bank of Tanzania.

Binhammer reckons that the speed at which the redemption progressed and the relatively high proportion of circulating issues turned in must be considered by historical standards as one of the most successful currency conversions undertaken. The notes of the Board ceased to be legal tender in East Africa on the 14th September 1967 and its coin on the 10th April 1969. Table 2 presents the redemption of the EACB notes and coins.

Table 2 Tanzania: Redemption of EACB Notes and Coins (million shillings)

End of Period	Notes	Coins	Total
1966 June	92.9	-	92.9
December	242.7	11.5	254.2
1967 June	285.2	36.4	321.6
December	288.6	44.1	342.7
1968 June	300.0	46.5	346.5
December	300.5	48.5	349.0
1969 June	300.9	53.2	354.1
December	301.2	54.1	354.3
1970 June	301.4	54.5	355.9

Source: Binhammer (1975)

4.2.3 Present currency situation and level of monetization

The picture of denominations in coins and notes and amounts in circulation is provided in table 3 whereas table 4 presents the monetary survey disaggregating money supply M1 being the sum of currency in circulation outside banks and demand deposits, M2 being M1 plus time deposits and saving deposits.

Since 1979, the economy has experienced strong monetary expansion arising mainly from rapid growth in domestic credit. The growth of the broad money averages 26 percent on an annual basis during 1979-84 having reached 38 percent in 1979 and 32 percent in 1980. (The United Republic of Tanzania 1986).

An appreciation of the level of monetization can be revealed by use of some financial ratios.

(i) The ratio between currency outside banks and the Gross Domestic Product is intended to measure the degree of diffusion of money in the economy.

(ii) The ratio between total money ie, M2 and the GDP reflects the degree of diffusion of financial instruments and depicts the degree of financial deepening.

Casselli (1984) calculated these ratios for countries which are classed into three groups ie, industrialized countries, middle income countries and low income countries which included Tanzania. The analysis revealed the existence of a difference between developed

Table 3 Tanzania: Notes and Coins in Circulation (million shillings)

	Notes				Coins							
	10/=	20/=	50/=	100/=	=/5	=/10	=/20	1/=	5/=	20/=	1500/=	Total
1982	446.3	793.5	-	6956.2	9.3	2.9	15.9	94.0	75.2	-	0.1	8427.0
1983	-	-	-	-	-	-	-	-	-	-	-	8717.3
1984	547.5	996.9	-	9530.5	9.7	3.3	17.6	109.2	86.2	8.2	-	11341.2
1985	458.1	704.2	857.1	12215.1	9.8	3.3	17.7	113.1	88.9	8.9	-	14484.1
1986	-	-	641.1	12658.7	9.8	3.4	17.7	115.6	93.1	8.1	-	14611.1

Source: Bank of Tanzania (1986)

Table 4 Tanzania: Monetary Survey (million shillings)

	1982	1983	1984	1985	1986
Currency in Circulation outside banks	6,639	7,069	8,711	10,822.4	13,520.3
Demand deposits	6,696	7,492	8,659	11,132.5	12,566.0
Money Supply (M1)	13,335	14,559	17,430	21,954.9	26,086.3
Time Deposits	3,852	5,244	6,204	7,362.4	9,178.4
Savings deposits	1,746	2,213	2,584	3,117.9	4,289.4
Money Supply (M2)	18,933	22,014	26,219	32,435.2	32,435.2

Source: Bank of Tanzania (1984) (1986)

countries and African countries. The lower financial development in African countries, Tanzania included, could be traced back, both to the persistence of a dual characteristic of the economy with a good proportion of a subsistence sector and the insufficient spread of financial instruments in the non traditional sectors.

The study also revealed some positive aspects. A consistent spread of legal tender appeared unquestionable. This conforms to what we have already seen in the history and development of a medium of exchange in Tanzania. Despite there being a gap with industrialized countries, the degree of financial development has certainly increased and the distance has begun to reduce.

The Tanzanian position with reference to or in terms of the use of other bank services ie, deposits, savings etc can also be generalized from Casselli's study. She noted that the currency outside banks over total reserve money was higher and increasing in developing countries, Tanzania included, and were lower and declining in developed industrialized countries. The phenomenon was also evident in the "currency ratio" ie currency outside banks over money M1. This indicated a trend of developed countries moving towards the use of other bank services more as compared to developing African countries.

The situation in Tanzania can be summarised as one where efforts to establish a medium of exchange have been successful. There still exists a significant subsistence sector which will require not only the development and spread of financial institutions and instruments but an overall increase in production and creation of surplus is required. These efforts should go together with attempts to instil a commercial attitude in the decision-making process of the Tanzanian farmer.

4.3 Mobilization of Domestic Savings

4.3.1 The Need for Domestic Savings

We have already discussed and pointed out the importance of Agriculture to the economy of Tanzania. In order to modernize and increase the productivity of agriculture, massive investment is required and this requires savings.

The importance of mobilizing savings to finance the development of agriculture and the economy as a whole cannot be over-emphasized. Domestic Savings can be taken as a primary determinant of capital formation.

Imports of foreign savings are limited by scarcity of opportunities to earn foreign exchange for debt redemption and also by the fact that investment returns tend to be lower than interest rates charged in international capital markets.

The above considerations have led to many economists accepting the importance of savings. Sandro (1984) reckons that the importance of savings mobilization as a determinant of the rate and direction of economic growth is gradually gaining recognition. Moreover, since agriculture or the rural sector constitutes the largest economic sector of most countries in the Third World and certainly in Africa and Tanzania, savings mobilization in rural areas must necessarily have a top priority regardless of the development that is pursued or the type of government that is in power.

4.3.2 Domestic Savings and Investment

Despite the fact elaborated above, on the importance of and the need for domestic savings, in the Tanzanian case, domestic savings are declining and a substantial proportion of investment is through foreign savings.

The Gross domestic savings declined by 23 percent in 1984 compared to an increase of 2.5 percent recorded in 1983. (Bank of Tanzania 1984/1985) In 1985, it was estimated by the Bank that savings had further declined by some 10 percent. This is partly evidenced by the increase in aggregate consumption.

Because of the aforementioned downturn in savings, the share of investment financed by domestic savings decreased from 54 percent in 1983 to 42 percent in 1984. On average domestic savings financed 48.8 percent of investment between 1949 and 1984, where foreign savings accounted for 51. 2 percent.

This is not the best situation which the advocates of agricultural and economic development would prefer to have in Tanzania, and there is a need to explore means of improving it.

4.3.3 Rural savings in LDC's and Tanzania

There are basically three sectors of a national economy which account for savings. First is the government or public sector which derives its savings from taxation and surpluses of public enterprises. Second, there is the business or corporate sector deriving its resources from undistributed profits. Lastly, is the household sector which derives its savings from salaries, wages, professional fees and income through sales of produce in case of farmers. The mobilization of domestic resources through the government has been impressive in many countries including Tanzania. Usually such efforts demand a substantial increase in taxes and therefore it is not possible to raise the level of government sector saving beyond a certain level. Beside the rise in tax and other current revenues, government current development expenditures on social services like education, health and social welfare tend to increase. Government savings ie, excess of current revenue over current expenditure is therefore often insignificant if not negative.

On the other hand, the financial efficiency of public enterprises presents a dismal picture in Tanzania. The majority of the parastatal organizations have been incurring losses partly due to terms of trade and foreign exchange crisis and partly due to inefficiency and unsatisfactory pricing and general policies imposed on them. Thus for various reasons these enterprises generally experience deficits instead of generating surpluses and contributing to domestic savings.

The private corporate savings too, is not of significance in Tanzania because of the smallness of the sector. Thus it is the savings of the non corporate private sector or household that is of crucial significance to the economy, and more than 80percent of people live in rural areas and work in agriculture. This is the major surplus sector in the sense that its savings exceed its current investment and the growth of investment in the public and private sector is critically related to the extent resources are mobilised from this surplus sector.

The statistics provided by the United Nations and the Statistical Year book of China augment this argument, between 1976 and 1980 it indicates that in United States of America, Government share of Gross domestic savings was 7 percent, enterprises 58 percent (justifiable due to its proportionate size) and household 35 percent. United Kingdom's Government contributed 0 percent to the Gross domestic savings, enterprises 56 percent and household 43 percent. Not only in developed countries is this phenomenon evident, India's Government in the same period contributed 13 percent, enterprises 22 percent, household 65 percent. It is thus clear that there is a need to derive more savings from the rural household sector. In China, a country which Tanzania has emulated to some extent in terms of rural development strategy, in 1978, Government savings constituted 73 percent, enterprises 12 percent and households 15 percent. This aspect raised concern and efforts to correct the phenomenon had good success. By 1981 the Government's share was lowered to 49 percent whereas the household contribution went up to 29 percent, proving that it is possible to generate savings from the rural household. Table 5 shows savings for selected countries.

Table 5 Gross Domestic Savings in selected countries 1976-80 (Percent)

Measure: Share to total Savings	China 1978	China 1981	USA	UK	Japan	India	South Korea
Government	73	49	7	0	9	13	26
Enterprises	12	22	58	56	37	22	35
Household	15	29	35	43	54	65	38
Total	100	100	100	100	100	100	100

Source: Estimates based on Statistical Bureau, Statistical Yearbook of China, 1981 (Hongkong: Economic Information Agency and United Nations, Yearbook of National Accounts (New York 1981)

4.3.4 Potentials, attitudes and conditions for rural household savings

When discussing saving in developing countries many economists tend to argue that the majority of the population is too poor to save.

Mauri (1983) noted in his review that even famous African economists were underestimating the potential for household savings. He referred to Adenkule J O, who entirely ruled out any possibility that improved yield on savings accounts with financial institutions might induce financial assets (at a time when negative real interest rates were a norm in much of Africa as an outcome of inflation). Another referred to economist was Samir Amin who held that it was premature to focus on household savings so long as the rural population continued to be unmercifully exploited as a result of neocolonialism and domestic colonialism practised by emerging bourgeosie "comprador" concentrated in its urban areas.

The above arguments and stands of the economists have one thing in common: they rule out savings possibility with a qualification. Adenkule's case is affected by negative real interest rates as a result of inflation whereas Salim attributes saving failure to exploitation.

It is thus correct to accept that saving in rural households is possible subject to conducive conditions. A number of studies carried out on this subject rule out the notion that because people were poor they were unable or unwilling to save, a good example is given by Wirmark (1983). To him, even in poor countries an increase in income is not simply used for consumption. Studies carried out in the Mtibwa and Katete areas of Zambia showed that on average farmers saved more than 30 percent of their incomes. Rates of savings were more a function of changes in income levels rather than absolute levels of income.

Amani et al (1987) conducted a credit study survey in three regions of Tanzania; Dodoma, Iringa and Morogoro. Amongst other analyses, they looked at the incomes and savings of people in 25 villages picked from six districts. Their conclusion was that there were varying levels of income and savings across the regions and villages. In total, less than 15 percent of the interviewed farmers indicated to have no savings at all but no less than 59 percent that they had no cash savings, 76 percent that they did not keep a bank account and 82 percent that they did not keep cash at home. On the other hand, 78 percent owned livestock. It was obvious that livestock, both small and large is a popular way of saving. Typically the value of livestock amounted to TSh 5000 or less in Morogoro and up to TSh 100,000 in Dodoma and Iringa.

It is evident that farmers have a positive attitude towards savings. The low incidence of money savings at home indicate their willingness to hold wealth in different forms. Our argument here is that, the low incidence of bank account reveals lack of banking facilities which forced people to hold wealth in terms of animals. The degree of saving in financial asset is indeed interlinked with extent of spread of thrift and banking habit but more important is the existence of institutional infrastructure and the availability of choice of saving instruments from the view of convenience, adaptability, liquidity of funds and returns to funds invested. In the Tanzanian case where the major commercial banking activity is vested in one publicly owned bank and whose branches are placed on regional and district headquarters, it is not possible to provide the needed level of financial widening.

4.3.5 Role played by commercial banks

As already mentioned, the task of savings mobilization by commercial banks is vested in the National Bank of Commerce.

The services offered by NBC include:

(i) Bank Counter Service Scheme. This scheme covers only members of the public who are aware of the usefulness of having a savings account.

(ii) Mobile Agency Scheme. In this scheme, a bank van calls at specified places at predetermined days and hours to conduct banking business. The operation of this scheme is in lieu of a bank branch nearby. This is the most popular scheme in rural areas.

(iii) Estate Agents Scheme. Under this scheme employees in large estates are provided with bank services at their places of work without having to suffer the inconvenience of travelling long distances.

(iv) The deposit - linked Assurance Scheme. This scheme is operated jointly between NBC and the National Insurance cooperation. It is designed to provide life assurance protection to account holders.

(v) School Banking and Minors Scheme. This scheme is designed to breed a saving habit in the tender hearts of school children and minors.

(vi) Group Saving Scheme. Also known as "Rural Savings and Credit Scheme". This scheme is jointly being operated between the bank and the Ujamaa and Cooperative Development Division of the Prime Minister's Office. The scheme collects savings deposits from members of villages and cooperative societies in rural areas. On the other hand, it uses the deposits so mobilized to provide rural finance thus ensuring rural savings are utilized for promoting rural development. Under the scheme villagers open their individual savings accounts at their cooperative society, while the society in turn operates group savings accounts with NBC. All their crop proceeds are paid through these savings accounts. The society collects these and other deposits and banks them under its relevant group savings accounts maintained with the Bank. The NBC pays interest to the group accounts while the society in turn pays interest to member depositors.

The National Bank of Commerce, through all the above means, mobilizes more than 95 percent of all deposits in the country. The Bank has 135 branches and 245 agency offices. This gives an average of a very high figure of 58,000 people per bank branch as compared to 17,000 in India, 12,000 Sri Lanka, 5,000 in The Republic of Korea. (Binhammer 1975, Tarimo 1984). The current Tanzanian target as indicated by the Bank of Tanzania is to reach 25,000 people per bank office by the year 1990.

The CRDB now has a mandate to operate commercial banking business, but it will take some time before it makes an appreciable impact on this regard. The Tanzania Housing Bank does mobilize deposits to a smaller extent and the Tanzanian Investment Bank does not at all. It is thus clear that the National Bank of Commerce has a major commercial role in terms of saving mobilization. The weakness in this regard is the low number of bank branches and thus low financial deepening and widening.

4.4 Credit

4.4.1 The need for credit

In Tanzania, just like in many other developing countries capital formation is one of the major problems in the agricultural sector. The functioning of official credit market is looked upon as a means to alleviate from this problem.

The need for agricultural credit is emphasized at the official level:

If income is to be raised for enabling the vast majority of the population to enjoy a more decent standard of living, there seems to be immediately no alternative to increasing the productivity of agriculture. This will be possible if our farms switch over from traditional to modern agriculture in very large numbers, involving the use of high yielding varieties of seed, organic manure, chemical fertilizer, insecticides, better implements and animal and mechanical power. The farmers are going about their farming business at present using ordinary seed, hardly any organic and inorganic manure, only human power and largely only the jembe (hoe) and shoka (axe) as implements. Most farmers have only a single cropping season a year as irrigation is confined only to few regions and covers only a small portion of total cultivated area. Further only about 5 percent of the total area is cultivated and there is scope for extending it by clearing the bushes and forests and levelling the land. The increase in agriculture production is thus possible by modernising agriculture as well as by more extensive and intensive cultivation. All this however means considerable investment in the inputs of agricluture most of which are not produced on the farm and have become very expensive in recent years and in effecting achieving permanent improvements in the land. It will be thoroughly unrealistic to expect farmers, the vast majority of whom are on or below the poverty line to have enough savings of their own to finance the capital investments. They have therefore to be enabled to make these investments by giving them access to credit. (Bank of Tanzania 1979).

4.4.2 Rural credit deployment by the Central Bank

The Bank of Tanzania which was established in 1966 to undertake the traditional functions of a Central Bank in its orthodox sense, had ammendments in its Act in 1978 giving it a role and status of a truly national level institution also to engage in the promotion of rural development, industrial and agricultural production. The main aspects of the role were the provision of financial facilities from two sources, namely the Refinance facility and the Rural Finance Fund, which operate as follows.

(i) Refinance Facility

The Refinance Facility from BOT is provided out of its general resources for financing short term annual agriclutural operations covering seasonal production inputs and purchase of crops. The refinance facilities have now been considerably broadened to provide access to the banks and other designated financial institutions. However, in case of short term funds of this nature, the limitation arises from BOT's responsibility as the Central Bank of the country towards maintenance of internal as well as external monetary stability, in pursuance of which it has to keep credit expansion under control. The BOT cannot therefore assume responsibility to meet the entire gap in the resources of the banks and other designated financial institutions, although over years BOT's average volume of lending to them will go on increasing.

(ii) The Rural Finance Fund

The rural finance fund which was established in the Bank under the Act can be used for the following purposes in addition to providing medium term and long term loans for rural development.

a) Converting short term agricultural production loans into medium term loans for periods exceeding five years when the repayments of the farmer is in default due to the effects natural calamities or other exceptional circumstances;

b) purchasing bonds, debentures and other negotiable securities offered by banks and financial institutions for financing rural development;

c) guaranteeing of loans and advances granted by banks and financial institutions for financing rural development;

d) providing funds for training facilities and supervision and finance institutions;

e) launching a Bank Branch Expansion fund mainly to subsidize new bank branches opened in rural and unbanked areas on tapering basis say for first five years. This fund will encourage commercial banks and other financial institutions to open new branches in rural areas not only conducive to resource mobilization but also for the extension of credit.

f) Under the new Agricultural Credit Policy, the Bank of Tanzania requires that all banks in the country should extend at least 25 percent of their total loan portfolio to the agricultural and rural sector. In some other countries where there are a number of private commercial banks, the statutory lending limit to rural sector is normally much less than 25. For instance the Central Bank of Kenya has set a minimum lending limit of 17 percent for commercial banks to the rural sector (Masini 1987).

g) Apart from the aforesaid endeavours being pursued by the Bank of Tanzania in fostering agricultural finance, the Bank also monitors other activities which have promotional impact on the same. The Bank convenes and chairs the following forums:-

The Conference of Financial Institutions, which is an annual event convened and chaired by the Bank of Tanzania in the country with the main theme of discussing sound financing policies for agricultural and rural development.

The Bank also chairs and offers secretariat to Standing Advisory Council on Rural Finance (SACORF), which outlines policies and gives guidance in the sphere of agricultural finance. The National co-ordination committee on small scale industries (NCC-SSI) which gives guidance and cordinates the financing of small scale industries in the country is also chaired by the Bank of Tanzania.

h) One of the traditional functions of most central banks is to fix the interest rate structure for the various sectors of the economy. In Tanzania, the Bank has been fixing concessionary rates for the cooperative movement and the agricultural sector. The question however remains to be answered is whether such concessionary rates have really made any desirable impact on the capital markets in the rural sector and more so in a relatively unmonetized economy like Tanzania

4.4.3 Commercial banks lending by Sector

Inflation had its effect portrayed in the total lending by commercial banks. In nominal terms total commercial lending increased from TSh 4,403.1 million in 1977 to TSh 19,358 million in 1986. In real terms ie, when the values are corrected for inflation total commercial lending declined from TSh 4,403.1 to TSh 2204.8 in the same period. Appendix 2 presents the total commercial lending in nominal terms whereas Table 6 presents the inflation corrected figures. This trend is also common in all individual sectors. It is only from 1977 to 1978 where there is a real increase in commercial lending and a gradual decline from there on. The only exception is in the case of credit for agricultural production which increased in real terms from 1977 to 1981 and started declining thereafter.

Mining and manufacturing industry enjoyed the biggest share of commercial lending in the years 1977, 1978 and 1979 with 32, 41 and 24 percent of total lending respectively. From 1980 the biggest share of commercial lending shifted to agriculture. The time period coincides with the establishment of the new Agricultural credit policy and the Rural Finance Department of the Bank of Tanzania, one can attribute the changes to be due to the latter developments.

Commercial lending to agricultural products marketing has increased substantially in nominal terms at a level which maintained it constant in real terms. In real terms it amounted to TSh 1200.8 million in 1977 and did not change significantly after 9 years ie TSh 1199.3 million. The agricultural sector as a whole enjoys more

Table 6 Tanzania: Commercial Lending by Industrial Sector[1] (Million Shillings)

Sector	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Public Administration	11.3	166.8	99.0	29.2	30.4	13.9	9.7	8.7	14.5	11.9
%	.2	3.2	2.0	.7	.8	.4	.3	.3	.7	.6
Agriculture Production	175.3	154.5	155.2	241.9	213.4	139.7	102.9	126.7	67.1	70.5
%	3.9	3.0	3.0	6.0	5.6	4.4	2.9	5.0	3.2	3.2
Mining and Manufacturing	1418.0	2154.6	1255.0	357.0	257.9	227.1	222.6	258.5	185.1	193.9
%	32.2	41.0	24.7	8.9	6.8	7.1	7.5	10.3	8.8	8.8
Building and Construction	38.5	88.2	82.3	70.9	59.7	53.5	63.5	64.7	54.3	57.3
%	8.7	1.6	1.6	1.7	1.5	1.6	2.0	2.0	2.0	2.6
Transport	37.1	27.7	67.7	73.7	62.0	68.0	69.1	49.1	52.5	55.1
%	.8	.5	1.3	1.8	1.6	2.1	2.3	2.0	2.5	2.5
Tourism	40.1	31.8	25.5	20.0	16.2	2.3	2.4	3.2	3.2	4.4
%	.9	.6	.5	.5	.4	.1	.1	.1	.2	.2
Marketing of Agr. Produce	1200.8	1248.8	2242.0	2538.0	2401.7	1957.3	1878.1	1471.6	1139.6	1199.3
%	27.2	23.8	49.0	63.1	63.5	61.3	63.0	58.5	54.4	54.4

Table 6 continued

Sector	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Export of Produce	733.4	637.7	314.6	55.1	159.6	170.0	158.0	114.6	51.5	52.9
%	16.6	12.1	6.2	1.4	4.2	5.3	5.3	4.6	2.4	2.4
Trade in Capital goods	57.0	147.6	58.2	12.9	10.17	1.8	8.7	19.4	7.2	7.3
%	1.2	2.8	1.2	.3	.3	.1	.3	.8	.3	.3
All other trade	419.0	441.5	456.7	348.8	354.8	349.8	324.9	320.1	333.6	352.1
%	9.5	8.4	9.0	8.7	9.4	11.0	11.0	12.7	15.9	26.0
Specified Financial Institutions	68.2	58.4	74.9	40.1	32.3	19.9	11.2	2.1	13.1	-
%	1.5	1.1	1.5	1.0	.9	.6	.4	.1	.9	-
Others	203.7	93.1	253.5	232.3	185.0	189.6	146.4	77.1	174.6	199.0
%	4.6	1.8	5.0	5.8	4.9	.6	4.9	3.1	8.3	9.0
TOTAL	4403.1	5251.5	5085.8	4021.7	3783.6	3193.4	2981.3	2515.4	2095.4	2204.8

Source of Data: Bank of Tanzania (1986) Economic and Operations Report, Central Bank DSM Tanzania

1. All figures are real (Inflation adjusted) maintaining 1977 prices, using NCPI in appendix 1

than this if loans offered to agricultural primary production and export promotion are taken into account. Lending for export of produce ranks as the third benefiting from commercial lending despite the fact that the amount received has declined from TSh 733.4 million to 52.9 million in the nine years.

Agricultural primary production ranks fourth; it is the only sector where total lending continued to increase in real terms for a longer period before starting to decline in 1981. In general the picture reveals a deliberate attempt to increase lending to this sector.

4.4.4 Credit per GDP by Sector

The general trend for the ratio of the Total Commercial Credit to total Gross Domestic Product is a declining one. The highest percentage achieved was 28 percent in 1978. From there on there has been a gradual, slow decline reaching only 19 percent in 1986.

In terms of credit by sectors or industry of origin it is depicted that the Ministry of Mining and Manufacturing enjoyed highest proportions in the years 1977 and 1978 reaching 40 and 62 percent respectively. During this period the ratio of agricultural credit to GDP was lower than the ratio in the former sector and also lower than the ratio of total credit to total GDP.

The year 1979 is characteristic because changes take place and the ratio increases from 12.8 percent in 1978 to 21.4 percent in 1979 for the Agricultural sector, a value above that of mining and industry and equal to the ratio of total credit to total GDP.

We cant deduce much in terms of efforts done to allocate credit on the basis of potentialities of a sector except for the above 1979 change. One could again associate it with the policy changes in Agricultural credit aspect and the involvement of the Central Bank. Table 7 presents ratios for Credit to GDP in percentage by different industries.

4.4.5 Loans Issued by CRDB

The Cooperative and Rural Development bank has a bigger role to play in terms of issuing loans to the Agricultural sector. The future of agricultural credit performance will depend a great deal on the proper scrutiny of borrowers, proper allocation of funds into suitable sectors and also correct allocation of credit according to productivity and potentialities of regions. This part looks into the distribution of credit by CRDB to the type of borrower and in due course assessing the ultimate use of credit and regions where they are allocated.

4.4.5.1 Distribution of Loans by Borrower, Sector and Region

The Cooperative Unions are seen to have enjoyed a bigger proportion of CRDB loans and accounted for 34 percent of total loans issued by the bank in the earlier years, ie 1971/72 Table 8. This share fell to 21 percent in 1975/76 when the cooperative unions were dissolved. The 1977/78 CRDB annual report quotes the

Table 7 Tanzania: Commercial Credit Distribution per GDP by Industry[1] (million shillings)

Item	1977	1978	1979	1980	1981	1982	1983	1984	1985
Total GDP	26015	28430	32452	38657	45193	54845	60702	68761	97767
Total Commercial Lending	4403	6249	6865	7400	8551	9579	10642	12954	13830
Commercial Lending per GDP %	16.9	24.0	21.2	19.2	18.9	17.4	17.5	18.8	19.1
Agricultural GDP	11563	12984	15051	17965	21769	28778	32813	36982	52577
Agricultural Commercial Lending	1376	1670	3235	5116	5910	6289	7073	8282	7964
Commercial Lending per Agr. GDP %	11.9	12.8	21.4	28.4	27.1	21.8	21.5	22.3	15.1
Manufacturing and Mining GDP	3532	4087	4152	4426	4800	4627	4785	4967	7062
Man. + Mining Comm. Lending	1418	2564	1695	658	583	681	794	1331	1221
Commercial Lending per Man. + Min. GDP %	40.1	62.7	40.8	14.8	12.1	14.7	16.6	26.7	17.3
Other Industries GDP[2]	2906	2972	3339	4516	4745	5258	4965	5651	5800
Commercial Lending to Other Industries	75.6	138	202	266	275	365	484	586	704
Commercial Lending per GDP of Other Industries %	2.6	4.6	6	5.8	5.8	6.9	9.7	10.3	12.3

Source: (i) Ministry of Finance, Planning and Economic Affairs, United Republic of Tanzania, Statistical Abstracts 1984, Bureau of Statistics, Dar-es-Salaam (1986)

(ii) Tanzania Economic and Operations Report 1986, Central Bank Dar-es Salaam

1 All figures GDP and Lending expressed at current prices

2 Aggregates for Transport, Communication, Building and Construction

Table 8(a) CRDB: Distribution of loans by types of Borrower 1971/72 - 1977/78

	1971/72		1972/73		1973/74		1974/75		1975/76		1976/77		1977/78	
BORROWER	Tshs	%	Tshs	%	Tshs	%	Tshs	%	Tshs	%	Tshs	%	Tshs	%
Villages	-	-	-	-	-	-	-	-	-	-	33.3	43.1	102.8	41.6
Individuals	2.4	6.7	*	*	0.2	0.1	-	-	-	-	-	-	1.0	0.5
Companies/ Parastatals	2.3	6.4	7.2	6.7	22.0	14.0	41.2	20.3	42.3	42.0	19.5	25.1	70.4	28.5
Associations	0.8	2.2	12.9	12.9	18.8	11.7	20.9	10.3	7.3	7.3	7.3	9.5	71.9	29.1
Partners	0.3	0.8	-	-	-	-	-	-	-	-	-	-	0.2	0.1
Cooperative Societies	1.3	31.6	30.3	28.1	34.5	25.5	37.8	18.6	21.3	21.2	13.1	16.9	-	-
District Devel-opment Corps.	1.6	4.5	4.5	4.2	27.0	16.0	12.8	6.3	8.7	8.6	4.1	5.3	0.6	0.2
Ujamaa Co-op Societies	4.9	13.7	20.4	19.0	32.2	20.0	79.8	39.3	20.0	19.9	-	-	-	-
Cooperative Unions	12.2	34.1	32.3	30.0	25.5	15.9	10.7	5.2	1.0	1.0	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	35.9	100	107.6	100	160.7	100	203.3	100	100.6	100	77.3	100	247.0	100

* amount very small

Table 8(b) CRDB: Distribution of loans by type of Borrower 1978/79-1983/84

BORROWER	1978/79 Tshs	1978/79 %	1979/80 Tshs	1979/80 %	1980/81 Tshs	1980/81 %	1981/82 Tshs	1981/82 %	1982/83 Tshs	1982/83 %	1983/84 Tshs	1983/84 %
Villages	110.8	59.6	115.6	55.6	91.4	90.3	81.5	30.9	135.9	65.6	84.1	57.0
Individuals	6.8	3.1	10.6	5.1	7.0	6.9	16.5	6.3	16.7	8.1	21.4	14.5
Companies/ Parastatals	32.4	17.4	43.1	20.7	2.3	2.3	111.8	42.4	19.5	9.4	11.3	7.7
Associations	31.7	17.1	34.0	16.4	-	-	40.6	14.4	31.8	15.4	29.9	20.3
Partners	1.1	0.6	2.1	1.0	0.3	0.3	2.4	0.9	1.3	0.6	0.6	0.4
Cooperative Societies	0.6	0.4	1.6	0.7	0.2	0.2	10.7	4.1	1.4	0.7	0.2	0.1
District Development Corps.	5.4	1.8	0.8	0.4	0.1	0.1	-	-	0.3	0.1	-	-
Ujamaa Co-op Societies	-	-	-	-	-	-	-	-	-	-	-	-
Cooperative Unions	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	0.3	0.1	-	-
Total	185.8	100	207.9	100	101.2	100	263.4	100	207.1	100	147.5	100

Source: Cooperative and Rural Development Bank Annual Report 1984, CRDB, Dar-es-Salaam, Tanzania. 1986.

Chairman as follows:"I regret to point out that no repayments have been forthcoming from liquidators appointed by the Government during the whole year. The accumulation of overdues which has taken place during the last two years for reasons beyond its control has been brought time and again to the notice of the Government. It should be stated that without Government intervention there is very little hope of ever recovering the outstanding dues from the dissolved cooperatives." At this particular point of time the cooperatives owed the bank a total of more than TSh 100 million. The following years annual reports by CRDB don't give any information about this problem.

After the abolition of Cooperative Unions, the villages took over as ones receiving the biggest share of loans, reaching highest levels in the year 1979/80 by receiving TSh 115.6 million accounting for 55.6 percent of loans issued by CRDB.

Other beneficiaries of CRDB loans have been Cooperative Societies whose share of loans ranged between 31 and 16 percent from 1971/72, there were no loans received in 1977/78 and a significant decline in share is evident from there on, averaging below 10 percent between 1978/79 to 1983/84.

Individuals, Companies and Parastatals, Development Corporations have also received and continue to receive loans from CRDB.

In general, we can conclude that over time there has been a shift in lending away from cooperative unions, cooperative societies and ujamaa villages (for communual production) to villages and parastatals. Under the village programs, seasonal inputs are allocated to individual farm families but the loan is made to the village and collection is the responsibility of the village.

Allocation of credit in terms of use (sectoral) and by regions of ultimate use is presented in appendices 3 and 4 respectively. Seasonal input sector has enjoyed the highest share of CRDB loans accounting for 61 percent of the loans in the period 1971/72 to 1977/78 and 51 percent in the period 1978/79 to 1983/84. Banks reports indicate the most benefiting crops included tobacco and tea. Rural transport has also constantly received CRDB's preference, the proportion of credit going to this sector increased from 6.1 percent in the period 1971/72 - 1977/78 to 12.6 percent in 1978/79 - 1983/84 period.

In terms of regions, 12 out of 20 Tanzania mainland regions made up 87 percent of the loans issued by CRDB. Amongst the highest recipients are Iringa, Tabora, Rukwa, Mbeya and Ruvuma, these made up 58 percent of all loans issued in the period 1974-84. In general these are the highest producing regions and Ruvuma, Rukwa, Mbeya and Iringa are locally and commonly referred to as "the big four".

4.5 Economic Stabilization

4.5.1 Introduction

All non subsistence (market orientated) economies are liable to experience recurring changes in production levels and thus output and price fluctuations. This consequently affects either or both, the domestic economy and balance of payments. Economic stabilizing policies are intended to contend with such disturbances. The nature of disturbances dictates the type of policies adopted, presently financial policy is a common and key stabilization tool. Through the manipulation of the financial system the government tries to stabilize the domestic economy.

Historically, Fiscal and Monetary policies have been used for such manipulations. Johnson (1962) views monetary policy as one which employs the Central Banks control of money supply as an instrument of achieving a given objective of economic policy. On the other side fiscal policy refers to the use of public finance or expenditure, taxes, borrowing and financial administration to further national economic objectives (Stanlake 1984). This clear cut definition of the two policies has not been all out accepted by economists and also there has been a long time debate on the supremacy of one type of policy to the other. The only jointly accepted fact is that both fiscal and monetary policies individually or jointly affect the level of economic activity.

4.5.2 Economic Stabilization in Tanzania

The history of economic stabilization efforts has been well reviewed by Binhammer (1975). In general the Central Bank of Tanzania, since its establishment has had comprehensive powers over monetary and credit control. The techniques at hand include the imposition of reserve requirements on the banks type of deposit, regulations of deposit rates both of the bank and specified financial institution, the rediscounting of and advances against a variety of commercial papers and government securities, the employment of open market operations and the direct control over the volume, terms and conditions of credit extended by the banks and specified institutions. Together with these monetary management techniques the Bank together with the Treasury can influence credit conditions through the management of public debt and Government's deposit accounts.

From 1966 to 1969 the Bank did not impose any monetary restraints as it did not seem necessary, the economy had an upsurge in growth and the balance of payment was sound. Bad weather and the transition period for the implementation of the Arusha Declaration caused turbulence to the economy in the later part of this period.

Later on in 1970 there was a significant deterioration of the foreign exchange position. As Newlyn (1967) reckoned "the decisive factors for the application of monetary and fiscal policies is the availability of foreign exchange", the Bank introduced monetary restrictions. It imposed a TSh 1000 million on lending by the National Bank of Commerce. The ceiling on lending was but not to limit the availability of credit to the harvesting and marketing of cash and export crops.

From this period onwards the Bank and the Government have been occupied substantially with economic stabilization efforts. In 1971, the Government introduced the Finance and Credit Plan to complement the Development Plan. The approach adopted by the Country and the Bank was clarified by the Governor.

"In Countries where there is a variety of financial institutions which work on the basis of profit motive, Central banks attempt to control their operations through the help of various monetary and direct control instruments. With our highly compact structure of financial institutions and our commitment to the objective of achieving planned socialist type of development we use a technique of financial plans instead. There are four such plans; the Annual Budget of the Government, the Capital Programme for the Ministries and Parastatals, the Finance and Credit Plan and the Foreign Exchange Plan." (Nyirabu C M 1986)

The Finance and Credit Plan is one we are more interested in. It is based on the crux of a criterion for monetary stability being the increase in domestic price level. The practise has thus been to decide upon the limit within which this increase should be contained and so regulate money supply to limit the upward pressure on prices at the accepted limit. The underlying idea is that changes in currency and bank deposits which are the monetary liabilities of the banking system to the rest of the economy should be equal to changes in its monetary assets such as credit to the Government and the rest of the economy and foreign exchange.

Several other instruments have been used in conjunction with the financial plans, One such major instrument is interest rate policy. For example in Tanzania, short term lending rates are so designed to give preference to agricultural production while import trade of foreign controlled companies have to pay the highest rates.

The theme of our study has been the effect of a financial infrastructure to agriculture sector. In this subtopic, empirical evidence on how economic stabilization has influenced agriculture development is complicated and it will be unjust to attempt to cover it within the scope of this study.

There are studies covered for other countries, for example Ubogu (1975) in an attempt to assess which policies, whether fiscal or monetary are more influencial in African countries regressed Gross Domestic Product, a measure of economic activity, against measures of fiscal actions such as government expenditure on goods and services, tax, government revenue etc, and also against measures of monetary actions such as money stocks defined variously as M1 and M2. He found out that the two policies exert remarkable impact on economic activity of most countries. On the overall, he was much more convinced that monetary policy was more potent in affecting economic activities of medium income countries whereas fiscal policies were more influencial to low income countries.

It thus suffices to mention that, in the due course of establishing and implementing policies which are intended for economic stabilization for an economy whose any measure of economic activity such as GDP is highly influenced by agriculture, a special attention should be given to effect of such policies to agriculture.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary, conclusions and policy recommendations

The financial infrastructure of Tanzania has been analysed in terms of the setup of the financial institutions, their philosophical background, establishment objectives and roles. Performance criteria have been used where appropriate and convenient to assess the institutions contribution to agricultural development.

The Central Bank of Tanzania which is the chief regulatory organ of the financial system, has a correct inclination as far as support for agricultural development is concerned. Provisions offered under the new dimensions of the role of the Central Bank and the present departmental structure have given the rural and agricultural sector special attention.

The Bank has succeeded in changing its outlook to ensure that it switches from the orthodox presupposed roles of a central bank established to favour the expatriate sector during the colonial era, and pursues a course which gives due weight to the priority sector.

Tanzania has a fairly complex set of financial institutions, diversified to cater for the needs of all sectors in the economy. The Cooperative and Rural Development Bank is looked upon as an organ through which agricultural finance can be executed. The CRDB has emerged after a series of changes of names and structures of a number of institutions. It is difficult to ascertain the benefits of the changes which took place and it is time to declare no more changes. The rural finance efforts have been frustrated by changes in development strategies adopted in the country. For example, the abolishment of cooperative unions and their re-establishment later on gives an example of a situation where a stable government pursues unstable policies adversely affecting develpoment efforts.

In terms of achieving the four identified roles of a financial infrastructure, the Tanzanian system portrays a general weakness in terms of its low incidence of financial deepening and widening.

There is a well established monetary medium of exchange. The Central Bank has been able to establish and control the currency in notes and coins. Measures of financial deepening indicate there being a good proportion of a subsistence sector. The attempts to deepen the financial system need to go in hand with a general increase in productivity and attempts to instil a commercial attitude in the Tanzanian farmer.

Domestic savings are important for economic development. There is evidence to indicate that neither poverty nor attitudes or unwillingness prevent the rural populace from saving. Low savings are a result of lack of financial institutions services. Moreover a variety of deposit services in terms of profitability, liquidity and convenience are essential. The sole commercial bank, NBC, at its present level of branch network, proves to be inadequate. The other deposit taking institutions eg, THB and POSB have had an insignificant impact on savings mobilization. With the level of centralization in the country, the attempt to open branches of banks and educate people on prudency and thrift could have taken the same line as medical services, education and defence which have had commendable success up to the village level. It is customary when an ujamaa village is established to have a school, health centre, etc, it is an opinion that financial network could be included amongst the basic components.

The need for credit is accepted and understood by both, the authority and the people, There is an indication of a recognition of the priority sector. The commercial lending has switched from issuing more credit for mining and industry to the Agricultural sector. Commercial lending in general has been severely affected by inflation. Real commercial lending has declined over ten years by about 50 percent. For credit to deliver its impact it must increase in real terms. There is also an indication that credit is issued to sectors within agriculture which need more funding, eg marketing of produce and seasonal input. Regional lending has benefited the high producing ones. An argument here is that absolute demand for credit should not create illusions, credit ought to be channeled where there is potential for technical progress and it should be equally available on comparable terms in different areas and for different classes of borrowers.

The efficient pursuance of the last two discussed roles of the financial infrastructure have a potential to do better if all the financial networks could proliferate to the village level with an intention to attend to the small farmer.

As a tool of economic stabilization, the financial infrastructure under the auspices of the Central Bank has the abliity to enforce financial regulations intended for stabliization. The Central Bank had been passive for a number of years in terms of its need to intervene in economic stabilization. Recently, balance of payment problems and value of currency have called for the need to intervene. It is difficult to offer emperical evidence of the effects of the stabilization policies adopted on agricultural development. Studies carried out in other countries highlight the potency of both fiscal and monetary policies to economic growth, it is sufficient to warn that policy makers should take into consideration consequences to be faced in the agricultural sector by any recommended policies.

5.2 Recommendations for further studies

The nature and scope of this study has limited the coverage of a number of issues which are important and justice will be done to them if mentioned here.

The quality fo such a study could be improved if the interrelations of the financial system's functions could be considered together with the infrastructure for rural development, ie extension services, marketing, communication, input supply, and output procurement systems. Pricing policies, taxation and other subsidy strategies are also worth analysing.

The study has utilized secondary data and information. It needs not to mention the limitations imposed by such an approach. It is an opinion that primary data through survey to evaluate borrowers and lenders' attitudes, potentialities and problems faced in implementing the objectives of the financial infrastructure could give a more objective conclusion.

Appendix 1 The National Consumer Price Index

1977 = 100

Year	Index
1977	100
1978	119.8
1979	135.7
1980	184.5
1981	226.4
1982	300.1
1983	357.8
1984	515.2
1985	660.3
1986	878.8

Source: MDB (1986)

Appendix 2 Tanzania: Commercial Domestic Lending by Industrial Sector (Million Shillings)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Public Administration	11.3	197.3	133.7	53.7	68.7	41.8	34.7	45	95.6	105
Percentage	.2	3.2	2.0	.7	.8	.4	.3	.3	.7	.6
Agriculture Production	175.3	183.9	209.5	445.2	482.2	417.7	367.5	652.6	442.7	619.5
Percentage	3.9	3.0	3.0	6.0	5.6	4.4	2.9	5.0	3.2	3.2
Mining and Manufacturing	1418	2564	1695	658	583	681.5	794.8	1331.5	1221.6	1703.5
Percentage	32.2	41.0	24.7	8.9	6.8	7.1	7.5	10.3	8.8	8.8
Building and Construction	38.5	105.7	111.2	130.5	135.1	160.5	226.6	333.3	358.1	503.3
Percentage	8.7	1.7	1.7	1.7	1.5	1.7	2.1	2.5	2.5	2.5
Transport	37.1	33.0	91.5	135.6	140.3	204.7	246.7	252.7	346.3	484.0
Percentage	.8	.5	1.3	1.8	1.6	2.1	2.3	2.0	2.5	2.5
Tourism	40.1	37.9	34.5	36.8	36.5	6.9	8.6	16.5	21.2	38.7
Percentage	.9	.6	.5	.5	.4	.1	.1	.1	.2	.2

Appendix 2 continued

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Marketing of Agric. Produce	1200.8	1486.1	3026.7	4671.7	5428.6	5871.9	6705.6	7579.6	7521.5	10530.9
Percentage	27.2	23.8	44.0	63.1	63.5	61.3	63.0	58.5	54.3	54.5
Trade in Capital Goods	57	175.7	78.7	23.9	23	5.6	31.1	100.4	47.9	63.7
Percentage	1.2	2.8	1.2	0.3	0.3	0.1	0.3	0.8	0.3	0.3
All other trade	419.2	525.4	616.6	641.9	802	1049.4	1160.0	1649.1	2202.1	3091.7
Percentage	9.5	8.4	9.1	8.7	9.4	11.0	10.9	12.7	15.9	26
Export of Produce	733.4	758.9	424.8	103.1	360.7	510.1	564.1	590.3	339.9	464.6
Percentage	16.6	12.1	6.2	1.4	4.2	5.3	5.3	4.6	2.4	2.4
Specified Financial Institutions	68.2	69.6	101.2	73.8	72.9	59.9	40.3	6.5	86.5	5.2
Percentage	1.5	1.1	1.5	1.0	0.9	0.6	0.4	0.1	0.9	-
Others	203.7	110.8	342.3	427.5	418.1	569.0	522.8	397.1	1152.8	1748.1
Percentage	4.6	1.8	5.0	5.8	4.9	0.6	4.9	3.1	8.3	9.0
Total	4403.1	6249.3	6865.9	7400.1	8551.1	9579.0	10642.8	12954.8	13830.2	19358.2

Sourceof Data: Bank of Tanzania (1986) Economic and Operations Report, Central Bank, Dar-es-Salaam, Tanzania.

Appendix 3(a) Tanzania: Sectoral Distribution of loans by CRDB 1971/72 - 1977/78

SECTOR	1971/72 Tshs	1971/72 %	1972/73 Tshs	1972/73 %	1973/74 Tshs	1973/74 %	1974/75 Tshs	1974/75 %	1975/76 Tshs	1975/76 %	1976/77 Tshs	1976/77 %	1977/78 Tshs	1977/78 %
Seasonal Inputs	21.0	58.0	61.9	57.6	85.9	53.3	141.8	70.1	38.0	38.0	52.9	68.4	170.7	69.1
Farm Machinery	1.0	2.8	2.0	1.9	1.3	0.8	4.1	2.0	1.0	1.0	0.3	0.4	1.5	0.4
Small Scale Industries	0.5	1.4	-	-	2.7	1.7	2.7	1.3	0.9	0.8	2.4	3.1	1.7	0.7
Rural Transport	6.6	18.4	8.6	8.0	30.4	18.9	15.7	7.8	1.1	1.1	5.2	6.8	4.6	1.9
Livestock	0.5	1.4	7.8	7.2	25.8	16.0	37.6	18.5	57.7	5.0	14.7	19.0	58.1	23.5
Fisheries	-	-	0.9	0.8	1.3	0.8	1.1	0.5	*	*	0.6	0.7	10.3	4.2
Storage	5.3	14.8	1.9	1.8	0.4	0.3	0.2	*	1.4	1.4	0.7	0.8	0.2	*
Crop Establishment	1.0	2.6	24.5	22.8	12.8	8.0	0.1	*	-	-	0.5	0.7	-	-
Off Farm Processing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	35.9	100	107.6	100	160.7	100	203.3	100	100.5	100	77.3	100	247.0	100

* amount very small

Appendix 3(b) Tanzania: Sectoral Distribution of loans by CRDB 1978/79 - 1983/84

	1978/79		1979/80		1980/81		1981/82		1982/83		1983/84	
SECTOR	Tshs	%	Tshs	%	Tshs	%	Tshs	%	Tshs	%	Tshs	%
Seasonal Inputs	125.8	67.7	133.2	64.1	74.0	73.1	92.3	35.0	136.1	65.7	87.5	59.3
Farm Machinery	7.3	3.9	1.5	0.7	13.0	12.8	10.9	4.2	20.3	9.8	15.2	10.3
Small Scale Industries	11.3	6.1	12.0	5.8	10.8	10.7	17.0	6.5	15.0	7.3	23.5	16.0
Rural Transport	6.5	3.5	10.0	4.8	1.1	1.1	88.3	33.5	20.8	10.1	13.7	9.3
Livestock	14.5	7.8	16.6	8.1	1.2	1.2	46.6	17.7	6.3	3.0	5.4	3.7
Fisheries	13.5	7.3	1.4	0.6	0.6	0.6	3.6	1.4	1.6	0.8	1.6	1.1
Storage	2.2	1.2	2.8	1.3	0.4	0.4	3.9	1.5	6.0	2.9	0.3	0.2
Crop Establishment	4.6	2.5	30.4	14.6	0.1	0.1	0.7	0.2	0.7	0.4	0.2	0.1
Off Farm Processing	0.5	0.3	-	-	-	-	-	-	-	-	-	-
Total	185.8	100	207.9	100	101.2	100	263.4	100	207.1	100	147.5	100

Source: Cooperative and Rural Development Bank 1984 Annual Report CRDB, Dar-es-Salaam, Tanzania 1986.

Appendix 4 Tanzania: Regional Distribution of Loans by CRDB 1973/74 - 1983/84.

Region	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81	81/82	82/83	83/84
Arusha	2.2	5.8	7.3	0.7	1.9	7.7	10.0	2.5	12.9	8.2	8.9
Coast	0.3	4.7	1.8	3.5	14.6	4.2	0.1	0.5	1.7	2.3	1.4
Dar es Salaam	19.1	14.6	0.7	2.5	2.0	8.3	14.4	1.1	37.8	17.7	3.8
Dodoma	0.8	4.9	-	1.4	8.5	5.7	5.5	4.5	13.7	3.9	0.2
Iringa	27.0	28.9	11.7	14.4	76.4	45.6	47.9	14.9	36.4	35.1	53.3
Kagera	2.3	10.5	10.1	-	15.7	1.5	0.9	0.7	2.3	0.8	1.0
Kigoma	0.2	2.2	6.9	10.5	3.4	14.5	0.7	0.1	4.5	4.9	1.4
Kilimanjaro	1.7	1.2	3.0	-	6.0	3.4	39.6	1.2	5.8	6.4	7.7
Lindi	7.7	2.0	0.7	0.4	-	0.3	0.1	0.6	0.9	0.2	1.7
Mara	4.2	1.5	4.7	-	-	1.9	2.9	0.7	3.1	0.7	0.5
Mbeya	6.5	1.0	0.5	2.1	13.1	7.9	12.0	9.5	13.7	34.3	5.3
Morogoro	11.5	4.3	7.8	3.9	10.3	4.6	2.1	1.7	4.2	3.1	1.6
Mtwara	-	6.5	1.7	-	3.2	1.4	-	0.4	14.3	0.6	1.7
Mwanza	0.8	0.7	17.3	6.4	14.2	1.4	2.5	1.1	16.2	3.3	7.6
Rukwa	3.2	5.6	0.1	2.3	2.0	9.9	10.0	25.1	17.6	11.8	14.3
Ruvuma	14.7	0.4	8.5	2.1	21.0	3.2	12.0	11.9	25.3	29.2	15.5
Shinyanga	5.9	4.6	8.5	1.7	1.7	5.6	6.5	6.5	5.5	3.4	6.3
Singida	0.7	1.7	1.6	1.5	2.2	2.7	3.3	1.1	2.4	2.8	0.3
Tabora	44.2	91.1	0.5	20.2	44.9	49.3	33.4	10.9	22.1	29.6	8.5
Tanga	7.2	0.9	7.5	3.2	5.0	6.7	4.0	5.0	4.4	8.8	6.6
Total	160.7	203.2	100.9	77.0	246.9	185.8	207.9	101.2	263.4	207.1	147.5

Source: Cooperative and Rural Development Bank Annual Report 1984. CRDB Dar-es-Salaam, Tanzania (1986)

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