

WELCOME ADDRESS BY THE CHAIRMAN OF THE TANZANIA
BANKERS ASSOCIATION, MR. BEN CHRISTIAANSE, AT THE TBA
COCKTAIL HELD AT THE MÖVENPICK ROYAL PALM
HOTEL, DAR ES SALAAM, ON 28th MAY 2008

**The Guest of Honour, Honourable Omar Yussuf Mzee (MP), Deputy
Minister for Finance and Economic Affairs;
The Minister for Lands, Housing and Human Settlements;
Honourable Capt. John Chiligati (MP);
The Governor of the Bank of Tanzania, Prof. Benno Ndulu;
Deputy Governors;
Distinguished Guests;
Esteemed Colleagues;
Ladies and Gentlemen.**

First of all I would like to express the Tanzania Bankers Association's (TBA) appreciation and gratitude to you, **Honourable Deputy Minister**, for accepting our invitation to grace this occasion. We know how busy you are but you chose to spare part of your precious time for this function. This is highly appreciated by us in the Tanzania Bankers Association. I also wish to thank the distinguished guests for sparing part of their valuable time to share this occasion with us. You are all most welcome.

Hon. Deputy Minister,

This is the first time that you are meeting Tanzania Bankers as a group since you were appointed Deputy Minister for Finance and Economic Affairs a few months ago. It is thus an opportune time for me, on behalf of the Tanzania Bankers Association and on my own behalf, to congratulate you for this appointment. May I also take the same opportunity to congratulate the Governor of the Bank of Tanzania,

Professor Benno Ndulu and his Deputies on their appointments. We look forward to fruitful cooperation between us.

Hon. Deputy Minister,

Before I proceed further, allow me to explain briefly on what we are and what our objectives are. The Tanzania Bankers Association (TBA) is an association of Banks and Financial Institutions which have been licensed by the Bank of Tanzania to carry on banking business in Tanzania. The Association was registered in 1995. Currently it has 30 member banks and financial institutions, out of 35 banks and financial institutions operating in the country. Non-member banks are mostly community banks situated in the regions.

The main objectives of the Association are as follows:

- To encourage members to conduct their business in accordance with the governing laws, ethics and internationally accepted banking principles and practices.
- To strive for harmonization of operations in the banking industry in Tanzania.
- To facilitate the exchange of information between members through members' meetings and the Credit Information Bureau.
- To recommend to the Government legislation and/or amendments to laws affecting the banking industry.
- To promote and secure industrial peace and harmonious relations between its members and their employees.

Towards this end, TBA has registered a number of successes since its inception 13 years ago. To cite a few examples:

1. The Credit Information Bureau, which facilitates sharing of adverse information amongst its members, was set up four years ago. With the establishment of the Credit Reference System in Tanzania, under the Second Generation Financial

Sector Reforms, we have started working on the modalities to have our Bureau transformed into a full fledged Credit Reference Bureau to conform to the new regulations.

2. A voluntary Code of Banking Practice, which sets standards for good banking practice, is being developed in consultation with the Bank of Tanzania and is expected to be operational this year.
3. TBA participated fully in the process that led to the amendment of the Land Act No. 2 of 2004 to ensure that it takes into account members' interests, especially with regard to mortgage finance.
4. TBA along with other stakeholders submitted to the Government various recommendations on the review of selected labour laws that resulted into enactment of the Employment and Labour Relations Act No. 6 of 2004 and Labour Institutions Act No. 7 of 2004.
5. In a bid to finding a solution to delays in settlement of cases involving banks, TBA initiated a study on such cases, with World Bank funding. The study has been completed and the report thereof is in its final stages. We request you to consider and act on the report as soon as it is subsequently submitted to the Government.

The above successes and more others were achieved, thanks to the cooperation and guidance we received and continue to receive from our Regulators, the Bank of Tanzania.

Hon. Deputy Minister,

Let me now touch on the development of the banking sector and successes made. Among the positive results arising from reforms adopted in the country over the past 17 years, is the emergence of a fast growing banking sector in the country. As of now, the country prides of 35 banks and financial institutions compared to only seven (7) banks and financial institutions existing in 1991. The number of bank branches and agencies countrywide has reached 319, and the branch network continues to grow. There are also 350 Automated Teller Machines installed across Tanzania, and this number is growing fast. Accompanied with this roll-out of ATMs comes a similar fast increase in the number of ATM cards issued by the banks. Currently there is a total of over 1 million ATM cards now in circulation, up from half a million 2 years ago.

During the last five years (2003-2007), total bank assets increased by 218% from TShs. 2.2 trillion in the year 2002 to TShs. 7.0 trillion in the year 2007. While this is a remarkable growth by any standard and reflects the robust underlying economic expansion driven by good policies and governance, we still have some long way to go to catch up with the more developed economies where bank assets exceed the countries' GDP by a factor of 1.5 times and more. As at 31st December 2007, total customers deposits stood at TShs. 5.6 trillion, an increase of 229% from TShs. 1.7 trillion in 2002. Total loans and advances on the other hand increased at a higher rate of 410% from TShs. 566.6 billion in 2002 to TShs. 2.9 trillion in 2007. Currently the banking sector provides employment to 6,500 Tanzanians.

In a bid to inculcate a savings culture in the society, most banks have designed and continue to design various savings products tailor-made for specific market segments. Loan processes have also been considerably simplified, while a good number of banks have diversified their credit delivery systems and have come up with specific packages

targeted to the hitherto un-bankable populace, including the low income earners, the informal sector and the rural economically poor, on terms and conditions that are both appropriate and reasonable. However, much needs to be done in this regard.

Many banks are also responding to the needs of the informal sector by designing and implementing appropriate loan products for Small and Medium Enterprises. We already have several banks, including Community Banks, which have the informal sector as their target market. Furthermore, several banks have already responded to the Government call to lend under the Credit Guarantee Scheme for Small and Medium Enterprises. They have taken this challenge in order to help the enterprises overcome their major constraint, that is, access to capital to improve productivity, both qualitatively and quantitatively. Prospects for advancement of the Scheme are bright. We have already submitted recommendations to the Government on how to improve the Scheme. We trust the Government will consider them favourably.

For the Agricultural sector, banks' contribution has until recently largely been in the area of financing crop purchases. This is because the country's policies and regulations did not provide land as collateral for borrowers in the agricultural sector, despite the fact that land is a critical security that farmers possess to offer for borrowings from banks. But with the recent statutory changes, farmers can now use land as collateral. This has led banks to devise credit packages for the agricultural sector.

Hon. Deputy Minister,

Perhaps it is pertinent to touch, albeit briefly, on current technological developments in the banking industry. Most banks have come up with various forms of electronic banking products, including Credit Cards, Automated Teller Machines, Online Banking and various forms of electronic money transfers. Very recently, six banks decided to pool their resources together to form the UmojaSwitch Consortium which provides shared electronic banking services nationwide. The adoption of new banking

technologies has gone a long way towards minimizing risks, reducing workload on banks and enabling banks to improve customer service. Our banks have increasingly become more innovative and competitive, with some services being offered 24 hours a day through Automated Teller Machines and Points of Sale (POS) terminals deployed in merchant locations. There are presently over 1,800 POS devices in the country, and growth thereof is fast.

Hon. Deputy Minister,

The rapid growth in the mobile phone market is spilling over into the financial services sector and with over 6 million GSM users in Tanzania; it makes perfect sense to use this communication tool as a medium to allow account holders to interact with their own accounts anywhere and anytime. Currently very few banks have grasped this tool, but within a short span of time, we expect there will be at least three new mobile phone banking services on offer. It is also projected that by the year 2010, the number of cell-phone banking services users will reach 1 million. Additionally, some telephone companies have of recent ventured into the money transfer business.

Hon. Deputy Minister,

The role of banks in the development of the economy is mainly centered on financing the productive sectors. Apparently, Tanzanian banks may not be seen to be doing enough in this area. However, we have to bear in mind that banks are in business and they do this business with depositors' money. Banks have to lend with caution, particularly in an environment like ours where a non-repayment culture is still prevalent. In addition, there exists excessive litigation, injunctions and court delays, situations that make banks incur unnecessary expenses in addition to loss of income and disrupted cash inflows due to delayed payments. In fact, for small loans, which have of late become a major thrust for many banks in an effort to supplement Government efforts to reduce poverty, the cost of collection may exceed the returns

to the lending bank.

Hon. Deputy Minister,

It is gratifying to note that the Government realizes its responsibility of providing an enabling environment for an efficient and effective banking system in the country. Already the Government has established the Commercial and Land Divisions of the High Court, the Law Reform Commission and an Alternative Dispute Resolution (ADR), the measures of which are intended to resolve court cases more expeditiously. A transparent legal system will be one of the main catalysts for the growth of the lending business in Tanzania.

Hon. Deputy Minister,

Following the enactment of the Anti-Money Laundering Act, 2006, the then Minister for Finance issued the Anti-Money Laundering Regulations, 2007. TBA studied these regulations and cited certain provisions in the regulations as difficult or even impossible to be complied with by TBA members. A joint Task Force comprising TBA and BOT staff was subsequently formed to study these regulations and come up with detailed recommendations on the identified compliance difficulties. We trust that upon receipt of these recommendations, your Ministry will accord them due consideration.

Hon. Deputy Minister,

In a social gathering like this one, it is normally not advisable to make a long speech for obvious reasons. May I then conclude by thanking you once again for accepting our cocktail invitation.

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