

WELCOME ADDRESS BY THE CHAIRMAN OF THE  
TANZANIA BANKERS ASSOCIATION, MR. MAYANK  
MALIK, AT THE TBA CONFERENCE HELD  
AT GOLDEN TULIP ON 8<sup>th</sup> MARCH 2005

**The Guest of Honour, Honourable Basil Mramba,  
Minister for Finance,  
Honourable Ministers,  
The Governor of the Bank of Tanzania, Mr. Daudi Ballali,  
Permanent Secretaries,  
Distinguished Guests,  
Esteemed Colleagues,  
Ladies and Gentlemen:**

May I in the first instance express our sincere appreciation and gratitude to you all for accepting our invitation to attend this Conference. We know you have a busy schedule and your being here with us today is a great honour to us.

As they say, the only international language these days seems to be the one in which money talks.....and as bankers, our business is about money. Perhaps with most of us money talks, and it usually talks about more money.....or in a macro perspective, we call this economic growth.

As an industry, we have made some good progress over the last few years and I would like to briefly share with you some of these important developments.

Most banks have come up with various savings products tailor-made for specific market segments. These include various kinds

of individual accounts and some group savings schemes as well. Loan processes have also been considerably simplified, while many banks have been on the move to design and implement credit delivery systems to bank the hitherto un-bankable people, including the low income earners, the informal sector and the rural economically poor, on terms and conditions that are both appropriate and reasonable. There are also big improvements in customer service.

In an effort to transform our society into a cashless society, many banks have come up with various forms of electronic banking products. These include Credit Cards and Automatic Teller Machines. The pace is fast, despite the heavy investment cost involved.

We are also glad to report that some banks are considering floating bond products of long term nature in a move towards the alleviation of the current paucity of long term financing. Housing loan schemes have also been established by a few banks, while many more are contemplating the same.

These developments are intended to provide an enabling environment for the building of a savings culture among our people, and a culture of utilizing bank intermediation.

The theme of this Conference is **"The Role of Banks in facilitating Economic Growth in Tanzania"**. Topical issues to be discussed include Financial Intermediation, the Land Reform in Tanzania, Pricing Mechanism on Deposits and Loans, Loan Recovery and Microfinance.

These topics were carefully selected as they are among the most pertinent issues that the Association has to address itself

in order to ensure that the banking sector plays a more active role in the quest for continued improvement in economic performance of our country. This is one of the intended major achievements of this conference.

We realize that as a banking sector, we are an integral part of the economy, so that we must fully assume our rightful role – that strategic role of pushing up the economy of the country by linking all the other sectors. The banking industry has a pivotal role in this as without banks and financial institutions, no one can exhaustively talk about the economy of any country. The financial services industry forms a common denominator to all the other industries in that money is a common factor to every industry.

The Tanzania Bankers Association intends to take appropriate measures to ensure that the banking sector assumes the role more effectively, by abandoning the passive stance that characterized the past and taking on a much more active role. We intend to be proactive and come up with effective strategies to reach out amongst ourselves and to our clients.

One of the strategies that the Association considers to be an immediate priority is to enhance and improve communication in the banking sector. For currently Tanzanian banks operate as separate entities, with minimal communication between them and their customers, both present and prospective, and between banks and other stakeholders in general. The Tanzania Bankers Association intends to address this problem so that the banking industry operates as one, with better communication and coordination not just between its members, but also with the other sectors of this expanding economy.

This Conference has drawn participation from all sectors of the economy. It is intended to spearhead the beginning of continued and effective communication between the banking sector and the other sectors of the economy.

Tanzania prides itself of being home to 28 banks, banks that have been established in a span of only 13 years. The branch network has also increased substantially over the past few years, with most banks extending their physical representation to regional centres.

Most of the banks have been doing very well despite the intense competition, thanks to the enabling environment facilitated by the existing political and economic stability. For in the first place, there has been increased investors' confidence in the long-term potential of the country, and that is why many of them are investing heavily here. The banks have accordingly risen up to serve the new categories of clients.

Secondly, with the successful economic reforms that the country has achieved, the informal sector in the country is growing substantially. The banks have responded to this phenomenon by expanding their services to meet the rising demand from this fast growing customer segment.

The financial sector's good performance is however not reflected in a corresponding increased contribution to the national economy. For there exists what we call the Financial Paradox in Tanzania – i.e. while on the one hand there is a big demand for financial products in the form of loans and other investments in the economy, on the other hand we have a problem of how to channel the large liquidity existing in the banking system into development projects and drive economic

growth in Tanzania. This reminds me of what Bob Hope once said: "A bank is a place that will lend you money if you can prove that you don't need it".

Permit me to give an example of South Africa to illustrate the point I want to make here. While the ratio of financial assets to Gross Domestic Product is 120% in South Africa, in Tanzania it is only 10%. We think ours is rather low, although the two countries may not be comparable in many parameters.

The banking industry is faced with a few inhibitors to lending. In fact, when I moved into Tanzania 3 ½ years ago, I was amazed by an expression that I heard for the first time in my banking career, which was what someone called "the lack of repayment culture"! Having said that, one of the main inhibitors to lending has been the missing link in information, which has made bankers wary of borrowers, as the bankers do not know enough of their prospective clients. This is a problem we have recently been able to address by setting up a Credit Information Bureau, through which banks are able to share information on, say, defaulting borrowers. This has been one of TBA's efforts towards reduction of cost of credit in the economy, to reasonable levels. Of course, information can be interpreted in different ways depending upon how you look at it. Just the other day, I got a call from one of our irate customers. He said: "My cheque came back marked 'no funds'. Has your bank run out of funds?"

The other inhibitor has been the too little comfort provided by the administration of the Tanzania's legal system. For it is not enough to have the Land Act in place. The enforcement of the legal system appears to be moving to the right direction, but at too little pace. We think the legal system should be more

transparent, and the Commercial court should go with tandem with commercial lending.

I am sure every one in this forum would like to know and be assured of the Tanzanian banks contribution to the agriculture and informal sectors, particularly Small and Medium Enterprises (SMEs). Fortunately we have several banks which have the informal sector as their target market. These include all Community Banks, National Microfinance Bank, CRDB Bank and Akiba Commercial Bank. Also some of the bigger banks have specific products tailored for the informal sector.

For the agricultural sector, banks' contribution is rather insignificant, except for financing of crop purchases. Banks must have some assurance or comfort that the borrower would be able to repay the loan. Until recently, the country's policies and regulations did not provide land as collateral for borrowers in the agricultural sector, and land is a critical security that farmers possess to offer for borrowings from banks. But now things have changed. Farmers can use land as collateral and many banks have gone public on what packages they can offer to farmers and agricultural investments.

However, banks still cannot lend that effectively and in bulk to subsistence farmers and this is another area we can work on.

The potential for the banking industry to grow is large. Through communication and information sharing, we should be able to form a united front and function as an industry and not merely as individual banks. We intend to be more transparent to our customers and amongst ourselves, so that customers know what one bank offers that is different from another, and what can be expected by way of transaction turnaround times. The

banks may not in all instances have clearly communicated standards for their services or comparable benchmarks for all their products. We can, however, and are becoming, more transparent in our operations, and newer technologies (e.g. electronic clearing) will enable and further drive this transformation.

We intend to employ modern technology in our undertakings so that money can be transferred faster and safely. With the use of the internet, banks will be able to engage more in electronic transactions and do away with cheques.

We believe these changes can be made given the peace and political stability that exists in the country for a demonstrable period of time. The country's economy has also been stable, an added catalyst for the development of the banking industry. However, the banks must go further and integrate with capital markets and come up with new products. As an Association, we intend to monitor and ensure that Tanzanian banks move ahead and change from being mere banks to assuming their right responsibility as economic integrators.

We see potential for many new products, not just technologically based improvements, as the capital markets in Tanzania emerge and we begin to develop issuer/investor relationships over and above borrower/lender relationships. The Association is very optimistic about the growth prospects in this country, not just in banking but economic growth overall – of which banking is just a subset. Our objectives as an industry are inclusiveness and engagement. These will be absolutely critical going forward. We think the future is bright, and as banks, we are very keen to play our role and make this success happen.

With these remarks, may I now please request the Honourable Minister for Finance Basil Mramba to officiate the opening ceremony and share some his thoughts with us.

**Honourable Basil Mramba**

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