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THE IMPACT OF INDEPENDENCE ON THE ROLE OF COMMERCIAL
BANKING IN UGANDA'S ECONOMIC DEVELOPMENT, 1960-1968

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During the period of political dependence, commercial banking in Uganda, as well as throughout most of Africa, can be criticised for not having made a greater contribution towards indigenous economic development. The banks that operated in the colonies were branches of foreign banks established to facilitate the development of exports desired by the colonial power and only incidentally to develop an indigenous economy. Financing was mainly limited to providing short term self liquidating loans to exporters of raw materials and to importers of consumer goods. New investment outlets not directly related to the international movement of goods was rarely sought for, preference being given to investing surplus funds in London, Paris or Amsterdam. This I think is a fair summarization of the conclusions reached by such students of African banking as Newlyn¹, Loxley² and Engberg³. For purposes of this paper I accept this analysis. What I wish to do now is to analyze the operations of commercial banks in Uganda to determine what, if any, changes have occurred since Uganda formally attained political independence. In doing so I will concentrate on both the institutional-legislative changes which have transpired since Independence as well as changes which may have occurred in commercial bank balance sheet relationships reflecting changes in investment and loan criterion.

Institutional and Legislative Changes:

Uganda was declared to be Independent of British colonial rule in October, 1962. Before this event occurred, she already had a long

- 1 W.T. Newlyn, Finance for Development, East African Studies No.30 (Nairobi: East African Publishing House, 1968).
- 2 John Loxley, The Development of the Monetary & Financial System of the East African Currency Area 1950-64, (forthcoming).
- 3 H.L. Engberg, "Commercial Banking in East Africa", Readings in the Applied Economics of Africa, edited by Whetham & Currie, Vol.2 (London: Cambridge University Press, 1967).

established banking system composed of six expatriate commercial banks and was a member of the East African Currency Board system. All six of these expatriate banks continue to operate in Uganda today. Three of these banks have their head office in London, two have their head office in India and one has its head office in Amsterdam.⁴ The Bank of Baroda, Bank of India and the Netherlands Bank all established branches in Uganda during the 1950's. They are rather small, accounting for about 10% of total commercial bank assets. For the most part they tend to concentrate on providing services to a specialized clientele. The Bank of Baroda services the banking needs of the Gujarati Asians, the Bank of India seeks to serve the Punjabi Asians and the Netherlands bank is mainly concerned to finance export trade out of funds borrowed from its head office in Amsterdam. The other three banks, Barclays, National and Grindlays and the Standard Bank all date their activity in Uganda from at least the middle 1920's, one bank having established an office in 1906. The three banks together account for approximately 80% of total commercial bank assets in Uganda.⁵

The first change of any possible significance to be made in the Commercial banking structure after Independence was the decision by the Government to turn the Uganda Savings and Loan Association, established in 1950, into a full service commercial bank. In 1965, by act of Parliament, the Uganda Commercial Bank was chartered, its capital stock being fully owned by the Government of Uganda. The Parliamentary debates held at the time the

4 A seventh expatriate bank, The Commercial Bank of Africa, established a branch in Uganda in 1963. Its head office is in Tanzania and is owned by a consortium of international banks and by the Tanzania Co-operative movement. It, like three of the other expatriate banks, accounts for a very minor proportion of total commercial bank assets and nothing more specifically will be said about this bank in this paper.

5 At the end of June, 1966, these three banks held approximately 79% of total banking assets. Mikeal Selsjord, "Recent Developments in Commercial Banking in East Africa: A Statistical Analysis", East African Community Organization, Economic & Statistical Review, June, 1966, p. ix.

bank was being considered suggest three reasons for its coming into operation. First it was meant to serve as a symbol of independence, as sort of a testimony to Uganda's sovereignty.⁶ Secondly, to provide competition to the existing expatriate banks.⁷ Thirdly, to provide a source of credit to parastatal organizations that would be rendered on less stringent terms than the other banks might consider accepting as well as to continue performing some of the other functions of the Uganda Savings and Loan Association.⁸ While the Uganda Commercial Bank appears to be fulfilling the first and third of the objectives for which it was established, there is little evidence available to suggest that the Bank has been particularly successful in acting as a competitive spur to the other commercial banks. No attempt has been made by the Bank to either attract deposits by offering higher rates of return on accounts, no attempts have been made to attract accounts by offering to charge lower rates of interest. In fact, the Commercial bank of Uganda is a signatory to the "secret" banking agreement, enacted before Independence, which binds banks to charge

6 Uganda Parliamentary Debates, June 24, 1965. When the Minister of Finance presented the Bill for the establishment of the bank, it was met with general rejoicing in the House on the ground that now Uganda might have an indigenous, i.e. African operated and controlled commercial bank. This is not meant to suggest though that members of parliament were not opposed to its founding on other grounds.

7 Memorandum on the Bill, quoted in Uganda Parliamentary Debates, June 24, 1965. Engberg notes that there were grounds for some dissatisfaction with the operations of the expatriate banks, "The major banks in East Africa have made little effort to compete for business deposits in general or to bid for particular kinds of deposits." op. cit., pg.61.

8 One of the major reasons for establishing the Uganda Savings and Loan Association had been to provide a source of credit to Africans who could not provide the security demanded by the more conservatively and traditionally directed expatriate commercial banks. Unfortunately, the loans made by the Savings and Loan Association proved to be commercially ill advised. Between 1962 and 1965, approximately one-half of its loans were in default. By 1965 the Association was finding it necessary to refuse making loans it would very much have liked to make due to a shortage of loan funds. One of the reasons given for turning the Association into a full fledged commercial bank was that as a bank it might attract a much wider range of funds as well as business and thus be better able to service desired loans. Uganda Parliamentary Debates, June 24, 1965.

no lower than a minimum stated rate of interest on loans nor to pay more than a stated maximum rate of return to depositors.⁹ As for competing by offering more convenient services by opening branch banks in localities currently not served or only poorly^{served} by the other commercial banks, the Commercial Bank of Uganda unfortunately is as yet not large enough to do much in this respect.¹⁰

Another change that has occurred since Independence which might have been expected to influence the operations of the commercial banks is the establishment of a central bank for Uganda. From 1919 to 1966 the East African Currency Board was responsible for controlling the supply of currency in Uganda as well as in the^{other} English colonies in East Africa. Although the Board exercised no legal control over financial institutions, it did in some limited way perform the functions of a central bank. Until 1955 the Currency Board was required to hold reserves in sterling at least equal to 100 per cent of the outstanding currency. The regions currency reserve was held in London, earning interest which would eventually be distributed among the three nations, but being used as a source of capital to support England's economy rather than contributing to the economic development of East Africa. In 1955 regulations were relaxed to permit the Board to invest up to a maximum of ten million pounds in the government securities of each of the three East African colonies. In 1960 the Board began to perform some of the traditional functions of a central bank including lending funds to commercial banks to help them meet seasonal demands, holding commercial bank balances to facilitate clearances and,

9 Engberg, op. cit., pg.62.

10 At the present time, the Bank has branches in Kampala, Arua, Fort Portal, Gulu, Jinja, Lira, Masaka, Mbale, Mbarara, Soroti, Kabale and Tororo. It is bank policy though to extend its services as trained personnel and resources permit.

by operating in the treasury bills markets exercising some influence on domestic interest rates. Under the Currency Board system the financial needs of the entire East African region was considered rather than the needs of each individual entity. The Board was able, for example, to shift funds from Tanzania to Uganda to Kenya as seasonal demands, which came at different times during the year, dictated. While from one point of view this can be viewed as a great benefit provided by this supra-national entity, at the same time, from the viewpoint of newly independent states, it appeared to present a serious limitation; each nation desiring to utilize monetary policy for its individual development needs.¹¹

The 1966 Bank of Uganda Act established a central bank for Uganda. This act, as well as those passed by the legislatures of Kenya and Tanzania establishing their central banks, has been competently analysed by Newlyn.¹² The central bank was given the authority to establish minimum reserve requirements against deposits to be held with the central bank. It also was given the authority to define the acceptable form in which reserves could be held.

Except for the omission of power to prescribe liquidity ratios, an oversight corrected in 1969, Newlyn concluded that the Central bank would appear to have all the powers it might conceivably need to control the banking Institutions in Uganda.¹³

The third and final legislative change to occur since Independence was introduced in March of 1969. On the 28th day of that month the government gave its assent to The Banking Act, 1969. While it is not possible to statistically analyze the impact of this act on commercial banking operations, consideration of its provisions and potential significance is

11 This brief summary of the Currency Board draws heavily on Newlyn, op. cit., pp. 20-21.

12 W.T. Newlyn, "Comparative Analysis of Central Bank Acts", FDRP No.101.

13 Ibid.

in order.

According to the Banking Act, 1969, banks incorporated in Uganda must have a paid up capital in cash of at least two million shillings. Banks incorporated outside Uganda must have a minimum paid up capital of ten million shillings in cash and must maintain in Uganda, out of its own funds, assets amounting to at least 5% of total deposit liabilities in Uganda, and in any case not less than two million shillings. In addition, all banks must now maintain a minimum holding of liquid assets, defined as some proportion of demand and time liabilities, the precise ratio being set by the Central bank but being limited to a maximum of thirty per cent (raised from the 20% stated in the 1966 law).

The act also sets forth in detail the form in which liquid assets can be held. These include:

- notes and coins which are legal tender in Uganda
- reserves held with the central bank
- balances at banks in Uganda and other monies at call
- Uganda Treasury Bills maturing within a period not exceeding ninety-three days
- Uganda Government Stock maturing within a period not exceeding five years
- balances at banks abroad withdrawable on demand and money at call abroad
- commercial bills and promissory notes which are eligible for discount by the central bank.

Finally, every bank is required to maintain a reserve fund equal to its paid-up capital, this to be built up by transferring at least 20% of profits to the fund before any dividends are declared. The purpose given for this requirement being to insure the ability of the banks meeting their liabilities to the public.¹⁴

Commercial bankers in Uganda tend to see this act as having two consequences, one being a limitation imposed on the funds they will have available for lending, the other being the transference of some proportion

¹⁴ Legally, the Banking Act, 1969 repeals the 1966 Banking Act. But in fact what this act does is extend the powers of the Central bank and places additional restrictions upon the commercial banks.

of their funds to the government to be used by the government to finance its operations. As for the former, the expatriate banks generally consider their Uganda operation to account for such a small proportion of their world-wide business that it is inconceivable to imagine they could not on demand meet their entire liabilities to their Uganda customers. Therefore, to require that they maintain a reserve fund to insure their ability to meet their liabilities makes little sense. What this must do is quite simply to reduce the funds they would otherwise have available for lending. As for the latter, being required to hold assets in certain specified form as well as to keep funds with the central bank has the effect of transferring control over such funds to the central government to be used, hopefully, to support development programs.¹⁵ The benefits to be derived from this requirement will depend on the beneficial uses to which such funds are put relative to the use which would have been made of these funds if left in the hands of the commercial bankers.

Statistical Analyses:

The purpose of this section is to determine how important commercial bank lending and investing has been to the economic development of Uganda and to determine what, if any, changes have occurred since Independence in commercial bank loan and investment policies. Table 1 provides one measure of the relative importance of bank lending to Uganda's total economic activity. It provides data regarding the ratio of bank loans and advances to the current value of output.¹⁶

15 Treasury Bill holdings of the Commercial Banks were as follows: 1966 (6 mos average) 1.8 million pounds; 1967 (quarterly average) 825,000 pounds; 1968 (quarterly average) 3.5 million pounds. Bank of Uganda, Quarterly Bulletin, March, 1969.

16 This measure is used by R.A. Sowelem in his study of banking in Rhodesia and Nyasaland. He notes that this approach has certain inherent limitations in that the national income data used does not take into account the value of intermediate transactions, being based on the 'value-added' approach and that the data for bank loans and advances, being end of period data do not adequately reflect the value of new loans made out of the repayment proceeds from existing loans. Towards Financial Independence in a Developing Economy, An Analysis of the Monetary Experience of the Federation of Rhodesia and Nyasaland, 1952-63. (London: George Allen & Unwin, Ltd., 1967), pp. 79-82.

TABLE 2

Commercial Bank Loans and Advances Related to G.D.P., Total and Sectoral, Uganda, 1960 - 1968

	1960	1961	1962	1963	1964	1965	1966	1967 ⁵⁾	1968 ⁵⁾
Total G.D.P. (£ million)	110.8	111.2	107.9	128.6	140.8	149.5	168.0	178.5	181.6
Total Loans & Advances (£ million) ^{4,6}	12.5	13.9	15.9	21.3	27.1	36.6	38.2	28.6	31.6
Loans & Advances as % of GDP (%)	11.3	12.5	14.8	16.6	19.3	24.5	22.8	16.0	17.4
GDP originating in Agriculture ¹⁾ (£million)	55.7	54.9	50.0	65.9	68.7	64.8	75.3	79.9	77.5
Loans & Advances (£ million) ⁴	1.7	1.8	2.5	3.1	3.2	2.3	3.0	4.2	15.1
Loans & Advances as % of GDP (%)	3.0	3.4	5.0	4.7	4.7	3.6	4.1	5.3	19.5
GDP originating in Industry ²⁾ (£ million)	11.8	12.0	12.6	13.1	14.3	18.3	20.4	22.5	24.2
Loans & Advances (£ million)	6.0	5.8	6.5	6.9	7.2	9.0	10.7	11.2	7.9
Loans & Advances as % of GDP (%)	50.9	48.3	51.6	52.3	50.4	49.2	52.5	49.8	32.6
GDP originating in Commerce ³⁾ (£ million)	20.6	20.4	20.3	24.6	25.8	27.5	31.6	32.7	33.4
Loans & Advances (£ million) ⁴			3.6	5.6	7.8	12.7	16.6	12.4	6.1
Loans & Advances as % of GDP (%)			17.7	22.6	30.2	46.2	52.5	37.9	18.3

1) includes Cotton Ginning, coffee curing, sugar manufacturing, forestry, fishing and hunting.

2) includes manufacture of food products, misc. manufacturing, electricity, water and construction.

3) includes wholesale and retail trade, financial institutions, oil companies, transportation and communications.

4) Average of quarterly data 1965-68; Average of semi-annual data 1960-64.

5) Provisional figures.

6) Total loans and advances include those accounted for in the table plus loans and advances to governments - central and local, mining, real estate, private household, and other (total to dobtors outside Uganda).

Sources: Gross Domestic Product Estimates from Republic of Uganda, Statistical Abstracts and Background to the Budget.
Loans and Advances from East African Community, Economic and Statistical Reviews and Republic of Uganda, Background to the Budget

As Table 1 indicates, the ratio of commercial bank loans and advances to gross domestic product (monetary sector) increased almost continuously between 1960 and 1965 and then tended to fall and level off. There is little correlation to be found between rates of change in gross domestic product and rates of change in loans and advances. While loans and advances generally moved in step with gross domestic product, rising and falling at the same time, in 1961-62 when GDP fell by 3 per cent, loans and advances grew by 14.4% and in 1966-67, when GDP grew by 6.3%, loans and advances fell by all of 33.6%. Furthermore, there is little correlation to be seen between the extent of change in GDP and in loans and advances, though one of the largest increases in loans and advances occurred when GDP recorded its greatest increase, in 1962-63 GDP grew by 19.2 per cent while commercial bank loans and advances increased by 34 per cent. Over the entire period of analysis, loans and advances increased by 153% while GDP grew by 64%.

Looking at the relationship between bank loans and advances and gross domestic product originating in the main productive sectors of the economy, there is little evidence to suggest that loans and advances corresponded to the growth of these sectors. Between 1960 and 1967 (and 1968 must be considered as an exceptional year regarding the commercial bank loans and advances granted to the agricultural sector, the reason for such an exceptional extension of credit being offered is explained below) GDP originating in this sector grew by 39 per cent while loans and advances to agriculture increased by 147 per cent. There is no correlation to be found between the direction in which the two series move nor the extent to which the series change. While between 1960 - 62 GDP originating in Agriculture fell by 12 per cent, loans and advances increased by 47 per cent while in 1967-68, GDP originating in agriculture fell by 3 per cent while loans and advances skyrocketed by 260 per cent. It is worth noting that loans and advances made to finance this sector amounted to a very small proportion of the gross domestic product derived from it. Throughout this period of analysis, agriculturalists continued to depend heavily on

non-bank sources for their capital.¹⁷

Similar conclusions follow an analysis of the statistics for the other two sectors, industry and commerce. With the exception of 1968, the ratio of commercial bank loans and advances to gross domestic product remained relatively stable over time. But neither in terms of magnitude nor direction is there much synchronization to be found between the two series. Industry though, to a much greater extent than the other sectors, is dependent upon commercial banks for its working capital. Taking the period as a whole there was much closer coordination between the growth of this sector and loans and advances made to industry than is found in other sectors, GDP originating in Industry having grown by 105 per cent while loans and advances grew by 87 per cent. Except for noting that the ratio of commercial bank advances and loans to GDP originating in commerce was highly unstable over the period of analysis, conclusions expressed above hold for this sector as well. It is somewhat surprising though that the ratios were not appreciably higher. This might be explained by noting that many wholesale and retail firms in Uganda are family firm operations in which there tends to be a great deal of internal financing. In many instances it is probable that owners rather than go into debt to an impersonal entity such as a bank prefer to withhold expanding or increasing inventories until cash is at hand or can be had from a member of the extended family.^{18, 19}

17 Where small scale peasant cropping is the dominant form of agriculture, except for the seasonal demands for financing by the cooperatives and processing enterprises, it is unlikely that there would be a great demand for agricultural credit. Of course, it might be argued that under some alternative system of credit availability, the structure of the agricultural sector itself might change.

18 See, for example, G.R. Bosa, "Results of a Survey of Financial Demand by Small-Scale Enterprise in Uganda, E.D.R.P. No. 111.

19 Nothing here is meant to imply that the commercial banking system in Uganda has been unimportant to the nations economic development. It is only that attempts to find a direct relationship between credit extended and economic development cannot be defined. If, on the other hand, we take as a measure of the importance of commercial banking the ratio of deposits to GDP, then if anything the commercial banks in Uganda have become of increasing significance over the period of analysis. While in 1960 deposits were 12 per cent of GDP, in 1968 they amounted to 23.8 per cent and the growth in ratio was almost continuous. Unlike the situation in Kenya, where according to Engberg, the commercial banks have been faced with increasing competition from non-bank financial intermediaries, this has not been the case in Uganda. op.cit.,pg.60. End of year deposit statistics were used in calculating these ratios.

According to Uganda's second five-year plan, economic diversification is a major goal.²⁰

Under the Plan the Ugandan economy will be diversified by a rapid expansion of manufacturing industry, and by expanding the production of tea, sugar, livestock and several other cash crops which are at present of only minor importance.

There will be a major expansion in the industrial sector. Industry excluding crop processing will grow considerably faster than the overall economy, i.e. 12.2 per cent per annum compared with 6.3 per cent per annum. The product of manufacturing, other than crop and food processing, will be almost double.

Agricultural output in the monetary sector should grow at 5.1 per cent per annum. Considerable diversification will take place...

Achievement of these targets requires an expansion in the range of cash crops produced, very large increases in tea and sugar production, and a major expansion in the production of foodstuffs and animal products.

Since these goals were also embodied in the first-five year plan, it might be expected that some reflection of their influence could be found in the loan and advances policy followed by the commercial banks after independence. Specifically, if independence and the enunciation of five-year plans as well as the enactment of the legislation discussed above had an impact on commercial bank lending policy, we would expect to find an increasing proportion of total loans being made to both the industrial as well as the agricultural sectors - the industrial sector because it is identified in the Plan for the most rapid growth; the agricultural sector because the diversification called for in the Plan in this sector requires the rapid expansion of the plantation type operation. This is a form of agriculture requiring larger amounts of capital support than the present small-scale agricultural operation. Table 2 presents the statistics of the distribution of total commercial bank loans and advances to the major sectors of the economy during the period 1960-68.

²⁰ Work for Progress, Uganda's Second Five-Year Plan, 1966-71., pp. vii-viii.

TABLE 2

Commercial Bank Loans and Advances by individual sectors as a per cent of total loans and advances
Uganda, 1960 - 1968

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Agricultural Loans & Advances	13.6	13.0	15.7	14.6	11.4	6.3	8.0	14.7	47.8
Industrial Loans & Advances	48.0	41.7	40.9	32.4	26.6	24.0	28.0	39.2	25.0
Commercial Loans & Advances			22.6	26.3	28.8	34.7	43.5	43.4	19.3

Source: Derived from Table 1.

It is evident that nothing of the sort anticipated occurred until, and then only to a limited degree, 1967.²¹ Between 1960 and 1966 the proportion of total loans and advances going to Agriculture actually declined by almost 50 per cent.²² Over most of the period, the proportion of loans and advances going to the Industrial sector, the fastest growing sector in the economy and the one from which most is expected, tended to decline. The proportion of loans and advances going to the commercial sector, with the exception of 1968, showed a remarkable increase, growing by almost 100 per cent. Yet it is precisely in this sector that one might have expected, given the governments concern to industrialize, to find a policy of austerity being pursued.

It is quite evident from table 2 that a change in loan policy occurred sometime in 1967. In June of 1967, "to curb inflationary tendencies and to assist in strengthening external reserves" the Minister of Finance directed the commercial banks to reduce their loans and advances in certain "non-essential" categories and to give preference to making loans and advances in the "essential" categories.²³

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- 21 This should not be construed to be a criticism of commercial bank operations. As private banks they ought to seek that allocation of loan funds that serves to maximize profits. It might be argued that given the current stage of development, it is most important that commercial banks increase their total loan and investment funds and that this can best be done by maximising profits.
- 22 Loans and advances to the agricultural sector have always been primarily to large organizations, often parastatals, to enable them to seasonably purchase unprocessed crops and to process them. According to Diana Hunt, "Credit for this purpose...is the only form of agricultural lending in which these banks (expatriate banks) are extensively engaged. It is a lucrative (because quantitatively very large) and comparatively safe form of lending which has the additional advantage of being annually recurrent. The loans are in the form of heavily fluctuating overdrafts, are outstanding for a few months only, and are renewable at the banks discretion". "Some Aspects of Agricultural Credit in Uganda", E.D.R.P. No.105.
- 23 A copy of this announcement appeared in the local newspapers at the time. I am thankful to Governor Mubiru of the Central Bank for making a copy of the directive available to me.

The directive defined essential categories to be "agriculture, marketing of agricultural products, mining and quarrying, basic services including water and electricity, public and commercial transport, storage and communications, building and construction and manufacturing and processing of goods".²⁴ Credit in all other categories was to be reduced by 5 per cent of the amount outstanding on June 14. Furthermore, banks were required to limit their advances against bonded goods to 75% of their market value and to restrict credit facilities to 80% of the value of imported goods, the customer being required to deposit with the bank 20% of the value of the imported goods before issuing any letter of credit.²⁵ The directive went on to make explicit the reasons for the government's action, namely, "that credit will be diverted from non-essential articles of trade into more productive channels of benefit to the continued growth and development of the economy. It is hoped to increase the output of agricultural products and promote the manufacturing of goods needed to ensure Uganda's self-sufficiency and stimulate exports which, in turn, will make for a favourable external balance."²⁶ There is no doubt that at least in the mind of government policy makers, commercial bank loan and investment policy was an important tool to be used for the economic development of Uganda. The results of this directive are striking. Total loans and advances between 1967 and 1968 increased by 10.5 per cent. In the agricultural sector credit increased by 260 per cent, from 4.2 million to 15.1 million pounds. Disappointingly, loans and advances to industry fell by 29.5 per cent. In keeping with the government's dictates, loans and advances to the commercial sector - a sector defined as "non-essential", fell by almost 51 per cent. Statistics in table 2 also reflect the effects of this directive. Loans and advances to agriculture growing to almost 50 per cent of total loans and advances. Commerce fell to less than 20 per cent and in the industrial sector there was a fall to 25 per cent. It was quite

24 Ibid.

25 Ibid.

26 Ibid.

obvious that the government had the power to direct / the loan and advances policy of the commercial banks in Uganda.²⁷

Earlier it was noted that under the Currency Board system, East African capital tended to be invested in London rather than in Africa. A very striking change has occurred in this area but again this change cannot be attributed to Independence or any actions taken by the Government of Uganda.

Table 3

Total Loans, Advances, Bills & Investments in East Africa as a per cent of Total Commercial Bank Deposits, Uganda, 1960-68

December 31, 1960	107.0%
1961	98.5
1962	101.2
1963	121.5
1964	117.5
1965	109.0
1966	95.9
1967	85.2
1968	93.6

Source: Same as Table 1.

The expatriate commercial banks, not waiting for Uganda to gain its political independence, took the initiative and began to make a significant commitment to the economic development of the country, going so far as to put themselves in the position of being long term debtors to their head offices in London, Amsterdam, and India.

Conclusion:

It appears as though the fact of Independence and the enactment of various legislation has as yet done little to affect commercial bank loan and investment policies. The experience of 1967 does indicate though that the government can, if it desires, affect these policies. This then might best be viewed as a learning experience for both the government as well as for the commercial banks.

²⁷ This directive was eased in July of 1968 and by the end of March 1969, according to first quarter reports, loans and advances were being distributed in keeping with the more "traditional" pattern, i.e., more being provided to "non-essential" categories and rather less to the "essential" categories.

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