INTRODUCTION

While accepting that Economic Development is a complicated process involving many non-economic variables, it is probably true to say that the main problem in creating and sustaining long-term economic growth is the mobilisation of resources for capital formation. In East Africa the present level of economic growth is not only a problem of capital formation and a high rate of capital formation, i.e. a quick increase of the tangible and real property of an economy, is only one of the characteristics which mark the path towards a highly developed economy. But the present level of capital stock as a result of the small investment activity in the past, is low that all efforts towards economic development must aim to increase substantially the rate of saving and investment.

The reason for the low volume of savings and investment in East Africa is mainly the low income which makes it impossible to leave a margin for greater savings after having deducted the necessary expenditures for living. But not only the absolute level of the per capita income is an important defining quantity of the possible volume of savings and investment in an economy but other factors, for instance the distribution of national income are of great significance.

Although there is little data available on income distribution it is probably true to say that only a small percentage of the total population is responsible for almost all savings in East Africa. There would however appear to be much scope for raising savings from the remaining "non-savers" since it is known that many engage in disproportionately heavy expenditures on non-essential consumer goods.

In view of the above there is no doubt that it is possible to achieve a higher level of savings and investment. There is not only the limited savings-ability which is the reason for the present unsatisfactory volume of investment but there is probably also a lack of a sufficient savings-willingness.

One may characterize the savings situation in East Africa in terms similar to those used for the Sudan:

"It was mentioned earlier that the rate of savings in the country is low. While it is true that low level of income is not conducive to high savings, the habit of postponing consumption to some future date is alien to the mentality of the average income-earner - the present consumption is the force majeure. The notable absence of saving consciousness of the community is evidenced by the fact that even people with high income spend practically all their income",1/2

1/ I should like to thank Dr. Gugler, J. Loxley and M. Tribe for their comments and corrections.
However, the efforts for higher capital formation in East Africa must not only been seen statically. But a higher rate of saving should not be achieved by limiting consumption to its present level, but the marginal rate of saving should be greater than the average rate during a period of economic growth.

The fact that also institutional reasons can partially be responsible for the lack of capital is frequently not sufficiently recognised; in other words, if the banking system is not sufficiently developed, the lack of capital can be felt even more than it would be as a result of the low level of savings. The statement that an efficient banking system and capital market is missing in developing countries is, however, redundant; because the existence of these instruments are one of the typical signs of developed economies. At the same time, it would be wrong to assume that a forced creation of a banking system could entail a healthy acceleration of economic growth if the other sectors of the economy are lagging behind. It is more likely that, on the contrary, the result would be inflation and a consequent slowing down of the growth process.

On the other hand, if an institutional factor like the banking system is lagging behind in its development this possibly can hamper the economic growth. It is therefore essential to achieve balanced growth between an efficient banking system and capital market on the one hand and the development of the other sectors on the other hand. A point in case is the relatively small amounts of savings deposits in developing countries which underlines the importance of the institutional factors. A functioning savings organisation covering the whole country could collect savings and utilise them for investments. Even in the more developed of the underdeveloped countries like for instance in Uganda, Kenya and Tanzania, the banks are concentrated mainly in the few larger towns.\footnote{Work for Progress} In addition, they are frequently not interested in opening up accounts for small savers.

To develop the banking system also in rural areas should therefore be a target of high priority in the national development plans because the unutilized saving potential in the farming areas is frequently considerable. At the same time these banking institutions in rural areas could furnish the farmers with more and more effective credits at reasonable and not too much fluctuating interest rates. Thus contributing considerably to modernizing and mechanizing agriculture.\footnote{Work for Progress.}

"Saving" in 'Work for Progress' 1966-1971,
Uganda's Second Five-Year Plan

The authors of the Second Five-Year Plan have clearly stressed the eminent importance of private saving as a major precondition for the economic growth of Uganda:

"The achievement of the targets set out in Chapter I will require a major effort from all sectors of the economy. .......
The effort required may be summarised as follows:

(1) a steady increase in the rate of domestic savings both in the private and public sectors;\footnote{Work for Progress.} ......
"For the individual this will mean that, although he can expect increasing government services and greater income as a result of the Plan, he must contribute to the Plan through greater savings to finance the investment programme...."5)

"Certainly, in the long run, Uganda must expect to develop predominantly through creating high rates of domestic savings".6)

"The resulting ratio of additional savings to increases in output is 23 per cent. That is, in economic jargon, the marginal propensity to save over the Plan is assumed to be 23 percent."7)

"Thus, even if foreign aid flows at the projected rate, a very considerable domestic savings effort is assumed in the Plan. The average savings ratio at the beginning of the Plan is little more than 12 per cent; the marginal ratio must be about twice that level to achieve the investment targets set for 1971."8)

"Not only must the Government ensure that the domestic savings effort is sufficient, ......."9)

"Private savings can continue to play an important part as a method of releasing resources for development. There are a number of means by which their role will be expanded:

The first is to stem Capital outflow. A second means lies in the provision of additional investment outlets to encourage saving amongst a wider range of the public. In many countries the payment of house purchase mortgages and of insurance premiums form a major source of private savings. Also, a wide range of industrial investments are available to the small investor. In this connection steps will be taken to develop the Kampala Stock Exchange".10)

"The more private individuals are willing to save, the less Uganda will need to be dependent on foreign sources of finance and heavy tax burdens to achieve the investment targets."11)

Object

There are no published figures of the volume of private savings in Uganda and at best there are only estimates available. Thus empirical material has so far not been made available which is also stressed in the Uganda Development Plan 1966-1971 where it is said on page 32:

"Direct records of savings as such are not available......"12)

However, even the estimates of private domestic savings which according to the Plan are "based on the difference between the figure for gross capital formation and that for net external finance"13) should be treated with care. "Reliance upon such crude estimates is not the fault of the planners, but a necessary procedure in the absence of any direct estimates of private savings whatever".14)
This is where my research comes in. It should be noted that this is the kind of estimate of the order of magnitude of savings in the private sector in Uganda classified by source and by asset acquired. After completing my investigation in Uganda it is planned that I shall spend a month's time each in Kenya and Tanzania in order to collect some informations on private savings in those countries by means of interviewing bankers and Government officials concerned. It may be that similar studies will be undertaken by others in the two countries mentioned at some future date; in this case it is hoped to benefit from the results of these studies which could then be included in my work as well.

Furthermore, I believe that also with the ECA in Addis Ababa there is some material available on savings development in various African countries.

My study will be based mainly on four sources:

1) figures which are now being extracted from the data obtained in a large-scale sample survey of Buganda Coffee farmers,
2) a questionnaire to all civil servants and to salaried staff of a sample of large organisations,
3) income tax data, and
4) the results of the analysis of the "Cooper" Card Index data which is now being undertaken by Mr. Gervers.

(1) Survey of Buganda Coffee Farmers

This is the first budget survey carried out in a rural area in Uganda. The budget period runs from the middle of August 1962 until the middle of August 1963.

I had the opportunity to have a preliminary look at the records of data collected by the Statistics Division in Entebbe. However, I should like to postpone my analysis of this large-scale sample survey until the results have been published (the publication is already in progress). Furthermore, I should like to wait until I had the opportunity to study the 1200 questionnaires in more detail.

Questionnaire

In the past few weeks I have prepared two questionnaires (Appendix I and II) which are aimed to collect statistical material relating to the following:

a) the ability to save
b) the willingness to save
c) the motive for saving
d) the variety of the chosen saving opportunities
e) the choice of saving-institution:
f) the average rate of saving in different income groups

It is assumed also that the monthly income figures of individual persons are of value in determining the average monthly income level which makes savings possible.
Designing the questionnaire the following factors were taken to consideration:
1) the usual dislike to answer questionnaires
2) a special dislike of questions relating to personal income
3) the widely found obscurity concerning the actual definition of "saving".

The investigation I carry out by using my questionnaires is
directed to the following professional groups:
Salaried staff
Civil servants
Self employed people.

After the analysis of the first brief questionnaire I shall call on
some of those respondents who indicated their willingness to be
interviewed. (Appendix I, question No.11)

I designed a rather brief questionnaire, this being more likely
to ensure better replies by persons who would otherwise refuse to
answer a questionnaire of more elaborate form (App. I). However, at
the moment it is still not clear how many questionnaires will be
distributed and what channels will be used. The latest employment
records I have access to showed the following figures as per the end of
1966:

<table>
<thead>
<tr>
<th>EMPLOYMENT FIGURES:</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>5,978</td>
<td>43,941</td>
</tr>
<tr>
<td>Cotton Ginning</td>
<td>---</td>
<td>5,359</td>
</tr>
<tr>
<td>Coffee Curing</td>
<td>---</td>
<td>4,779</td>
</tr>
<tr>
<td>Forestry, Fishing, Hunting</td>
<td>2,468</td>
<td>492</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>79</td>
<td>6,369</td>
</tr>
<tr>
<td>Miscellaneous Manufacturing Industries</td>
<td>257</td>
<td>22,812</td>
</tr>
<tr>
<td>Manufacture of Food Products</td>
<td>---</td>
<td>9,524</td>
</tr>
<tr>
<td>Construction</td>
<td>20,152</td>
<td>9,004</td>
</tr>
<tr>
<td>Commerce</td>
<td>149</td>
<td>14,051</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>6,006</td>
<td>3,827</td>
</tr>
<tr>
<td>Government (Administration and Miscellaneous)</td>
<td>15,398</td>
<td>111</td>
</tr>
<tr>
<td>Local Government</td>
<td>19,817</td>
<td>---</td>
</tr>
<tr>
<td>Education and Medical Services</td>
<td>16,815</td>
<td>24,337</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>3,959</td>
<td>9,729</td>
</tr>
</tbody>
</table>

|                                | 91,114  | 154,375 |

It is pretty obvious that in view of these figures it is
impossible to approach all the civil servants and other clerical staff
within a half year's time. I therefore prefer to apply the sample
method by selecting a few Government Departments, industry, trade - and
marketing organisations.

In this connection it is asked whether it is more successful to
contact the various persons concerned directly through the interviewer
or indirectly through personnel departments. I would have thought
that the results will be less favourable and accurate if the latter
method were applied since the interviewed persons would be more likely
to be restrained in making frank and precise replies.
On the other hand it should be no problem to deal directly with representatives of the various groups of the self employed people, i.e. doctors, dentists, lawyers, architects, consultants etc. In this connection I should mention that I was unable to find out whether the various groups are organized as unions or associations or sub-associations.

May I raise another question in asking whether the selected persons of the self employed people should be prepared on the interview by sending them in advance the brief questionnaire (in a different form) or whether they should be contacted directly and unprepared (with the longer version).

The distribution of the questionnaire should not only be cover Kampala, Jinja and Entebbe but also selected places in the eastern (Wigbe), northern (Gulu), western (Fort Portal) and south-western part (Mbarara or Masaka) of Uganda.

The basis of my interviews will be the B-Type questionnaire (Appendix II), that means the questionnaire in the more extended form.

This B-Type questionnaire is the result of various trial tests of various persons and departments in Kampala and Jinja. I have to add in this connection that those persons were always selected by the personnel departments, a fact which, no doubt, has influenced the results. Furthermore only African employees were interviewed.

The aim of these interviews was:
1) to check the clarity of the various questions
2) to check the optimum arrangement of the questions
3) to check the length of time needed to go through the questionnaire
4) to receive further suggestions to improve the questionnaire.

From the above tests I came to the conclusion that the questions have to be posed in a rather direct way. This even refers to the questions relating to the monthly income which was, much to my surprise answered in a very straightforward manner. This is why I abstained from inserting various income groups as I had intended to use previously.

It was found that the question:
"How much Development Tax did you pay last month?"

is a rather useful control to verify the correctness of the income stated by the person interviewed.

No answer however was received on the questions concerning the income received through sale of cash crops. All those persons who were growing cash crops answered almost unanimously "for domestic use only".

I did not succeed very well with questions depending on a degree of education. Thus I asked for example:
"Do you know a company which has recently issued shares in East Africa?"
"Did you buy some shares?"
The reply was regularly negative. On the other hand I asked the same persons in a more direct manner:
"The company ROTHMANS OF FALL MALL (Kenya) Ltd. has recently issued shares to the public. Did you buy some shares?"

Some of these persons who had previously answered "no" the first question now answered in the affirmative.
Another difficulty that I found was that the definition "saving" being commonly used by economists is obviously often not identical with the meaning which those persons I interviewed had in mind. Thus I found that persons who first denied any savings, later, in the process of the interview, mentioned typical savings operations when enumerating the monthly regular monetary transactions. I have those persons in mind, for example, who did not consider any premium payments to insurance companies or regular transfers to building societies as savings. Therefore I have included special questions dealing with those kind of savings.

Another problem I wish to present for discussion is whether questions asking for the motives of savings should be left entirely open or whether the commonly accepted answers of the motives of savings should be given to the persons interviewed for selecting those motives they agree with.

Finally, I should mention that the most difficult questions should be among the first one's asked in a more extended interview to avoid any inaccuracy caused by fatigue or reluctance or impatience.

At recent interviews of savers undertaken in West Germany it was found that answers on questions dealing with saving were negative much less frequently when these questions were asked before those dealing with income. This result, however, could not be confirmed during my tests undertaken. The reason might be the small-scale work which was involved in my case.
1. In which year were you born? ..............................

Are you an:  
- AFRICAN
- ASIAN
- EUROPEAN

Marital status:  
- NEVER MARRIED
- MARRIED
- WIDOWED
- DIVORCED
- SEPARATED

How many children do you have? ..............................

2. What is your work here? (Please specify) ..............................

EMPLOYEE | CIVIL SERVANT

Do you have also a business?  
- YES
- NO

YES: Kind of business ..............................

3. Total monthly income, on average (inclusive of salary, bonus, 
sale of products, other income)

| Shs  | 200 | 300 | 400 | 500 | 600 | 700 | 800 | 900 | 1000 | 1500 | 2000 | 2500 | 3000 | 3500 | 4000 | Over |
|------|-----|-----|-----|-----|-----|-----|-----|-----|------|------|------|------|------|------|------|
| Shs  | 519 | 419 | 319 | 219 | 119 | 69  | 79  | 89  | 99   | 1499 | 2099 | 2599 | 3099 | 3599 | 4099 | 5099 |

4. How much do you normally save monthly? .............................. Shs

5. For what purpose(s) do you save?

..........................................................

..........................................................

6. Please tick the kind of savings you have:

- Cash at home
- Bank: Current account
- Savingsaccount
- P.O. Savings Bank Deposits
- Life Insurance
- Endowment Assurance
- Building Society
- Premium Development Bonds
- Stocks
- Shares
- Loan to somebody
- Investment in a local enterprise
- Other savings (Please specify) ..............................

7. How much are your total accumulated savings from these assets now?

<table>
<thead>
<tr>
<th>Shs</th>
<th>500</th>
<th>1000</th>
<th>3000</th>
<th>5000</th>
<th>8000</th>
<th>12000</th>
<th>15000</th>
<th>20000</th>
<th>25000</th>
<th>Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shs</td>
<td>519</td>
<td>619</td>
<td>819</td>
<td>1019</td>
<td>1219</td>
<td>1519</td>
<td>1819</td>
<td>2019</td>
<td>2519</td>
<td>5099</td>
</tr>
</tbody>
</table>
8. Do you own a house? [YES] [NO]
   YES: How much have you invested in your house(s)? ..................... Shs

9. Do you have any land? Tick appropriate: Mailo  
   Kibanja  
   Customary  
   How much have you invested in it? ......................... Shs

10. How much do you have to pay every month
      for instalments? ................. Shs
       for house mortgage? ............... Shs

11. We might like to discuss with you in some more detail.
    Would you be agreeable to Mr. Hubner, who is conducting this
    study coming to meet you? [YES] [NO]
    If so, could you please state your name and address?
       (Mr. - Mrs. - Miss) ...................................................
       .................................................................

THANK YOU VERY MUCH FOR BOTH YOUR PATIENCE AND YOUR COOPERATION.
Appendix II

1. What is your work here? (Please specify)  

   EMPLOYEE  CIVIL SERVANT  

2. What salary scale are you on?  

3. How much was your income last month from:
   - Salary  
   - Bonus  
   - Overtime work  
   - Rent  
   - Loan received  
   - Crops produce  
   - Gifts  
   - Other Income  

   TOTAL  

4. How much was your total salary last month before deductions according to your SALARY PAY SLIP (Including bonus)?  

5. How much were your total deductions according to your SALARY PAY SLIP?  

   Please specify the deductions:  

6. If you had a pay raise beginning next month by a quarter of your present salary, what would you like to spend this extra money for?  

7. Do you also have a business?  

   YES  NO  

   YES: What kind of business?  

8. Are you also a partner in a business?  

   YES  NO  

   YES: What kind of business?  

9. Did you have any special income last month?  

   YES  NO  

   YES: Where did it come from?  

   How much was it?  

   What did you do with this money?  

   If 'PUT INTO BANK', what would you then do with it?  

10. Which of the following crops do you grow?
   - Coffee
   - Cotton
   - Mateke
   - Groundnuts
   - Maize
   - Any other crops? Please specify ____________________________

11. How much did you receive for the COFFEE you sold last year?
    ___________________ Shs

12. How many pounds of COTTON did you sell last year? ............... lbs

13. Do you sometimes sell MATEKE?  
    YES: Did you sell last week?  
    YES: Did you sell last month?  
    YES: Did you sell last week?  
    YES: Did you sell last month?  

14. How much did you make from MATEKE following the last harvest?
    ___________________ Shs

15. Did you sell any other crops last month?  
    YES: What kind of crops? ____________________________
    How much did you make? ____________________________ Shs

16. Did you sell some cattle last year?  
    YES: What kind of cattle? ____________________________
    How much did you make? ____________________________ Shs

17. Which major items do you own? For instance:
   - Bicycle
   - Motorcycle or Scooter
   - Car (Type / Model)  
   - Lorry (Type / Model)  
   - Radio
   - Television
   - Refrigerator
   - Furniture
   - Telephone
   - Any other items (please specify) ____________________________

18. Which of these major items did you buy in the last 12 months?
    ___________________ ____________________________
    ___________________ ____________________________
    ___________________ ____________________________

19. Are you a member of a

PROVIDENT FUND? YES  NO
If YES: Which? .....................

PENSION SCHEME? YES  NO
If YES: Which? .....................

How much do you have to pay each month? Provident fund: Shs
Pension Scheme: Shs

20. What INSURANCES do you have?

Car insurance  Annual premium Shs
Life insurance  Annual premium Shs
Endowment assurance  Annual premium Shs
House insurance  Annual premium Shs
Household insurance  Annual premium Shs
other insurances (please specify) ........................................

If LIFE INSURANCE: Do you claim income tax relief? YES  NO

21. How much did you have to pay last month
for instalments ......... Shs
for house mortgage ..... Shs
for repaying of loan ..... Shs

22. Did you grant somebody a loan? YES  NO

YES: How much ......... Shs
Do you think you will get it back? YES  NO
Do you get any interest for it? YES  NO

23. How much DEVELOPMENT TAX did you pay last month? Shs

24. Do you give some HOUSEKEEPING ALLOWANCE your wife
after receiving your salary? YES  NO

YES: How much ............. Shs every DAY

WEEK

MONTH

25. How much SCHOOL FEES did you altogether pay in the last
12 months for your own children? Shs

26. Are you supporting anybody else? YES  NO

YES: How much do you give per month, on average? Shs

27. How much did you put in a LOTTERY last month? Shs
28. Supposing you have some money left over at the end of each month, where would you wish to deposit it?

- Cash at home
- With a Bank
- With the P.O. Savings Bank
- With a Building Society
- With an Insurance Company
- Invest in a local enterprise

29. Did you save some money from your last salary/income? [Yes] [No]

Yes: How did you keep it? ........................................

If at bank: What kind of account is it? ..........................

What did you save it for? ...........................................

How much did you save? ....................... Shs

No: Would you like to save money? [Yes] [No]

How much more money do you think you would need to enable you to save Shs. 100/- each month? ............. Shs

30. Do you keep a bank account? [Yes] [No]

Yes: P.O. Savings Bank account? [Yes] [No]

31. What kind of savings do you have?

Cash at home | Amount .......... Shs, started 19.....
Bank: Current account | Amount .......... Shs, started 19.....
Savings account | Amount .......... Shs, started 19.....
P.O. Savings Bank Deposits | Amount .......... Shs, started 19.....
Life Insurance | Amount .......... Shs, started 19.....
Endowment assurance | Amount .......... Shs, started 19.....
Building Society | Amount .......... Shs, started 19.....
Premium Development Bonds | Amount .......... Shs, started 19.....
Stocks | Amount .......... Shs, started 19.....
Shares | Amount .......... Shs, started 19.....
Loan to somebody | Amount .......... Shs, given 19.....
Investment in a local enterprise | Amount .......... Shs, started 19.....

Other savings (please specify) ........................................

32. UGANDA GOVERNMENT STOCKS are now on sale.

Did you buy some stocks? [Yes] [No]

Yes: For how many Shillings did you buy? .......... Shs.

Do you have some other stocks? [Yes] [No]

How much interest do you get? ....................... per ........................
33. PREMIUM DEVELOPMENT FUNDS can be bought in Uganda.
   Did you buy some?  YES  NO
   YES: For how many Shillings did you buy? ............... Shs

34. The company ROTHMANS OF FALL (Kenya) Ltd. has recently issued shares to the public.
   Did you buy some shares?  YES  NO
   YES: For how many Shillings did you buy? ............... Shs
   Do you have some other shares?  YES  NO

35. TANZANIA has recently issued stocks in its own currency.
   Did you make an application?  YES  NO
   YES: For how many Shillings did you buy? ............... Shs

36. Suppose you were in receipt of a fairly large sum of money, say 6 months' salary/income,
   what would you do with it? ............................................
   If 'put into bank': What would you then do with it?
   .............................................................................

37. What is your home district? ............................................

38. How long have you been working here? ............................

39. To whom does the house belong in which you are living?
   The Government, Municipality or City Council
   The National Housing Corpor.
   The employer
   A private landlord
   Relatives
   Friends
   Your own house

40. If you are living in your own house:
   Did you build it?  ?  YES  NO, When? .................
   Did you buy it complete?  YES  NO, When? ............

41. Do you own a house somewhere else?  YES  NO
   YES: Do you get a rent for it?  YES  NO
   How much ............... Shs per .....................

42. Where did you get the money from for

<table>
<thead>
<tr>
<th></th>
<th>Own savings (Shs)</th>
<th>Loan (Shs)</th>
<th>Savings &amp; Loan (Shs)</th>
<th>Gifts (Shs)</th>
<th>Inherited (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Where did you get the loan from?  .............................................
VI

The total costs for building the house have been about ................. Shs.

43. Do you plan to build a house? YES NO

YES: Have you already bought building materials with own savings? ............... Shs.
with loan? ..................... Shs.

44. How much is the rent each month for the rooms that you occupy? ............... Shs.

How much of the rent do you pay yourself? ............ Shs

45. Are there some other people living with you at present? YES NO

YES: How many Adults ..............
Children ..............

How much rent do they pay you each month? ............. Shs.

46. How much did you pay last month for: Water ................. Shs
Electricity ................. Shs

47. Do you have any land somewhere else? YES NO

YES: What kind of land?
Lailo  □  How many acres is it? .................
Kibungo  □  How many acres is it? .................
Customary  □  How many acres is it? .................

Who cultivates the land? ......................

How many rent do you get for it each month? ............. Shs.

48. In which year were you born? ..............

49. Are you an: African  □
Asian  □
European  □

50. How long have you been to school? .............. (years)

What was the last grade or certificate you passed? ......................

Have you had any other training? YES NO, Which? ......................

51. Are you taking any courses at present? YES NO

YES: Which courses? ......................

How many school fees do you have to pay? ............. Shs per ......................

52. Do you have to pay school fees for somebody (children etc.) who is studying in foreign countries? YES NO

YES: How much? ............. Shs per ......................
VII

53. Are you married at present? [YES] [NO]

YES: To how many wives are you married? ..................

How much dowry did you pay altogether? ................. Rs.

Where did you get the money from? ......................

54. What is your religion? ..............................