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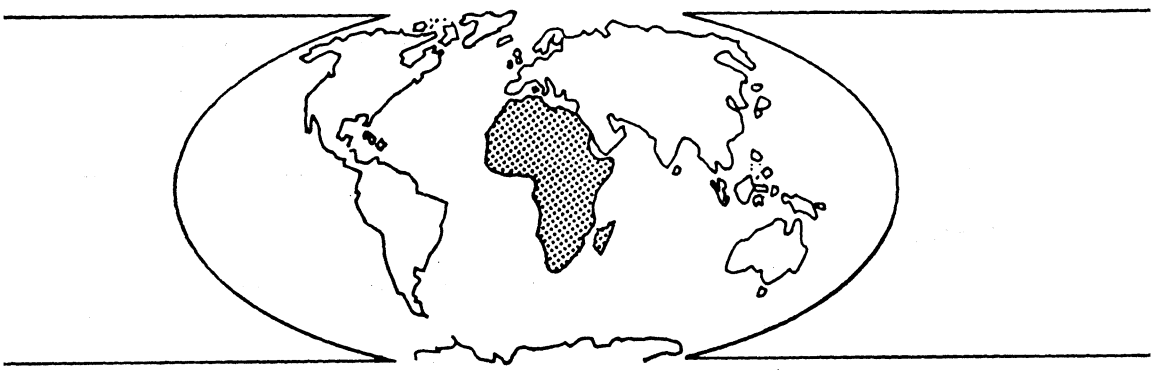


CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE

2 - 1974 - I

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THE CONTRIBUTION OF SAVINGS BANKS TO NATIONAL DEVELOPMENT IN ZAMBIA

1. An international strategy for the promotion of saving

Since development aid has proved so largely ineffective, the action programme for the Second United Nations Development Decade (1971-1980) seeks to establish a new basis for co-operation between industrial countries and the Third World. The ultimate aim of development, it is stated in general terms, must be "to bring about sustained improvement in the well-being of the individual", and specific policy measures are listed by which balanced development programmes are to be put into effect in all fields of economic and social life. The developing countries are to do more to help themselves, and one of the things they can and must do to this end is to mobilize household savings through savings institutions. The last point was discussed in detail at a UN seminar in 1971, with particular reference to such aspects as the co-ordination of savings promotion in developing countries with their policies regarding different sectors of the economy, the mobilization of personal savings in urban and rural areas, the suitability and effectiveness of different savings institutes, the means of encouraging saving, savings incentives and savings campaigns, and finally collaboration with international associations of savings institutions, especially with the International Savings Banks Institute of Geneva.

2. Saving as a factor of economic development

There is good reason to stress personal saving in the context of international development aid, for it is common knowledge that savings are the primary determinant of capital formation, which in turn is a necessary, though not a sufficient, condition of economic growth in developing countries. There are other determinants of development, especially technical progress and organization, but the extent to which they can be effective largely depends upon the available supply of domestic and foreign savings. In any event, in the long run the developing countries' continued growth will be governed by the volume of domestic savings they can mobilize, for imports of foreign savings are often limited by scarcity of opportunities to earn foreign exchange for debt redemption, and also because investment returns tend to be lower than interest rates current on international capital markets. In addition to this macro-economic aspect of saving as a basic condition of orderly economic

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growth, there is also the powerful social argument that political freedom is possible only when the individual's political rights are durably secured by his economic condition — and individual wealth can normally be accumulated only by saving.

3. The international development aid programme of savings banks

It has long been one of the aims of savings banks in industrial countries to support the developing countries' efforts to encourage saving. This attitude rests, first and foremost, on the conviction that social peace in the world will in no small measure depend on the extent to which the economic standard of living in developing countries can be lifted and brought closer to that of industrial ones. To give effect to this idea, savings banks, through their joint organization the International Savings Banks Institute, have launched a *development aid programme,* which requires the Institute to collaborate in planning, developing and assessing aid projects in the field of savings promotion. Every effort is made to implement the programme both within and outside the context of savings banks as such, and valuable results have been achieved especially in collaboration with the UNDP and UNIDO, as well as on a bilateral basis.

4. Zambia: a model case of international savings banks co-operation

The case of Zambia is described below as a model of what can be done by way of international aid for savings promotion. In a joint project by the United Nations Development Programme (UNDP) and the International Savings Banks Institute (ISBI), experts recruited by the latter were financed by the United Nations. As usual, the first step was a feasibility study, which was prepared in Lusaka by a savings bank expert, in the months between August 1970 and February 1971. The study contained an analysis of Zambia's savings institutes and of the development of institutional saving among the African population, an assessment of the efficacy of past savings promotion campaigns and of savings incentives, and a discussion of the economic and social factors having a bearing on private household saving. The main part of the study consisted of a set of recommendations concerning savings education in schools and, through school savings schemes, the introduction of a National Savings Scheme combining a system of voluntary wage and salary

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deductions with credit facilities for workers and employees, the observance of World Thrift Day specially geared to national conditions, and the amalgamation of all present and future efforts at savings promotion in a proposed National Savings and Credit Bank, to be established by the conversion of the existing Post Office Savings Bank (POSB).

These recommendations were accepted by the Zambian government, and in August 1972 Parliament passed a savings bank law. In the meantime, an African official of the Finance Ministry, who was to be responsible for project implementation, underwent intensive training at European savings banks.

5. The follow-up in Zambia

In October/November 1972 two foreign experts arrived in Zambia. One of them was an Austrian and the other an American, they were made available for a year and were to advise on project implementation in Zambia. Both were recruited by the International Savings Banks Institute, and financed by the UN. A job description schedule divided the advisory tasks between the two experts as follows:

Expert A: (a) develop a thrift education programme with school authorities;
(b) develop a multi-media publicity programme;
(c) train nationals in savings education, publicity and public relations.

Expert B: (a) organize the technical services of the National Savings and Credit Bank;
(b) work out operational guidelines for the operations of the Bank;
(c) devise the broad guidelines and criteria for the investment policy of the Bank;
(d) train nationals in savings bank administration and investment techniques.

6. Legislation

The savings bank law of August 1972 lays down rules, among other things, for the appointment of the Board of Directors by the Finance Minister, his right of dismissal and other means of influencing the Bank's management

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policy. The law broadly outlines the rights and duties of the Board of Directors and the General Manager, but in so doing leaves a sufficient margin of flexibility in management.

The scope of the Bank's business is described in the law only in very general terms, so that the Bank is left free to develop a full range of services to customers. The only operations specified by law are the acceptance of savings and the promotion of any kind of savings scheme, especially those in connection with school authorities and pension funds.

A special section of the law is devoted to credit policy. In principle, the Bank is to grant loans only to its own depositors, and even then only against full coverage by the depositors' balance. Loans to anyone else, and on other security, require a specific written authorization by the Finance Minister. The total volume of credit must not exceed 50 per cent of deposits. Apart from this legal loan ceiling, the Bank is explicitly empowered to invest in government stock and in other securities (up to 10 per cent of deposits), as well as to keep money on interbank accounts (with commercial banks and building societies). The law says nothing about reserve requirements, either in the form of deposits with the central bank or via any sort of liquid assets ratio.

Another section of the law deals with the Bank's faculty to issue Zambia Savings Certificates, subject to ministerial authorization. There are very strict rules about the issue of such certificates, their terms and conditions, administration, audit, coverage and redemption.

The final section of the law contains provisions for the dissolution of the Post Office Savings Bank and the transfer of its rights and obligations to the new National Savings and Credit Bank of Zambia. The latter is to take over all the assets and liabilities of the Post Office Savings Bank, whose former personnel are entitled to at least equally good pay and other social allowances from their new employer.

7. Long-term operational policy

All the law says about policy, in the Introduction, is that the purpose of setting up the savings bank is to promote saving. It seemed advisable, therefore, to work out a statement of long-term aims, and to this end the following formula was proposed to the Board of Directors:

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"The basic purpose of the National Savings and Credit Bank of Zambia is to promote thrift and sound financial management among all Zambian people, mainly the low and moderate wage earners, and to serve the growth and advancement of the nation as an efficient, dynamic, independent financial intermediary through the utilization of capital accumulated from local and international sources."

The long-term aims were to be achieved by a set of measures geared in the first place to more short-term objectives and partial results in specific fields. The list of first-year short-term objectives is too long for reproduction here, but the following statements may serve to illustrate long-range policy:

(a) The National Savings and Credit Bank will promote thrift and saving on a nation-wide basis, in all areas of the country and among all age groups.
(b) Interest rates on savings accounts will be paid at a rate competitive with other financial institutions and consistent with sound management.
(c) Funds on deposit with the Post Office Savings Bank as well as the National Savings and Credit Bank will be invested in Zambian investments to assure safety and liquidity.
(d) The Bank's investment policy will concentrate on national internal development, wherever it is prudent as regards risk and returns to do so.
(e) Additional bank services will be added with reference to customer needs, improved range, and potential profitability.
(f) All customers of the Post Office Savings Bank and the National Savings and Credit Bank will be extended courteous and respectful service regardless of their background or the office of their call.
(g) The National Savings and Credit Bank will promote civic, social and cultural activities representative of national growth, stability and pride.
(h) A continuous effort to upgrade the knowledge and skills of National Savings and Credit Bank employees at all levels will be maintained through training, education and communication.

8. Budgeting

A budget was prepared on the basis of the figures available from the former Post Office Savings Bank, with the additional help of a new personnel chart and a plan of required premises. The purchase of office furniture and machines involved capital expenditure during the Bank's first year and sub-

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sequently further costs in the form of depreciation. Expenditure was occasioned, too, by disengagement of the Post Office Savings Bank from the Finance Ministry and its conversion into an independent modern business. There was no way of covering expenditure from the yield of the POSB assets taken over, of which 94 per cent consisted of government securities (Registered Stocks and Treasury Bills), and the experts therefore recommended a change in the investment structure, subject of course to the range of investments permissible under the savings bank law.

9. Investment policy

The law makes a distinction between loans to depositors and loans to others, with absolute priority for the former.

In the light of this provision, and in close co-operation with the Pension Fund, a simple saving and credit scheme was worked out, which, thanks to the Pension Fund's co-operation, is very easily applicable. In accordance with the law, any depositor applying for a loan must have deposits covering the full amount of the loan. Since it was obviously going to be difficult to explain to clients the advantages of "borrowing their own money", and since individual loans were small in amount, it was plain that this type of business could be expanded only very little, albeit steadily. Nor could the costs of these operations be passed onto the clients. The experts therefore advised the Bank's management to concentrate mainly on loans to non-clients, on the argument that this type of business could be expanded rapidly and thereby earnings raised very considerably. The following loan criteria were recommended:

The Bank was to entertain loan applications only from existing, sound enterprises; projects to be financed were to be in line with the current national development plan 1972-76; risks were to be spread by distribution of credit among different economic branches; loans to any one borrower were initially to be limited to 500,000 or, in some cases, to 1,000,000 kwacha (1 kwacha = US $ 1.55); loans were to be backed by first-class security, such as a mortgage, state guarantee or personal surety; loans were to be for the medium or long term (5 to 15 years), and the principal was to be repaid in six-monthly or annual instalments.

The final recommendation was that a special committee should be set up to reshape the Bank's investment structure on the proposed lines; this committee

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was to consist of three members of the Board of Directors and the General Manager.

10. Organization

(a) *Personnel organization.* To get the new National Savings and Credit Bank off to a good start it seemed advisable for it to take over the entire staff of the defunct Post Office Savings Bank, who could after all be assumed to have some knowledge and experience of the deposit business, bookkeeping and audit. A new organization chart set out the pattern of functions and the lines of command in management. Because of the shortage of competent top executives, and also in view of the initially small volume of business, each of only three managers was to be responsible for several departments, with their spheres of competence divided up in accordance with a brief description of each branch. For two entirely new departments, those for credit and marketing, detailed schedules were drawn up concerning departmental working principles, internal organization, work flows and specified jobs to be performed.

The position in the hierarchy of the General Manager, of the Board of Directors and of any committee possibly to be set up was, of course, defined by the law, but the latter said little about their actual functions. Accordingly, the rights and duties of top management were more closely defined in the internal regulations.

(b) *Technical organization.* The construction of a head office building being ruled out by prohibitive costs, the experts recommended that the new bank should rent a suitable building due to be vacated by another bank in a few months' time. Until this became free, it was necessary to make do with premises in the Post Office building, even though this created a number of problems. There were no extra rooms available for the proposed new departments, and the owner did not wish the existing premises to be rebuilt. But the shortage of office space was greatly eased by the purchase of a microfilmer, for this made it possible to transfer onto film the enormously space-consuming archives of the former Post Office Savings Bank.

Modern office furniture and machines had to be bought, and this was done with an eye to uniformity throughout and on the basis primarily of the expected cost-benefit ratio.

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11. Publicity programme

(a) *The corporate symbol.* The three leading advertising agencies of Zambia and also the State Zambia Information Service were invited to tender for the Bank's advertising. Their proposals for a savings bank symbol were submitted to the Board of Directors, who chose the "mealie cob". Once the bank had an emblem, it could proceed to order stationery — writing paper, savings books, deposit and withdrawal vouchers, etc. — as well as publicity material such as leaflets and posters.

(b) *Advertising theme and format.* An advertising campaign must have an aim and a basic theme. The chosen theme was "security and banking convenience", and a list of publicity measures around this theme was worked out in collaboration with the advertising agency. The agency developed a special style for press releases, so as to identify them at once as originating with the savings bank. This style is to be retained for the future.

(c) *Advertising campaign.* The savings bank's opening was the occasion of a four-week teaser campaign over all the mass media (radio, television and press). Big question marks and the slogan "Symbol of Saving" drew attention to the new National Savings and Credit Bank. This was followed by a campaign planned ahead for a whole year, with roughly half the total expenditure allocated to the first three months. For each of the twelve months following the foundation of the savings bank, a key theme was chosen to fit into a three-month cycle, as follows.

Month 1: *Attention* (drawn to the Bank, in order to develop greater institutional awareness among customers);

Month 2: *Interest-Desire* (showing customers why they should save and how their lives could be improved by having a savings account);

Month 3: *Action* (motivating the customer to add to his account or to open a new account);

Month 4 and thereafter: Repeat the cycle.

12. Education

The content of various subjects taught at primary and secondary schools having been thoroughly reviewed in a series of discussions with high officials

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of the Ministry of Education, it was decided unanimously that in future instruction in elementary economics and saving should be given under the headings Social Studies, Mathematics and Home Crafts. The UN expert A played a prominent part in preparing new curricula. The list of key phrases below gives some indication of the new approach and the subjects introduced to implement it: goal orientation and what to save for; where to save; how to save; how to make a budget; what credit means; what interest is and how to calculate it; how wage and salary deductions can be a form of long-term saving; how to buy a house.

As an aid in teaching the new subjects, a 15-minute colour film was produced for pupils in forms 5 to 9. Although the comments are in English, the official language of Zambia, a deliberate effort was made, in collaboration with the Ministry of Education, to keep the language simple so that it can easily be understood by the children. For good measure, the film was dubbed in the seven chief vernacular languages of Zambia. The Zambia Information Service, which has both the means of carrying out publicity campaigns in rural areas and experience in doing so, will arrange up-country film showings on behalf of the National Savings and Credit Bank.

13. The Zambia Thrift Association

After prolonged negotiations, arrangements were made for an association of all the Zambian institutions concerned with saving and with education in money management. Weekly or fortnightly meetings are to be attended by three high officials each of the following institutions:

The Zambia National Provident Fund
The Zambia National Building Society
The National Savings and Credit Bank
The Credit Unions and Savings Association of Zambia
The Zambia State Insurance Company

"The purpose of this organization is to encourage co-operation among savings institutions, to bring greater stability to all workers, and to increase management, operational and business development skills."

H. Greisinger
E. Pistora

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LA CONTRIBUTION DES CAISSES D'EPARGNE AU DEVELOPPEMENT NATIONAL EN ZAMBIE

RESUME

Les Auteurs examinent un cas concret qui s'insère dans la stratégie d'assistance internationale pour la formation de l'épargne dans les pays en voie de développement.
Le cas se réfère à la Zambie. Dans ce pays, il a été possible d'améliorer le système de mobilisation de l'épargne familiale grâce à la collaboration internationale et à l'assistance technique de Caisses d'épargne de pays économiquement plus évolués. A la suite d'une étude approfondie (moyennant une loi appropriée, issue en 1970), on a transformé la Caisse d'épargne postale qui existait en un institut spécialisé dans l'investissement autonome des fonds recueillis qu'on a appelé la National Savings and Credit Bank. *On a donc posé des bases pour une action plus efficace de la promotion et de la mobilisation de l'épargne en Zambie.*

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