

**Challenges of complying with the bank for international settlements' principles in developing a sound liquidity management framework for banking institutions in Tanzania**

**Emmanuel Makwaia Boaz**

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The researcher had observed that, the existing situation in Tanzania with regard to liquidity needs in the individual banks, the banking system as a whole as well as the clearing and settlement system in Tanzania, were characterized with inordinate delays in realisation of finality of payments, intraday demand for liquidity and overnight exposure on clearing accounts. In this study, the researcher sought to establish whether banking institutions in Tanzania do have institutional frameworks of measuring and monitoring liquidity risk that meet the requirement of the BIS Committee on banking supervision framework. The study has managed to establish that banking institutions in Tanzania have incorporated in their management structures, units that manage liquidity and that they have liquidity management policies. The study has also shown that banking institutions with liquidity management policies are less likely to face liquidity risk. It has been recommended in the study that, in developing sound principles of managing liquidity, banking organizations in Tanzania should opt for the BIS model, which is comprehensive in many aspects that have been observed to be lacking in many banks. It has further been recommended that in order to boost liquidity in the banking system the Bank of Tanzania should reduce reliance on Statutory Minimum Reserve (SMR) as a monetary policy tool and reduce the cost of offering the Intraday and Lombard (Overnight) facilities.