

## The impact of financial sector reforms in Tanzania

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The role of financial sector in the economy is like blood capillaries to the human body, it pumps the financial resources that are necessary for the economic growth and well being of a nation and its people. This research work focused on comparing three aspects of the economic reform debate using Tanzania's experiences from financial sector reforms that were implemented in the 1990s, namely, Domestic Financial saving, Levels of Domestic Investment (Banks Loan and Advances) and interest Rate spreads (Banks Performance). In order to analyze the impact of the reform on the above-mentioned aspects both primary and secondary data (covering the period from 1980 to 2001) were collected. The research found that there was significant decrease in the financial depth when comparing the pre and post reform periods. This is contrary to the hypothesis developed by McKinnon and Shaw in 1973 that financial liberalization leads to financial depth. The study revealed that, proportion of commercial bank lending to the private sector has increased considerably compared to lending to public sector. Although the number of players in the financial sector has increased in the post reforms era, the study has found that bank efficiency in the wisdom of the cost of intermediation has not shown sign of improvement, lending rates are still at the higher levels