Banks at Universities of Developing Countries

A Programme for Economic and Financial Information for all Faculties

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Most of the problems of the developing countries can be solved by the expansion of their own Middle Classes which, at present, represent a relatively very small proportion of the total population. It is the indigenous doctors, dentists, engineers and entrepreneurs who can really remove the bottle-neck in economic development due to the lack of sufficient experts - for the technological assistance given by the developed countries can only in quantity be a marginal contribution. The Middle Class will also set the pattern for the consumption habits of the country and thus provide a strong support to raw material prices and international trade. Its members are also the future intellectual leaders of the population. Thus the new magnificent Universities of developing countries have an even greater task than those in Europe or the United States, where it can be assumed that the average student already has a heritage of social and civic knowledge.

One of the most important future contributions of the members of the Middle Class will be to help create the internal capital essential for economic expansion. In countries like Nigeria, where there is a small but growing and active entrepreneurial class, lack of internal capital is already a not negligible short-run limiting factor. In other countries, where the entrepreneur still hardly exists, it will become a limiting factor in the near future when the plans for stimulating African and other entrepreneurship are successful. It is entirely out of the question that the large amounts of capital that will be needed to give these countries a high standard of living can come mainly from abroad. The whole of the rest of the world can only export marginal amounts to each new country. This capital, linked to technical aid, will weigh heavily in the country's economic development. But the greater part must come from the country itself. It, therefore, seems to be a practical proposition, to use the Universities, the cradle of the future Middle Class, to disseminate a wide knowledge of the banking system and the Governments' financial system.

The Problem

The new universities of the developing countries have certain characteristics not found in traditional universities. They are first-generation universities, some have only

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2 I am personally indebted to many people who, with their generous help made possible the crystallisation of these ideas; it was in Ghana that the basic shape was attained, but previous discussions in Nigeria and subsequent ones in Dakar, Morocco and Tunisia have all contributed.
been granting degrees for a couple of years. Their students are to 95–98 % on State or other scholarships, after a hard struggle to secure enough tuition to reach university standard.

There is more than one student who has come almost directly from the bush, or the village. His or her father and mother may both be illiterate and the student has only the greater honour for having taken this difficult step.

However, he or she has still much to learn about modern life. The high standard of the living in colleges, with rooms simply but tastefully decorated and comfortable halls and living quarters contribute much to the general formation of the individual. But the students in all faculties, except economics, never have an opportunity of learning about modern banking and financial life, actually one of their most immediate problems.

The Solution: For all Faculties

Most developing countries have State-owned Commercial Banks and well established expatriate commercial banks. The latter have usually made a great contribution to the economic life of the countries concerned, not only through their banking operations, but in the way they have trained nationals and, in this case, Africans in the art of banking so that today up to one half of their senior staff, capable of managing branch banks, are Africans. Moreover, it was these banks which were able to supply the newly formed Central Banks and often the State-owned Commercial Bank with their first trained national staff.

There is thus a reservoir of African technical ability which could easily be directed towards the universities. The State-owned Commercial Banks, in amicable cooperation or collaboration with their friendly rivals and partners, could open – where they are not already doing so – branches at the Universities.\(^1\)

These banks could then, with, in the first place, the help and assistance of the members of the faculty of economics, become the nucleus for the dissemination of banking and financial knowledge for all faculties. Such training is far more important for the boy or girl from the bush studying, say, medicine or history than for the trader's son from the town who is in economics.

Technical Aspects

There is one technical aspect of great importance. All the state and other scholarships are paid straight to the University; the students never handle the money. For obvious reasons, first year students could rarely be expected to cope successfully with the problems involved.

However, all faculties could be given at least one lecture a week on basic banking information, a lecture given by the African managers of the branch banks opened at the University.

For second year and more senior students a part of their scholarships, say that portion covering living costs, could be paid into their check accounts, which should be distributed equitably between the banks involved in the operation. The students could

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\(^1\) Most universities in developing countries are situated so far from the towns that for purposes of everyday life, they are dependent on their own resources.
then proceed themselves to pay the University¹. They would learn thus how to handle money and manage banking accounts.

General Knowledge in Banking and Finance

Moreover, once the basic banking knowledge had been given the students, all faculties should have the opportunity of attending lectures on the simpler technical aspects of money and capital markets. What is a Treasury Bill? What is a Bond, a Share? How are they marketed? What use are they? How does a Central Bank work? A Commercial Bank? Apart from the local faculty of economics and banking, the managers and directors of local banks, the Central Bank and, where available, the Stock Exchange would almost certainly be prepared to give a lecture once a year. The heads of the research departments could enlarge upon special problems mentioned in more general lectures.

For senior students – some of them perhaps future permanent secretaries or ministers and all of them future voters – the Minister of Finance might himself, with the assistance of his permanent staff, explain the mysteries of a budget and its financing.

It should, moreover, be possible to integrate into such a programme some lectures on international financial institutions. Most countries are visited regularly by representatives of the International Monetary Fund, the World Bank, the International Finance Corporation, the OEEC, the United Nations and its organisations. These visits are usually announced well ahead. In a smoothly working system of lectures, these visitors could be incorporated and it will almost certainly be found that they are very willing to speak on their own organisation. Of course, a more ambitious programme could foresee also high ranking specialists for short series of lectures. But in the first place the technical knowledge readily available should be used.

The proposal made above could, at very small cost in money and personal effort on the part of any single individual⁰, make a major contribution to the future internal money and capital markets of developing countries. Moreover, it would assist the Middle Class – the brightest hope for the future – to find its feet quickly in the modern world that it itself creates.

By such a programme it would be possible to ensure a flexible system adapted to the needs and structure of each individual country and University⁸. The peculiarities of the institutions, structure and national character could in each case be catered for automatically within the limits of the general programme.

At the same time not only the theory but also the practical operation of the modern economic and financial system would be explained to the country’s future leaders now at the Universities.

¹ For the germ of this idea I am indebted to Cheltenham Ladies’ College where I spent six years. Our 1 shilling a week’s worth of pocketmoney was carefully passed through the «bank» and we could only touch it after writing out a check and filling in our pass books.

² Essential – in view of the very great pressure of work on the very small number of monetary and financial experts locally available.

³ Where it applies, such a programme could usefully be introduced at technical high schools.