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Continuity and discontinuity in the Malawi Loans Boards, 1950s until 1970s

Introduction

The purpose with the paper is to discuss colonial continuity and change in African financial institutions and the finance of development over time. This is important to understand the 1980s debt crisis and the relation to African bureaucracies and its transformation from colonial to independent bureaucracies. Better understanding of any historical continuities will make it easier to understand financial and political crises today.

The case study is taken from colonial Nyasaland that changed name to Malawi after independence in 1964. The first part of the paper is devoted to a description of the development of Malawi Loans Board from a colonial to a post-colonial financial institution.

In the conclusion I will discuss tensions between the colonial institutional continuity in the Malawi Loans Boards and the discourse of modernization and development. Most important is to understand the ambiguity of discontinuity in colonial racist conceptions of otherness to more authoritarian conceptions of sameness and how this was further incorporated into development practices. The superior theoretical question is how practices and discourses of otherness have created a space for manouvere for colonial and independent bureaucracies: a specific way of governing the population in a despotic and authoritarian way. I will end this paper by suggesting that these practices and discourses of power are adapted into new forms of governing in the international development community.

Theoretical sources of inspiration

The theoretical source of inspiration in the paper is taken from Frederick Cooper’s ideas of a gatekeeper state and gatekeeper institutions. The concepts catch continuity and change in both economic and political institutions, practices and discourses.

Cooper has argued that there were varieties of political and economic possibilities but as time passed the French and British colonial administrations as well as the nationalist movements singled out a narrower road to decolonisation which opened for some political ideas and closed for others. One constraint was the colonial institutional setting in many territories which had aimed at promoting export rather than national industrialisation. Cooper has defined this colonial state structure as a gatekeeper state. Colonial state functions were organised to control “gates” in order to control flows of resources over the borders. One type of gate was the marketing boards. Through marketing boards governments could control prices and profits from export production. Many post-colonial governments kept the colonial system of marketing-boards. Nkrumah, for example, continued to use the colonial cocoa marketing board in Ghana to commandeer profit from the farmers to finance government development initiatives.[1]

Nyasaland and post-colonial Malawi never had a strong cash-crop economy compared to many other colonies and protectorates. In the 1960s the (Agricultural Development and Marketing Corporation) ADMARC, was one institution used to shift financial resources from small-scale agriculture to estates.[2]

In many countries it became more important to control the gates through taxation of import and export rather than using income taxation and other taxes to increase government revenues. Another important money flow to control was development aid. In Malawi, British grant-in-aid was important. Morton argues that both the private and public sectors were financed by capital inflows and transfers from external sources. Three-quarters of development account spending by the government since independence has been financed by foreign grants and loans.[3]

According to Cooper, African governments were not interested into legitimating its politics for the masses of people in the 1960s and 1970s, it was rather important to legitimate politics for other countries, especially allied and donors in the cold war. Western countries had nothing against cooperating with undemocratic leaders.[4] In this way the gatekeeping structure could be upheld within the context of the cold war. Morton, writing in 1975, claimed that Dr Banda's regime was repressive but that he had broad support because of, what she calls, the "political stability" and successful development policy.[5]

Some scholars have argued that the colonial state structure, bureaucracy and legislation remained rather unchallenged by post-colonial regimes because of the gatekeeper institutional structure.[6]

In this paper, I will make use of the idea of the Loans Boards as gatekeeper institution – but not in the sense that the Loans Board collected money – instead the Loans Boards distributed resources to political allies. In this way I will argue that the Loans Board as a gatekeeper institution stood for continuity in economic and political despotism between the colonial and post-colonial period since its prime aim seem to have been of more political character than of funding economic development.

However, Cooper has been very careful about not taking for granted a colonial continuity but raised the question of what political and economic opportunities that existed after the Second World War and what openings there were for change.[7] In line with Coopers reasoning my ambition is to be sensitive to changes to avoid taking colonial continuity for granted.

Methodology

The empirical analysis is based on an archival study conducted in 2009. This paper is based on one chapter from my coming dissertation which deals with the period 1930-2000. The ambition is to complement this study with interviews of members in the Loans Board and develop the study of this period in a complementing study.

1 Cooper, 2002, p. 67.
2 Robert, 1982, p. 368.
3 Morton, 1975, p. 32.
4 Cooper, 2002, p. 159-160.
5 Morton, 1975, p.
6 Hillbom & Green (2010), p. 182.
7 Cooper, 2002, introduction chapter.

The Nyasaland African Loans Board

In this section I will describe the emerging of the colonial loan board and discuss a change in the formulation of the development problem in the 1950s. The discursive change that led to a new solution: an extension of the previous Development Loans scheme to a design of the colonial Loans Board: the Nyasaland African Loans Board.

A broader development concept and the demand for a new scheme

In 1955, the Secretary for African Affairs John Henry Ingham suggested a reform of the design of Development Loans given to progressive farmers in the 1940s. Ingham said that he had been approached by the African Members of Legislative Council on the subject of facilities for Africans. The basic argument for reforming Development Loans was the impression that the demand for capital had increased when a larger majority of Africans had developed within farming, business and industry.

> "I have, however little evidence to go on here to suggest that a large section of the African population is conscious of the need for facilities to enable productive capital employment. I consider, however, that it is a matter where in which the Government should take the initiative, partly because of the importance of facilitating the emergence of an African middle class with a real personal stake in the country with an urge to maintain stable government, law and order, and also because I believe we are reaching a stage when a number of individual Africans are capable of productively employing capital if capital is made available to them."[8]

The quotation shows that Ingham believed that Africans were not conscious of their needs of capital, but capable to employ capital. The problem was not only lack of capital or "the African behaviour" as in the 1930s, but the African economic consciousness. Thus, the demand was not coming from Africans themselves, but from outside. Ingham was for example referring to experiences in East Africa where he was a member in a committee on credit to Africans. Experience and knowledge of using credit as a development tool circulated between the colonies. Based on the knowledge of development Ingham argued that not only very few educated clerks and Master farmers, but also a majority of Africans were ready to make use of capital. He therefore proposed that it was time for a large-scale credit scheme to Africans.[9] This is a sign of that the colonial bureacracy believed that capital was needed for development to take place. This can be related to an emerging modernisation discourse with new economic ideas.

The quotation also shows that some British officials saw Africans as having reached a higher development stage. Ingham argued that, Africans developed rapidly in business and industry, but small business like brick-making and African fisheries' lacked funds. This, he explained, was due to the problem with communal land which hindered development when land couldn't be used as collateral and as a consequence people had to borrow from money-lenders who demanded high interest rates. Ingham claimed that the present system was unsatisfactory, and lack of capital created bottlenecks for development in different sectors: brick-making; lime-burning; building construction and fisheries. Development loans could only finance small items of farming equipment and maize mills and it was not enough with Development loans.[10]

As a solution to those problems, Ingham wanted to extend Development loans to a larger majority of the population.

Ingham's view indicates a shift in the discourse of the African as "other" towards someone a little bit more similar to Europeans since he believed Africans had reached a higher development level. The

[8] MNA PCN 1/25/10 Provincial Commissioners Conference October 1955. Development Loans for Africans. Minutes.
[9] MNA PCN 1/25/10 Provincial Commissioners Conference October 1955. Development Loans for Africans. Minutes.
[10] MNA PCN 1/25/10 Provincial Commissioners Conference October 1955. Development Loans for Africans. Minutes.

idea in the previous colonial period that only a few Africans had the ability to improve their economic behaviour and standard of living was expanded to a conception of that the majority of Africans had such ability.

But despite the slight discursive move, development was still something done and given to the African.

> "If we really intend to develop the African as a trader and farmer we must visualise these loans being made on a greatly increased scale which will necessitate proper machinery for their administration and possibly legislation controlling the conditions under which loans can be made, their recovery, taking of security etc."[11]

Ingham believed that the Government was needed to protect law and order in facilitating the African middle class to take a stake in development.[12] The conceptualisation of a "we", that have the possibility to develop the African, "the other", is a sign of the conceptualisation of bringing about development as trusteeship: the ordinary African had chances but was in general too incapacitated and needed guidance.

The scheme as a political solution?

Besides the advantage of financing the emerging African branches on a wider scale Ingham also argued that there were political advantages to promote economic development among Africans;

> "The emergence of a strong middle-class trader-farmer-manufacturer class of African is a bulwark against political unrest, because it is the intelligent and progressive African, with a desire and ability to improve himself, and finds himself frustrated, which provides a class of political malcontent with powers of leadership."[13]

The quotation shows that the aim was to encourage economic development on a wider basis, and as a result, prevent political unrest. If the people who had the ability could be involved in economic activities it would prevent them from being involved into political activities. Economic development, in terms of a new middle-class, would lead to the creation of a calm and satisfied population who would not oppose the political rule imposed on them. The argumentation is an example of a colonial authoritarian thinking where British officials thought that the solution to the development problem, which was also of political dignity would be the shaping of an "intelligent and progressive African".

The problem the Nyasaland African Loans Board was a solution of was wider formulated and both of economic and political character. Ingham's reasoning indicates a discoursive shift towards economic development in sectors like business and industry as well as agriculture. Ingham's view was a broader conceptualisation of development than what was expressed in the documents concerning Development Loans in the 1940s.

In the statements a discursive change is indicated, from the perception of that only a few African farmers could become progressive and lead the way to the perception that a larger majority of Africans had the capacity to become modern. This is an example of a discourse of otherness as, what I think can be termed authoritarian sameness. Colonial officers thought that African's had capacity, they were not incapacitated because of race, but they still needed to be given capital and governed into how to use the capital to be successful according to the norm of development. The colonial political and economic despotic authoritarianism became one solution to an identified development problem.

[11] MNA PCN 1/25/10 Provincial Commissioners Conference October 1955, Memo. on item 8. Minute by C.S, D.S and S.A.A.

[12] MNA PCN 1/25/10 Provincial Commissioners Conference October 1955. Development Loans for Africans. Minutes.

[13] MNA PCN1/25/10 Provincial Commissioners Conference October 1955, Memo. on item 8.

The institutional design of Nyasaland African Loans Board

The conception of that Africans needed governing to become developed and modernised affected the institutional design of the loans board. The consequence was that the Nyasaland African Loans Board was designed for the specific African conditions.

Ingham suggested that a single Loans Board would be introduced instead of the existing variety of credit channels. The responses from his colleagues were positive. After discussions in May at the Provincial Commissioners Conference the formal decision was made that a committee would be set up to investigate the whole issue of loans to Africans. Among the suggested committee members there was one African member: Henry Blasius Chipembere.[14]

The questions discussed in the matter of Loans to Africans in May 1956 were: should purposes of lending be more flexible or more rigidly defined; are local government bodies most proper and desirable for dealing with credit; should local Boards be formed or can District Commissioners handle the credit question; at which stage is administration required; should loans be made strictly on business terms; what agencies should be responsible for recovering of loans and interests?[15]

All the questions are related to if there was a need for a specific banking organisation or if the loans could be handled within the ordinary administration.

In 1957 the committee finalized its report: the Report on Loans to Africans. The committee suggested a "Supervised Credit Scheme" rather than a Loan scheme. The mentioned reason for that were insufficient securities for the majority of the African population and as an alternative to security the committee suggested "surveillance".[16]

The report writers had apparently received critique because they wrote that there was a risk that the supervised credit scheme could "perpetuate that paternalism which characterises much of the past British policy". Further, they acknowledge critique from 'the African' who they saw emerged to a modern economic citizen and who was criticising the paternal attitude of Colonial Administrations. The critique against the policy was that "the policy denies the African opportunities for standing on his own feet and equipping himself for life in a modern world".[17]

The Loans Board was set up in 1958 despite the Governor's hesitation. The Governor was not at all convinced that the government had the responsibility of providing loans and thereby we can also distinguish a conflict within the colonial bureaucracy. The Governor feared that a result of setting up a machinery or legislation to provide loans risked increasing the demand. He also feared political repercussions if the government would find itself forced into the position of having to make loans that were not economically sound.[18]

It was also stated in the policy that the aim with the scheme was to provide a service to raise living standards generally and not only to provide a banking scheme. Therefore there was a need for a design that allowed for channelling of public investments to create productive assets.[19] The funding to the Loans Board came from the African Development and Welfare Fund and the amount was £1500.[20] Native Development and Welfare Fund used revenues derived from African sources.

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[14] MNA PCN 1/32/22 Provincial Commissoners' Conference, Note on the Conference held at Zomba on 5th, 6th & 7th May, 1956. Item No. 8: Loans to Africans- Policy. The others are; Sec for African Affairs (JH Ingham), Director of Agriculture, PC South prov, Pincott, Blackwood, Veal, Manning.

[15] MNA PCN 1/32/22 Provincial Commissoners' Conference, May 1956. Memo. Item 8.

[16] MNA PCN 1/32/22 Loans Fund and Loans Policy, Report on Loans to Africans 1957.

[17] MNA PCN1/32/22 Loans Fund and Loans Policy.

[18] MNA PCN1/9/11 Nyasaland African Loan Boards, District Loans Board: 1955-1963. The Governors hesitation might also be interpreted from the perspective of that the colonial Governments were responsible for the amount of credit in the colonies. After the 1930s, the regulatory framework emerged with the aim of regulating the credit market.

[19] MNA PCN 1/32/22 Loans Fund and Loans Policy, Report on Loans to Africans 1957.

[20] MNA Loans to Cooperatives 2-11-4F.

The choice of institution was a middle way to meet the demand for social service and being an educative instrument. The arguments of lack of property rights and insufficient securities being a problem, the Governor's fear of the creation of a government bank as well as the need for an institutional design that could handle channelling of funding from external sources prevented a pure banking institution and gave rise to Nyasaland African Loans Board.

The discourse of otherness, with its different problems for development: lack of property rights; lack of insight by Africans that they needed capital and African's lack of knowledge of how to invest properly became key cornerstones in the new organisation and introduced the solution of education and surveillance as security instead of material security in the Loans Boards design.

The design of the Nyasaland African Loans Board as a way of governing

The suggestion was that District Commissioner would be responsible over District Boards, which in turn meant that Native Authorities would lose influence over the funding. As compensation, the suggestion was to increase the number of African members in District Boards.

Further along in the report it is stated that the model required decentralisation to a level where a personal knowledge of applicants and the conditions in which they would operate was possessed. According to previous experience from local administration it was felt to be important not to decentralise below a point where adequate supervisory staff could be expected to exist. The best administrative arrangement would therefore be one District Board in every district, Urban Boards in areas specified by the Governor-in-Council, and one Central Board called the Nyasaland African Loans Board.[21]

The report writers suggested devolution of functions from the Central Board due to reliance of character, which would leave the Central Board with the responsibility over the District Boards. But the District Boards responsibility over credit practices was restricted as these were decided not to have the authority to relax repayment terms or defer collection of amounts due. On the question of control it was written that:

> "…the success of local management of loans will depend on the Government ensuring that District Commissioners, in their capacity as Executive Officers of the local Boards, may call on any Government Officer in their districts to assist them in supervising and administrating loans. The responsibility for the actions of officers so employed must be assumed by the local Board which shall be required to account to the central board."[22]

As well as in the 1930s and 1940s there was still no need for special field workers with special competence in banking. Supervision and administration could be done by anyone in the local administration. The fundamental design of the Board was still as a decentralised organisation relying on the District Commissioner.

The committee suggested two revolving funds, one capitalized with £100 000 and one fund for housing loans capitalized from time to time with the necessary amount. The committee recommended three types of loans: Agricultural loans, Business Men's loans and Housing loans. When it came to the interest rates the committee did not agree. The majority thought that interest rates could not be charged on commercial terms since the return from investment then would be swallowed by the interest rate. But the majority neither thought that it was good to lower the interest rate too much from the market rate.[23] The ideal was the market price but since the circumstances were poor and somehow different from the ideal market situation interest rates were subsidised.

[21] MNA PCN 1/32/22 Loans Fund and Loans Policy, Report on Loans to Africans 1957.
[22] MNA PCN 1/32/22 Loans Fund and Loans Policy, Report on Loans to Africans 1957.
[23] MNA PCN 1/32/22 Loans Fund and Loans Policy, Report on Loans to Africans 1957.

Chipembere argued in a subsequent minority note that that it was justified that the Government subsidised interest rates, based on the fact that the majority of Africans had no availabilities to borrow from other sources. He argued that the goal of the scheme, the need of credit to be a stimuli for economic development and at the same time educate the borrowers, was too important. The risk to create a belief that Government would always contribute with low-interest loans were over emphasised according to Chipembere.[24] Further, he argued that the setting up of District Loans Board would be the best solution. His idea that Native Authorities or District Councils which previously had the responsibilities would fail to secure valuable training in management of public funds and training in fostering of local development if the board was centralised.[25]

In 1958 some of the District Loans Boards were given full authority to approve loans after a trial period. The Provincial Officer approved the members in the District Boards, at least three had to be Africans.[26] Already in 1956 the Governor clearly stated that it was very important to incorporate Africans into the District Councils, irrespective of the political views they may hold. Africans were to be associated as much as possible with the formulation and implementation of government policies.[27] Further the Governor expressed that if funding was for African development, Africans from the local elite also had to be incorporated into the credit practices. In the year 1959, 388 loans had been approved in the whole country. The number of African members in the central Board had increased to five out of 14 members in total.[28]

In 1962 the Chairman for the District Council in Nkhata Bay receives a letter in where a conflict is indicated;

> "Dr H K Banda, the Ngwazi, says that as you know he is re-forming the present Nkhata Bay District Loans Board in full consultation with you. Kamuzu says I should assure you that this is 1962, the year of Malawi. In the proposed Board it is not intended to retain the District Commissioner as Chairman. Neither the Fisheries Officer not the Agricultural Officer will retain membership. Any official appointed will be appointed only as adviser. You must run your own affairs."[29]

The quotation shows a breaking point where the colonial bureaucrats were thrown out and the country is taken over by nationalist.

In the above analysis we can see that arguments of the need to teach and train Africans flourished at several levels: a teaching and learning discourse. The educative aspects became fundamental in the whole design of the Government Loans Boards and must be seen as a specific way of governing Africans in a despotic and authoritarian way. The explanation for this can be that there was a colonial continuity in conceptions of otherness. According to the modernisation trend of the time it was the Government which would be the development actor. The colonial administration was at this time well aware of the coming independence and wanted to introduce Africans into governing functions.

The Central Farmers Board and the Business and Industrial loans Board

After independence in 1964 the first change that took place was a division of the Board into two Boards: the Central Farmers Board and the Business and Industrial Board. The documents from 1964 shows that one of the most important issues was to appoint staff to the two Boards.

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[24] MNA PCN 1/32/22 Loans Fund and Loans Policy, Report on Loans to Africans 1957. Minority Note by Mr H.B Chipembere.

[25] MNA PCN 1/32/22 Loans Fund and Loans Policy, Report on Loans to Africans 1957. Minority Note by Mr H.B Chipembere.

[26] MNA PCN1/32/22 Letter sent to H.R Rowland Esq. Ag. Provincial Commissioner, Northern Province, Mzuzu

[27] MNA PCN 1/9/11 Letter from Ingham, 23rd June, 1956

[28] MNA PCN 1/32/22 First report of the Nyasaland African Loans Board.

[29] MNA PCN 1/32/32 Letter from O.E.C Chirwa M.L.C to Mr M.M Chiumia, Chairman, District Council, Nkhata Bay. 1962.

The chairman for the Central Farmers Loans Board became the parliamentary secretary to the Minister of Natural Resources Mr A.W Chipungu.[30] Chipembere, was given the responsibility for the management of the Business and Industrial Board. In 1964 the Members of Parliament and the District Councils were asked by Chipembere to suggest suitable names for the mission.[31] Government Agents became the executive officers in the District Business and Industrial Loans Boards, and lists were sent out from the Ministry of Trade and Industry with information of who were appointed to sit in the district boards.[32] The Secretary for Development sent out lists with the new members in the Farmers District boards, in the letter it was stated that the Government Agents would be appointed to the Executive Officers in the Farmers District Boards.[33] When a man was elected to the District Party Chairman, he also received a seat in the District Loans Board.[34]

The Minister of Development also wished to include two church leaders in each district but the choice of the members was left to the District Loans Board.[35] The Church of Central Africa Presbytarian (CCAP) identified them closely with the nationalist cause.[36] It does not seem to have been a clear-cut understanding of the appropriateness of church leaders in the District Boards, voices were raised against the membership of European church-men.[37]

As well as in the Nyasaland African Loans Board the people appointed to the boards were not bankers or special development experts. The practice of appointing members meant that the constitution of members in the District Boards corresponded with the groups in the Malawian society who formed the new leadership at a national level: Chiefs and headmen (local council), MCP party members from the constituency and representatives from the churches. This indicates that the design of the Boards was closely connected to a general governing of the society more than forming a banking institution to fund development.

Central Farmers Loans Boards

One change in lending practices was that small loans to individuals were removed, which meant that the Central Farmers Loans Board would only handle medium and long term loans to individuals. The purpose of the loan had to be connected with capital farm development. Short-term credit or annual crop loans to small-scale farmers would only be provided to "recognised and responsible farmers' organizations", for example Producer Cooperatives or Farmers Clubs, which would process the credit to their members and be responsible for repayment to the Loans Board.[38] But in the 1960s no loans were made to groups.

It is stated in the policy from 1964 that until a team of Credit Supervisors had been trained it would be necessary for the Agricultural Department's field extension staff to perform credit services. Their duties were reporting on loan applications, supervising the credit, and providing an inspection service

[30] MNA 4/5/11 Central Farmers Loans Board, membership 7-4-4F/35469. From the Secretary for Natural Resources to the Regional Agricultural officers in Southern, Central and Northern regions. 17th December 1964. Other members in the Board were commissioner for agriculture and fisheries, who was the Deputy Chairman Mr GW Hill, OBE Mr D Mambo who presented the Southern region; Mr Chiutsi Central region, Mr M Mkandawire the Northern region. The representatives of the regions were farmers.

[31] MNA C/F GLB/13 Business loans, The Hon HBM Chipembere MP, 11th August 1964.

[32] MNA IDCDA 1/4/3 Letter to Mr Chikusa, 23rd February 1965.

[33] MNA IDCDA 1/4/3 Letter from the Secretary for Development, Zomba, to the Government Agent. 27th November 1964.

[34] MNA BILB/ZA Zomba district board, From the District Commissioner to the Secretary, the Business and Industrial Loans Board. 16th September, 1968.

[35] MNA IDCDA 1/4/3 Letter from the Secretary for Development, Zomba. To the Government Agent, Dowa. 8th December 1964.

[36] McCracken (1998), p. 239.

[37] Business and Industrial Loan Board, 2/2 i, 12-2-1R, 19770, Memorandum to the Minister 26th August 1967.

[38] MNA 4/5/11 Central Farmers Loans Board, membership 7-4-4F/35469.

for the repayment of loans. Field staff would therefore only be required to provide "factual" assessment of the creditworthiness of the farmer and confirm that the information given by the applicant was correct.[39]

The Central Board had no personal information but would make decisions of granting loans. The District Board could get access to personal information and have personal contact with borrowers and potential borrowers, but had only an advisory position. Already in 1965, there are several indications of problems at a local level. In Zomba the government agent report that the records for the agricultural loans are kept in the District Board Office and he further reports that the District Agricultural Officer does not take full responsibility.[40] This indicates that he is not sure that the loan procedures are carried out according to the policy.

The power in the decision process lay with the central board since the final decision of granting loans would be a Ministry decision. However, field staff also had a say in the evaluation process since they decided which applications to evaluate. These changes together with the fact that small loans were removed indicate that the CFLB were started to be used as a gatekeeping institution with the purpose for the Government to choose borrowers. Probably borrowers who would be important as allies.

Business and Industrial Loans Board

As stated above, the colonial bureaucrats had difficulties to find natural supervisors of business loans. After independence it was the Government agent in the districts who were responsible for the contact with borrowers. The government agent was also responsible for all correspondence between the District Board and the Central Board. This shifted the responsibility for financing of development from bureaucrats to politicians.

The District Board had to prepare reports of the recommended applications and after being signed by the chairman the applications were sent to the Central Board. The report would consist of information about: if the borrower could compete profitably in the area; if there were similar businesses in the area; the nature of the security – if it was a house, it should be stated if it was on freehold, leasehold or on native trust land; if the establishment of the business was desirable and finally a judgement was requested if the investment would be beneficial to the country and why.[41]

Among the borrowers funded from the Business and Industrial Loans Board were also larger companies and estates. Funds had been earmarked for Gadalitso company and for Chasato estate. Other possible companies mentioned as potential receivers of funds were; a tobacco farm for Minister Kumbweza and Muwalo; a similar farm for Minister Nyasulu, Aleke Banda and Chibambo, Minister Tembo and Mr Katengeza. There is also one statement which indicates that these loans were draining the Loans Board: "If finance for this development is to be found from the Loans board a further 100 000 will be required."[42] In 1971/72 only one of five of these large loans were repaid.[43] The low repayment rate shows that these loans definitely must have drained the Loans Board from resources.

Some borrowers in the Loans Board were ministers and companies and not medium scale farmers and most likely they were allied to the president. As shown above medium farmers and business men

[39] MNA 4/5/11 Central Farmers Loans Board, membership 7-4-4F/35469.

[40] MNA B/F 3 BILB/ZA Zomba District Board, 65-72, 2-11-3R, 44157, From the executive officer to the Sec. Business and industrial loans board, copies to the secretary the central famers loans board, the divisional field officer and the district agricultural officer. 1965.

Recovery of outstanding repayments of agricultural loans – Zomba district.

[41] MNA C/F GLB/13 Business loans 79-82, 3-11-7R, Ref no BILB/c/1. Circular no 2, To all government agents from Falconer 1965.

[42] MNA 4/5/8 vol II, Loans Boards Policy. 18th April 1969.

[43] MNA 13/20/1.

were favoured in the policy but in agriculture and banking practices elites seem to have been favoured. Compared to Ingham's vision and the statement in the development policy in 1965 of who the borrowers would be there is a clear change from small business and industry to borrowers belonging to the elite. This is an evidence of that the Business and Industrial Loans Board was used to finance allies to the Government.[44]

Arrears despite education and surveillance

In the early 1960s a discussion began in the colonial administration about large numbers of loans in arrears. Investigations and evaluations of the Loans Boards were carried out. A total of £137991 had been paid for various loans. Only £50900 had been recovered. The report stated that the causes for the 9% arrears were an inadequate moratorium on many loans, inadequate supervision of trading loans due to lack of expertise in the field and the apparent inability of local boards to provide a debt-collecting service and the need, therefore, of field inspectors to undertake this work under the direction of the central Board Secretariat.[45] However, there were no comments or reflections which indicate a questioning of the fundamental idea.

The Central Loans Board also lend to co-operatives in the early 1960s. For example the Northern Co-operative Union, consisting of coffee growers were approved a loan of £2000 in 1960. The arrangement was that the cooperative lent the money and individual coffee growers borrowed from the Union.[46] Several of the Co-operative societies had outstanding loans in 1963 and 1964 which caused problems for the Loans Board. In 1964 the Director of co-operative Development received a letter where it was stated that 11 co-operatives have a total outstanding amount of £30740.[47]

In March 1966, all Government Agents received the instructions to trace defaulters and write reports on each outstanding loan to make it possible for the central secretariat to write off outstanding loans. "It is known that a number of borrowers have died, others have had their assets sized and sold, and again a number of people have left the country and have no assets in Malawi."[48] It was the District Boards duty to be engaged into controlling and sanctioning activities. The District Boards comments on the applications were important for the central boards meetings.[49]

Despite large amounts of outstanding loans being written off in 1966, the repayment of the remaining loans was not considered satisfactory in 1967. The problem with arrears was worse for The Business and Industrial Loans Board than for the Central Farmers Loans Board. The chairmen of the District Loans Boards had to be reminded that the loan fund was a revolving fund.

> "It is necessary for me to draw your attention to and emphasise the point that the loans made by the Central Loans Board each year are authorised from a revolving fund which has to be replenished annually by the repayments of old loans and the interest charged thereupon. It naturally follows, therefore, that if no repayments on old loans are forthcoming there will be no money from which the Board can authorise new loans. This is obviously a most undesirable state of affairs which, if allowed to continue, would adversely affect Government's policy to encourage and develop small businessmen in the country…. In this connection I would like to point out that it is the duty of your Board to ensure that all previous borrowers in your district make regular payments of their loans when they fall due. I am, therefore, strongly to suggest

[44] This is one area of research which I would like to develop to analyse the Loans Board as a gatekeeper institution which aim at serving the interests of the elite.

[45] MNA IDCDA 1/4/3.

[46] MNA 2-11-4F Loans to co-operatives. extract from minutes of meeting held on 2nd September 1960.

[47] MNA 2-11-4F Loans to co-operatives. letter from Sec Business and Industrial Loans Board to the Director of co-operative Development and The Ministry of Trade and industry. 17th August 1964.

[48] MNA IDCDA 1/4/3 Letter from D.W Falconer, Secretary Business and Industrial Loans Board. 10th March 1965. To all government agents in all district Loans Boards.

[49] MNA IDCDA 1/4/3 Letter from the D.W Falconer, Secretary Business and Industrial Loans Board. 16th 1965. to the government Agents in all District Loans Boards.

> that instead of meeting to consider new applications, your Board should take immediate steps to see that all are loans are being repaid, and where possible, interviews should be held with individual borrowers. In this respect I would like to say that the Minister has specifically directed that unless the loan repayments position improves, there will be no money available to the Board for the authorisation of new loans this year."[50]

The repayment problem caused the District Boards to try to increase the repayment rate. But it is not evident what immediate steps to ensure repayments meant in reality or what interviewing borrowers involved. In the information it was also emphasised that the whole credit scheme was reliant on repayment to function as a revolving fund.

In a letter from the Secretary of the Ministry of Economic Affairs it is stated that despite large amounts written off in 1966 the repayment of loans can still not be considered satisfactory. Old loans refer to loans issued prior to 1964 and new loans refer to loans granted after 1964.[51]

Outstanding loans Business and Industrial Loans Board

Outstanding Loans	Arrears	Approx %	Outstanding Interest
Old Loans			
£11 563	£9458	82%	£1566
New Loans			
£45506	£7812	17%	£925

Source; 4/5/8 vol II, Loans Board Policy. The Secretary for economic Affairs, Ministry of Economic Affairs. Central Loans Board, Accounts and Final Accounts, 1967.

The table above shows that almost all of the disbursed loans from the Business and Industrial Loans Board were in arrears in 1967. But only 17% were in arrears of the loans disbursed after 1964.

Outstanding loans Central Farmers Loans Board

Outstanding Loans	Arrears	Approx %	Outstanding Interest
Old Loans			
£11 657	£10954	94%	£2781
New Loans			
£27598	£3824	14%	£566
Large scale farmers			
Old Loans			
£9225	£5325	58%	£1180
New Loans			
£6708	Nil		£183

Source; 4/5/8 vol II, Loans Board Policy. The Secretary for economic Affairs, Ministry of Economic Affairs. Central Loans Board, Accounts and Final Accounts, 1967.

Agricultural loans disbursed from the Central Farmers Loans Board before independence were even more in arrears than business loans. Of the new loans disbursed were 14% in arrears.

Despite a letter from 3rd April 1968 which indicates new funds for the Central Farmers Loans Board, the problem with lack of funding persisted.[52] In 1969 all district commissioners, project managers and agricultural credit supervisors received the information that no funds were available and no new applications would be considered.

[50] MNA IDCDA 1/4/3 Letter from the Secretary for Trade and Industry to all Chairmen of District Loans Boards. Dated 20th April 1967.

[51] 4/5/8 vol II, Loans Board Policy. The Secretary for economic Affairs, Ministry of Economic Affairs. Central Loans Board, Accounts and Final Accounts, 1967.

[52] MNA IDCDA 1/4/3 Letter from the Chairman, G.E Ndema, Central Farmers Loans Board to Chairman Dowa, District Development Committee, 3 April 1968.

At that time, March 1969, there was one senior officer employed, three field officers, one in each region, 11 field assistants at traditional authority level and 30 credit assistants. The field officers and field assistants had benefited from a one year course sponsored by AID.

To deal with the problem there was a need for organisational reform, which resulted in a merger of the Central Farmers Loans Boards and the Business and Industrial Loans Boards to a new Government Loans Boards, established on 1st January 1969.

From this empirical outline we can see that the problems with arrears do not challenge the idea with lending. There are no notes, discussions or insinuation that the idea in itself is wrong. Rather, the problems with arrears were thought to be found in the inefficient organisation. Why is that important in relation to the purpose with this paper? It's an indication of that the Loans Board perhaps did not work as an ideal development institution but it filled other purposes.

Lack of Funding – a persisting problem

In the Development policy for the 1960s the private sector and industry was emphasised as development areas, in accordance with the modernisation trend. As a result the Loans Board was positioned under the Ministry of Trade.[53] But the administrative structure established during the late colonial period was more solidly established around agricultural practices than around small-scale traders because the development goal had been increased agriculture production. As a result a tension emerged between the Industry and Commerce and the administration around agriculture.

The final step in the centralisation process was taken in 1969 when the two Loans Boards were amalgamated to one. But the secretary for Agriculture, Mr Bannister was not happy with the amalgamation and he turned to the President & Cabinet with his complaint. He complained that the Ministry of Agriculture was not officially represented in the new Board. Further he argued that the shortages of funds was regarded as a big problem for lending since it was believed to seriously affect the development of farmers, especially in the purchase of cattle, oxen, poultry, dairy cattle, fishing gear and agriculture implements. Shortage of funds was also regarded as a threat against the existence of the organisation. It was argued that many development schemes relied on farmers being given credit under supervision, and there was an interest in protecting the available credit organisation for the distribution and collection of credit.[54]

> "I had the attached letter from Mr Kalilombe, the Secretary for Trade and Industry, from which you will note that the Loans Board is unable to make provision for some 250 small farmers loans. This is a particularly embarrassing position as a great deal of the development of both agricultural livestock and fisheries projects is dependent on credit and there is a British-financed Credit Supervision Project which has been geared to supervise this type of credit. Accordingly it would appear that my Ministry has a credit supervision organisation with little or no money to work with."[55]

Mr Bannister is critical towards the funding of estates and he refers to the policy as a way to criticise this practice. He is summing up by saying that loans funds money should not finance projects which are in the field of commercial lending.[56] The Ministry of Agriculture obviously felt constrained in

[53] PAM 900 Development Plan 1965-1969

[54] MNA 4/5/8 vol II, Letter from the Secretary of Agriculture, Zomba to the Secretary to the President & Cabinet, and Secretary to the Treasury, Zomba 22nd August 1969.

[55] MNA 4/5/8 vol II, Letter from the Secretary of Agriculture, Zomba to the Secretary to the President & Cabinet, and Secretary to the Treasury, Zomba 22nd August 1969.

[56] MNA 4/5/8 vol II, Loans Board Policy. 18th September 1969.

implementing development policy and deliver credit to small-scale farmers. The situation with an organisation without funding seems to have been embarrassing for several reasons. Firstly, the goal of Government to give people the promised development could not be brought about and secondly it must have been an embarrassing situation to stand in front of the British donors.

One suggested solution that Minister of Agriculture is coming up with is to reintroduce a specific section within the Loans Board which could deal specifically with loans to progressive farmers, so called Achikumbe loans. His idea is that the Central Loans Board should allocate funds to Achikumbe Loans Board. According to his suggestion the agricultural staff would administer the board under the direction of Minister of Agriculture "who will then be, as he should be, the Minister directing the policy of loans to small farmers."[57]

The critique is also an indication of that the Government Loans Board did other things than what they were supposed to do.

Conclusion

The purpose with this paper was to discuss colonial continuity and change in African financial institutions and the finance of development over time. I have tried to show that the colonial continuity can be found in several aspects in the Loans Board as a gatekeeper institution.

The knowledge and practices based on the colonial conception of Africans as different was formulated in a discourse of otherness. The discourse of otherness was based on a norm of a European economic history where private property rights were seen as essential. In contrast to this norm Africans deviated and "lacked" private property rights. Africans also "lacked" insight that they needed capital and knowledge of how to invest properly. These aspects became key cornerstones in the new organisation and introduced the solution of education and surveillance as security instead of material security in the Loans Boards design. A solution that has been taken up in micro-finance practices in the 1990s and 2000s. The discourse of otherness prevented a banking institution based on savings and gave rise to an institution based on funding from other sources. This institution worked more as a way of governing the population in a certain direction and support allies to the government than promote economic equality, investments and development.

I think this illustrates a tension between the colonial institutional continuity in the Malawi Loans Boards and the discourse of modernization and development. The change from more colonial racist conceptions of otherness to authoritarian conceptions of sameness was incorporated into development practices and made use of for the political elite to govern the population with the aim of reaching development.

Discourses of otherness have in this way created a space for manouvere for colonial and independent bureaucracies. Peter Probst has shown that the Malawi Congress Party used rural credit in the Lilongwe Land Development Program to mobilize allied groups.[58] I think that even if the colonial gatekeeper structure used by African elites in the post-colonial period was challenged by privatization and liberalization programs in the 1980s and 1990s I suggest that the colonial discourse of otherness have survived and been reformulated. Even if a variety of new micro-financial products are being developed as solutions to the financial crisis; saving schemes, housing loans, funeral loans etc. it is still possible to distinguish arguments of "lack". In micro-financial schemes new African elites are not only found in boards but also within savings and lending groups.

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[57] MNA 4/5/8 vol II, Loans Board Policy. 18th September 1969.
[58] Probst, 2002.

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