

**Bank of Namibia**

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**BANK OF NAMIBIA BANKING CIRCULAR 2/95**

**TO: THE MANAGING DIRECTOR OF EACH BANKING INSTITUTION**

**DATE: 22 MAY 1995**

**SUBJECT: CLASSIFICATION OF OUTSTANDING CREDIT TO THE PRIVATE SECTOR BY INDUSTRY.**

1. In December 1991, see circular 4/91, this office sent out a number of new returns, on a test basis, to be submitted by the commercial banks. One of the forms issued was DMB 900, Institutional and Maturity Breakdown of Liabilities and Assets.
2. Credit to the private sector constitute a sizeable portion of the commercial banks' assets. Credit to the private sector in the DMB 900 is reported under Item number 14(h) on the Assets side. Claims on the Private sector is subdivided into four sections:
  - 1) Loans and advances
  - 2) Leasing
  - 3) Instalment Credit
  - 4) Other

3. From the above, the Bank of Namibia get information on the total amount of credit going to the private sector. The private sector, however, is huge and multifarious. In order to effectively analyze the efficacy of bank credit to the private sector in promoting production it is important to know the proportionate distribution of credit according to the productive sectors of the economy. The Bank of Namibia can then also evaluate the use of that credit by linking the size of the credit extended to the sector vis-à-vis that sector's contribution to GDP and other indicators. For this reason, it is important to gather information on the sectoral distribution of credit. In addition it is very important to analyse credit distribution by sectors to assess risk concentration for individual banks as well as for the banking industry as a whole.
4. In order to achieve this, a supplement form to DMB 900 is thus requested to be completed, initially on a quarterly basis as per end of March, June, September and December. The banks should complete the attached supplement form for the first time as per 30 June 1995.
5. The industrial classification of loans and advances is based on the purpose for which the loan was granted. Loans granted to a borrower carrying on a mixed business should be classified according to the main activities in which the borrower is engaged, except where separate accounts are maintained which allow simple classification according to the purpose. If several items are integrated in a single unit, and no separate accounts are maintained, the loan should be classified according to the final product. Any type of loans or advances given to a borrower for the purpose other than the main type of business, should be regarded as given for the purpose of the main business, i.e. loan given to a transport company, and the company used to construct a bus terminal, should be classified as given to the transport industry.
6. For the purposes of proper recording of the data, the following definitions are provided. Please note that the list of sectors provided below is meant to correspond closely with the sectoral breakdown in the national accounts. Total credit here should be equal to the sum of claims on the private sector item 14(h) form DMB 900.

**A. Agriculture, hunting and forestry**

Record lending towards forestry, hunting, crops and livestock farming up to the point where the product is ready for processing under this heading. The processing of agricultural products on farms is covered in this group if it is not feasible to report separately on the production of agricultural products e.g., milk grapes, rubber, and the processing of these commodities.

**B. Fishing**

Report lending to businesses involved in fishing. Canned fish, fish meal and fish oil shall be reported under sub-title fish processing.

**C. Mining and quarrying**

Report lending to business activities in mining and quarrying, and other activities like stone crashing, marble, etc.

**D. Manufacturing**

Report lending to business engaged in processing and manufacturing commodities except canned fish.

**E. Building and construction**

Loans to business engaged in the construction of commercial and industrial buildings. Loans for construction of dwellings are regarded as commercial only if they will be used for renting purposes, and where loan granted for a dwelling that is to be used by the borrower personally, is classified as private.

F. Commercial and services sector

Include lending to businesses engaged in the distribution, i.e. wholesalers, retailers plus tourism (hotels, camps etc.). Report all lending to businesses engaged in the operation of transport or any other means of communications.

G. Individual and other

Record lending to individuals and organisations engaged in community, social services e.g. Church organisations, youth club etc.

7. Any difficulties in providing these required data and any other comments should be communicated to this Office in writing. The Bank of Namibia will consider the comments of the reporting institutions in its submission of the final version for ministerial approval and publication.

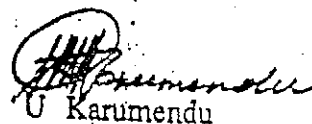
8. Acknowledgement of receipt

Two additional copies of this circular are enclosed for the use of your bank's independent auditors. The attached acknowledgement of receipt, duly completed and co-signed by the said auditors, should be returned to this Office at your earliest convenience.



B. Walle

REGISTRAR OF BANKS AND  
BUILDING SOCIETIES



U. Karumendu  
SENIOR FINANCIAL ANALYST