

PEOPLE'S BANKS
OR
USE AND VALUE
OF CO-OPERATIVE CREDIT
FOR
AFRICAN NATIVES

BY THE
REV. BERNARD HUSS

PRINCIPAL, ST. FRANCIS' NATIVE TRAINING COLLEGE
MARIANNHILL, NATAL

Cum permissu Superiorum

"UMTETELI" and "IZINDABA ZABANTU"

MARIANNHILL

1928

*With the compliments of the author. For kind
favour of an early review. A copy of the review
will greatly oblige.*

Bernard Huss

Mariannahill

Natal.

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PREFACE

In publishing this little volume the writer feels obliged to inform his readers of the valuable assistance rendered by some European friends of the Natives.

The author is greatly indebted to Mrs. Mabel Palmer, M. A., Lecturer in Economics at the Natal University College, Durban, who co-operated in the writing of the first and second parts of this book. The third part was compiled with the help of Mr. Frank Brownlee, Magistrate of Butterworth, and Mr. J. H. Nicolson, Solicitor in Durban, through whose combined help this part was made possible.

The author wishes to express his deepest gratitude to these three great friends of the Africans for the many pains they have taken to assist him in this work.

B. HUSS

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PEOPLE'S BANKS

OR

USE AND VALUE OF CO-OPERATIVE CREDIT

THEORETICAL PART

CHAPTER I

MAYIBUYE I AFRIKA!

(LET AFRICA COME BACK!)

When Saint Paul came to Athens in order to preach the gospel he found there an altar with the inscription "to the unknown God." He took this as a starting point of his sermon and told the men of Athens that that was the very thing he had come to preach to them.

In the same way the writer intends to start this book with the above well known slogan and to show to the readers how it can and ought to be literally applied on certain lines. Right at the start some possible misconceptions and prejudices must be removed and the way paved for forming a right conception of People's Banks or Co-operative Credit.

1. Wrong Conceptions

People's Banks are no completely foreign institutions to the Bantu. They are neither the latest craze nor something second-hand, out of fashion in Europe but still good enough for Africa. They are neither a brand-new invention nor something invented eighty years ago and made in Germany. They are no capitalistic institution nor, as we read in the Native press on September 15, 1925, a hobby of "Umteteli," nor, as a Native told the writer, a new trick of the Whites to exploit the poor Blacks still more.

2. Right Conception

People's Banks are a reconstruction of the old Bantu collectivism, a structure of genuine and precious African elements erected on a new basis and adapted to the changed economic conditions. For ages the Bantu had practised collectivism. Their tribal organisation was an attempt of primitive people to solve their economic problems on their own lines, on their own lower plane. We are now seeking to solve the present economic problems on a different and higher plane. Group-association, group-co-operation and group-responsibility or liability were the essence of the old tribal system, and it served its purpose for ages until a change came. And just these are the three basic elements which must "come back" or be recalled for the construction of modern Co-operative Credit Societies.

3. Clash of Western Individualism with Bantu Collectivism

The arrival of the white people brought about the dawn of economic individualism. The Natives saw the example of a new kind of liberty and liked it very much. They began to retain individual gains, accumulated them and acquired private property. The Europeans created new wants in the Natives.

Whereas formerly they only worked for their few and simple needs, they got accustomed to work for Europeans in return for wages and they learned the use of money which was a totally foreign element to them.

We can already notice in the Native a strong tendency to become rich even by exploiting his poorer black brother, and history tends to repeat itself in Africa, the rich becoming richer because they are rich, and the poor becoming poorer because they are poor.

If Natives are shown that this is wrong, then they say, the Europeans taught them to do so by their example, thus undermining the old structure of Bantu collectivism. No wonder that the Natives wish that old Africa should come back.

4. Bantu Elements to be reclaimed

There are several precious old Bantu elements which have partly or wholly been destroyed by the impact of European culture and which must now be recalled in order to be employed in the solution of present economic problems on a different and higher plane. Those old African elements are the wild tree or the stock on which new useful Western and Christian elements must be grafted.

a. Solidarity

The original Native's philosophy or outlook on life was one of collectivism; he did not think of himself as a unit, individualism being foreign to his thinking. Through his family and clan he formed part and parcel of his tribe which was one large family of brothers where everyone was his brother's keeper, not only in theory but in practice and in fact, and thus there was a strong solidarity or fellowship based on kinship.

The ties of tribal family were firm like steel and thus obligations of mutual assistance were much stronger among

the Africans than among the Europeans, and to do anything antisocial was a crime to be suppressed by deterrent punishments.

The tribal system was the seedbed on which altruistic sentiments, ideas and practices developed so that a spirit of brotherhood reigned, and still to-day Europeans are astonished by the unselfishness and kindness shown by the Natives to one another.

But when applied to co-operative credit institutions this powerful element will need some modification and sublimation. Whereas the sentiment of brotherhood was limited to the members of the tribe and the several tribes were always potential and often actual enemies of one another, the feeling of brotherhood must be enlarged in the Christian sense, the former short-range views must be widened into long-range views.

What a blessing would it be for the Africans if this priceless and genuine old Bantu element could be reclaimed in its full vigour and be used for service in the modern institution of People's Banks!

The tribal system made the Natives surprisingly unselfish, for it was their obligation to sacrifice, if necessary, everything for the good of the tribe. The individual rights were wholly subservient and secondary to the performance of tribal obligations.

c. Social Equality

The tribalisation or absolute nationalisation of the land prevented a disproportion in the allotment of land or the formation of a minority of large land owners and a majority of landless serfs. This valuable Bantu custom served to suppress capitalistic tendencies which would have ruined the Bantu race as ancient powerful and highly civilised Rome was ruined.

Custom permitted the Natives to acquire and possess some private property as far as this did not conflict with the good of the tribe. A man who grew too rich and neglected his social obligations was accused of amassing wealth by means of witchcraft and eaten up by the head of the tribe. This was a very crude but effective method of preserving social equality. No one could get rich at the expense of others, there was no possibility of "Nqapela ndikule" (get down that I may get up).

d. Collective Liability

Another basic element of the tribal system was the conception of corporate responsibility or collective liability. The tribe was responsible for the actions of its members. Owing to this sentiment the Spoor Law came into force over a hundred years ago (about 1818) and and it appealed to, and was accepted by the Natives. Only recently it is being challenged owing to the rise of individualism. If the spoor of stolen cattle could be traced to within a few hundred yards of a kraal, its people had either to trace the spoor to another kraal or pay up the stolen cattle. Any kraal that obliterated the spoor so as to hide the thief, became responsible for the theft.

e. Self-Control

The old Bantu organisation served also the invaluable function of constraining and controlling the antisocial appetites and passions of the people and thus prevented the degeneration and extinction of the community. Without self-denial human society must cease to exist.

f. Publicity

As we shall see later on this is also an essential element in People's Banks. Publicity of proceedings was ensured

among the Bantu by the council sitting in the open air near the chief's house. Publicity was also the object of the unwritten but well known Native Law.

g. Supervision

This is as necessary in a Co-operative Credit Society as it was in a Bantu tribe where it was strictly exercised by all members over all others lest any member might indulge in antisocial practices.

h. Settlement of Disputes

In case of dispute the quarrelling parties used to call their friends and the matter was thoroughly thrashed out so as to reach a friendly settlement. The new Natives rush to the lawyers and lawcourts where they often win the war, but lose peace and property, and the hatred is passed on to the next generation.

i. Gratuitous Service

In the performance of social services such as settling disputes, attending the council and others, the members of the tribe had to give their time, thoughts and tongues free of charge.

5. Elements to be discarded

Theft within the tribe was a mean crime, but to take anything outside the own tribe or friendly tribes was considered an act of bravery. Deceit and crafty cunning were Bantu virtues, children were sometimes trained and encouraged to practise them and parents enjoyed in the proficiency of their offspring in those doubtful practices.

These and similar characteristics must be eliminated and replaced by the Christian virtue of absolute honesty, if People's Banks are to flourish among the Bantu. "Prove all things, and hold fast that which is good" (1. Thess 5. 21).

The co-operative credit movement cannot be forced upon the Africans. To be successful it must be the spontaneous outcome of such strong altruistic feelings as they had in old Bantu society. Therefore
"Magibuye i Afrika,"
and
"Re-establish all things in Christ"
(Eph. 1. 10).

CHAPTER II

CREDIT

1. Development of Agriculture

The South African Natives are a rural or agricultural race. Within the last decade agriculture has begun to develop in this country and it is bound to continue at an increasing rate. As an inevitable consequence the following three things will be needed for the salvation of the small struggling African farmers:

1. More land for cultivation to cope with the increasing population and for those Natives who are compelled to leave the towns and go back to the land owing to a civilised labour policy. It is one of the supreme duties and the exclusive business of the Government to see that this crying need for more land is met.

2. Secure tenure in order to ensure better cultivation, permanent improvements of lands and reclamation of exhausted land. As long as there is no fixity of tenure, as long as the Natives are subjected to the capricious interference of a chief, land owner or manager with regard to their fields, there is no inducement for better farming and no hope of improvement of agriculture. There are at least three forms of security of tenure: long leasehold, perpetual quitrent (as in the Transkei) and freehold or full ownership. It is the duty of the Government, landowners and Mission Societies, to provide security of tenure in a suitable form for the African peasants.

3. Credit for the more speedy development of agriculture and for the more efficient methods of modern farming.

Farming is a precarious and uncertain trade. Money may be needed to tide over a bad harvest or to pay for desirable improvements. If at the critical moment the money is not forth-coming on reasonable terms the farmer may get hopelessly into debt to the moneylender or even be turned off his land. But who is to provide this necessary credit?

2. Meaning of Credit

The Latin word **credit** means literally "he believes;" the English word **credit** is the shortened Latin word **creditum** which means "that which has been entrusted" by one person to another person under the firm belief that it will be returned, or because something has been given in pledge. Credit is the provision of capital, usually money, by one party called the lender to another party called the borrower in return for some security of payment given by the latter. The fee which is paid for the use of the capital is called interest.

Credit involves the incurring of debt, but it must be stated right at the beginning that credit is not a pleasant sounding name for debt and that **People's Banks are no Debt Factories**; economic history proves, as we shall see later on, that they are just the opposite. There is no necessary evil in borrowing money; the evil lies in

incurring needless debt or borrowing money for unnecessary or unproductive purposes. Debt incurred for a profitable purpose is of high value.

It sounds like a paradox, but it is nevertheless true that some people suffer harm because they do borrow money, while others suffer harm because they do not borrow money.

Here is the explanation of this seemingly queer statement. Ignorant, foolish and lazy people suffer harm because they borrow money improvidently, extravagantly and unproductively. They do not know better, and as long as they have property to lose, money lenders are willing to lend them money without inquiring into the purpose of the loan; they are in fact delighted to see the debt mount up and often they do not even desire the repayment of the principal, they are just content to live on the interest while keeping the debtor just alive and in despair. In this depressed condition the poor and uneducated man, quite ignorant of the cause of his trouble and hopeless of escape, becomes dishonest and demoralised. The small farmer in particular is exposed to these perils of credit: his labour gives him a return not weekly or monthly, but often only after six months, and in the event of bad harvests, after a year or more. He hardly keeps accounts and is slow to adopt new methods or act on skilled advice.

On the other hand there are many poor simple people who suffer loss because they are afraid to borrow money or are unable to borrow any money or to borrow it on reasonable terms, or do not borrow enough money for productive work. For instance, suppose a man has no plough and cultivates with the hoe. If he can borrow £4 to buy a plough then in one or two years his crops will give him enough to enable him to pay back

the loan, and he will still have the plough. Had he tried to save on the produce of hoe cultivation, the yield would be so small that it would have been years before he could save enough for a plough. Credit therefore enables people to produce new wealth in a much shorter time.

Credit can be compared with irrigation. Many people could produce more on their fields if they had irrigation facilities. In the same way people are enabled to produce more by credit facilities. But just as irrigation can be abused and cause ruin, so can credit.

3. Basis

The Bible says: "He that hath to him shall be given and he shall abound; but he that hath not, from him shall be taken away that also which he hath" (Matt. 13 12). Rich people have goods, therefore they have credit; this enables them to borrow money at a low rate of interest and this helps them to produce more wealth. Poor people have no goods, therefore they have no credit, they cannot borrow money for productive purposes, cannot make progress, and often become still poorer. It is a common saying that "Rich people become richer, because they are rich; poor people become poorer because they are poor".

What are the conditions under which credit operates, that is to say, under which money is transferred from the lender to the borrower? It is the conviction of the lender that the loan will be returned, that his money is safe, that he has sufficient security.

There are two kinds of security or two kinds of credit, **real** and **personal**. The word **real** is derived from the Latin word **res** which means a thing or an object offered as security.

In cases of real credit the loan is given on the security of some form of properly deposited temporarily with

the lender. A bank, for instance, will lend money on land, if the title deeds are handed over to the bank for the time being. Then if the borrower does not repay the money at the agreed time, the bank can "fore-close" or take possession of the land. If the loan is made on **immovable** property such as land, the security is called a **mortgage**. But if a man borrows from a pawnbroker on the security of jewellery, furniture or cattle or any **movable** property, then it is called a **pledge**.

In personal credit the lender is convinced of the safety of his money by the personality of the borrower, his good character, his perfect honesty and absolute reliability. This is the basis of credit in People's Banks. Whilst some people have property to give as pledge or to mortgage, other people have nothing to offer but their excellent character, their absolute honesty; and if they succeed in borrowing money on this basis, then their honesty is capitalised or invested in something which yields an income, which produces new goods or more wealth.

Money is plentiful, says an economist, but security is scarce, says stern experience. Just as iron is attracted by a magnet, so money is attracted by security, showing always a tendency to flow into safe channels. Security is the magnet which can transfer money from the pockets of some people into those of others. In rich people this security is their money power. The People's Banks have discovered in the poor people a new power, a magnet which is able to attract money and this is their **moral, mental and muscular** power which they can and must acquire and employ.

Natives say that their money has a tendency to flow back to the white man. This is an unhealthy sign. They must create security among themselves

so that their money flows towards that security and thus circulates among their own people. To take an imaginary example, it would certainly not be a sign of health if an African's blood showed a tendency to flow into a European's body and circulate there. People's Banks have been the means of promoting this necessary circulation of the economic blood or money among the poor, even the poorest of the poor people, and thus create new life in them.

4. Need

Credit has become in economics a very ruler of the world, the main driving wheel of agricultural, industrial and commercial activities. At the present time the world could not go on without credit; if credit facilities were suddenly withdrawn, there would be an economic disaster.

That credit is necessary for the poor African peasants needs no proof. In some areas the Natives live already in abject poverty. Similar conditions have existed in many other countries, but have been successfully overcome by Co-operative Credit Societies. Why should then not the African Natives, in their need of credit, turn their attention to an institution which has been so extraordinarily helpful in supplying the necessary agricultural credit elsewhere? Why should history not repeat itself here?

By need of credit we do not mean the need of mere money for itself as a cold metal or paper, but its value or purchasing power. It would be useless to keep it, it must circulate and pass on, the borrower must spend it at once or invest it wisely by purchasing just those goods which he needs in order to produce new wealth from which he will be able to pay back the loan later on.

5. Purposes

As regards the purposes for which money is borrowed we distinguish two kinds of credit, illegitimate and legitimate credit.

1. **Credit for Consumption** or illegitimate credit is found in poor communities where people, as most Natives do, live practically from hand to mouth. Cash to them seems an unnecessary luxury, they spend what they have, and often they even spend what they have not yet earned and thus run into debts at the stores. In this kind of credit we also count money borrowed to make up for mismanagement and waste; the former is corrected by brains, the latter by economy; money is more harmful than helpful, in such cases.

2. **Credit for Production** or legitimate credit, and this is the kind of credit dealt with in People's Banks. It is given when money is advanced for production of new wealth or for expansion of business. Such credit is to be had sometimes at 25-100% and after mortgage has to be given on immovable property. But where a good credit system exists, loans on real property bear about 8%. Productive credit may be needed for three purposes:

a. Commercial credit, if a store keeper borrows money in order to buy goods which he intends to sell again at a profit.

b. Industrial credit, if a manufacturer borrows money in order to buy machinery or tools by means of which he intends to manufacture goods for sale.

c. Agricultural credit, if a farmer needs money for purchasing or hiring land, for buying stock, animals, implements, seeds, fertilisers, or for paying labour required for his crops.

In all these three instances wealth is borrowed for the purpose of producing more wealth, and in such cases People's

Banks have provided the necessary credit.

The following example may serve to illustrate the two-fold purpose of credit. If a man borrows a bag of mealies from a store and eats them, this is consumptive credit. He has then a debt and is poorer by one bag of mealies. But if he borrows a bag of mealies to use as seed and plant it, he can get 50 bags of mealies. When he reaps, he will return the one bag of mealies which he borrowed and keep for himself 49 bags. He has produced 49 bags of mealies and is so much richer. This is productive credit.

It is perfectly legitimate and economically sound if an intelligent, skilled, industrious and honest man borrows money in order to make the best use of a given opportunity for producing something which more than repays the loan. The aim to be attained is the production of more wealth. This can be done by borrowed money just as well as by owned money. A hired plough can till my field just as effectively and cheaply as my own plough. Hired money which must be repaid is, under proper conditions, sure to be spent so as to reproduce itself and bring some well earned profit.

6. Effect

Credit does not create capital, it only moves it and directs it into productive channels. It awakens and fructifies as the rain or irrigation does, and it quickens the movement of economic forces just as the rail quickens the revolution of wheels. Applied to the land, credit brings out its productive properties and shortens the road to increased production. The most successful farmer is he who has the largest working capital at his command and knows how to employ it efficiently.

7. Difficulties

What gives the rich man his main advantage over the poor man is not his cash but the credit which the cash commands. If therefore the poor man is to become his own capitalist, the help of credit must be assured to him. But as a rule the poor man has no credit because he is destitute, and he remains destitute because he has no credit.

There are many difficulties for the Natives in obtaining ordinary credit:

1. They have no or very little capital, and many who are most in need of credit, live in a state of truly abject and chronic misery.

2. They do not know how to use capital profitably or productively and therefore spend it more often for consumption than for production.

3. Europeans usually only advance money at high rates on good security, preferably and chiefly on movable or immovable property.

4. Moneylenders take advantage of the ignorance and of the distress of the borrower and often exploit him shamefully and mercilessly.

5. Natives are as a rule still unreliable, untrustworthy and extremely careless in money matters.

6. As a rule man is less wise with borrowed money than with his own; therefore the People's Banks, being well aware of this weak point in human nature, take the strictest measures to ensure and enforce a wise use of the granted loan.

8. Methods of Supply

The work of supplying credit is undertaken professionally by two classes of people, the banker and the moneylender. A bank may belong to an individual, to a company, to the Government or to the people themselves who are served by it; a moneylending concern belongs almost always to one or two

individuals, generally of doubtful character and dealing preferably and secretly with unfortunates.

Suppose a man was travelling and he came to three roads, but did not know which road to take. Two roads might look very nice and the third might look very rough, narrow, stony and thorny. He might take the first road because it looked easy and pleasant and he might go on for a long time, but ultimately he would find that he had taken the wrong road and he would have to go back. The same might happen on the second road. What should that man do? If he was wise, he would ask someone who had experience and knew the way. A Zulu proverb says: "Inyati ibuzwa kwabapambili" (the Buffalo is enquired about from those further on). The white people know the three roads of credit very well by history and experience and they can tell the Natives exactly where those roads would lead to. If the Natives are wise they will ask the white people who would be only too willing to show them the right road.

There are three ways of obtaining credit: State or Government credit, individual, personal or private credit, and organised or co-operative credit.

9. State Credit

This is the first of the three roads and it appears easy and pleasant. State credit exists in South Africa in the form of the Land Bank which is "for Europeans only" as so many other things. At the Pretoria Conference on December 5, 1925 the Rev. Z. H. Mahabane asked the Prime Minister whether arrangements could not be made for Natives to borrow money from a Native Land Bank. General Hertzog in reply said, the Land Bank could lend money to Natives as well as to Europeans, but the Land Bank must

have suitable security, and in most cases the Natives could not provide the necessary security.

The Land Bank is an admirable institution; it is more desirable to mortgage one's assets (if any) to the Government than to a private moneylender, and money is obtained from the Government more cheaply.

But South African experience with regard to State help is not at all encouraging. The Government helped the white settlers, provided land for them which they could buy, built houses for them, supplied them with food, money, farming implements and general equipment; yet inspite of all this, (in reality rather because of all this) the white settler proved a failure.

In July 1923 General Smuts, then Prime Minister of the Union, said in addressing a farmers' meeting in the Transvaal: "When the Rinderpest (1896) was ruining people, the Government stepped in and helped people by advancing money and advances of all kinds, and even to-day we have not heard the end of that, and the actual result has not been that people have been assisted. As a matter of fact, instead of being really helped, many have been helped from the frying pan into the fire. I do not want that sort of thing to be continued. I want to see a self-supporting people grow up. We talk a good deal of independence, but if the people are to be self-supporting, they must not always turn to the Government for help and support. I do not want to see a people springing up which has to be continually spoon-fed. That sort of thing tends to undermine the character and the independence of the people and will bring you into far more serious difficulty than you are in now."

Dr Arndt, Professor of Economics at the Transvaal University College, Pretoria, said in a lecture on October

28, 1925 at Pretoria: "South Africa is already over-governmented. South Africa has fallen into the bad and regrettable habit of expecting the Government to do everything under the sun. In self-help lies the country's salvation and not in mere dreaming and leaving the rest to the Government."

The experience made in India shows plainly that the dole system or system of State-help is inherently faulty and only helps to make a bad situation still worse. Owing to the pleading of the English economist Mr. Henry W. Wolff State-help was cut down in India to a minimum by Lord Curzon, but even within such limits it has worked mischief. The Agricultural Bank of Egypt was established about 1900 for granting loans to the poor "fellaheen" (peasants), but after 15 years existence it proved a failure and had to be replaced by co-operative credit.

Long ago State agencies have been tried in other countries and failed. Many intended loan-funds were created in Germany by the Emperor William I (about 1880) and other members of ruling houses, but they all failed because they lacked the one thing required for success. Those enterprises did not lack money, there was plenty of it, but the hearts of the people were not there, the interest and efforts of the poor people who were to be benefitted. Those philanthropists organised downwards from the top, whilst the opposite is done in People's Banks.

All such schemes were bound to fail because all those benevolent originators started in the wrong way putting the cart before the horse, finding the money first and expecting the question of security and right use of the money to settle itself. The whole matter hinges not on money but on security, and the money is secure if it is properly employed.

In his "Co-operation in India" Henry W. Wolff says: "There is an ingrained,

inherited traditional idea in men's minds that Government is the father of the nation. Government is supposed to have an inexhaustible fund of riches at its disposal, which it is at liberty to draw upon at pleasure and to employ in whatever way it may deem fit.

Governments have tried to help in such fairy-god-mother way under many suns. However practical experience has not left their helping with the best of records. Whatever may have been ostensibly achieved, at the close of the account it has been found that the money so spent has been thrown away. Peter had been robbed to pay Paul, without either being the better for it."

State-help does not go far enough, it lacks certain elements which are essential for social progress and must therefore remain inefficient. The powerful stimulus of self-help which has made the People's Banks immensely popular and serviceable in many countries, is and must be entirely lacking in State-help. People who are helped by the Government once are inclined to think that they can get help again and again, or that, where there was so much, there must be still more. Experience also shows that State-help seriously relaxes the fibre of responsibility instead of stiffening it, whereas the People's Banks have devised some special machinery for keeping the sense of responsibility alive in their members.

Some economists consider therefore, according to economic history, State-help to be decidedly demoralising and one of them, H. W. Wolff, calls State-help rather State-interference and says: "Those who had tasted the sweets of State-assistance, in course of time penetrated to the bitter kernel concealed within the deceptive husk." A Government may be defended for spoon-feeding a co-operative society until it is well started, but afterwards the society should be able to maintain itself or

take another name. The South African Government has promised some help to Native agriculturists from the Native Development Fund, but what will that be for so many thousands?

10. Individual Credit

This is the second road, broad and easy, and many walk on it. The story of individual, personal or private credit is the same old sad story all over the world and at all times. A poor man in need of money goes to a usurer or moneylender who advances him money at any rate from 50 to 1000%, and of course, as a rule, the distressed victim is helped from the frying pan into the fire and often completely "eaten up" or ruined.

There is always among poor peasants a tendency to contract debts and to borrow money secretly, and this is a great danger. Moneylenders are always willing to lend money, and often no neighbour, not even the wife of the borrower, hears of the loan. Once started things continue, the debt swells and the end is ruin, bankruptcy. The victim is ashamed to confess his situation and look for help, and thus is slowly but surely bled to death. Moneylenders appear to be friends in need, but they are cruel enemies and tyrants, sharks which won't release their prey, they are the pest of the land.

If any man is in need of money, he should never go to a private moneylender, because anything earned or produced by such borrowed money goes to the usurer and often much more. Usurers are traps in which the last penny is pressed out of the victim caught in it. The best of the land goes to the pest of the land, the cream is taken by the creditor. History is bubbling over with instances and experience, but the lessons of history are the very last thing people want to learn, therefore

history must and does repeat itself also among the Natives. According to reliable information many stores dealing with Natives really make their profits by moneylending at an exorbitant rate. Many Natives have lost their large and small farms and stock by going to usurers.

The following story of the end of a £25 loan, which appeared in the Natal Mercury, illustrates the working of the private credit system: "Johannesburg, August 13, 1925. An interesting application for a civil imprisonment is before the Germiston Magistrate, being a case in which a man, who borrowed £25 and repaid £34, has been summoned for the balance of £52. Mr. Boshoff, who defended, held that, according to a Supreme Court decision, the interest ceased to run as soon as double the amount borrowed had been paid. If the plaintiff would reduce his claim to £50, £25 capital and £25 interest, he would agree to a civil imprisonment order for £16. This was refused by the plaintiff's attorney, and the Magistrate adjourned the case *sine die* for the purpose of enabling the defendant to reopen the case."

According to a press report of March 20, 1926 a victim wrote: "In order to save myself I resorted to moneylenders and I can assure you that I would that

I could live a little longer, in order to expose them and their methods. They are the curse of the world."

In this country, according to the new Usury Act of 1926, the maximum interest chargeable per annum on loans is as follows:

30%	for loans not exceeding	£10
20%	" " " "	£25
15%	" " " "	£50
12%	" " above	£50

Natives going to work sometimes borrow money from their friends and get it under the condition that they pay 2/6 interest for £1 after one month. This would be 30/- or 150% interest per annum. According to the new law only 6d. can be charged in such a case so that the borrower has to pay back 20/6 after one month, or 21/- after two months, or 21/6 after three months. Any lender attempting to charge more than that would be liable to pay a fine not exceeding £100.

Usury laws have been tried long ago elsewhere, but with little or no success, for those blood suckers, the the usurers, always find some way of escape; and this pest of the land will also in future succeed in getting the best of the land, as long as there are ignorant people, and as long as there is no sound machinery of helping those poor people who are in need of credit.

CHAPTER III

CO-OPERATIVE CREDIT

1. People's Banks

We come now to the third road of credit. It looks very difficult, but it is the only one which is sure to lead to prosperity.

Credit has so far remained the monopoly of the rich who should need it least. But now in our democratic age productive credit should also be

democratised and decentralised and brought to the door of those who need it most. It is the special office of co-operation to create and organise such credit. Capitalist bankers cannot do it because they can only trust to property as security and cannot create security out of honesty and opportunity,

testing the many small and humble cases which may occur and watching over the loan so as to ensure its repayment.

If money must be borrowed, then it should be borrowed at a bank and at cheap rates. If such a bank does not exist, then it should be created. The fact that so many Natives have lost money, cattle and even farms through borrowing money is ample proof of the need of such an institution. Economic history teaches us that People's Banks are the ideal institution to be created.

Co-operative credit is to many poor men and to nearly all agriculturalists the most important of co-operative activities, it is the preparation of the poor man for a free economic life, the foundation on which his co-operative future may be built up. No system of loans or doles can ever confer a fraction of the benefits coming from a system of co-operative finance, by which small agriculturists raise and build up their own capital, make loans to themselves at their own risk with hardly any other than personal security or the pledged word of borrower and his determination to deserve the esteem of the "bank".

Co-operative Credit Societies are banks of a particular kind helping that class of people who would otherwise be driven to the moneylenders. The two distinctive features of co-operative banks are that they are controlled by the members who are served by them, and that the credit given is of a personal kind. The South African Land Bank is controlled by the Government and the credit there is real credit, granted on the material security of land or other property in the borrower's ownership and not on the security of personal character.

People's Banks have shown to possess a remarkable adaptability, fitting into

economic systems of every calling, colour, climate and creed. They shape themselves in accordance with the varying national and racial characters and prove applicable to every business or calling, especially to smallholders. The provision of co-operative credit was tried in different countries during the first half of last century, it was ultimately perfected in Germany by the world famous F. W. Raiffeisen (1818-1888) in 1849, and it is most extensively used in that country, but it has spread so far all over the world and is still spreading so that it can be justly called a world-movement.

2. Results of People's Banks

If we read about the results of rural banks as described by different writers, cabinet ministers, clergymen, professors, business men and cold and dry economists we find that all join in one chorus of praise of these banks. The pages, of every book and official report on the subject glow with enthusiasm, and their descriptions of transformed conditions sound highly exaggerated and like a vision from fairyland, they speak again and again of extraordinary results and even marvels; miracles and wonders performed by these banks, picture succeeds picture of squalor and poverty changed into thrift and prosperity. But the writers, and more especially the economists are by no means over-enthusiastic, they only state and record unassailable facts and undeniable figures, not fancy or fiction.

The history of co-operative banking is one long record of social, economic and even moral achievements of one of the most signally successful movements of the second half of last century which has benefitted many millions of people elsewhere. Why should these results be impossible in South Africa?

The African Natives, with their strong faith in occult power, will feel inclined to ascribe the results to some mysterious

agency. Other people may try to detect some good fairy work in this kind of banking. But after one has thoroughly studied the whole mechanism of People's Banks it is the plainest common sense, it is simplicity itself, and just this simplicity is mysterious, as is the case in other things.

There is no royal road to success in co-operative credit. The results come slowly but surely if a good foundation is first laid, but never without a good foundation. Laying this foundation is slow work.

3. Cause and Effect

There is neither a miraculous agency nor some powerful secret charm at work in those humble village banks, but only natural laws. All those magnificent and truly astonishing results which were obtained, are still being obtained, and will be obtained in all future by genuine co-operative banking, are produced by the inexorable and infallible law of cause and effect. A double knowledge is required, a deep knowledge of the human heart with its dormant resources, as well as its weaknesses, and a sound knowledge of economic laws. Co-operative banking is just business of the simplest kind adapted to the special circumstances of poor rural people, and every penny produced by it, however much it has been and may be, is fairly earned, that is either created by production or else saved by thrift. Economy and industry are the two legs on which People's Banks must walk. Those are quite plain and natural causes.

1. Economy, saving or elimination of waste alone would increase African wealth enormously. When a philosopher was asked what income he had derived from his philosophy, he replied that his philosophy had brought him no income, but had saved him a lot of expense. It is highest time to stop the enormous

loss due to ignorance and leakage caused by unnecessary expenses and spendthrift proclivities. Natives have formed habits of waste and extravagance which they simply cannot afford as a rural race. The causes of this waste are thoughtless imitation of social habits of Europeans and ignorance or non-appreciation of the value of money and other kinds of wealth. This ignorance is due to the fact that the Natives did not evolve the money system in the course of their development, it did not grow naturally out of their needs; they found it ready-made, it was thrust upon them by the Europeans before they needed it. The new system was not properly understood, not assimilated by the Natives, therefore it is to some degree demoralising in its effects. The Native has been taken out of his natural environment and dragged into our economic life.

2. Industry, production or creation of new wealth is the indispensable second cause. Prosperity and happiness can be obtained only through honest effort, through hard work. Many human ills flow largely from attempting to escape from this natural law.

We must again and again repeat these questions: Why should the South African Natives be deprived of the remarkable results of rural banks? Why should like causes not produce like effects in South Africa? Why should history not repeat itself here?

Long, long ago Confucius advised his disciples: "Study the past, if you would divine the future". Let the Africans study the causes which were brought into operation in the past in co-operative credit systems, and they will be able to guess the future effects. They would certainly like the splendid results, but many will perhaps not like the banks. There are always people who like effect, but not the producing cause, who like a certain fruit but not

the tree, who like the roses, but not the tree with its thorns. But in People's Banks one cannot escape the law: **"Sint ut sunt aut non sint"** which means: Let them be as they are or not at all. In other words, if in introducing and adapting such banks some essential elements are discarded, then the banks will be so adulterated that the expected effects cannot be obtained because the cause has been eliminated, or to use a metaphor, the orange tree has, by gradual changes, been converted into a mimosa tree which can no more bear oranges. "The obedient man shall speak of victory".

4. Safety of People's Banks

The lessons we get from economic history show us that co-operative or organised credit is the only safe way to help the poor people who are in need of credit. Here are a few testimonies about the safety of this system.

The heads of the great German Raiffeisen Union boast after an experience of seventy years: "Not one *Pfennig* ($\frac{1}{8}$ penny) has been lost either to creditor or to depositor."

The French economist Eugene Rostand declared: "Not a *sou* (half penny) has been lost."

In Italy the *Casse rurali* (rural banks) ministering to the poorest of the poor declare that "Not a *centesimo* ($\frac{1}{100}$ penny) has been lost." An Italian cabinet minister who was foremost in the co-operative movement said: "It is inconceivable how a properly managed co-operative bank can go wrong."

The English economist H. W. Wolff wrote: "You must go among the people and watch the pride with which they contemplate their successful institution, the zeal with which they make themselves acquainted with all its transactions. They can show you the books, and explain everything to you. They are not a bit afraid of what on

paper appears espionage among themselves; rather do they accept it willingly as an effective bulwark of safety. They have their savings bank and put money in it, because it is their own. They watch at all points to make sure that the association suffer no hurt."

5. Hidden African Treasures

People's Banks, in order to catch on and be successful, must be banks wanted by the people, formed by the people, managed by the people and worked for the people. There is an interesting parallel in the Adult Education or People's School movement. It was the experience in England that such institutions would only be a success if the workers felt that it was their own education, given under their own control. The success of the Rochdale co-operative store was due to the fact that the store was the people's own store. It would not have succeeded if a rich philanthropist like Owen or the Government had started and financed it. (See the writer's SOCIAL HISTORY or THE STORY OF THE ROCHDALE CO-OPERATIVE STORE).

The human element in this kind of institution is of the greatest importance, its disregard means to court failure. The Government, capitalists or philanthropists may establish and finance any institution with money, but no power in the world can create the soul, and no amount of money can buy the true life necessary to such an institution. It is the people and they alone who can create the soul of such an institution and make it, not a cold machine, but a living organism. That soul or life consists of certain secret forces in the hearts of the people which must be touched, tapped, released, harnessed and organised or co-ordinated.

The African Natives have now begun to discover the hidden treasures of their fields, improved tillage unearthed

and awakened the dormant chemical treasures under the surface of the soil. Speculators have often discovered hidden treasures, precious minerals, under a bleak and barren soil. The power to strike and disorganise the economic structure of the country has been discovered in the African Natives. Are there no better forces hidden in the African heart? The Rochdale people first tried to organise their forces for an industrial strike, and failed. Then they went down deeper to the hidden cellars of their heart and there discovered new and true treasures, they tapped and harnessed them, and went from success to success. A French girl reports that upon taking part in a Women's Social Week she and her friends discovered the hitherto unknown treasures held in their homes, their fields and their hearts.

The science of Social Anthropology has exploded the myth of the inferiority of the African Natives, for no fundamental difference has been discovered between Europeans and Africans. But if the Bantu people maintain that they cannot do what other races did and do under similar and often much worse conditions, then it is they who uphold that old doctrine. They cannot have it both ways, to claim to be like others and yet to refuse to act like others.

The Bantu people have been endowed by God with such splendid gifts of

the body that European people may envy them. But God's works are not one-sided. Should there no precious treasures lie still untapped deep down in their heart? The writer has reason to believe that they are there. So far he organised five annual African Social Courses whose motto is: Better Homes, Better Fields, Better Hearts." At the fourth course held in January 1926 350 educated Africans took part, some men over 60 years old. At these courses and from the achieved results one could get a faint glimpse of great treasures still hidden in the African heart. If the Africans search and go down deeply, they cannot fail to discover them. And these hidden forces, if tapped and co-ordinated, will form the soul and life of the future African People's Banks. This is neither clap-trap no flattery but the sincere conviction of the writer, honesty earned by thirty years of study and work among, for and with the African Natives.

In his book "Black Problem" Professor Jabavu says: "When I was in America I was privileged to behold as is in a dream, the achievements of the Negroes in culture. All this fired my soul to believe that there were no altitudes in civilisation outside the compass of of a black-skinned man if he only have the inspiration and determination to attain thereunto."

CHAPTER IV

AIMS OF PEOPLE'S BANKS

Need of Synthesis

In February 1926 Mr. J. H. Oldham, Secretary of the International Missionary Council and author of "Christianity and the Race Problem" passed through South Africa on his way to East Africa. When he was asked about the solution of the Native Question he said, that

there will be no solution until we reach a synthesis. The economic problem is part and parcel of, and cannot be divorced from, the Native Question, and even that problem cannot be solved without a synthesis; or, if people are to be helped, the help must be

synthetic. Synthesis is a Greek word and means literally placing together, combining, uniting so as to form one whole.

A study of history reveals to us a continual process of action and reaction. Force from above is met by force from below, and those who use the sword, perish by the sword. The more strongly a certain principle is carried out in one particular way, the more decided will be the reaction later on in another way. This is because all so-called political, social and economic systems are more or less one-sided, emphasizing certain interests and disregarding competing or complementary interests. This produces later on a reaction which emphasises the neglected interests, often going again too far, and thus the pendulum swings to and fro until God's laws sternly reassert themselves from time to time.

Consequently any sound system of social reconstruction must be synthetic, taking due regard of all concerned elements, neglecting neither competing nor complementary interests, tackling the problem synthetically, in all its bearings. Therefore People's Banks or Co-operative Credit Societies of the genuine Raiffeisen type are no mere money concerns or one-sided institutions intended only to help the purse of the poor peasant, they are many-sided and synthetic institutions aiming at helping the whole man all-round in soul, mind, body, property, purse, house, stock and field, and not the individual alone, but the whole group, to which the individual belongs, as well.

Those banks are not money boxes or cold steel safes without life, but associations full of rich and true life whose aim is to inspire its members so "that they may have life and have it more abundantly" (John 10, 10). They do not only supply cold cash, but also other things which cannot be had

for money, and which are more important than money, because without them money would be useless, sometimes even harmful instead of being helpful. Those things are moral elements or virtues. Rural banks aim at promoting the spiritual, moral, mental, social, economic and physical welfare of their clients. An analysis of the character of these banks will disclose the following particular aims.

1. Spiritual

In a social regeneration a readjustment of outlook or of the way of looking at things is always necessary. Our associations intend to give the Natives a new outlook on life, a world-view, a sound philosophy by imbuing them with the true Christian spirit, which alone can give us the true philosophy or wisdom of life and without which all the other aims cannot be achieved.

2. Moral

The American sociologist Dr. Ellwood says: "It is an old truth, and one well worth emphasising, that any great advance in social evolution must ultimately depend upon raising the moral character of the individuals concerned." According to Raiffeisen the co-operative movement is a means of elevating the moral tone of economic life, therefore he said in his model constitution: "In the whole business management of the society it must always be the aim that through the material improvement of the members their moral improvement may be achieved as well." As a matter of fact in many lands the Raiffeisen banks are still primarily a means of moral education.

People's Banks therefore intend to fill the members with inspiration, to arouse in them the hope of a brighter future and sentiments of self-confidence and self-reliance, to spur them to the

firm resolve of self-help, to foster in them the virtues of honesty, reliability and punctuality, of temperance and frugality, of industry, prudence, saving and thrift.

The banks are neither debt factories nor cash suppliers, but compulsory schools of saving, checking improvidence, compelling people to save and stimulating them to thrift.

Improvidence is effectually checked because co-operative banking can simply not exist where there is improvidence. The first step which a bank is bound to take, from regard its own safety, is to make the improvident thrifty, the reckless careful.

Leakage in Native wealth is enormous. Elimination of waste in all departments of human life is one of the chief concerns of the social engineers who manage People's Banks. It is their great task to find the leaks through which the wealth of the Native race oozes out and to stop them. Waste is appalling in its dimensions and runs into staggering figures.

The practice of saving or wise use constitutes the most important subject within the field of social economics or applied sociology, and at the same time it is often the most neglected. Primitive man lives from hand to mouth and does not save. It must be learnt by theory and practice, first become a habit in individuals, then a national habit, a racial virtue, a permanent custom. People's Banks aim at implanting the saving spirit where it was absent, or to draw it out and to strengthen it where it is very weak. A rural bank is an elementary school of capitalism. The first step in the direction of capitalism or in the accumulation of wealth is simple saving. The second step is saving for a specific purpose. The third step is the acquisition of ownership or some definite increase of wealth. If one borrows

some money in order to secure it is third step, then this shortens the road, and this is the second degree of saving.

Thrift or wise spending is another aim by which the comparatively poor are not only raised to greater competency, but also to independence. The use of credit is really resorted to more as a means to this end than as an end itself. The powerful and often enforced stimulus given to thrift is of greater importance than access secured to money. The thrift bank deals in credit designedly as an inducement and stimulus to thrift. Therefore Raiffeisen called his banks **Savings and Loan Banks**.

For many the term "People's Bank" may appear as a misnomer if they discover to their surprise, and perhaps also to their dismay, that those associations do not merely intend to produce money or goods, but to train personalities or men who can make the best use of money and goods. Money is only a means to an end and this is the training of personalities.

3. Intellectual

Ignorance is often the cause of poverty, disease and crime, therefore the banks aim at giving all members the knowledge necessary for improving their position. For this purpose they organise educational institutions such as people's schools, evening classes, lecture courses, discussions and exchange of practical experience. Special courses are given for teaching principles and methods of co-operation and of training in business methods for bank officials such as managers, members of the committee of management and of the council of supervision, secretaries, auditors, inspectors.

People's Banks are thus real schools for the people, or institutions for educating adult people in order to help them to adjust themselves the new

needs caused by the progress of civilisation. They are an educating force, bringing people into closer contact with objects in view, interested in the same common working, buying and selling, and therefore thinking together. By thinking together they become educated. It is a main aim of co-operation to train unbusinesslike people to businesslike habits and to a knowledge of the principles and methods of business, so as to enable them to look after and manage intelligently their own affairs and become provident and thrifty, able to calculate in their own doings what brings gain and what loss.

In a large and very ably officered society the members are not called upon to think for themselves, the thinking is done for them by the managers. But in a small society like a People's Bank simple minds are taught and compelled in a simple way to do the thinking for themselves and tackle their daily problems. Thus a Co-operative Credit Society is a veritable school for rural society..

4. Social

People's Banks are a realisation of the principle of human solidarity, that people belong together, are interdependent and therefore must help one another. The welfare of some members is at the same time the result of as well as the necessary condition for continued and fruitful co-operation. This mutual interdependence and co-operation is not only a cold economic fact, it is also a moral duty, for people live together that society may flourish, not that it may perish. But social welfare is not to be sought at the expense of the welfare of others, by exploitation and profiteering, but by service, or in and with the welfare of others.

The social aim is to help the people to have better homes, better fields and

better hearts, or according to the Irish formula, better farming, better business, better living, or according to the word of our Lord: "that they may have life and have it more abundantly", in short, to make life more worth living.

How People's Banks tried to promote group welfare appears from the following achievements in many different places. Litigation, lawsuits and quarrels were greatly reduced and often stopped. Many public health and other public welfare services were performed, either where the State could not help or as supplement to State activities. Hospitals were erected, Sisters were called to nurse the sick and manage a kindergarten. Poor people were assisted in case of death, the village cemetery was kept in good order. Telephones and railway sidings were erected. Village halls were built for public functions, for entertainments and dramatics, for gymnastic exercises for young people in bad weather; playing and sport grounds were provided. Insurances of different kinds were established. Land was bought for poor people; speculators were prevented from buying up land of insolvent peasants, and thus land was retained for the bank and often returned to the people under favourable conditions. Good and healthy houses, whole streets and villages were built or rebuilt by People's Banks.

5. Economic

The Raiffeisen bank makes it its particular aim to bring help to the struggling agriculturists, the impoverished, the neglected, the forgotten, provided that they can show that they are honest and hard working people. They are to be helped without aims, charity or doles, but through self-help. If such people are in need of credit, they have no other security to offer in exchange than their good character. The banks help such people to capitalise their

honesty and industry, or to turn their character into a mortgageable or pledgeable commodity and raise money upon it. In this way the banks help the people to decrease poverty, to acquire property, to increase its value, to increase agricultural production to guard against their tendency to borrow imprudently and to spend the loan unproductively.

They want to substitute for the poor and helpless individual a strong associated body framed in such a manner as to inspire confidence and command credit which the isolated individual could never get.

The special aim of Co-operative Credit Societies is to provide peasants, who are deserving members, with facilities for borrowing money at a low rate of interest so that agricultural improvements on borrowed capital may be profitable, and to give loans for productive (chiefly agricultural) purposes. The meaning of productive purposes can be seen from the following list of purposes for which loans have been and are still being granted: to hire or buy land, to purchase livestock, draught animals, implements, labour saving machinery, seeds and fertilisers; to provide the labour necessary for raising, cultivating and reaping produce and preparing it for the market; to construct or improve agricultural buildings

(sheds, stables, barns, silos etc); to improve the land by reclaiming waste land, by irrigation, by drainage, by preparing meadows for cattle and for all other kinds of soil improvement; to plant fruit trees, timber trees, osiers; to start bee-keeping, spinning, weaving, basketry and similar home industries; to hold over stock or produce until it can be sold at an advantage. Another and very important economic aim is the co-operative and profitable sale of agricultural produce.

6. Physical

In order to satisfy the physical needs of the people they are helped to get better, that means, more nourishing food, suitable clothing, simple and substantial, decent, comfortable and healthy houses, clean premises, neat surroundings, tidy gardens etc.

The writer is no reckless optimist, he knows the People's Banks from his earliest youth. All these aims mentioned here are by no means imaginary or phantastic, they are not wild dreams, they all have been achieved and become facts ever and ever again and they will continue to be realised, provided all the necessary conditions are given for the proper functioning of the People's Banks for: "Like Causes produce like Effects".

CHAPTER V

PRINCIPLES

A People's Bank can be compared to an organism which consists of soul and body, which has a spiritual and a material part. The principles underlying the working of the bank refer partly to the former, partly to the latter.

1. Spiritual Part

The thing which gives the material part its true life is the spirit. Without

the right spirit good and lasting results will be impossible. It would be a grave mistake to believe, as our Natives do like to believe, that by the mere establishing of a People's Bank the situation would be at once improved, not even if there were plenty of money. In the absence of the right spirit money has been proved to be more harmful than helpful. Certain qualities are

essential elements of the required spirit.

Christian Spirit. The right spirit consists of the moral forces of Christianity, of Christian feeling, thinking and willing. Christian thinking is the philosophy or world view which we get from the teaching of Christ and which is summed up in the words: "Seek ye first the kingdom of God and His justice", and is opposed to materialism or the insatiable thirst for money, possession and pleasure. Christian willing consists in the practice of virtues implanted and kept alive by the Christian religion.

Raiffeisen himself was deeply and earnestly religious and always kept the moral aspect very prominently before him. He had something of the spirit of Christ who "had compassion on the multitude" and who "went about doing good," he desired that even the poorest and most backward people should find life worth while, and that according to the words and wish of Christ, "they should have life and have it more abundantly."

He also insisted that all the members of his institutions should profess the Christian faith and practise its virtues. In his propaganda he used to the full the one intelligent power in rural districts, the parish priests or pastors. With their help he developed a new parochial life around the village bank and touched in the peasant the chord of brotherly love and stirred him to give it practical effect.

You may say, business is business and just a matter of clever calculation, cold figures and hard work. But a deep study of the co-operative movement in various countries tends to show that the highest aims of co-operative effort cannot be achieved without the genuine Christian spirit. The fate of all Co-operative Credit Societies depends on the managing body. If the officers of the bank break down, then the bank must also break. They are

the very heart of the society from which the good spirit flows into all members, just as the blood flows from the heart through the whole body. They must have the spirit of Christ, a burning desire to bring relief wherever there is distress to help their weak, poor and ignorant brothers so that "there is none that can hide himself from their heat" (Ps. 18, 7).

Religion not only educates the individuals for a higher world, but also and especially for efficient co-operation in this world. Just as the old Bantu civilisation was the seedbed of the co-operative forces, so the new Christian religion is the nursery of such virtues as justice, charity, co-operation, temperance, frugality, honesty, reliability, sacrifice, service, sincerity, all essential to the success of People's Banks. Daily we give expression to the spirit of solidarity (belonging together) with the words: "Give us this day our daily bread."

The following words quoted from Raiffeisen's writings serve further to emphasise our point: "It is wrong to believe that the mere formation of associations would produce at once better conditions. The form is not sufficient; it is the spirit which must enliven and produce flowers and fruits. Without the moral forces of Christian religion People's Banks can never develop and flourish. The only means of getting rid of selfishness is to practise the Christian spirit in public life. "As long as you did it to one of these my least brethren, you did it to me." This word of Our Lord forms the foundation of our Credit Societies and of their whole organisation."

Pope Leo XIII (1878-1903), an eminent authority in social science and political economy, wrote in 1891: "No practical solution will be found apart from the intervention of Religion and of the Church. All the striving of men

will be in vain if they leave out the Church. Society can in no other way be healed save by a return to Christian life and Christian institutions". The motto of his successor, Pope Pius X (1903-1914) was: "To re-establish all things in Christ" (Eph 1. 10).

Self-help to the utmost degree must be aimed at and carried out, for it is the basic principle drawing or promoting the development of all the hidden forces of the hearts of the people and of the heart of the soil. The continual stress laid on self-help sharpens the feeling of responsibility in the people.

Sacrifice means to give up a cherished object, to give away something which is dear to us and which we would rather keep for ourselves. In Co-operative Credit Societies people must be willing to give gratis or sacrifice time, thought, labour, security, supervision, vigilance and good example.

This principle of gratuitous service has been much attacked, but just there lies the wonderful secret force which makes these societies so flourishing. This outward regulation is an expression of the genuine Christian spirit which should permeate all members: "As long as you did it to one of these my least brethren, you did it to me". (Matt. 25 40). There can be no true co-operation and the resulting advantages without corresponding sacrifice or the submission of individual inclinations and desires to general group aim. Sacrifice is even necessary if in some individual cases there will be no equivalent advantages. Only the high ethical motives supplied by religion can stimulate men to such unselfish conduct. Without sacrifice there can be no harmony in a community; without harmony there can be no sound social welfare.

Service or to fulfil the law of charity must be the aim and never mere profit-making. Profit-making is the motive power of the capitalistic system, service is

only incidental, a side-line, an accidental by-product of profiteering. Poor people do need money, but not only that, they need also personal service, if help should be lasting. Sympathetic care can only come from the personality, not from the purse. And if the money should lose its cold egoistic character it must be given by the creditor not only on his own account or for profit but chiefly on account of the borrower or for service.

Sincerity, or absolute honesty, integrity, candour and frankness must reign supreme, and all cunning, duplicity and falsehood most strictly banished.

Peace and Co-operation must exist in social life, excluding all denominational, political, racial or tribal strife, jealousy and hatred. "Victory will be on the side of that Christian society which preaches and practises charity most effectively, for by their fruits ye shall know them" (Raiffeisen).

Moral and Material Welfare must never be separated. It has been emphasised over and over again by many authorities on social questions, that it must always be the aim of co-operative credit that through material improvement chiefly the moral betterment of the members be intended and obtained. There is an interdependence between moral and material welfare just as between body and soul; the one cannot suffer without the other. Poor Christians are often bad Christians, and sources of economic weakness are sources of moral and social degeneracy. Human society is an organic whole where there is an interrelation and interdependence of constituent parts just as in a human individual. It is therefore wrong and sometimes dangerous to deal with social questions in isolation, for interrelations of social affairs are so close that no part of the social problem can be dealt with without affecting the rest.

It is a principle of the unity of culture that whatever is against the spiritual and moral welfare of society cannot promote the true material welfare, because the spiritual and moral forces are the chief causes of the material welfare of society. If those forces are weakened and undermined, the material welfare must also suffer in the long run, even if a momentary advantage be obtained. The Creator has given man some powerful instincts which urge him to satisfy his material needs, but he has also given him the moral forces of reason and conscience to control those tremendous natural forces lest they lead individual and society to ruin.

We have it from the highest authority that man does not live by bread alone and that all possible material wealth alone cannot satisfy the human hearts: "And whatsoever my eyes desired, I refused them not: and I withheld not my heart from enjoining every pleasure and delighting itself in the things which I had prepared. And when I turned myself to all the works which my hands had wrought, and to the labours wherein I had laboured in vain, I saw in all things vanity and vexation of mind, and that nothing was lasting under the sun" (Eccl. 2, 10—11).

Social ills are rooted in moral maladjustments, because morality is woven into the entire texture of human life and inseparably connected with every question that bears on the relations of man to man, or man to group. The divorce of the economic order from the ethical order has always been most disastrous to the former.

The following words of Pope Leo XIII show the attitude of the Church with regard to this point: "Neither must it be supposed that the solicitude of the Church is so preoccupied with the spiritual concerns of her children as to neglect their temporal and earthly

interests. Her desire is that the poor, for example, should rise above poverty and wretchedness, and better their condition in life; and for this she makes a strong endeavour. By the very fact that she calls men to virtue and forms them to its practice, she promotes this in no slight degree. Christian morality, when adequately and completely practised, leads of itself to temporal prosperity, for it merits the blessings of the God who is the source of all blessings, it powerfully restrains the greed of possession and the thirst for pleasure, twin plagues, which too often make a man who is void of self-restraint miserable in the midst of abundance; it makes men supply for the lack of means through economy, teaching them to be content with frugal living and further keeping them out of reach of those vices which devour not small incomes merely, but large fortunes and dissipate many a goodly inheritance".

Knowledge is indispensable for a successful working of People's Banks and must be acquired by education, by deep study. Money alone is by no means sufficient, nor will the mere imitation of co-operative credit systems produce their splendid results of elsewhere. What is required is an intelligent assimilation by the people and adaptation to the particular needs and conditions of the people. But this presupposes a thorough knowledge and full understanding of those banks.

Security has its foundation in the character of the members, their absolute honesty, trustworthiness, reliability, industry, frugality and temperance.

Liability is unlimited. The Raiffeisen Savings and Loan Banks and similar institutions are based on the system of unlimited liability or unlimited joint liability and separate liability, of the members. That means that members are jointly liable for any loss incurred

by the bank through: whatever fault, and each member separately is liable as well for the whole loss in default of the member: "One for all, and all for one". This sounds rather deterrent, but is in practice not as terrible as it looks on paper.

2. Material Part

The chief elements of this part are:

Restricted Area. A co-operative credit bank is essentially a neighbourhood association, therefore the area of operations as well as the membership must be strictly local or limited to a small district, a village or a small group of villages. This ensures mutual knowledge of members which is an essential element.

Funds should be the result of local thrift, and thus local capital should be created and such capital be employed locally in a productive manner.

Loans must not be easily given, because easy credit may become more harmful than the intrigues of the usurer. Loans are made to members only at a rate of interest only slightly in excess ($1\frac{1}{2}\%$ — 2%) of the rate of interest paid for deposits.

Reserve Fund. The aim of a People's Bank is service, not profiteering; therefore there are no dividends. The only benefit is that of borrowing; all surplus money goes to a reserve fund which must never be divided or distributed. This reserve fund forms the backbone of the whole system and a rock of financial solvency.

SAFETY FIRST! is one of the most important principles and in order to ensure it People's Banks once for ever and inexorably eliminate the formidable danger rock of speculation. It seems therefore appropriate to say a word about this particular kind of business.

The process of production, distribution and consumption of material goods is influenced by certain conditions

which are beyond the control of producer, distributor and consumer. The combination of all this may be called market conditions. The chief factors affecting the market are:

- a. fluctuations of the chief foodstuff crops under the influence of weather;
- b. progress in the means of production due to the invention of new machinery or new methods;
- c. greater facilities of communication and transportation;
- d. political changes and disturbances;
- e. changes in density of population;
- f. changes in the social and economic life of the different classes of population.

Speculation is the clever and skilled calculation of the probable results of these various conditions influencing economic life. It is possible for the professional speculator, who possesses skilled judgement and great experience to reap rich profits and even to become rich quickly. But in spite of all skill there is always a risk of loss and failure, and the less skilled and experienced the would-be speculator is, the greater is the risk and danger. Poor people can never afford any serious loss at all, therefore they must abstain from any hazardous and dangerous enterprise.

Further principles are: loans must be for productive purposes; repayments, whether in one sum or instalments, must be punctual; deposits derived from the thrift of members are encouraged and accepted; the officers of the society work gratuitously; the constitution is democratic.

No single one of these principles is new; each of them was known to pre-existing thrift or benefit societies or to commercial associations; the novelty lies in the combination of them all, and in the stress laid on the moral rules.

If a society is declining and in danger of perishing, then Pope Leo XIII advises those who would restore it, "to recall

it to the principles from which it sprang; for the purpose and perfection of an association is to aim and attain that for which it was formed; and its efforts should be put in motion and inspired by the end and object which originally gave it being. Hence to fall away from its primal constitution implies disease; to go back to it, recovery".

CHAPTER VI

MECHANISM

We are now going to describe a machine built, tried and worked successfully by many people in different countries. If you hear of its wonderful work you feel inclined to copy it, to construct the same machine for your own use. If you inspect the machine more closely with the intention to copy it, you may discover some parts whose need or use you do not yet understand and which you therefore consider of no importance, superfluous or even useless. But nevertheless just such parts may have an important function, they may even be essential so that without them the machine may not run at all or not efficiently. You should therefore believe that there is a definite reason for each separate mechanism and that no part is a mere haphazard construction which may be omitted if it is not liked. All the different mechanisms of People's Banks are based on a deep knowledge of human nature and experience, or on psychology and history, however hard and harsh or even useless they may seem at first.

In the following description of the mechanism of our banks it will be seen how foregoing principles are applied in practice in the actual working of the banks. This chapter on the mechanism forms practically the constitution of People's Banks.

1. Restricted Area

A rural Co-operative Credit Society is usually confined to a small district of from 500 to 1500 inhabitants. It is

because the system of rural banks is founded on mutual confidence and collective liability, the members must not only know each other personally, they must also be able to see from day to day the manner in which their money is employed. The narrow limits of an association make possible the necessary full mutual knowledge, vigilance and checking of one another, and cause the banks to be so generally trusted.

2. Membership

a. Necessary Qualities

The object is not to secure a large number of members, but only worthy members by rigorously excluding any one who is not deserving. No black sheep are wanted or tolerated. Therefore members are elected on application with great care and discrimination by the organisers or managers of the bank. All even the poorest but honest people of the locality are admissible and may be accepted, but the strictest care must be taken that all applicants for membership are well known men of good and worthy character.

Members must not belong to any other co-operative society based on unlimited liability. Women, except in the case of widows, are not eligible for membership, since their natural business lies outside this particular sphere of activities.

It is, of course, highly desirable that among the members there should be a sprinkling of well-to-do men who are

able to deposit money, to supply at the outset the apparent backbone of solvency, to bear the brunt of liability and to act as sureties. It is obvious that such men are quite naturally chosen as officials by the poorer members.

b. Admission to Membership

Applicants for membership must apply in writing to the Committee of Management. The accepted applicant must sign the constitution of the society. By this act membership is obtained.

c. Termination of Membership

The membership of any person ceases by death, resignation, change of residence or expulsion. The widow of a deceased member may, upon application, become a member in place of her deceased husband.

A member may resign at the end of the financial year after having given three or six months notice.

A member may be expelled if he fails to discharge his obligations to the society, if he deals with usurers, if he becomes insolvent, if he joins another society based on unlimited liability, if an order is issued against him by any court of law for payment of money.

Resigned or expelled members or the heirs of deceased members have no claim on the reserve fund or other property of the society, but they are liable in respect of all obligations of the society as they existed at the time of the termination of their membership for a period of two years.

d. Rights of Members

The rights of the members are: to deposit money on interest with the society;

to take part in the co-operative purchase of agricultural requirements and in the co-operative sale of produce;

to make use of machines and implements belonging to the society and to take part in any other business or enterprise of the society;

to attend the General Meeting and take part in discussions, voting and elections;

to inspect the minute book of the General Meeting.

e. Duties of Members

The duties of the members generally concern the welfare of the society in every regard. The most important duty on which co-operative self-help is chiefly based is the unlimited liability accepted by the members. This particular point will be specially treated in a future paragraph.

3. Management

What is the nature of the machinery by which this work is conducted? A People's Bank is not a handsome building with a shining brassplate in front and barred windows within which are a number of clerks discharging a constant round of business, while the directors interview special clients in a room apart. Our bank may be a small single room or a simple African hut, opened once or twice a week in the evening and presided over by a single occupant, the Secretary.

To this plain outward appearance of our bank corresponds the nature of the management. Since the organisation of rural banks is familiar and friendly, their management is very simple and entirely democratic, no difference being recognised between rich and poor. The administrative functions are divided between the **General Meeting**, the **Committee of Management** and the **Council of Inspection**. The executive work is carried out by the **Secretary** who is also treasurer or cashier.

According to the founder Raiffeisen the necessary qualifications for the officials are: absolute honesty, altruistic spirit or spirit of service, possession of the full confidence of the members, an elementary education, common sense. The business is learned in actual practice or by doing. This is facilitated by clear instructions contained in the constitution.

a. General Meeting

The supreme governing powers of a bank are vested in the General Meeting, which is therefore the most important organ of the bank. It is its duty to elect the Committee of Management, the Council of Inspection and the Secretary, and on these elected officers depends the success and welfare of the bank. The hour of this meeting is very important, and great is the responsibility of the voters.

Besides the election of the bank officers the General Meeting frames the general policy of the bank, it defines the limits of the area to be served, the maximum amounts of loans to be granted, the amount of interest to be charged for loans and to be given for deposits; it must settle occasional disputes and interpret the constitution, it supervises the work of the Committee, Council and Secretary, it examines complaints and calls Committee and Council to account, and if necessary it deposes some members of the managing organs; in short it possesses the supreme power of the society.

People's Banks are not mere money-making concerns, they aim also at educating the members through lectures and discussions of all social and economic matters of their life. The General Meeting provides an excellent opportunity for exchange of experience and for increase of knowledge through lectures. Therefore, in order to make the meeting helpful and attractive, well

prepared, but short, inspirational speeches should be delivered, suitable members should be chosen for such speeches. Useful experience should be given and common mistakes pointed out. The subjects of these speeches should be published beforehand so that all members can think about them, discuss them and contribute useful ideas and constructive suggestions.

All religious and political speeches and discussions must be strictly excluded and left to other associations, religious or political.

The General Meeting takes place once or twice a year. Special meetings are held whenever necessary. In winter, when there is not much urgent work on the land, it is advisable to hold meetings frequently. An extraordinary meeting is held whenever it is deemed necessary by the Committee or the Council, or if it is demanded by one-tenth of the members.

It is necessary that all members appear at the meetings, and Raiffeisen found it highly advisable to impose a nominal fine upon any member who is absent at the meeting without a proved serious cause. People, who at first come unwillingly, become gradually interested and come willingly and gladly. "Soft pressure", a well-known South African device, is therefore also in People's Banks very salutary. Some of the banks in Italy, in order to stir the members to greater interest in their transactions, also levy a small fine on those who do not attend General Meetings. But such a measure is scarcely required, because members flock to the General Meeting in at least the same proportion that in the other banks they stay away. In a certain association which was more of the nature of a joint-stock company and which had 11,000 members, it was difficult to bring eleven members together for a meeting. But at Raiffeisen meetings

the members turn up to a man and bring their ears, wits and tongues along.

In a model little village bank everything is done in the broad light of the day and there is a maximum of publicity. This keeps the interest and the sense of responsibility alive, and keeps out corruption and abuse as daylight and pure air keep out decay. Members crowd to the meetings and keep themselves informed by inquiry in the intervals. If the bank grows too large, direct management by, or in sight of, all members becomes impossible. A bank falls off in the precise degree in which the interest of the members becomes relaxed and in which they absent themselves from meetings.

Non-members should be admitted to the meetings so that their interest may be aroused and enlisted, and thus new members may be gained.

As every important matter, so also the General Meeting needs a good preparation in a special meeting of the Committee. The business of a General Meeting is not simply to tell the members the amount of income, expenditure and profit, or the mechanical election of new officers. It is highly important that the business report goes, as far as possible, into the details of the co-operative life in order to dispel any unjustified lack of confidence or any suspicion.

In the meeting parliamentary order must be strictly kept. The chairman must be asked for permission to speak, and must always be addressed. A certain time should be fixed for each speaker. Digressions from the subject under discussion are not allowed. A speaker using offensive language is called to order by the chairman; if this does not help, he must withdraw. No speaker is to be interrupted, nor should members converse during a speech. After a speech the members get a short

time for discussing the new ideas among themselves.

During the meeting resolutions are formulated and read, votes are taken and the resolutions either accepted or dropped. Votes are indicated by show of hands. The chairman of the Committee presides at the General Meeting.

One-tenth of the members of the society form a quorum, but in no case less than three members.

b. Committee of Management

COMPOSITION

The General Meeting elects five men as Committee of Management. As a rule the best educated men of the district such as clergymen and schoolmasters are elected as members of that body, but more and more actual farmers take part in the management. Three of the members should live close together so that they can meet easily and quickly with a view to the speedy taking of necessary lawful decisions. In very small banks a committee of three is amply sufficient. In many French village banks there are only three members of Committee. Bank proceedings should not be cumbrous at the expense of efficient control.

The chairman of the Committee is either elected by the General Meeting or appointed by the Committee members themselves, but preferably in the latter way.

Vacancies on the Committee may be created by death, resignation, or absence from three successive meetings without leave. Such vacancies may be filled temporarily by the Committee until the next General Meeting.

MEETINGS

Regular meetings are held monthly, but some provision should be made for emergency operations. For such purposes special meetings are held whenever necessary.

No invitation is necessary for the ordinary meetings. An extraordinary meeting must be announced by the chairman, he must also state the nature of the business to be transacted.

Three members present form a quorum. The chairman has a casting vote in addition to his deliberative vote.

FUNCTIONS

The Committee is entrusted by the General Meeting with the conduct of the ordinary bank business. It must carefully observe all the regulations of the Society and of the law under which the Society may fall. It keeps a list of the members and decides about the following and similar matters: admission and exclusion of members, grant of loans to applicants, purchase of movable and immovable property for the Society, refund of cash outlay to members. The Committee supervises the cash and the book-keeping and examines the balance sheets, it also calls the General Meeting.

It goes without saying that all business transactions as regards loans and deposits of members must be kept secret and do not furnish material for gossip.

The Committee should also pay attention to the general economic conditions of the people of the district, especially of the members, and try to improve them whenever possible.

ORDER OF BUSINESS

The following may be the order of business at the ordinary meetings:

- a. the reading and confirmation of the minutes of the preceding meeting;
- b. matters immediately arising out of the proceedings of the last meeting;
- c. Secretary's report on business conducted since the previous meeting;
- d. reading of urgent correspondence;
- e. recovery of overdue loans;
- f. application for membership;

- g. application for loans;
- h. any other business, including correspondence left over.

c. Council of Inspection

This body consists of three or six or nine very efficient members and has to supervise all transactions, checking the Committee and overhauling all the business once a quarter. There is no need of every one inspecting the books, nor can any interference be tolerated, otherwise there would be no end of disputes, quarrels and other inconveniences. For that reason the Council must possess the full confidence of the bank members, and they must be so distributed over the whole area served by the bank as to possess an accurate knowledge of the conditions of the inhabitants of that area. If any one could interfere no men would be found for the Committee and the Council.

The Council meets regularly once a quarter. All outstanding loans are examined to see whether they are safe. Doubtful loans are called in. The Council must also see that loans are not granted beyond the limited amount fixed by the General Meeting. It must also watch generally the management and the welfare of the society. If it sees that the welfare of the society is endangered, it must at once call a General Meeting. In case of a grave danger the Council has even the right to dismiss any Committee member or the whole Committee or the Secretary, but a General Meeting must then be called at once.

The Council of Inspection is very important because it is not sufficient to have a good machine, a good engineer is also needed. The examination by the Council is one of the safeguards of the bank and cannot be neglected with impunity. But it is sometimes not easy at the outset to find in a village a sufficient number of men

properly qualified to carry out the duties of the members of the Council. This difficulty has been overcome in Ireland and in India by inspectors being sent from headquarters to check the bank's doing and act practically as a Council. In Germany balance sheets and reports are sent to headquarters from every bank every year to be there carefully examined and sent backwards and forwards for questions and answers till all is made clear. But this can never fully replace the vigilant and actively interested local Council which is sure to detect flaws and points of danger that escape an outsider's notice. Accordingly if the local Council is not equal to its work at the outset, it should be carefully trained up to it by an inspector from headquarters.

d. Secretary

The Secretary or cashier is appointed by the General Meeting or by the Committee of Management, subject to the confirmation of the General Meeting, and is according to Raiffeisen "the soul of the bank". He carries out the executive work and is often the only employed or paid official of the bank; he supervises the work of any other employees. He has no voice whatever in employment and distribution of money, being only an executive agent. In order to guarantee the faithful discharge of his duties, he must have either several sureties or offer some other suitable and substantial guarantee.

There have been a few cases where the Secretary has absconded with the cash. There may be some difficulty for that official about his finding security. An efficient and trustworthy but poor man may be kept out. The amount of cash on the Secretary's hand must never be large. It is safe to adopt the Italian principle of putting what cash balance remains from sitting to sitting into a place of safety.

The following are the duties of the Secretary:

- a. to be present at all meetings and to record the minutes of their proceedings;
- b. to keep the records of the Society
- c. to conduct the correspondence;
- d. to issue notices of all meetings to all members;
- e. to present a report of the conduct of business to the Committee at each meeting, including a statement of loans made and loans repaid;
- f. to lay before the Committee all correspondence received and conducted since the last meeting;
- g. any other duties imposed on him by the Society.

4. Terms of Office

The members of the committee are elected for four years, two or three retiring every two years. The members of the Council are elected for three years, one third of the members retiring each year. The retiring members are determined by ballot for the first time, and if necessary also for the second time. Subsequently the members longest in office must retire.

The Council can provisionally discharge members of the Committee, subject to confirmation by the General Meeting. The Secretary is elected for four years and can be dismissed after three months' notice.

5. Gratuitous Service

The only salaried official of People's Banks is the Secretary who is paid according to the amount of his work. All the other services must be performed gratis, neither members of the Committee nor of the Council drawing any remuneration; only cash outlays are, of course, refunded. This system produces the following beneficial results:

- a. Economy in the management is secured.

b. Any spirit of greed is rigidly excluded. Those who administer the bank ought to be above suspicion. Therefore they are selected with discrimination, and not only every temptation to slipshod management or wrong doing must be carefully taken out of their way, but also everything that would be suggestive of individual profit must be kept strictly out of the bank. Only under these conditions the officers may be considered trustworthy keepers of the bank's purse having no inducement whatever to allow or to refuse credits except according to the merits of each case.

c. The guiding motives of action are caution and security. The free service is therefore an additional safeguard to the common liability pledge. During his lifetime Raiffeisen did not see a single failure of any bank.

d. What is freely given is honestly and cheerfully given. "For payment we would not work with such great interest and pleasure as we do now", said some bank officials, and Raiffeisen himself declared that this is quite natural, for the desire for money or material gain will never satisfy man, and profit hunger is the cause of ruin of many money institutions.

6. Start

As soon as there is a suitable chairman and a reliable secretary the bank may begin business by enrolling members. By "banking" Raiffeisen meant only or mainly borrowing and depositing, and he accordingly called his institutions "Savings and Loan Banks". Any risk or speculation was positively interdicted.

The members of the bank then subscribe the capital among themselves either entirely from their savings, which, if possible, is decidedly the best way, or they raise a portion of it on their co-operative security.

But the Raiffeisen Bank is the very type of institution which is most difficult to start. To succeed there must exist to a certain extent some favourable conditions. The necessary internal condition is a certain likemindedness of the bank members as to their aims, aspirations and general outlook on life. Then these banks have succeeded chiefly where there were also three external conditions, namely: a farming country divided into small holdings with few transfers except by death and with but little farm-tenancy; a population living in close individual contact so that each knows the other's manner of life and character; a considerable degree of agricultural organisation already in existence.

In Germany, the cradle of co-operative banking, there existed the following conditions favourable for a start:

a. There was a large population which enabled the movement to spread rapidly.

b. The population was homegeneous or of the same kind, having the same language, the same ideas and ideals.

c. There was little fluctuation or shifting of population; this helped to make organisation more permanent.

d. The people lived close together in villages, and the village was the centre of rural life.

e. The medieval guild system had survived in Germany longer than in any country. Thus there was a tradition extending over 800 years which provided a valuable stock for engrafting a new system.

7. Capital

The working capital which the rural banks have at their disposal for granting loans to their members consists of the following items:

a. **Entrance Fees.** The pure Raiffeisen system does not admit of any entrance fees as being contrary to their

ideal of mutual help. The banks should be open to any one desirous of having recourse to them, even to people who are so poor that they cannot afford to pay any entrance fee. Yet some banks do make a small charge for an entrance fee.

b. Shares paid up by the members. At first Raiffeisen excluded shares altogether from his banks for the following reasons:

(1) The credit based on the unlimited liability of the members was and should still be strong enough to procure the necessary working capital.

(2) Under proper management the reserve fund of the bank will soon have sufficient capital.

(3) Where there are shares, people expect dividends, but the possible dangers of dividends must be strictly kept away from the banks because dividends are, according to Raiffeisen, poisonous blossoms of capitalism or the much hated "unearned increment." Any danger of capitalistic speculation has to be avoided.

(4) No one should be prevented from joining a bank through his inability to pay a share.

There is no objection to shares. Sometimes they are prescribed by law, then it is also good to have capital for which no interest is to be paid. Now even the poorest people can afford to pay a certain sum and leave it in the bank as long as they are members, but there will never be any dividends on shares nor interest.

At the beginning Raiffeisen's banks had no shares, but the statute book of 1889 required that each bank must have a share capital and that members must also be stock-holders. Raiffeisen tried to evade the law as far as possible and fixed shares at a maximum value of 10/-, payable by instalments. In some villages the value of a share was fixed at $\frac{1}{8}$ penny, the value of the

smallest German coin, in order to obey the law prescribing a share.

In societies with unlimited liability a member cannot take more than one share, in societies with limited liability shares may be taken up to a certain fixed number.

The shares remain the property of the members. During the time of membership shares cannot be withdrawn nor transferred. They are repayable when members withdraw from the society and in case of the dissolution of the society.

c. Deposits. The funds should be as far as possible the result of local thrift. For this purpose saving should be encouraged, and thus the banks should create their own capital and cause it to circulate locally by being employed in a productive way.

d. Loans. In case the bank's own capital is not sufficient, funds may be raised by borrowing outside, from a commercial bank or private individuals, on the joint security or collective credit of the society.

Borrowing from elsewhere should be reserved for occasions of exceptional pressure. In co-operative as well as other banks there are often fluctuations in the volume of business, and demand and supply cannot always balance. Even the wealthy Bank of England had once to borrow three million pounds from the Bank of France. In the same way even a very strong co-operative credit bank may, under the pressure of business, feel compelled to draw on the general money market. This would not be a sign of weakness, but rather an evidence of the bank's utility. Therefore arrangements should be made for meeting cases of emergency. Raiffeisen's first bank and several others had, for a start, to raise capital from outside on the joint security of the bank members.

In such cases State-help may seem necessary; but experience shows that the less the State has to do, the better it is and that People's Banks most readily take root and flourish most just because there is a need stimulating people to greater effort. In poor Ireland the co-operative credit movement rapidly took root, whereas it comparatively failed in wealthy England, certainly not because there is more money in Ireland, but because there is less and the need of credit is accordingly more keenly felt.

e. **Reserve Fund.** This accumulates slowly in the course of time from the profits made.

f. **Fines** imposed by the constitution and paid in by the members.

8. Loans

The capital obtained from the various sources is employed in the most part in making advances to members, since that is the real object of the rural banks. Only members of the Society can obtain a loan and no other person. Surplus money is devoted to safe profit yielding investment and is in practice chiefly deposited with the central banks, or where such banks do not yet exist, with a Government bank or a good reliable commercial bank.

Each applicant for a loan must first become a member by paying the prescribed entrance fee, where there is any, and by accepting the unlimited extent for the obligations of the Society, and also by taking a share, where such are issued or prescribed. His name must be submitted to the Committee for approval.

The applicant must show that he is of good character, trustworthy and deserving. Experience has shown that loans of money can be harmful as well as useful. Therefore drunkards, gamblers, spendthrifts, idle and careless fellows

cannot be admitted as members nor can they get a loan even if they brought millionaires as securities.

Private interest wants to get loans easily, but in the interest of society loans must not be made easy. Therefore the bank deliberately makes borrowing rather difficult so that the whole machinery seems rather to discourage people from applying for loans than to encourage them.

After having been duly admitted as a member, the applicant for a loan must appear personally before the Committee with his written application for a loan, signed by two members as sureties. Sometimes the signature of the applicants' wife is also required. The applicant must state his case clearly, mention the amount of the loan, the length of time for which it is needed i. e. the specific purpose which will bring in a monetary return sufficient to enable him to repay the borrowed sum, the interest charged, and to have some profit for himself; in short he must show that the loan is economically justified. Thus mere improvident borrowing is effectively checked.

The Committee then carefully examines the case and decides whether the loan is to be granted entirely or only a part of it or whether it is to be refused. Here the skilled judgment of the Committee members must play a very important part; therefore the Committee must be so constituted that there is at least one responsible representative from each part of the locality served by the bank who has a good knowledge of the character and circumstances of his neighbours. He must decide whether the applicant is a man of good character and industrious habits, sufficiently well situated to have a reasonable prospect of repaying the loan in due season and likely to use it profitably.

Once a loan has been granted for a specific purpose, it must be applied conscientiously by the borrower for that purpose only, and the Committee must see to it that it is used in fact for that purpose. If a debtor proves false to his contract and tries to spend the loan unproductively, he must immediately be checked or at the worst be prevented from contracting fresh debts. The public opinion of his neighbours as represented by the managers of the bank effectually holds him to his promise in most cases and prevents fraud. Neglect of strict supervision on the part of the Committee almost invariably results in creating a class of constant borrowers with disastrous results to society.

Prompt and punctual repayments of principal plus interest must be strictly enforced. This is very valuable as training the people to habits of punctuality. Whilst in proved cases of genuine hardship due to no fault of the borrower an extension of time may be granted at the discretion of the Committee, great care must be taken to avoid the habit of renewals. A borrower may nominally repay the loan on the fixed date and immediately ask to have it renewed for a further period. In such a case the Committee must insist on a fresh formal application being made. The practice of renewals is an evil which may arise through the carelessness of the Committee; it is a sign of the beginning of decay.

If repayment of the loan is not made on or before the due date, the matter must be brought before the next Committee meeting. The Committee should first try to persuade the defaulting borrower and his sureties to fulfil their obligation towards the Society; if this is of no avail, legal proceedings may be instituted against the defaulters. This can only be done if the Society

is duly registered and thus possesses a legal status.

To make a loan at all serviceable to a poor or embarrassed man sufficient time must be given to allow the loan to repay itself. Therefore loans for fixed periods are given for six months up to three years and even more in exceptional cases.

All loans granted for more than one year must be repaid in annual instalments. Repayment by instalments is an accepted feature of village banks. Instalments facilitate repayments by borrowers of the poorer class. The system has been found admirable in practice. If a man borrows £50 at 5% for ten years, he must pay back at the end of the first year £5 plus £2 10/- interest, at the end of the second year he pays £5 plus £2. 5/- interest, at the end of the third year £5 plus £2 interest and so on, till at the end of the tenth year he pays £5 plus 5/- interest. This method is called amortisation of the capital.

The General Meeting fixes the maximum limit in money beyond which loans must not be made to members, whatever may be their financial position or the security offered.

Besides the above mentioned loans, for fixed periods rural banks grant also loans on **current account**. Sometimes a peasant needs money for buying stock, seed, implements or for paying labour, sometimes he receives money by selling cattle or produce. There may be a need of frequent use of the bank for borrowing and for depositing so that a member may sometimes be a debtor, sometimes a creditor. He may sometimes suddenly need money without having foreseen it, and in such a case the ordinary way of borrowing would be slow and cumbersome and take much of the Committee's time. To meet such cases a member may, upon giving the same security as for ordinary

loans, apply for and be granted a certain amount of credit up to which he can take money from the bank at any time at the usual rate of interest. This is called a loan on current account. Upon such a credit there must be a certain annual turnover, otherwise the credit must be withdrawn. If one is granted a credit of £50, he can and should turn over, or repay and take out again, this money several times during the year.

Loans on current account are the most convenient way of borrowing, making business easier for the farmer as it does in industry and commerce. This system has a special educative effect since it teaches the peasant to keep exact accounts and think ahead, to think of the probable effect of his action.

This kind of credit requires a higher economic education in the members and more advanced social conditions. It suits mostly large farmers, traders and merchants or businesses where money moves rapidly. The poor small peasant is more helped by ordinary loans which are paid back after one year or in annual instalments. But with the increase of education this system will come more into practice and will reduce the use of cash and thus facilitate business.

Once every quarter the Council of Inspection reviews all the loans, their sureties and their employment. If a certain surety is no more considered safe, another and better surety is at once called for. And if a debtor is found to misapply the money lent to him, the loan is at once called in at a month's notice. This sounds rather harsh and inexorable discipline, but it is necessary for the security of the bank. In practice it does not work as harshly as it appears on paper and has scarcely ever been resorted to. Those who apply this strict discipline are the

neighbours and friends of the debtor, and they will only employ it in case of absolute necessity.

9. Interest

The usual rates of interest are 4% on deposits and 6% loans so that there is a small margin of about 2%. This small profit defrays expenses and slowly builds up the reserve fund. The interest paid on share capital does not exceed the interest which borrowers pay on loans from the credit society.

10. Reserve Fund

Dividend means individual gain and as such is liable to abuse. Therefore there are no dividends in Raiffeisen banks. All profits go to the building up of an indivisible and inalienable reserve fund which belongs absolutely to the bank and must not be divided under any condition. Even if a society is wound up or dissolved no sharing out is permitted lest a rich society be tempted to dissolve. In case of dissolution of a bank the rules provide that the reserve fund is to be handed over for safe keeping to some trustworthy public authority to be restored to its old purpose in the event of a new bank being formed under the same rules in the same district, or else to be employed for some useful local public work. This may seem rather strange, anomalous and even monstrous, but it is quite justified by circumstances and results.

Even in village banks which engage in distributive or supply business for the benefit of their members, purchasing agricultural implements and other requirements the surplus resulting from such business is carried to the common reserve.

One-third of all surplus money goes to the ordinary Reserve Fund which serves for meeting occasional small

deficiencies. Two-thirds go to the Endowment Fund, foundation fund or reserve fund proper, which forms the backbone of the whole system and a rock of financial solvency, a rock on which the building rests safely. It is to meet deficiencies and losses for which individual members could only with hardship be made responsible.

It is very important to build up and preserve a Reserve Fund. It is an inexorable necessity, and the larger it is the better. However careful Committee and Council may be, losses are, if not likely, at least possible and not entirely avoidable under ordinary human conditions.

The Reserve Fund has the following beneficial results:

a. It supplies the place of borrowed capital, cheapens credit for the members and makes it more convenient.

b. It removes the danger of practising usury because it keeps away the temptation to work for profits.

In 1903 the Raiffeisen Union of Neuwied (the parent bank in Germany) reported that 3000 small village banks had not less than £400,000 laid up in their several reserve funds, money which no one else could claim a right to, which belonged solely to the banks and which had been strictly earned by annual surpluses on tiny business.

11. Security

We must distinguish a double security, that of the bank itself as a special characteristic of rural Co-operative Credit Societies, and the security furnished by every particular borrower with regard to his loan.

a. Security of the Bank

The principal safeguard of credit societies lies in their very constitution, especially in the following particular elements:

The **limited area** of operations implies a full mutual knowledge among the members, for in a small rural district, as a rule, everybody knows everything about everybody else.

The **honesty** of the members is another element of security since good character is an indispensable qualification for admission to membership.

A group of such trustworthy men furnishes a **collective guarantee** on the strength of which they are able to obtain money at lower rates of interest than they could obtain it individually. That collective guarantee may be one of real property: a number of landowners may obtain capital on the security of a collective mortgage of their lands. Or the collective guarantee may be a personal one: a number of persons may obtain capital by making themselves jointly responsible for its repayment.

An effective bulwark of safety is **unlimited liability** which will slowly be lightened and ultimately replaced by the bank's reserve fund.

Another characteristic contributing to the security of the bank is **publicity**. In some of these little banks one may see the list of Committee and Council members, even of the loans outstanding, hanging up in the bank's office. In any case, the books, except the deposit ledger, are open to inspection by members.

The constitution of the bank gives to every member a **vital interest** in its affairs and this interest taken generally in the doings of the bank by members and by the local population as a whole is one of the distinct features of this system of banking and another powerful element of security.

And it is right that it should be so, for the more eyes watch what is being done, the less possibility will there be of imprudent actions or neglect passing unnoticed.

This interest shows itself first in the most careful scrutiny of every single application for a loan, and then when the loan has been granted, in the mutual and impartial observation and vigilance. Every member's relation to a borrower is that of a well-wishing monitor or benignant spy. If a bank has fifty members, then in case of a loan granted, fifty minus one pairs of eyes follow the money and watch its employment, and as many tongues are ready to warn the borrower and to remind him of his duty. A humble Italian peasant explained the success of co-operative banking in his own village with the words: "We are a hundred persons who watch one another like spies, it is not possible that any one of us should fail in his duty".

People's Banks must strictly **avoid risk and speculation** and any other kind of uncertainty. As soon as a small bank has some money, then at once some people, dishonest as well as such who appear to be honest, will combine in order to relieve it of its burden, or to say it plainly, to rob it of its money. It is harder to retain than obtain money. Therefore the money must only be used for things which are known. Owing to the strict exclusion of all uncertainty any loss can be exactly ascertained and localised.

Another element of security is the **solidarity of organisation** given by provincial federations which are entrusted with the extremely delicate task of **inspection**.

b. Security of Loans

Security is a means by which a society protects itself against the possible default of a borrower; as long as the borrower is not defaulting, security plays no part. The borrower of a loan can furnish one or more of the following kinds of guarantee: two sureties or the personal bail of two solvent members

of good character tested by the standard of first-hand knowledge as to whether they are able to make good the sum involved in case of the borrower defaulting; he can deposit valuables (share-certificates); he may give a mortgage, a pledge, or his mere promise.

Mortgage on immovable property and pledge on movable property are inconvenient forms of security and should only be a secondary security. The primary security should be personal because it is most convenient.

12. Unlimited Liability

The Co-operative Credit Societies of the Raiffeisen type are mostly based on the system of unlimited joint liability and separate individual liability of the members. That means that all members of a bank are liable or responsible for any loss and for the whole loss incurred by their bank and are bound to make it good with their real property. Any loss would be equally distributed upon all solvent members. If a society of 50 members incurs a loss of £20 and only 40 members are solvent then the amount is equally distributed among the 40 members who are able to pay. If only 5 members are solvent, then each has to bear the loss of £4.

In a society with limited liability each member is only liable to the extent of his shares. He can only lose his shares and no more. Whilst for other forms of co-operation the system of limited liability is increasingly adopted, the system of unlimited liability is still regarded as best adapted to rural co-operative credit.

Unlimited liability is the main pillar of People's Banks, making the people realise fully their great responsibility and solidarity and helping them to be on guard against abuse. Unlimited liability makes people liable up to their last farthing; it is liability of "one for all and all for one". Raiffeisen banks

adopt mostly this system, because their aim is to help poor people who are not able to pay in a share, possessing only their honesty or a disposition and willingness to do what is right.

This apparently formidable risk disappears in practice, liability never being drawn upon. The principle of "one for all and all for one" is the chief factor of security and the pillar and pivot of the system. The consciousness of full liability or joint responsibility creates a security acting as an effective substitute for a pledge or mortgage, urges all to be honest and to see that all others are honest, sharpens the wits of the members and makes them careful and critical. It makes them zealous in the interests of their society, giving them a feeling of solidarity, of belonging together, of being an honest and industrious family with common aims, interests and sympathies.

Without unlimited liability people would never be half as careful as they are required to be in the admission of their fellow members, they would readily stretch points from a sense of unwise generosity and kindness. Unlimited liability remorselessly banishes all undue considerations and applies the one true test, that of their character. Without unlimited liability members would be careless in the election of officials, in their inquiries into the business done, their attendance at General Meetings. Without it the Committee would allow many an application for credit which is economically unsound, and the Council would be much less critical.

Unlimited liability is a credit strengthener: it induces extra care in the admission of new members, moral character as well as financial ability (at least potential) being taken into consideration; it induces extraordinary vigilance over borrowing members; members advise one another as to the

safe conduct of business and warn against any hazardous or speculative ventures. SAFETY FIRST must be the slogan.

The principle of unlimited liability is without danger for the following reasons:

a. All dangerous transactions are strictly forbidden by the constitution, and the very principle of unlimited liability will make the committee exercise extra caution. "Business" has wrecked and drowned many banks officered by foolish men who were eager for quick results. A shoemaker should stick to his last (*ne sutor supra crepidam*) says an old Roman proverb, and a rural bank should stick to its own particular work and avoid mixing up in other ventures. In speculation wealth is increased merely by having money and the rich become richer because they are rich, but this leads inevitably to degeneration. In People's Banks wealth is increased because men act as men, giving all their moral, mental and muscular energy, and this builds up a race.

b. Loans are only made to members.

c. The area served by a society is limited and therefore it will be easy to judge whether a proposed loan can be expended productively and whether the borrower therefore will be able to repay it out of the increased value of his farm.

d. Every quarter the whole business of the bank is reviewed, and in case of any danger for a loan the borrower is given a month's notice to return the loan.

e. Since the management is gratuitous, only the best and unselfish men will be gained for the positions of officials, and they will be extremely careful to avoid any excess.

f. Since the profits are used for building up a reserve fund, the unlimi-

ted liability is practically only existent at the beginning of a society.

g. Within the first 40 years during Raifeisen's life time not a single member suffered the slightest loss on account of the unlimited liability, and an experience of 70 years has now proved that this principle is quite harmless under proper management. This must be ensured by the members themselves through their selection of the right officials.

The principle of unlimited liability should not appear to the Natives as a quite foreign element. In the old Bantu civilisation the tribal spirit implied a similar element, and this should serve to-day as a stock on which to graft the modern and western element of unlimited liability. It is the old spirit in a new form, adapted to new needs.

13. Dissolution

A society may be dissolved if at a General Meeting specially convened for considering this matter, the number of members required by law votes for the dissolution of the society. The South African law (Co-operative Societies Act, 1922) requires that the resolution be passed by not less than two thirds of the total number of members present in person.

A society may also be dissolved by an order of the Supreme Court for grave reasons.

14. Federation

The Federations of co-operative societies are unions formed for the purpose of propaganda, education and mutual defence. They embrace rural credit societies of every kind.

In Germany the National Federation is composed of Provincial Federations which embrace the co-operative societies in a defined portion of the territory and which, although affiliated to the National Federation, enjoy a large

degree of autonomy. Besides the work of propaganda, instruction and organisation they fulfil in almost every case the very important function of inspection assigned to them by the law of 1889. For this purpose they employ inspectors, who by frequent visits supervise the management and conduct of the affiliated societies.

15. Central Banks

As soon as there are in a country or in a district several small banks in existence, they usually form a Central Bank with a Central Office. There is no confusion between the Central Banks and the Federations; they mutually support one another and are linked together by the fact that the same persons manage the business of both institutions.

The Central Banks fulfil the following functions:

a. In order to make the most of the means at their command they serve as a common cash box by regularly balancing surplus and deficiencies existing in several localities, so as to turn the abundance of one to account to supply the deficiency of the other. Whenever a Central Bank happens to be in need of cash, it sends out a notice to local banks, in reply to which it receives as much as it can do with from their deposits, as a rule in a few days. Thus a Central Bank is a co-operative society of co-operative societies.

b. They facilitate common business and serve as intermediaries between local credit banks and capitalist, commercial or state banks, or the general money market.

c. They enable new banks to establish themselves and grow up with the credit granted to them which helps them to do without other borrowed money and to do even without local savings during the period when

they cannot attract such owing to their initial weakness.

d. The Central Office employs a staff of inspectors, travelling from society to society, examining books, inspecting accounts and overhauling the whole business of every society at least once every two years.

Local inspection by the Council must under all circumstances be the great mainstay of a People's Bank. The object of superior inspection by an official of the Central Bank is not to replace it, but rather to supplement it by expert service and to compel the local examiners to do their duty, and to do it well.

In order to get an idea of what a central inspection means among village banks, let us see how it is carried out in the original Raiffeisen Union, having its headquarters at Neuwied in Germany. The banks to be inspected are primitive communities to be dealt with. The inspector comes once in two years with very precise instructions. The chairman of the Committee, the members of the Council and the Secretary must be present.

First the contents of the cash box are examined and the precise sum found in it must be stated down to the last penny. Then the books are gone into, to see whether they are correctly kept, whether entries from one are correctly transferred to another, whether a separate account is kept for every creditor or debtor. The present assets and liabilities have to be accurately stated. The accounts are to be examined as to erasure or pencil marks appearing therein, both of which are illegal. Any discrepancy in the figures since the inspector's last visit, or any cash deficiency must be explained by the Secretary.

Then the question of the staff or personnel is gone into. The Secretary is asked whether he acts in the

same or in a similar capacity for any other institution and whether he keeps the cash balance distinct. The inspector ascertains what salary the Secretary receives, and if he has obtained a fidelity guarantee.

Questions are put as to what cash balance a bank keeps and what it does with it, whether it is deposited in a savings bank or whether it is kept idle in the village bank, and whether, in the latter case, there is a safe which can be depended upon. The savings department accounts are overhauled, the rate of interest paid inquired into and books checked. The minutes of the General Meeting, Committee and Council meetings are examined as to their legality, regularity and observance.

Then comes the important loan department with such questions: What loans have been granted? At what rate of interest? For what purpose? Have those purposes been carefully examined? Has the Committee observed the authorised limits of loans? Has the Council been consulted in respect of larger amounts? For what periods have loans been granted? How are the loans to be repaid, in instalments or otherwise? Are there any arrears on accounts? What steps are taken to recover them?

The questions of business with other banks and with the Central Bank is gone into and several other things according to the circumstances. The inspector has then to make a confidential report in which he states what he thinks of the conduct and management of this society, and how the machinery works. He has to admonish the office-bearers of the bank with respect to any irregularities or approaches to points of danger that he might have detected, and to urge them to fidelity to the regulations and the parent institution.

Such inquiry seems very minute, but it is better that there should be excessive inquiry than that there should be too little, for checking and control are the breath of life to co-operative banking. The more its business is carried on in the broad daylight visible to all eyes, the safer it will be. Private or secret business can be carried out by capitalists, but not by poor people. Inspection is, as a rule, not resented, but rather welcomed, because the inspector is known to bring safety and valuable instruction. The effectiveness of such inspection is proved by the results which show safety and smallness of losses to be one of the chief characteristics of People's Banks.

CHAPTER VII

PEOPLE'S BANKS IN SOUTH AFRICA

1. Among the Whites

In comparison with other countries co-operation, and especially credit co-operation has so far played a small part in South Africa for the following reasons:

a. People's Banks are not known in England, not needed and not cared for, because in that country there are mostly large farms and no proper peasant class. The prosperous English tenant farmer can deal on terms of reasonable safety with the ordinary commercial bank, as he can usually offer some negotiable security. For the same reason those banks do not exist in South Africa, although they might benefit the poor whites and give them some moral, social and economic education and training, but they do not know them, and if they knew them, they would in all probability not like them.

b. South African farmers are used to run to the Government for help every time they have a difficulty, because this is the line of least effort and easier than self-help. State-help exists in South Africa in the form of the Land Bank, but the business of this institution does not seem, and naturally cannot, be very flourishing or of educative value. Anyhow under the existing circumstances it is perhaps the only possible help for struggling farmers. It

is stated on good authority that, notwithstanding the existence of the Land Bank and the farmers' co-operative organisations, at least three-quarters of the farmers in the Union are deeply in debt to the storekeeper who transacts their buying and selling business on credit. This lack of self-reliance on the part of the South African Whites is due to the presence of cheap coloured labour and can be traced back to the year 1658 in which the Government made its first disastrous attempt to solve the labour problem by the importation of 400 West African slaves.

c. Other characteristics of farmers militating against the system of organised rural credit are the conservatism with which they stick to the methods of their forefathers who got along or muddled through somehow without such banks, their improvidence or lack of forethought, their tendency to prodigality and extravagance in a good season, their individualism which prevents them from sinking their independence and from combining for their own good as well as that of the group. "The majority of South Africans, whether they be of British or Dutch descent, are determined individualists; they are prepared to rely upon themselves alone, and they have a very profound objection to backing somebody else's

bill, and backing somebody else's bill is the foundation of the rural credit scheme" (Natal Mercury 2. 3. 1926).

These qualities naturally exist in farmers who cultivate their lands mainly in order to feed their families and dependents with the produce and expect to sell little or none on the market. When money becomes commoner and farm produce is grown for sale, these qualities will ruin the farmers. It is precisely this change from farming for food (or subsistence farming) to farming for sale (or commercial farming) which is now occurring in South Africa, specially among the Natives.

d. To make co-operation successful there must be absolute loyalty, and this has not been very conspicuous among the farmers, who sometimes promised support and then withdrew it. At certain times it must happen that speculators outbid a society, and then the people's cupidity (which spells stupidity), their greed and eagerness to make quick profits or to reap an immediate advantage generally succumbs to the powerful temptation of an enticing offer. This applies more particularly to co-operation in selling farm produce.

e. A large part of South Africa is sparsely populated, and consequently there would only be a small number of farmers in a district suitable in point of size to be served by a People's Bank. In Europe there exist closely settled communities whose members are intimately acquainted with one another, whereas in this country the white farmers are far apart in distance and character, intercourse being infrequent because difficult or expensive. One may be inclined to think that the needs of South African farmers are smaller because their farms are larger than those of Europe. They are larger, but their incomes are less secure. In Central and Western Europe crops may be

good or bad, but they are never completely wiped out as are sometimes the crops of the South African farmers.

f. The South African rural community which would form a People's Bank is most frequently a mixed one, not homogeneous, but assembled from different races, not bound together by common religion, ideals, language, literature and tradition, not even by common poverty, but only by common interest in farming and financial difficulties. There are no ties sufficiently strong to bind and cement them together into a co-operation of a standard required by the European People's Banks. The ties which bind the people together in those countries are chiefly that of homogeneity or the fact that the people belong to the same race and class, a circumstance which binds them together in intimacy or mutual knowledge and acquaintance and thus makes common action easy.

g. In Europe the community spirit has been a tradition for centuries whereas in South Africa it must be still aroused, grow and ripen, though among the Bantu it exists in its tribal form, not yet on the basis of neighbourhood.

Under such circumstances rural co-operative credit societies would seem to be for the present time at least unsuitable for rural white South Africa. Yet Sir Horace Plunkett, the Raiffeisen of Ireland, who visited South Africa at the beginning of 1925, advised the farmers to form rural banks, saying: "In a well-organised co-operative society a new security upon which members can borrow, becomes available. A member wishing to borrow from his society can do so, provided he requires the money for a productive purpose that is a purpose which in opinion of the committee of the society will enable the borrower to repay the loan, principal and interest. It is a good

plan to form a Co-operative Credit Society in which the members are jointly and severally liable for the sole purpose of raising money for farming operations. The society then takes care to admit no member who is not of good character and also a competent farmer" (Agric. Journal, Oct. 1925, P. 311).

2. Among the Natives

In contrast with the conditions existing among the white rural section of South Africa, People's Banks should be eminently suitable for the indigenous Africans, because their conditions are more similar to those of European countries with closely inhabited countryside. Yet such rural banks are still non-existent for various reasons.

a. Those banks are still generally unknown to the Natives. "*Ignoti nulla cupido*" (there can be no desire for the unknown) and "*Nil volitum nisi praecognitum*" (nothing is wanted unless it is first known) are two maxims of philosophy.

b. Who should teach the Natives to form such banks? The well known American authority in education, Dr. Thomas Jesse Jones made, as chairman of a commission, two extensive tours of investigation into Native education in West, South, East and Central Africa. After he had completed these tours, he said in London on March 26, 1925, that the ordinary impression is that the Government is there to rule the Natives, settlers and traders to exploit them, and the missionaries to save them. According to this statement it would evidently be the business of the missionaries to give the Natives a helping hand in this matter. And it would be quite consistent with economic history, for as a rule in European countries it was usually the village priest or pastor who with the help of the village schoolmaster, introduced the

banks among the poor and ignorant peasantry.

c. Native leaders have apparently so far not yet made an exhaustive study of this particular branch of social and economic activities. All that they tried to do till now was to collect money and again money and once more money amounting altogether to a huge sum. But according to the bitter complaint of the people, much, if not most, of that money has vanished like smoke.

d. As we shall see in the next chapter, tremendous and apparently insuperable difficulties militate against the introduction of credit societies among the Natives, and if they are introduced, their management will bristle with so many difficulties that these banks will be declared to be exactly as impossible as they were repeatedly declared impossible in other countries, but were introduced in spite of all difficulties and flourish to-day.

This idea of having banks for Natives is not new. About fifty years ago the late Andrew Smith of Lovedale wrote a leading article on such banks in a colonial paper. He advocated the conduct of savings banks for Natives by resident magistrates and represented the enormous advantage of such an institution to the Native people. The Hon. C. Brownlee, Minister of Native Affairs (Cape of Good Hope 1872-1878) was impressed by the article and at once acted upon the suggestion. Savings banks were opened in the offices of civil commissioners and magistrates. When a large expansion took place, the savings banks, were transferred to the Post Offices. It is a curious fact that the Natives for whose sake these banks, so well known at Home, were introduced here, been the last and the least to take advantage of them, the result chiefly of ignorance.

Twenty years ago the idea was again taken in a new form by the late Mr. Walter Carmichael who was Secretary and Treasurer of the Transkeian Territories General Council and died as Magistrate of Engcobo on July 2, 1925. He wanted to introduce in the Transkei Co-operative Credit Societies according to the Raiffeisen system. Mr. Frank Brownlee, the present Magistrate of Butterworth, paid in 1909 a visit to India where he became acquainted with People's Banks. After his return to South Africa he joined Mr. Carmichael in his effort, but in

1918 the latter, finding his efforts to be useless, gave up the idea. Mr. Brownlee stuck to it so that the question came again before the Transkeian Territories General Council at its twenty-fourth annual session in April 1926.

Invited by the Chief Magistrate of Umtata the writer addressed the Bhu-nga on the subject of People's Banks on two days, April 8 and 9. A Select Committee was appointed and a Draft Proclamation on the formation of Co-operative Credit Societies submitted to, and adopted by, the General Council.

CHAPTER VIII

DIFFICULTIES

In our attempt to introduce co-operative societies of the Raiffeisen type among the Natives we shall meet difficulties strikingly similar to those which were encountered in other countries, and some others besides, so that, taken all together, they might well be the despair of the most ardent and enthusiastic social reformer. The writer is well aware that in pointing out some of the prevailing difficulties he must be misunderstood by prejudiced readers. Sensible people should as little feel hurt where such difficulties are pointed out as sailors should fly into a rage when they find on sea charts danger points marked along the route they intend to take.

Natives are very liable to **misunderstand** the nature of People's Banks. It is said of a German professor of philosophy, that after he had finished a series of lectures on his subject, he remarked: "Of all my hearers there is only one who understood me, and he misunderstood me". An educated Native said to the writer: "The more I learn about these banks the more I find them to be impossible for us Natives". As soon as the second in-

stalment of these articles had appeared in the "Umteteli", a Native promptly applied to the writer for a loan of £10 for "a productive purpose".

People's Banks will be **opposed by the rich**. The few well-to-do Natives will say: "We do not need any credit. This will only help the poor and lazy people, and they only want to get our money out of our pockets into theirs. Let them look after themselves". People who do not care whether the poor become prosperous or get ruined do not know that every family which degenerates is a loss to the community and that, on the other hand, society only rises when its individual members rise. They should know that there is a wonderful blessing upon all work done for other people. We have this from the highest authority which said: "As long as you did it to one of these my least brethren, you did it to Me". The more we help to increase life in other people, the richer becomes our own life.

There is in the Natives a **lack of self-reliance**, a lack of faith and of hope and of a vision of a brighter future, a **deficiency of interest** in

their own welfare and an **apathy**. The lack of the same qualities can be perceived among uneducated people of any other race or colour who do not care for social betterment. Since they are content to remain as they are, their **ignorance** robs them of a wider outlook, consequently they are narrow-minded and do not want what they do not know.

Like all other primitive people, be they chronologically or qualitatively primitive, the Natives possess a great **tendency and facility to seize upon the unusual**, the extraordinary, the sensational, and they are far more ready to believe and accept the uncommon than the common. The results of the People's Banks in other countries, which will be given in the second or historical part of this book, look rather uncommon, extraordinary and even marvellous, but the causes in operation or the mechanism of the banks is nothing extraordinary at all, it is but the plainest commonsense, and therefore it will be disliked. The people will say: "We knew all this long ago", and add mentally, "but we do not like to practise it". And why not? Because the individual feels incomplete when alone, his feeling and thinking are too weak to go out into action; but if he combines with others, then his own feeble desires and ideas are reinforced through being repeated in the other-group members and thus he eventually does in association what he would not do in isolation.

People will be frightened away from the banks by **misrepresentation**. What happened elsewhere is bound to happen also here. In Europe the peasants were told that, if they joined the bank, they would be treated like children, they would be no more free to do what they liked, that their purses would be inspected etc. Such preachers are like the fox in the fable who tried

to convince the geese that it was below their dignity to place themselves under a herd and a dog and to stay together in a flock, and assured them that they would find much more delicious food, develop much better and enjoy a richer life as super-geese if they enjoyed golden freedom, each roaming about alone wherever it liked.

In their **conservatism** the Natives look with **mistrust and suspicion** at any attempted innovation, because the thing is new, however beneficial it may be ultimately. Their mistrust is, however, not without strong reasons, for "once bitten twice shy"; they have been exploited and must quite naturally scent in such banks a new but veiled trick to rob them of their money. A Native man told this frankly to the writer. A Native paper wrote some time ago: "We can tell frankly Father Huss that the Native leaders are no more fools to listen to his camouflage and meaningless exhortations. For we have been treacherously injured by the paternal exhortations of our white "fathers". So we are now twice shy and thrice suspicious of their exhortations".

The present **attitude of the Native mind** to anything coming from Europeans is more **subjective** than objective, so that some Natives see only black and all white is taboo. In any scheme suggested by Europeans only flaws and weak points are discovered while the whole good side is ignored. We must always remember that the People's Banks are human institutions, managed by human individuals who are always subject to the common human deficiencies, shortcomings and weaknesses. The Native mind sometimes reasons deductively just like the subconscious mind. "All things coming from the whites are taboo" is accepted as an unassailable axiom, and then facts are hunted for and, if necessary,

also knocked into shape to support this incontrovertible dogma.

The absurd **gospel of non-co-operation** is an outcome of the same attitude of mind. This gospel is preached but not practised by its own apostles, who use constantly European clothing, language, writing, all kinds of mechanical appliances, means of locomotion etc. Should the Africans attempt to develop their own banks by the trial and error method or adopt from us and adapt to their needs and conditions a well tried and absolutely reliable mechanism of banking which has spread far and wide among races of all colours?

In our efforts to teach the South African Natives the principles and practices of co-operative banking we must be ready to meet the attitude expressed in the following words of a Native paper: "But the African is not so lightheaded as some Native experts think. The Natives soon smell out the glib-tongued European wolves in sheep skin, and they studiously withdraw their support and respect". Of course, the Natives are perfectly free to decline to accept from us any information about the storm-and-stress-proof system of People's Banks. Such things have happened many times, and we also read in the Bible that "they did not receive Him". We also read in the press that we "seek to offload our new hobby of the Raiffeisen scheme on the African people in lieu of their new organisations." We wish the African organisations every success in their legitimate aspirations, but so far we have not yet come across an African organisation which is able to supply the urgent need of agricultural credit for the humble tillers and toilers of the soil, and any novice in social and economic history knows that the Raiffeisen scheme is not a hobby but sound social service of eminent importance,

serving millions of people.

There is also mutual mistrust among the Natives themselves which may debar them from depositing money in a rural bank or from lending it to members who are in need of a loan. This suspicion and lack of confidence is a very common malady of the childhood of co-operation and will have to be overcome here as elsewhere. Maladies of childhood are common, but children are not killed whenever they contract any.

Before the European peasants learned to co-operate, they sold their cattle, grain, tobacco and other produce individually, each going privately to the buyers and offering his produce, and the poor peasants had to be glad to get rid of their goods at any price which was, of course, in most cases shamefully low. Thus they had to lose enormous sums of money before they overcame suspicion and mistrust and learned to co-operate.

Other arch-enemies to be found everywhere are **envy and jealousy**. In a certain European village, which was deeply steeped in debts and poverty, an energetic man was elected mayor. He at once compelled his people to form a co-operative bank and other co-operative societies, and the village flourished like an irrigated garden. When the mayor's term of office was over, the people said: "We do not want this one to reign over us. He wants to be master and forces us to obey him like children. He is not more than we. We shall show him that he cannot do what he likes". In his place the peasants elected a weak man who did their will, and the village soon relapsed into the former state of poverty.

The Natives suffer also from a marked inability to submerge local and tribal jealousies, and this makes loyal co-operation very difficult.

Their **inability to manage money**

matters is notorious owing to their lack of training. The handling of money is a new thing for Natives and it is very difficult for them to perform this business satisfactorily. This inability to manage money matters honestly and accurately is due to the revolutionary change produced in the economic system of the Natives. For centuries they had lived under a system of communalism and exchange took place by barter; hoarding and saving was unknown to them, unnecessary and even unsafe as it endangered their life and property, the progressive and prosperous man being liable to be accused of witchcraft.

The said inability is also due to their carelessness, thoughtlessness and recklessness in financial matters, because they have not yet learned to keep accurate accounts. Their charming but thriftless readiness to lend money to members of their clan would speedily ruin any credit society. And those who were lucky to get a loan of money would not think of the future and of their duty of returning the money later on, lacking foresight and forethought.

The Natives themselves candidly acknowledge and sorely deplore their unreliability in money matters. A prominent Native leader said once: "We have tried and tried to organise, but as soon as we touch money we fail". An American Negro told the writer that some twenty years ago American Negro Banks broke down one after the other, but now they have overcome the maladies of childhood, learnt their business and flourish. There is no doubt that our Natives will also learn to handle money, but we must see that their apprenticeship does not become too expensive, for they can ill afford to lose much more money.

It nearly seems to be a rule that people want to pay hard cash for

experience although they can have it gratis from others who paid dearly long before them and who are now willing to give it gratis. To be successful, credit societies for Native farmers must be supervised and guided by a perfectly reliable man.

We need not wonder at the ignorance of Natives in money matters if we read what the English economist Hartley Withers wrote in his book "The Business of Finance" in 1918: "The public, on all subjects connected with money matters, is so abysmally ignorant that its monetary knowledge may be said to be a minus quantity," and if Mr. Vanderlip of the National City Bank of New York described the Americans as a "nation of economic illiterates".

The natural **indolence** (a Latin word which means fear of pain) of the Natives makes them wish to get a loan easily without the expenditure of effort or without struggle. If they have money they may be willing to contribute cash and then await further developments or dividends but they may not be inclined to contribute personal effort, application, attention and vigilance or to sacrifice time although it may hang heavily on their hands. But just these things are urgently needed and wanted in a genuine People's Banks. Money is by no means the only essential factor nor the first thing which is wanted. The first and most urgently needed thing is the man himself and every man with all his moral, mental and muscular energy. The person is wanted more than the purse.

There is also a deplorable **lack of patience and perseverance**, because the Natives want quick and big returns, profits, dividends. Every European economist will and must tell them that this is simply impossible, as impossible as it is for a fruit tree to bear fruit within the first year of its growth.

Then in reply the Natives will say that the Europeans do not really want them to rise and to prosper, they want to keep the Natives "in their place" and to hide from them, by tacit mutual agreement, the secret tricks of making much money easily and quickly by banking.

This lack of patience was mentioned at the Bhunga session in April 1926 at Umtata during the discussion on Co-operative Credit Societies. One of the Transkeian Magistrates said that no one would question the good intentions of the Natives of the Transkei; they were undoubtedly, speaking in the mass, good, well meaning fellows; but did they possess steadfastness of purpose? Which of them was there in that room but had placed, at one time or another, some scheme before the Natives which had been enthusiastically accepted? Their hearts had warmed and they had embarked upon the scheme, but later, as the novelty wore off, and weight began to tell, which of them had not been sickened with disappointment as he felt the support weakening behind him while one after another tired and fell away. He could multiply instances; but he was sure there was not one of the grey-haired Councillors in that hall but could give instances where a good cause had been enthusiastically taken up, but had ended in failure because its supporters gradually but in increasing numbers had cooled off, lost heart, or neglected their obligations.

In 1922 the Rev. John L. Dube published a pamphlet in Zulu entitled "The Greatest Enemy of the Black Man is He Himself". He treats there some of the difficulties mentioned here. The following words may be specially quoted to illustrate further the point under discussion: "A man may say, 'Friends, let us start a certain work here at our place; it may produce good

results". They agree and say. "Yes, you are right, convene a meeting, we shall give you our full support". He calls the meeting. If you were present at that meeting you would be amazed by the eloquence displayed and the many clever advices given to further that scheme. You go home from that meeting full of faith, saying. "This was a red letter day. Our people are awake, we shall see great things". But there is nothing, it was only the foam of that one day. If you then meet again the promoters of that big scheme, they laugh at you and say: "Just look at those people, they want to rise through us, we have nothing to do with that". To become hot is with us a matter of one day, to-morrow you find the men as cold as a dog's nose".

A formidable danger is the temptation of speculation, to make the bank a well paying speculative business. Between the competing calls of the co-operative spirit and well-paying selfish business or speculation the latter only too often carries the day. At present Natives misunderstand banking as speculating and expect big and quick profits. Some Natives who had money used to lend it at 150% the first Italian Raiffeisen bank charged 1½% on loans at the beginning. Like many other people Natives are only too eager to make money easily and quickly by speculation. By this process people who have money make more money, because they have money. But the wealth of the Native race is not increased by speculation: money or wealth is only transferred from one purse or pocket to another without adding anything to the bulk of the national wealth. The rich rise only at the expense of the poor, who consequently become still poorer. It is thrift which preserves wealth and productive labour which increases it.

But production is a slow and painful way of getting richer whereas speculation is a short and easy road, the line of least resistance. Therefore Natives will prefer the latter and desperately cling to it, hoping against hope, as long as they can afford to lose another penny in the attempt.

In order to illustrate the danger of speculation and to frighten our readers away from it, the following facts are quoted from the Belgian paper "La Cooperation Belge" of June 1st, 1926: "The following bank smashes have already become known: Landed Credit Bank at Antwerp: Thirty to fifty million francs of liabilities; several members of the Board in gaol, Leman Bank at Tournai: Twelve to fifteen million francs of liabilities; all the Board members in gaol, Mortgage Loan Bank at Antwerp: Liabilities of nine million francs; the Public Prosecutor has intervened, National Union Bank at Brussels: Fictitious capital amounting to one million francs; the Director is in gaol. A bank at Cambrai: A million francs squandered; suicide of the bank manager. etc. The victims may bewail their sorry discomfiture, but they have no one to blame but themselves. In their eager desire to gain a lot of money and to enrich themselves they have been seduced by the fine prospectuses, the alluring promises, and the exaggerated rates of interest. They are their own victims".

The Natives' cattle are their original bank and they have much knowledge of them, being very fond of cattle they are prone to hoard live stock, but this is worse in some of its effects than the hoarding of money, leading to overstocking with all its bad consequences. The Natives rather borrow money at a high rate of interest than sell a beast.

Some Natives are perhaps **not yet poor enough** and therefore not yet ripe and ready for co-operative credit

or co-operative action in general. This does not mean to say that we wish the Natives to get still more impoverished. Just the opposite is the case and the very existence of this book proves it. Need was always the determining factor of bringing people together. Should the African Natives wait until they are poor enough and then search for a cure in co-operation, or should they follow the policy of prevention?

The leaders and officials of a bank must be the right men. Much, if not all, depends on them in co-operation. It is of extreme importance that they be imbued with the co-operative spirit, that in them be alive the spirit of self-help, of self-responsibility, of self-government. In the case of success there is the great danger of abuse; a feeling of power may arise which is sometimes intoxicating, so that the needs of others, the needs of society are disregarded. Co-operation is a weapon against competition, but a weapon must not be blunted by being used for other aims than that for which it is intended. Ambition may urge some one to establish a bank and to hasten by all means to obtain premature results, premature recognition and fame. Impatience can adulterate the seed in order to produce an earlier crop of deceptive vegetation which looks like wheat, but ultimately turns out as weeds. Therefore once more "*sint ut sunt aut non sint*" (Let the banks be as they are or not at all)!

And last, but not least, an indispensable element in co-operative banking is **supervision**, but "*Quis custodiet ipsos custodes*" (who shall keep the keepers)? asked sarcastically the Roman satirist Juvenal. Supervision must be of a strict and searching character, but Natives will perhaps object to it and reject it as interference, as branding them with the stigma of inferiority.

CHAPTER IX

NEED OF EDUCATION

Even white people still need a good deal of education in money matters as is stated by Hartley Withers in "The Business of Finance" in the following words: "It is the public's own fault if it is fool enough to expect impossibilities, and consequently, owing to its own greed and gullibility, puts itself at the mercy of financial sharks. The ultimate solution of the problem lies, no doubt, in better education of the public which will teach every man that the machinery of finance does not exist to enable him to get rich quickly by some lucky stroke of fortune, but to provide him with sound investments into which he can put his money in the expectation of a reasonable return on it. In this matter, as in all others, the production of a better individual is the only way to the improvement of the social average".

It is of no use to be in haste and impatience to form rural banks. We must take people as they are and consider the stubbornness of human nature. There is no powerful formula for changing rapidly the ways of feeling, thinking and willing formed by age-long influences. We cannot make our ideas prevail at once, however good they be, and nothing which is forced on people can last, but only what they strongly desire and willingly accept. Nothing is wanted unless it is known, is a principle of philosophy. It is only

by the slow, painful and costly process of education that new ideas win their way into the hearts of the people.

Primitive people have always had a pathetic belief in the mysterious power of a charm or medicine supplied by their witchdoctors. They had a strong faith in those medicines even when there was no cure. The remedy is the education of the people in physiology. Sound knowledge is the death-blow of the belief in witchcraft.

Primitive people believe in medicine for their crops. Sometimes people were killed in order to obtain a really powerful charm. The remedy here is a knowledge of nature and agriculture. The measure of the knowledge acquired by the people is the measure of their success.

Having seen something of the economic system of the Europeans, the African Natives have developed a pathetic belief in the mysterious power of the modern medicine money. They believe that by collecting and accumulating a certain sum of money, by some mysterious agency, large profits will come. Therefore they are always willing and ready to contribute money for such a purpose. And although many thousands of pounds have been lost in this way, the strong faith is still there and they still give money to their leaders. After having contributed their share of money, they believe that

they have performed their part and wait for the profits which never come. Their faith in their leaders is as strong as the faith they had in their witch-doctors. It is the old faith transferred to a new sphere. The remedy in this case is only sound knowledge of economics, of money, banking, saving, thrift, organisation, co-operative societies, co-operative credit. We can only lead the people as far as their knowledge goes. All must have a full knowledge of the mechanism of People's Banks; not only a few officials, but the rank and file must also be educated. Every ignorance is dangerous.

Raiffeisen wrote: "According to experience two things are needed to alleviate the increasing poverty of the rural population: credit and knowledge. Credit procures money, and appropriate education provides the required knowledge". He accordingly advised the people to meet on Sunday afternoons to discuss all matters pertaining to the improvement of their situation, exchanging ideas and increasing knowledge. In various countries co-operative banking is made a subject of study in schools, colleges and universities, and consequently People's Banks flourish and produce rich results.

A People's Bank can be compared to a building. A builder must have a sound knowledge of building. Often, when a building is completed, cracks appear in the wall up at the roof. The mistake lies in the foundation. Thus, if the Natives make a mistake at the beginning in founding a bank, it may only appear later on. Therefore they must accept the necessary knowledge from those who have successfully constructed such buildings. By bitter, painful and often highly expensive experience we have acquired that knowledge and we are willing and ready to give it gratis to our African brothers.

Booker Washington wrote about the

Negroes' desire for knowledge: "If one thing more than another has taught me to have confidence in the masses of my own people, it has been their willingness and even eagerness to learn and their disposition to help themselves and to depend upon themselves as they have learnt to do so".

Natives believe that if they had only more money everything would be alright. But money, capital, goods, equipment must be only a source of embarrassment to people incapable of making use of them to advantage. European co-operators have confessed that "there is a greater need of more intelligence and more capacity than of more money". In other words TO BE is more important than TO HAVE.

The need of knowledge is also apparent from the following words of "THE COMET" of Basutoland of 12. 8. 25: "We shall welcome the day when we shall see the Natives actively organising such societies (Raiffeisen system) amongst them, and we hope this day is not distant. If the Natives do not organise and adopt this system at once it is not without good reason. Several schemers and speculators have taken advantage of their ignorance and simpleness and enticed them into schemes which ultimately resulted in the loss of all their savings. For instance in Basutoland many people have hardly recovered from the loss sustained by the sudden fall and disappearance of "The Only Economic Building Society and Shilling Bank Ltd", of Johannesburg and similar societies which they were induced to join by their agents without giving them full explanation of their dealing, with the consequent loss of their investments which they could not continue owing to their limited means. Hence it must be the people enjoying the full confidence of the Natives to organise this scheme".

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EXAMPLE OF ROUMANIA

From 1891-1898 about 20 rural banks were established in Roumania through the efforts of the village schoolmasters who were the only educated persons in the villages. But the illiterate Roumanian peasants showed at first great distrust which is ingrained in the peasant character. The Minister of Education saw that the growth of the movement would greatly contribute to the improvement of the economic conditions of the country. He therefore took the matter into his hand and appealed to the schoolmasters and priests, encouraged and stimulated them to zealous effort for the cause. The results were remarkable; in 1901, 168 banks were opened and in 1902, 444 banks.

But this enthusiasm was not without its dangers. Some mistakes were made in the management through the ignorance of incompetent persons; some untrustworthy agents misappropriated

funds and the simpleminded people showed lack of confidence. These causes contributed to undermine the edifice and threatened to bring about disaster. Therefore the State intervened, formed a central bank, encouraged the establishment of new village banks, assisted them and organised them according to the Raiffeisen type, but at the same time exercised a sharp control and supervision so as to avoid mistakes and abuses.

The State intervention was necessary on account of the social and economic conditions prevailing in Roumania; the people were backward, uneducated, ignorant and impoverished, not yet in a position to take part freely in a co-operative movement in which the greater number of the leaders lacked the necessary experience and competence. The results show that this path was right. At the end of 1920 3000 village banks were working in conjunction with the central bank.

CHAPTER X

PRACTICAL SUGGESTIONS

1. Duty of Science

The South African Natives will act wisely if, in their attempts at economic betterment, they enlist the help of science, especially economics, psychology and sociology. Science can perform the following functions for them in the matter of building up their own co-operative credit system:

- a. It can give them the right principles.
- b. The chief aims can be pointed out on broad lines.
- c. Factors of construction can be shown.
- d. Science can point out what can

be done immediately in connection with existing conditions.

e. In the light of science and history we can examine and constructively criticise attempts made by Africans in connection with the necessary reconstruction of their disturbed economic organisation.

But it is not possible to draw up a big plan of reform worked out into the smallest details. Some first steps must be taken carefully in the light of the principles laid down so far. Time and experience will show how to proceed further and further and how to make the necessary readjustments.

2. Initiative

When the Prime Minister General Hertzog, in his capacity as Minister of Native Affairs, made a tour through the Transkei in August and September 1925, he urged upon the Natives the necessity of self-help, both in regard to initiative and funds for development.

We cannot simply form a bank for the Natives. If the bank is to be worth anything it must be a People's Bank, the people's very own bank, due to their initiative, springing forth from their own judgment, from their own conviction that they need and want it, and from their own resolution to act in it and stick to it. But to arouse this initiative in the people is a more difficult task than to tell them of the brilliant success that institution has achieved abroad, hand them down the rules and then leave them to themselves. We can only advise them to meet us halfway and to accept the stimulus presented on our part in order to release their latent energies.

3. Assimilation

Imitation is a principal condition in the civilisation and progress of races. Our own western civilisation is the result of a continual and highly complex imitation within and between the various races. For a century now the progress of the Natives has consisted in a wholesale copy of European culture and there is still much more to be imitated. But this international or interracial imitation has an important aspect which must be understood and well heeded by the imitating party.

When one people copies a certain institution from another the process, in order to be effective, must go from within outwards, or in other words, if a new practice is to be imitated by a certain race, the sentiments and ideas

underlying that practice must first be understood, accepted, widely spread and thoroughly assimilated, and then only the new practice itself can follow as the outward form by which the new impression, the new sentiments and ideas are to be expressed or embodied. It would spell failure if a race tried to reverse the process, or if one race tried to force a new culture element upon another before the necessary assimilation process has been gone through.

For instance, in many places Natives have imitated Europeans in wearing clothes. But as they did not really understand what the wearing of clothes meant, nor what care was necessary to keep them clean and wholesome, they have, in some places, by adopting all kinds of incongruous raiment turned themselves into grotesque figures. In other places, through failure to change and to wash the clothes often enough, they have worn garments until they are thoroughly dirty and insanitary, and so have given to themselves and perhaps transmitted to others diseases from which in their simple primitive state they were free.

4. Adopting and Adapting

A certain practice performed by one race or some races with evident success may be seen by another race and imitated. But the latter may soon find out that the copied foreign institution does not fit it exactly and that it does not produce the same results as elsewhere. Then at first thought opposition will arise against the innovation so that it is rejected.

Opposition is very useful and may even be indispensable as one of the three steps of social progress, viz. imitation, opposition, adaptation. The aroused opposition stimulates thought, the new practice is more closely studied and the copied model is given another trial, either being adjusted to the exist-

ing conditions and needs of the group, or the group adjusts itself to the conditions and requirements of the new institution, or both processes take place simultaneously, and thus ultimately success is achieved.

When the Natives attempt to introduce People's Banks, there is the great danger that they may stop at the second stage of opposition and drop the matter, without trying to find out how the new element could be adjusted to their particular conditions and needs and still less trying to adapt themselves to the exigencies of the new practice.

But a strong note of warning must be sounded here. In their attempt at adaptation the Natives must be very careful not to adulterate the seed so that they ultimately reap weeds instead of wheat, or to use another metaphor, in making some modifications they must not go so far as to change the orange tree into a mimosa tree which will bear yellow flowers but not yellow fruit.

5. Study

Assimilation and adaptation can only come as the result of deep study. The need of knowledge was emphasised in the previous chapter, but sound knowledge seems to be the last thing many Natives are thirsting for. There must be a limit in their thirst for beer, but there should be no limit in their thirst for knowledge. They are by no means alone, the same indolence and indifference is found all over the world. Everywhere uneducated or unsufficiently educated people prefer grumbling and ventilating grievances to deep constructive thinking and serious study. Ignorance can never be a remedy for any ill.

Hard study is never pleasure, since it implies painful effort. But the greatest difficulty lies sometimes in the fact that through study people get confronted with new ideas which often challenge

their former cherished opinions. In order to avoid the pain of discarding these opinions people rather adopt the ostrich policy and refrain from studying so as not to be disturbed in their ease and peace. And even if some make an attempt and begin to study, they soon get tired of it. Others may off and on nip a little bit at some subject but this method cannot convey sound knowledge, as little as nipping at some dishes can satisfy the appetite of a hungry hard working man.

A fruitful method of studying would be the formation of study circles which do exist among progressive people and which serve to fulfil the psychological law that every impression, in order to be complete and effective, must have its appropriate expression. In such study circles several people study the same subject and then meet regularly for discussion. This method has the following beneficial results:

a. Ideas are seen. In order to see how our thoughts look we must express them. This is done by discussing a certain prepared subject. Only when we speak about a certain thing we can know exactly how much we know about it.

b. Ideas are clarified. We may have certain ideas about a subject, but they may still be vague and hazy. If we express them in words they become much clearer owing to the process of expression.

c. Ideas are modified. If several people study the same subject, their ideas will not all be alike, and in a public discussion some students will discover that their ideas are not quite right or not as good as those of some others. As a consequence they will modify and rectify their ideas.

d. Ideas are increased. An exchange of ideas is bound to convey several new ideas to the members of a study

circle; therefore new knowledge is gained by that process or knowledge is enlarged.

e. Ideas are spread. They can be widely disseminated through these study circles if the individual members make an effort at scattering them in their social environment.

f. If the study circle can have the help of a leader who has had the privilege of some previous training in the subject, it will advance more quickly. The leader can suggest books, can arrange the lines of study, can guide and stimulate the discussion, can, if asked, arrange to correct short papers and essays. The latter are very valuable. To express one's thoughts in writing clarifies them ever more effectually than expression in speech. The leader should, however, always avoid taking up the attitude of the lecturer. He is therefore to guide adults in the common pursuit of knowledge, not to impart instruction to children.

It will take some time of serious study until the Natives understand sufficiently the aims, principles and methods of People's Banks so that they may be able to launch their own schemes with the same remarkable success which was achieved in other countries.

6. Saving

The African must strive to become his own capitalist, therefore the idea of building up African capital must find entrance and take root in the African mind. I hear the objection, "How can we build up our own capital since we have nothing?" There are on record many instances of African Natives having become well-to-do and even rich through systematic saving. Then the Natives themselves know well enough what enormous sums of money have been collected for and invested and wasted in various more or less

doubtful schemes only to disappear like smoke. They must also know how much money is lost through carelessness from their hands, pockets and purses (e. g. one of our former scholars lost £70 cash, all his savings, when walking on the main road). They can see daily how young people in towns waste and squander their hard earned money through extravagance and luxuries which poor Africans cannot afford, and through drink, smoking, sweets, gambling and betting. They hear that much money is lost in letters on transit through ignorance. To what enormous capital would all these large and little sums of money amount if they had been saved! Why not stop at once any further loss?

It is useless to draw water with a leaking bucket. Therefore the first thing to be done is to prevent any further leakage from the African cash-box by vigorous saving and great carefulness. Account keeping, which is still practically unknown amongst Natives, will greatly help and teach them to save. In other countries the People's Banks succeed in teaching the poorest of the poor to save and deposit amounts of money however small but regularly. What others could and can do, African Natives can do as well.

Natives should not rely on State help through a Native Land Bank (who would have to pay for the costly management?) nor on European capitalists. General Hertzog impressed on them the necessity of self-help in regard to funds for development. They must therefore make up their minds to become their own capitalists as others did, and they will succeed like others. A start must be made with the persistent saving of tiny amounts.

The American Negroes organised thrift campaigns in order to build up the social habit of saving, and they

did save so that the economic success achieved by them within the sixty years after their emancipation from slavery is unparalleled in the history of the world. How they preach the gospel of saving and thrift can be seen from the following quotation from the Hampton Negro Monthly "The Southern Workman" of September 1925: "The advisability of putting money into a savings bank where it will earn interest is obvious, but many Negro farmers still continue to keep their savings hidden away in an old stocking (an old custom among white people) or an old teapot. Thrift should be taught as an important item in a farmer's business not only by saving money, but by the proper care and protection of farm implements, the harvesting of crops at the proper time, the repair and insurance of farm buildings, and on the part of the farmer's wife by the proper selection and care of clothing, home dressmaking and the use of food to the better advantage".

At our Third Social Course in January 1925 we encouraged our Natives to make an attempt at saving, and the reports read at the Fourth Social Course in January 1926 showed that as a result of this encouragement a sum of £2,000 had been saved by poor Natives in one year.

7. Organising

Simple but efficient farmer's associations should be formed which would serve as a very valuable training ground for co-operative work, for saving and thrift, and as tentative embryo banks. These associations would provide a chance of learning by doing. They would teach the men to meet regularly, to attend to business, to work together.

The habit of coming together to attend regular meetings does not come by itself, but must be formed purposely by the same old painful process by

which all other good habits are formed, by making a vigorous start (law of impetus), by allowing no exception (law of constancy), and repeating the effort (law of drill) until after long exercise the habit is securely rooted. The gregarious instinct in man is the valuable force which brings people together and the social tendencies of sympathy, suggestion and imitation form the cementing force which keep the group members together.

8. Managing Funds

This must also be learnt by doing. When a child learns to walk, he covers a distance of only a few feet at the beginning, but ultimately he can walk for miles. Whilst he practises walking, both the power of his muscles and his self-confidence grow. In the same way the Natives must first learn to handle pennies, then shillings, then sovereigns, then larger and larger sums. In farmers' associations there is a chance of learning to manage first small funds with the utmost carefulness, to keep most exact accounts. Thus they would gradually learn to handle larger sums and eventually to conduct co-operative banking.

Lord Lugard in his book "The Dual Mandate in Tropical Africa" describes how Nigerian Natives are being trained and developed by the use of local "treasuries", into which local taxes are paid and from which local improvements are made. These "treasuries" are managed by Natives under the supervision of white men, and the careful and responsible dealing with money is, Lord Lugard asserts, doing a great deal to develop and train the people of Nigeria.

9. Foundation

Festina Lente says a Latin proverb which means, "Make haste slowly". The success of a co-operative bank depends on a sound foundation. If

the foundation of a house is laid hurriedly and carelessly, cracks are sure to appear in the building later on which may lead to its collapse. Bamboos grow quickly, oaks grow very slowly, but they endure and provide far better timber than bamboos. One good bank will be followed by many others, but one bad bank will frighten people away from the road of co-operative credit on which we invite them to walk. It is therefore far more important to make a sound start than a rapid one.

10. Leadership

The way in which people will act depends very largely on the type of leaders they have and the ideas and ideals which those leaders set before the people. The leaders must arouse goodwill, confidence and self-reliance in the people. People's Banks have been impossible nearly everywhere, but they did become possible where there were energetic leaders who had a vision and faith and believed in their possibility.



PEOPLE'S BANKS

OR

USE AND VALUE OF CO-OPERATIVE CREDIT

HISTORICAL PART

CHAPTER I

WILL THE MACHINE WORK?

1. Doubts

This question is fully justified. For the primitive mind, under whatever colour of skin, safety lies in the well known and beaten track of custom or what was done long ago. It is known where that path leads to, therefore it is not feared and people walk on it confidently. But a new path is unknown, nobody knows where it leads to, it may lead into danger, therefore it is feared. On account of this reason South African Natives must be afraid to take a leap into what appears to them darkness.

Besides this general reason there is still another very weighty particular reason, and that is "Once bitten, twice shy". Have not so many apparently promising schemes failed? Why should this new scheme not fail as well? There must be some very special new and strong reason for trusting the new scheme of co-operative credit. This strong reason does exist. We find it in the history of the People's Banks with its unassailable facts and undeniable figures. We find also a powerful reason for dispelling our doubts in the law of philosophy: "Like causes pro-

duce like effects". And this is the reason why history does and must repeat itself at all times and at all places.

2. Static and Dynamic Stage

The old science examined things in their static (fixed, stationary) stage. E. g. in studying plants either a dead dry specimen was observed, or a living plant was taken and examined in all its parts just in their existing arrangement. This was our method of examining People's Banks in the first or theoretical part of this book.

In modern science the interest has shifted from the static to the dynamic (living, acting, functioning) stage. In studying plants we do no more simply observe a given individual plant taken out of its environment. We begin our study with the seed, enquire about its congenial environment, examine the conditions and process of germination, and follow thus the plant through all stages till it reaches maturity. If possible we also observe and taste the fruit. And this is the way in which we study People's Banks now in this second and historical part, not merely as an inert mechanism, but as a living organism.

3. Seeing and Studying

In order to work a machine it is not sufficient just to look at it. A thorough knowledge must be acquired through study. And the better we know a machine, the more we can do with it or get out of it. In order to know People's Banks well, it is not enough to see them at work by cursorily perusing the stories which will be related in the following chapters. We must study them from the dynamic point of view by observing the early traces of the movement and follow it from its birth through its various stages to the actual results achieved.

4. Discovery of Causes

This second or historical part is indispensable as an illustration of the first or theoretical part for convincing the students of the co-operative credit system of its great value. By reflecting repeatedly and deeply on the facts

recorded here they can and must discover the various agencies which were at work in producing all the marvellous results related, so that they may see that there is no occult power at work, but just plain natural causes and be encouraged to put the same causes into operation and then leave the rest to the law of cause and effect.

5. Answer

And now we answer the above question confidently by saying, Yes, the machine will work and must work, if it is thoroughly known and rightly managed, under the law of cause and effect. It has now been working for eighty years, it is actually working in many countries, and everywhere and quite naturally we find the same results, due, of course, to the same agencies at work. We answer the above question once more by asking, why should like causes not produce like effects in South Africa?

CHAPTER II

ORIGIN

1. New Freedom

In order to understand the meaning and importance of the Raiffeisen banks one must go back to the middle of last century. The German peasants had become free from the old agrarian system, the feudal system. But this freedom was not all gold, just as not all that glitters is gold. The acquisition of this new freedom meant for the German peasants the loss of the protection of their former land-lords. In the transition from a natural economy to the money and credit economy and in the progress of agriculture to intensive farming the peasant was handicapped by the lack of money.

But he had to get it somehow, and since he was now his own master and free to go where he liked, he chose the line of least resistance and went there where he thought he would get help easily. Thus he soon got hopelessly entangled in the meshes of usurers or private money lenders just like a fly in a spider's web and with the same result: the poor peasant was ruthlessly exploited, mercilessly plundered and slowly but surely bled to death by the pest of the land which got the best of the land.

2. Stimulus of Need

Need challenges man's thinking and arouses his attention; this is often

followed by invention or discovery. Just as the Rochdale Pioneers discovered, in their dire distress, an ingenious method of co-operative distribution, so Raiffeisen, just about the same time, discovered an ingenious way of co-operative banking. Just as different people had made experiments before in co-operative distribution, so various attempts had been made and were being made in co-operative credit, but the Rochdale methods in England and the Raiffeisen methods in Germany were far the most successful in their particular sphere.

3. The Seedbed

Perhaps it was inevitable that Germany should become the cradle of the co-operative banking movement. Certainly the environment was congenial to the seed on account of the following favourable circumstances:-

a. Germany had a large and homogeneous population, therefore co-operation could spread within that country to a very considerable extent without encountering the obstacles of diversified speech and ideals.

b. Germany had retained to a considerable degree its feudal character. Even in the cities class lines were more distinct than in most nations of equal economic development. Men thought of themselves more easily as members of a certain social class.

c. There was not much fluctuation of population and little change of residence because men belonged to a definite place and clung to their soil.

d. The peasants are not scattered over the land as they are in some parts of Western Europe and other countries (America, South Africa) but are gathered together in villages of a hundred and more inhabitants. These peasants are quite accustomed to look upon the village as the normal centre of their lives.

e. Last but not least, the medieval craft guilds or workers' associations had survived more completely in Germany than in any other country.

4. Traces

Traces of co-operation in money matters or for the common obtaining of funds are to be met with in the history of most nations, chiefly Italy, Spain, Portugal, Scotland, Slavonia, Poland, Russia, Japan and India. For the sake of illustration a few are mentioned in detail.

When about the middle of the fifteenth century the poor peasants of Central Italy were exploited by usurers, a monk of Perugia conceived the idea of establishing a bank for poor people. He asked the rich people to collect money in order to grant loans to the poor at a moderate interest. The proposal was accepted and the example of Perugia was imitated in many places of Italy. In course of time the bank of Perugia was dissolved, but Bishop Joachim Pecci, who afterwards became Pope Leo XIII, revived it in 1850.

Saint Peter Fourrier, who was parish priest of Mattaincourt in France from 1597 till 1640, is the Patron Saint of the French People's Banks, because he organised 300 years ago in his parish such a bank. It was a savings and loan bank, functioning wonderfully and succeeding beyond all expectation. Many families of Lorraine were at that time saved from ruin and made prosperous.

The beginning of co-operative credit in Poland dates back to the eighteenth century. In 1715 the first society was inaugurated for the purpose of making loans to assist the peasants during the epidemics which were raging among their farm animals. In 1765 two rural loan banks were formed, the capital being created by contributions of the inhabitants of two villages. At the

same time two other banks, which had already been accepting deposits, were established as loan banks. Towards the end of the century several grain storehouses were created at different places of the country; these were really loan banks lending their capital in the form of grain to the people of the neighbourhood.

Remarkable is the Scottish "Cash Credit" system which is said to have, in the space of 150 years, raised its country from the lowest state of barbarism up to its present proud position.

This system was not strictly co-operative, as the banks made a small loan to an individual tradesman on the guarantee of two respectable citizens to enable him to start a business for

himself, but it resembles the co-operative credit system in enabling comparatively poor men to obtain loans on their personal security backed up by the guarantees of their friends.

A report of the Lord's and common's Committee of 1826 reveals some special Raiffeisen elements in that system, for the report states that "that system had the best effect on the poor classes of society in producing and encouraging habits of frugality and industry; people could begin business with little or no capital but their character, the system had a great effect upon the moral habits of the people, because those who are securities feel an interest in watching over the conduct of the borrowers for whom they pledge themselves".

CHAPTER III

DIFFICULTIES

"Every noble enterprise is impossible at its outset", said Carlyle, and People's Banks were allround declared impossible at their start. It was by no means an easy task to introduce them first in Germany and then in other European countries. The peasantry of Europe were not of the cultured classes who give its fame to European civilisation. Among the masses of German, Irish, Italian and French peasants there existed the following difficulties:-

a. The people were ignorant, partly illiterate and barely instructed.

b. They were suspicious, hide-bound by old customs, conservative, prejudiced, narrow-minded, unable to comprehend and unwilling to adopt new methods, however useful, and new improvements, however obvious.

c. They were poor, often excessively poor, heavily indebted to, and mercilessly exploited by, usurers.

d. In many cases the people were extremely stupid, knowing nothing of thrift and industry. The poor people in their thirst for pleasure, flocked to feasts and dances, they ate and drank and danced, spending and wasting the last farthing. Before such amusements and festivities many necessary household utensils, furniture and even clothing and bedding went to the pawnbroker to supply the necessary cash for having a short fine time.

e. Vast areas of Europe are bleak and infertile, repaying labour with but a bare livelihood, often of the meanest kind, so that the small peasants obtained a poor subsistence even in good years.

f. Droughts, floods, hail, frost, blights and cattle diseases were frequent fatalities.

g. Their farming methods were of the poorest kind on account of their

ignorance and their conservatism.

h. The land was held in small and scattered patches, the vast bulk of the peasantry owning less than 6 acres per family.

i. There was a great want of communication and good markets for the sale of farm produce.

Under such difficulties and among such people, the People's Banks made their entrance 80 years ago. They did not come with loud trumped blasts, not with great pomp and splendour, not with the clamorous applause, nor did they enter into palatial office buildings. The People's Banks came, like the humble Messiah, silently, unwelcome and even opposed by the big men of this world, and entered into the humble huts of the poor peasants.

Just as the whole city of Jerusalem was shocked at the news of a newly born king, so the ruling men and the intellectuals were unpleasantly surprised by the rumour of the unexpected birth of a new baby called People's Banks. A storm of protest was at once raised. How could the low peasants with their narrow intelligence help themselves? That was the business of the "upper" or "better" classes. And how could they think for themselves? The state had to do the thinking for them. It was heresy to preach such a doctrine and it was little short of a crime to put it into practice. As a matter of fact the German Government refused for a long time to recognise and register the first banks formed by Raiffeisen.

In 1849 Raiffeisen opened his first bank with no entrance fee, no shares and not a farthing of cash. Asked where the money was to come from, the pious man pointed to heaven and said, "from there" and of course the people laughed. A capitalist lent £300 after twenty prominent men had given their collective security. Yet to-day these banks are flourishing institutions, decentralising capital by distributing millions of pounds through their thousands and thousands of small channels and establishing prosperity wherever they set foot.

Just about the same time, in 1848, the French socialist Pierre Joseph Proudhon (1809-1865) who said, "Property is theft", launched with a noisy flourish of trumpets a grandiloquent scheme for a "People's Bank" with a structure that was by no means co-operative. This scheme was to regenerate France and eventually humanity. It was to abolish all interest and capitalistic profit as the cause of poverty. It was splendidly endowed with rich funds, full of promise and hopefully watched by thousands of people, but it was doomed to end in smoke in less than two months. The collapse of this big bank did much to prevent the development within France of any genuine co-operative banking movement. What a contrast! To have plenty of money is not enough if poor people are to be helped.

CHAPTER IV

RAIFFEISEN

Frederick William Raiffeisen was born on March 30th, 1818 at the small German village of Hamm in the Rhineland. In 1837 he entered the military career, but had to give it up again in 1843, owing to serious eye trouble, and entered the civil service. In 1845 he became mayor of the humble village Weyerbusch in the neglected part of the Rhineland.

The physical conditions of his new environment were anything but inviting. The country was poor and bleak, the soil barren, yielding a bare pittance, the climate is so unfavourable, windy and misty, that cherries there take two years to get ripe; the chief field crops were potatoes, oats and barley. Means of communication were scanty, and the new existing roads were bad enough to discourage any regular intercourse and traffic. The houses were mostly in a miserable neglected and dilapidated condition.

The social and economic conditions of the people were quite naturally in accordance with such a physical environment. Centuries of mismanagement had left their marks on the character of the poor people who were ill-clad, ill-fed, and ill-housed. There was little employment, nearly every little cottage was mortgaged, the cattle were half-famished and for the most part pledged to the "Jews" (Mosaic or Christian) i.e. usurers or money-lenders who slowly but surely sucked life out of the poor peasants. The dull people, callously accepted and submitted to these sad conditions as caused by nature and

sent by heaven. They neither knew of, nor cared for better conditions, they just worked enough to keep soul and body somehow together, being helpless against famine, disease and usury.

Young Raiffeisen deeply sympathised with his poor fellow-men in their crushing troubles and resolved to find means and ways of helping them. Instead of leading armies of soldiers to victory on the bloody battle-field of war as he had dreamt in his earlier years, he soon led armies of poverty-stricken peasants to prosperity and to a better and richer life on the unbloody battle-ground of the plain everyday life. He who had in his own poor early life seen very little and often no sun, was to spread sunshine about himself everywhere, even then, when outwardly, there was no sun, or even a star shining.

Anyone might have said that one cannot do anything with such a lot of poor and ignorant people. "We often hear the words" wrote Raiffeisen later, "There is absolutely nothing to be done with this pack, it is too lazy, too stupid, too suspicious. Such statements are to be condemned. We can do something with any man if we treat him in the right way and have the necessary patience."

In 1847 the harvest failed and caused a great famine. Raiffeisen began now his social work by establishing first a co-operative bakery which was kept busy day and night and soon lowered the price of bread for the poor peasants by 50 per cent. Then

seed was procured co-operatively for the next season. The enterprise was successful and the beneficial results of co-operation became at once apparent.

In 1848 Raiffeisen was transferred to Flammersfeld where he founded in the following year for the poor peasants his first co-operative society or bank which specially undertook the sale of cattle in order to stop the ruinous effects of usury, but soon started to grant loans of money.

Having been transferred to Heddersdorf, he founded there in 1854 a co-operative credit society. In this and in other societies of the neighbourhood the founder thoroughly studied, tried and tested his co-operative ideas, until after many years of strenuous efforts, he gradually discovered that particular form for rural credit societies which remained typical for the future in its chief principles and has given that particular type the name Raiffeisen's Banks.

About 1860 typhus broke out in one of the villages of Raiffeisen's district. In many houses parents and children had contracted the disease, the healthy people were afraid to visit the sick, but the mayor knew no fear; he went about the village helping wherever it was necessary. But the dismal disease attacked him too and in such a way that he never fully recovered from its effects and had to suffer for the rest of his long life. In spite of all his heroic efforts to carry on his work as mayor he had to resign his office in 1865 and receive a small pension. From now he only lived for his life's work, the People's Banks.

In 1866 Raiffeisen published a book where he gives us all his experiences and co-operative doctrines. The book was published in five editions during its author's lifetime. The writer made a deep study of this book and all important ideas, experiences and principles contained in that book are embodied in this volume. Besides Raiffeisen's book the writer used various other publications issued within the last 25 years by the German Raiffeisen Union in Berlin. Some of these publications had sixteen editions.

In 1868 Raiffeisen made his first long foundation journey during which he inaugurated 18 societies. In 1870 there were 75 societies at work.

The decade 1871—1881 was a busy time of organisation, but also bitter years of attacks and criticisms. In 1876 the first Central Bank was founded which still exists to day under the name German Raiffeisen Bank with 80 branches.

Raiffeisen did not forget to train co-operators. His chief care was to imbue them with the right spirit, always reminding them of the words of Christ: "Amen, I say to you, as long as you did it to one of my least brethren you did it to Me" (Matt. 25, 40). He was always very modest and never asserted that his system was the only one which was right. He was tolerant towards people whose ideas differed from his.

This great friend of the poor died on March 11, 1888, a few days before his seventieth birthday.

CHAPTER V

GROWTH AND DEVELOPMENT

The co-operative credit movement has spread far and wide and was more or less modified and adjusted to local conditions. Only a few details are given of some of the countries which have adopted and adapted the Raiffeisen system.

Germany had in 1922 47,600 co-operative societies; among them were 20,450 credit societies.

Austria had in 1886 2 banks, in 1913 there were 4,155 banks with 443,234 members.

Switzerland. The first rural bank of the Raiffeisen type was formed on January 1st 1900. In 1903 there were 25, in 1919 there were 139 and in 1920 there were 271 rural banks with £2,000,000 of deposit and a reserve fund of £900,000. The area of the operation extends to a parish or village. Intending members must pay a share of £4. The liability is unlimited. The Central Co-operative Bank takes charge of surplus funds and makes advances when required. The administrative expenses of these banks are very small, only the treasurer receiving a salary. Since the operation of the banks is limited, they easily avoid non-profitable business and are able to make loans to the peasants on very advantageous terms. The local banks are united into a Federation, managed by a committee which presents the reports to the Annual General Assembly. The Council of Supervision controls

the work of the Management Committee and that of the cashier and inspects the accounts. The financial position of the Federation is periodically examined by the auditors.

Italy had 2,000 popular banks in 1923, principally of an agricultural type.

Portugal had in 1923 100 agricultural co-operative banks.

Belgium adapted the Raiffeisen system to the needs of small farmers, and the National Savings Bank has become an active propagandist for the organisation of agricultural banks of the modified Raiffeisen type. At the end of 1923 there were 907 Raiffeisen banks with 72,236 members, on December 31 the deposits were £6,298,263, the outstanding loans amounted to £3,590,096 and the reserve fund to £70,767.

Finland has several thousand co-operative banks, mostly of the Raiffeisen type.

Sweden started Co-operative Agricultural Banks in 1916. In that year 70 banks were formed with 1,000 members. In 1922 there were 124 banks, with 6,545 members and a reserve of £4,000.

Roumania had 3,000 village banks in 1920.

Czechoslovakia had in 1920 3,000 Raiffeisen banks, in 1925 they were increased to 5,000, all of them being agricultural co-operative societies.

Poland. The co-operative societies owe their development above all to the capacity and extraordinary devotion of the leaders of the co-operative movements such as Bishop Wamrzyński and the Fathers Szamarzewski and Adamski as well as to the high educational level of the Polish population in some places. Dr. Stefczyk formed in 1892 the first co-operative society of small farmers of the Raiffeisen type. The banks increased rapidly in number and gave such excellent results as to attract the attention of the authorities. After twenty years there were over 1,200 banks with 285,000 members.

United States. Co-operative credit societies were introduced in 1909 by Filene who is called the Raiffeisen of the United States.

Canada. The co-operative credit societies were started 25 years ago. They were modified to meet conditions

in the Province of Quebec and carried through the various difficult pioneering stages. Now there is a splendid group of credit societies. Desjardins is the Raiffeisen of Canada.

Brazil had 208 Raiffeisen Banks at the end of 1926.

Japan. Since 1915 the average number of purely Co-operative Credit Societies is 3,000, but the average number of societies which carry on also other business is 12,000.

Congo. On the Upper Congo Raiffeisen Banks exist since 1915, successfully managed by the Natives themselves under the supervision of the Catholic Bishop.

Raiffeisen banks exist also in the following countries: Ireland, France, Spain, Holland, Denmark, Hungary, Bulgaria, Servia, Cyprus, Brazil, Mexico, Egypt, Mauritius, India, China, Philippine Islands, Dutch Indies, Barbadoes, Jamaica and Hawaii.

CHAPTER VI

TESTIMONIES

In economic history we find some very interesting and at the same time instructive testimonies about the value of co-operative credit. These testimonies form part and parcel of the history of People's Banks, therefore some of them are quoted here. As mentioned before the historians of co-operative credit institutions do not report fancy and fiction, but facts and figures, not wild dreams, but plain records.

1. South African Press

Sir Horace Plunkett, the "Raiffeisen of Ireland", visited South Africa at the beginning of 1925. In an interview reported by "Umteteli" of March 21, 1925, Sir Horace Plunkett described the Raiffeisen scheme of credit societies as

one which, on paper, appeared entirely unworkable but which in practice seldom failed. He declared it to be one of the most successful means of helping small farmers that had ever appeared because it provided a means of escape from the clutches of the usurer or trader who generally held them in financial bondage.

A farmer's paper has certainly no room for sweet fairy tales in its columns, therefore we may believe that the "Farmer's Weekly" reports serious facts when it writes: "Many a priest and pastor, working all their lives in villages of continental Europe, have acknowledged with mortification, that the establishment of People's Banks in their villages has done more in the course

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of a single year to reclaim the drunkard and the thriftless and to raise the moral standard of their people than all the prayers and exhortations they have delivered during the course, perhaps, of a quarter of a century”.

2. English Economists

The English Economist Henry W. Wolff who was instrumental in introducing Raiffeisen banks in India and who wrote some books on agricultural co-operation and on co-operative banking, is quoted here and later on. He reports generally about Raiffeisen banks:

“There has never been a more successful or effective movement than that of co-operative credit, rendering equally valuable services alike economic and educational, cheapening the use of money, diffusing its employment and at the same time training those for whom access to money is opened, to intelligent use of it”.

“Co-operative credit is capitalised honesty which plants virtues where there were vices, makes people thrifty, industrious, sober, honest”.

“What untold riches these People’s Banks have within the seventy years of their existence made available for small folks needs, what millions they have added to the wealth of the countries in which they flourish, what vast amount of misery, ruin, loss and privations they have either averted or removed, it would tax even the powers of the most imaginative economist to tell.”

“To gauge the value of the People’s Bank at its fullest, one should go among the people whom they have benefitted, the peasant who has by their help purchased, rod by rod, a little holding which he surveys with pride. One should go, as I have done stick in hand, walking from cottage to cottage, and hear these people describe the contrast between erewhile and now,

and listen to them, telling of their little troubles and embarrassments and how the bank stepped in to relieve them. Many such a tale there is which could not fail to warm a philanthropist’s heart. If there is one proof more conclusive than any other showing the practical utility of these banks it is the devotion and gratitude which they evoke from those whom they support and who in turn support them.”

“The educational and morally elevating efficacy which constitutes the beauty of the Raiffeisen system, is quite peculiar to that scheme.”

“Find the will, find the knowledge, train your teachers, and so equipped, offer your gift to the country, and you are not likely to be disappointed. The country will bring forth the same rich crop of benefits, economic, social and moral that co-operative banking has produced in other countries.”

About France Mr. H. W. Wolff reports that in no country have Raiffeisen banks multiplied so fast recently and done so well as in that country owing to the activity of Louis Durand, the Raiffeisen of France.”

Another English economist, C. R. Fay, writes: The Raiffeisen banks are thickest in the South-West of Germany, the home of the small peasant proprietors. Indeed the change wrought in many of these villages is nothing short of a revolution.”

3. French Economists

Leon Say, a French political economist writes: “All these wonders which I have seen are the wonders of private initiative and decentralisation. It is private initiative, it is the decentralisation of credit which is the dominating cause of all this progress in wealth. It is co-operation which has created it all.”

Eugene Rostand, the President of one of the largest savings banks in

of a single year to reclaim the drunkard and the thriftless and to raise the moral standard of their people than all the prayers and exhortations they have delivered during the course, perhaps, of a quarter of a century”.

2. English Economists

The English Economist Henry W. Wolff who was instrumental in introducing Raiffeisen banks in India and who wrote some books on agricultural co-operation and on co-operative banking, is quoted here and later on. He reports generally about Raiffeisen banks:

“There has never been a more successful or effective movement than that of co-operative credit, rendering equally valuable services alike economic and educational, cheapening the use of money, diffusing its employment and at the same time training those for whom access to money is opened, to intelligent use of it”.

“Co-operative credit is capitalised honesty which plants virtues where there were vices, makes people thrifty, industrious, sober, honest”.

“What untold riches these People's Banks have within the seventy years of their existence made available for small folks needs, what millions they have added to the wealth of the countries in which they flourish, what vast amount of misery, ruin, loss and privations they have either averted or removed, it would tax even the powers of the most imaginative economist to tell.”

“To gauge the value of the People's Bank at its fullest, one should go among the people whom they have benefitted, the peasant who has by their help purchased, rod by rod, a little holding which he surveys with pride. One should go, as I have done stick in hand, walking from cottage to cottage, and hear these people describe the contrast between erewhile and now,

and listen to them, telling of their little troubles and embarrassments and how the bank stepped in to relieve them. Many such a tale there is which could not fail to warm a philanthropist's heart. If there is one proof more conclusive than any other showing the practical utility of these banks it is the devotion and gratitude which they evoke from those whom they support and who in turn support them.”

“The educational and morally elevating efficacy which constitutes the beauty of the Raiffeisen system, is quite peculiar to that scheme.”

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France wrote about the humble co-operative banks of Italy: "The moral results are to my mind superior still to the material. The idle man becomes industrious, the spendthrift thrifty, the drunkard reforms his ways and becomes sober, the illiterate, though a grandfather, learns to read and write. It sounds like a tale from wonderland, yet it is all sober fact."

The same writer mentions the following distinguishing qualities of Raiffeisen banks: "Extreme simplicity and cheapness, no allowance of any dividend, limitation of the district to a parish or a hamlet, the strict prohibition to touch the reserve, the support of the clergy, the common liability replacing the helplessness of agricultural units, the prevailing spirit of devotion and sense of social duty."

Another French economist, M. Durand who became a zealous and most successful apostle of co-operative credit in France wrote: "I have examined many systems, but have not found one which reconciles so fully the requirements exacted by credit; security of operations and the social and moral requirements of rural populations. I do not hesitate emphatically to pronounce the Raiffeisen banks the finest establishment, both from a moral and an economic point of view, which has ever been invented for agricultural credit."

According to the words of M. G. Francois a French banker, co-operative banks have become a power in the world, a force to be reckoned with, a potent factor for good, for the democratisation of credit, the relief of distress, the creation of wealth and for the turning to account of industrial and agricultural opportunities."

A report of 1925 from Paris says: "The French clergy of all ranks of the hierarchy has according to the order of His Holiness Pope Pius X contri-

buted to found, maintain and develop more than 2,000 Raiffeisen banks. They gave help and light to a providential work. Each bank forms a study circle where important and delicate questions are deeply studied, wisely discussed, and resolutions carried out. The men who manage this business do it for the love of their neighbour and to fulfil their duties as Christians. All meetings are opened with prayers. The remarkable material and moral results are obtained without state-help, charity or alms, and they could be multiplied a hundred-fold if those banks were imitated at many other places.

The Provincial Council of Bishops, held at Tours in March and approved by His Holiness Pius XI on July 16, 1923 says in its canon 138: "The priests, especially those in charge of the ministry of the souls, should strive to form or help to form, according to the spirit of the church, economic associations such as rural banks, savings banks and others of this kind."

4. Germany

Raiffeisen reports in his book the following testimony of a German judge, dated June 16, 1870:

"According to the reports of several judges and according to my own observation I can testify to the beneficial influence of the People's Banks in our district in all court cases, although the majority of these societies have only been recently established. Lawsuits for debts and other minor cases and claims of arrears have been greatly decreased. These beneficial results have daily increased the reputation and the credit capacity of those banks."

H. W. Wolf writes: "You should go into the valley of the Rhine where the Raiffeisen banks have been longest at work and observe to what extent homes have been made habitable and

comfortable, how cultivation has been improved how, machinery has been purchased, how the wine grower has been enabled to sell his produce for cash at double the former price; how the small peasant can buy his implements and manures, of the best quality at the cheapest wholesale prices, and you shall see how small industry has been developed, how the usurer once all powerful has been driven out of the field and those once poor men have become small capitalists."

Professor von Dobransky, a Hungarian deputy, charged with a mission of inquiry into the work of Raiffeisen banks in Germany says: "I have seen a new world, a world of brotherhood; it is a world of brotherly love and mutual help where everyone is the protector and helper of his neighbour. An isolated man here finds himself transplanted into a community whose resources multiply a hundredfold the productive power of its labour and crown it with success."

The late German Imperial Chancellor, Herr von Bethmann-Hollweg (1909-1917) said about Raiffeisen banks: "Your movement deals out enormous sums of money, yet its work is detail work, work on a small scale. In providing personal credit on a secure basis for those who need it, you satisfy an economic want. However at the same time you exercise a most powerful ethical influence upon your members. The careful examination of cases coming before you, which is indispensable in the interest of safety, gives you a profound insight, not only into your neighbours purse, but also into his heart. You become bound together by the link of common work and common love of your neighbour. The detailed work may be troublesome, but its reward is great."

A German priest confessed that the new village bank in his parish had

done far more to raise the moral tone of his parishioners than all his ministrations.

One of our fathers, who was a missionary in Natal, had introduced Raiffeisen banks in three German villages and he told the writer the following results: Young men stopped wasting money on girls, by drinking and smoking; they became self-conscious and behaved like men. Girls stopped wasting money on fine clothes, they used plain clothes and did much mending and sewing, thus saving much money. In the men self-confidence and mutual confidence was aroused, and co-operative purchases saved large sums of money. The poor who had always needed relief from the poor fund learned to help themselves and no more doles were needed. The Father himself was quite surprised by the marvellous results produced by those banks. The religious and moral life of those communities was greatly improved.

5. Ireland

Sir Horace Plunkett, speaking of the work of the Raiffeisen banks in Ireland says, "The banks perform the apparent miracle of giving solvency to a community composed almost entirely of insolvent individuals and it is boasted that no society has ever become bankrupt. You travel in the West of Ireland and hear everywhere of many successes and few failures; you ask the officers of the Irish Agricultural Organisation Society or bank secretaries how the unlimited liability principle is applied in practice if the bank is sued, and they reply, they don't know, it has never happened."

6. Italy

H. W. Wolff: "Walk into one of these thriving villages of Venetia, in which Dr. Wollemborg has set up his rural banks. A few decades ago that

district was the usurer's favourite hunting ground, and the poor drudges who cultivated it had not a centesimo to call their own from week's end to week's end. Now the usurer is gone and cultivators are doing well and laying by."

Don Rover, parish priest of Loreggia writes shortly after the setting up of a co-operative bank in his parish: "People drink less now and work more and better. Since only respectable folk are admitted as members of the association, we have seen habitual drunkards promise never to set foot again in a canteen—and keep their word. We have seen illiterate folks of fifty years and more learn to write in order that they may be able to sign their application for a loan. Poor people, excluded as being in receipt of parish relief, have vigorously exerted themselves to have their names erased from paupers' list and instead of living on alms we see them living on their labour. Thanks to the small capital lent to them by the association, poor fellows who previously could scarcely support themselves, have been enabled to purchase a cow, out of the milk and cheese of which they pay the debt contracted, keeping the value of the calf as net gain."

An Italian physician, Dr. de Portis of Loreggia writes about the rural bank in his village: "The peasant who previously, helpless and forsaken, proved a ready prey to the most shameless usurer, and had no choice for himself but between extreme misery and dishonesty, has now risen to a sense of human dignity. He is proud of being a member of the Association and of taking part in its management. In it he acquires a sense of self-respect, of independence, a love of work, of honesty and punctuality. The usurers are compelled to acknowledge the good done by the Association though they have to leave the district."

An Italian cabinet minister said: "It is inconceivable how a properly managed co-operative bank can go wrong."

When on September 12, 1897, Pope Leo XIII (1878-1903) published the Encyclical *Augustissimae Virginis*, the rural banks of Italy and France were still in their first stage, nevertheless the illustrious Pontiff made use of that chance to encourage them. Together with the purely spiritual associations he praised all those in which the faithful are united by the bonds of christian charity and form one body so that they can be called and truly appear to be brothers. Among those "very useful societies, established under different forms and for excellent purposes" he named "the rural banks" and added: "Although these institutions seem according to their name to be recent developments, their form, special and immediate purposes are in reality very old. One finds traces of them in the very beginning of christianity."

Before he became Pope, Pius X had given his active and enlightened co-operation to the rural banks of Upper Italy. As Pope, (1903-1914) he extended his care to the whole world and vigorously encouraged the formation of People's Banks. By a decree of November 18, 1910, Pius X asked the Italian clergy to work hard to form, maintain and propagate rural banks.

Pope Benedict XV (1914-1922) said to the delegates of the Italian Economic Union: "To form a rural bank is to fulfil a sacred work of ministry."

7. America

An American sociologist and doctor of social science wrote in July 1925: "It is certain that co-operative credit banks of the Raiffeisen type have a fine field of undeveloped opportunities in the matter of helping tenants who are just starting their business of farming. It

should engage their attention with the growing increase of tenancy in the United States. Wise action in this matter would be very helpful in directing the tenancy into right channels."

8. Japan

Sir F. A. Nicholson, in his "Notes of Agriculture in Japan" says: "The country has been made richly productive by the toil and thrift of a people who waste nothing and who avail themselves very readily of all that science and example can teach them. They have an elaborate system of co-operative banks for agriculturists, practically on the German Raiffeisen lines, which compete most successfully with bankers and money lenders in supplying the farmer with capital."

9. India

H. W. Wolff: "Experience has shown that wherever among poor and untrained people credit is needed, the co-operative form of it is most readily seized and mastered, even among very primitive races such as the aboriginals of India."

An Indian Registrar said: "People's Banks (Raiffeisen system) are the greatest benefit that India has yet received."

Professor Jadunath Sarkar of Calcutta says in his "Economics of British

India": "The movement of co-operative credit is tending to create a revolution or complete change in rural India. The people have developed an extraordinary capacity for united action and the Co-operative Credit Society is stimulating interest in education and sanitation. A demand for night and vernacular schools has sprung up to which the local societies contribute out of these profits. The villages in certain districts are beginning to submit their disputes to the co-operative committees. Another most hopeful development is the discouragement by the local committee of extravagant expenditure upon marriage and funeral ceremonies. In some cases village feuds of long duration have been settled as a result of the movement and rival factions have joined in harmonious work in one society."

A Government report of India says: "There is a promise of economic regeneration and of village life invigorated and made healthier in all its relations. The general atmosphere of progress engendered by the societies makes the members keen on the extension of education. Several societies have foresworn the use of intoxicating liquor. The peasant is rapidly becoming the financier of his own industry. The Sessions Judge of Jullundur attributes a decrease of 1,100 civil cases in that district in 1910 to the existence of village banks."

CHAPTER VII

General Results

Before recording a series of concrete facts reported from the various countries where Raiffeisen banks flourish it may be good, for the sake of greater clearness and stronger emphasis, to study the fruits of these institutions analytically. An analysis reveals certain psychological, social, economic and moral elements. In practical life these effects do not and cannot occur in

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isolation or separately, they do and must appear synthetically, because they are subtly interwoven and co-operate in wonderful harmony for the total welfare of the individual as well as the group or association, since the interests of the individual are intimately connected with those of the association and they react beneficially upon one another.

The effects can only occur synthetically if the causes are applied synthetically, as mentioned before; that means, it would not do to help only the purse of the poor man, but the person must be tackled, raised and improved all round. Only a synthesis of causes will produce a synthesis of effects.

1. Psychological Effects

The co-operative credit system stimulates and elevates the feeling, thinking and willing of the poor despondent man. It gives him a new outlook of life, fills him with hope, arouses in him self-interest and a great desire to improve his position, not along the line of least resistance, but on the line of strongest effort of self-supporting. It causes him to arouse and employ his reserve stock of energy and industry. When he borrows money in order to assist himself, he is made to feel that he is in a sense intimately connected with his own interests, he is made responsible for every penny of the loan. Whilst the poor Native who receives a private or secret loan, as a rule, does not worry much about the future refundment of the loan, the member of a People's Bank is made to feel and consider well that it must be repaid punctually and failure to do so, would not only involve loss to an alien creditor or money-lender, which is regarded as a small matter, since it affects only a wealthy stranger, but that it would mean and be a loss to others as poor as himself, his neigh-

bours, kinsmen and friends.

In the background of every ordinary loan, there are always some legal forces which can be employed, if necessary, for the recovery of the loan, but behind the loans made by the People's Banks there are much stronger psychological forces hidden, so that in practice it is extremely rare that legal action must be resorted to in a Co-operative Credit Society for the recovery of a loan.

2. Social Effects

The members of a People's Bank become closely knit together and are welded into one strong, honest and industrious family, bound together by the links of sympathy and charity, by community of aims, interests and work. "The bank has linked them together with a new bond of union which firmly establishes peace and kind feeling" (H. W. Wolff). Besides the self-interest or interest in the personal welfare of each individual, social interest, interest in the welfare of the group and the tendency of mutual help and service is aroused and developed. Every member feels responsible for the admission of new candidates, because the admission of unworthy individuals endangers the welfare of each and everyone. Every member feels responsible for every penny lent out, therefore, all members together carefully watch the use of every loan, and in reaction of this mutual but perfectly sincere and truly benevolent supervision, every individual makes all efforts not to incur the reproach of his fellow-members.

3. Economic Effects

When People's Banks were first established, the start was not made with educated, prosperous and thrifty people, but often with the poorest of the poor and the most ignorant people overwhelmed with the debts, scourges

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with his family. Without the help of the Bank he would have had to go away as a beggar with his family.

A rich farmer got heavily into debt owing to different misfortunes (hail etc). He went to a moneylender who agreed to take over his house, stables, barn and 160 acres of good arable land for £1,900. The moneylender had already advanced £15 when the village priest heard about the case. He persuaded the man not to sell his property and to return the £15. Then the village bank sold the man's property in lots for £2,500, and after all the debts had been paid, the man still received 12 acres of good land and £300 cash.

In 1884 a peasant, exploited through usury, died and left many debts. The village bank took over the man's estate and sold it so that all debts were paid. Some land and cash were kept for the man's children. Without the intervention of the village bank not all debts would have been paid.

In Bavaria there are two villages with one parish church. Since time immemorial enmity reigned between the two villages, so that the inhabitants of the one village, when going to the parish church, used to go a long way round the other village, but as soon as a Raiffeisen bank was established for both villages, peace and harmony came with it and the people of both villages became friends.

In 1889 a man was given to the habit of drinking and got into heavy debts, the Raiffeisen bank paid his debts and under the benevolent guidance of the director of the bank the man became a good, industrious and honest member of the community.

In the village W. a bank was established in 1892 in order to try to run a co-operative store and to stop the local store-keepers from selling the worst goods at highest prices. After

the local store-keepers had been properly educated, the co-operative store was closed again. The bank then improved the tillage to such a remarkable degree, that the crops compared with those ten or twenty years ago seemed simply incredible. A large part of the land was drained, fields were tilled with labor-saving machinery and well manured, a petrol motor and a threshing machine were bought, a cattle insurance was established, quarrels ceased and unity existed among the villagers. A large village hall was built with quarters for Sisters to look after the little children and to nurse the sick, some rooms for the sick people, rooms for committee meetings, the hall being used for entertainments, dramatics and for gymnastic exercises for young people in bad weather. The hall is surrounded by gardens and playing grounds.

In 1892 a man in Bavaria had lost his house and farm through the exploitation of moneylenders. At the auction the bank bought his property, but returned the greater part to the owner as his property under favourable conditions and the man became a prosperous farmer again.

In 1893 there was a terrible drought all through the summer in Germany and it was apparent that the peasants in Central Germany would suffer tremendous losses. Usurers had already besieged many villages and offered their sort of "help." The State then stepped in and offered help, but the villages where Raiffeisen banks existed declined the public help with thanks, saying: "We do not need any help, for we have already helped ourselves co-operatively and better than the State could do it."

In many villages the banks spend money for the following purposes of social welfare: Keeping Sisters in the villages to nurse the sick, assist poor

people in case of death, for village hall, kindergarten, cultivating fruits, keeping goats, erection of telephone, and for keeping the cemetery in order, etc.

In a Bavarian village the bank organised in 1903 a domestic science course lasting some days in which 140 women took part. The bank engaged a teacher of agriculture, a lady teacher and a medical doctor, and lectures were given on pig and poultry raising, care of young animals, gardening, house management and nursing of the sick.

A village priest reports that in 1902 a farm of about 1,000 acres had to be sold owing to the bad management of its owner who died. Land speculators wanted to buy the estate, but the village bank secured it first for £5,000 and then sold it in plots to members of the bank and other people with a profit of £500 for the bank.

In the village F. the bank has 200 members, mostly consisting of peasants, tradesmen and labourers. The whole village was rebuilt, new healthy and solid houses being erected. The bank advanced money at low interest and gave a long time for paying back. The bank also buys land and sells it to the members on very favourable conditions. When the bank started a savings bank all the hoarded money was brought by the village people. The bank has a reserve capital of £1,500 which cannot be divided. It also possesses a house and large store rooms for keeping fodder and fertiliser.

In the village G. a man had incurred great indebtedness through his carelessness. He owed many small amounts to different people, he refused to pay because, as he said, if he paid one, he had to pay the others. The president of the local bank showed him how wrong he was and offered to him the help of the bank, provided he

gave an exact statement of all his debts. The man agreed, became a member of the bank, and the president of the bank himself gave the required security. But when application for the loan was made at the next meeting of the committee, one member said, he could not agree to the loan according to the regulation of the bank, because the applicant had not been married legally. Within three weeks the man settled this matter, got the required loan and then regularly paid his weekly instalment to the bank.

In many cases the Raiffeisen Banks succeeded in buying land for poor people and in preventing land speculators from buying up land, and thus retaining the land for, or returning it to, the poor people. In many cases it also succeeded in increasing the value of the land through improvements. Innumerable good and healthy houses, sometimes whole streets and villages, were built with the help of these humble village banks. It sounds simply incredible to hear the tremendous success achieved by them.

In a little village a blacksmith who had a large family, had become extremely poor through sickness and other misfortunes. He was afraid to beg for help and wanted to buy a cow in order to improve his position, but no one could lend him any money. Now he went to the village bank, but could not find any security. The village priest who was secretary and treasurer promised to give security provided another member joined him and at once two men offered security. The man got the loan for buying a cow on condition that he paid weekly a shilling as savings. The loan was paid back and nobody lost any money.

"I have never been more interested in my life," writes H. W. Wolff, "than when going into one or other of these

villages in which there is a co-operative credit bank, and judging from the evidence presented what that bank has done for its members." He then describes his visit to the German village Muehlheim on the Rhine. The peasants of the lower Rhine did not appear to Wolff as particularly genial or attractive specimens of humanity, but he could not help being surprised by the change brought about by the advent of the humanising instrument of a people's bank. The best among the population of that village, some 250 persons had then joined the bank. The old wattle houses with their rickety roofs had disappeared and given place to neat, substantial stone buildings. There was no sign of agricultural depression about their properties. The gardens were tidily kept, the fields and orchards looked throughout well cared for, and everything appeared prosperous and flourishing. One could see drainage, new implements, even an expensive threshing machine, purchased by the small peasants without the money to begin with and without cost in the end. It was let out to members at 8/6 per hour, to non-members at 9/6, and that had paid for the machine. The bank did a good deal in the way of co-operative supply, both agricultural and otherwise, having for this purpose set up as a side line a co-operative supply association, which did £2,000 worth of business a year, all the necessary money being supplied by the bank. The members of the bank paid in about £2,000 in savings every year. All in all the bank had an annual turn-over of about £35,000 leaving a net profit of about £250, every farthing of which went to the reserve. By this means, though the bank served all its customers, a reserve of £1,500 had accumulated between 1880 when the association was formed and 1895, enabling the bank to allow

its customers six months credit on co-operative purchases without adding a penny to the wholesale price. The bank employed a cashier, who acted also as secretary at a salary of £37. 10. a year. He had all the book-keeping at his fingers' ends, and knew all the financial details about every one with whom he had to do.

People's Banks helped the poor people to obtain and retain money. In a German village the bank had accumulated a nice sum as reserve fund. A company of a neighbouring town tried to induce the people to invest the bank's money in a highly profitable scheme which was described by the company's agents in the most glowing terms, but the poor peasants did not take the bait. As a last argument the agent said: "But we only want your best." The men simply replied: "We know that you want our best, but we prefer to keep it for ourselves."

The English economist C. R. Fay describes the experience of the parent village bank as follows: "About an hour's walk from Neuwied on the Rhine is situated on the plateau bordering the Westerwald the little village of Anhausen. The district is not very fertile and the inhabitants are mostly small peasant proprietors, some with only sufficient land to graze a single ox or a cow. An owner of ten acres is a rich man. Before the year 1862 the village presented a sorry aspect; rickety buildings, untidy yards, in rainy weather running with filth, never a sight of a decently piled manure heap; the inhabitants themselves ragged and immoral, drunkenness and quarrelling universal. Houses and oxen belonged with few exceptions to Jewish dealers. Agricultural implements were scanty and dilapidated, and badly-worked fields brought in poor returns. The villagers had lost confidence and hope. They were the serfs of dealers

and usurers. To-day Anhausen is a clean and friendly-looking village, the buildings well kept, the farm-yards clean even on work days; there are orderly manure heaps on every farm. The inhabitants are well if simply clothed, and their manners are reputable. They own the cattle in their stalls. They are out of debt to dealers and usurers. Modern implements are used by nearly every farmer, the value of the farms has risen and the fields, carefully and thoroughly cultivated, yield large crops". And this change, which is something more than statistics express, is the work of a simple Raiffeisen bank.

To-day there exists in nearly every German and Austrian village a Raiffeisen bank. These banks meet the needs of the plain people and are very popular. As a rule the local priest or minister is a member of the Committee because in this way he enjoys the confidence of the people. Ordinarily priests are not allowed to act as secretaries and treasurers, but they do so in Bavaria with special permission from Rome, because they thus remain in constant personal contact with their people. In other countries the priest is mostly a member of the Council.

During the war the Raiffeisen banks shared the fate of many other small banks, activities ceased owing to the lack of money. Several big banks became rich through speculation, whilst Raiffeisen banks became poor because, according to their regulations, they were not allowed to take part in speculation. But they fared better again after the war. Whilst many big banks broke down on account of dangerous speculation, not a single Raiffeisen bank broke down. Many people took their deposits away from other banks and handed them over to the Raiffeisen banks on account of the greater safety, and thus the latter were enabled to grant loans at a lower rate of interest than other banks which were in this way compelled to lower their own rates as well. Owing to the existing surety system no Raiffeisen banks suffered any harm, whilst several other banks broke down through granting excessive loans.

CHAPTER IX

IRELAND AND FRANCE

About Ireland H. W. Wolf reports that the poor and humble Irish peasants only needed to be told of co-operative banking to detect in it at once the remedy they needed, and the difficulty was rather to restrain them from forming rural banks recklessly than stimulate them to form such. Up to 1890 there was not a single co-operative society in Ireland. Individualism was the model of life. Every peasant produced and sold as seemed best in his eyes and he generally did so in the worst possible way he could have chosen, and as a consequence of this ignorance many peasants lived in abject poverty. Then came Sir Horace Plunkett and his colleagues, including the famous poet "A. E." (George Russell), preaching co-operation and forming rural credit societies of the Raiffeisen type. Having planted the idea it was sometime

before the tree could be judged by its fruits. But now time has shown that the co-operative credit society is an omnivorous feeder and exercises a magnetic influence on all agricultural activities, so that there are now societies which buy milk, manufacture and sell butter, deal in poultry and eggs, cure bacon, provide fertilisers, feeding-stuffs, seeds and machinery for their members, and even cater for every requirement of the farmer's household. This magnetic power of attracting and absorbing to themselves the various rural activities, which such co-operative societies have, made them develop rapidly and created organisations where the members buy together, manufacture together, market together, and where their entire interests are bound up with the interests of the community. The same process is going on in other countries.

More changes often take place within a dozen years after a co-operative society is first started than have taken place for a century previous. In the North-west of Ireland there was a most wretchedly poor district. The farmers were at the mercy of the gombeen traders and the agricultural middlemen. Then a dozen years ago a co-operative society was formed. The oldest inhabitant would agree that more changes for the better for farmers have taken place since the co-operative society was started than he could remember in all his previous life. The reign of the gombeen man is over. The farmers control their own buying and selling. Their organization markets for them the eggs and poultry. It procures seeds, fertilizers and domestic requirements. It turns the members' pigs into bacon. They have a village hall and a women's organization. They sell the products of the women's industry. They have spread out into half-a-dozen parishes,

going southward and westward with their propaganda, and in half-a-dozen years in all that district, previously without organisation, there will be well-organised farmers' guilds, concentrating in themselves the trade of their district, having meeting-places where the opinion of their members can be taken, having a machinery, committees and executive officers to carry out whatever may be decided on, and having funds or profits, the joint property of the community, which can be drawn upon to finance their undertakings. It ought to be evident what a tremendous advantage it is to farmers in a district to have such organizations. What a lever they can pull and control. There can never be any progress among peasants in rural districts or any real prosperity without such farmers' organizations or guilds. Wherever rural prosperity is reported of any country of small holders inquire into it, and it will be found that it depends on rural organization. Wherever there is rural decay, if it is inquired into, it will be found that there was a rural population but no rural community, no organization, no guild to promote common interests and unite the countrymen in defence of them.

The following story is reported from Ireland. A man owning a couple of fields had sold a cow to pay his rents and had no money with which to restock and as a result the grass was going to waste. He borrowed £10, paid 18/- for a pair of "suckers", and £8. 13. 0 for a pair of young beasts. The pigs he sold in four months for £4. 10. 0, the heifers he sold in 10 months for £20. He then repaid his loan, which with interest at 6 per cent made ten guineas and was left with £14 to the good. That is an instance of what it may mean to a peasant to have the command of Capital. But in this instance the man was

advised by his surety, a very shrewd farmer, both as to the purchases and as to the time of sale. The land bank was in the way a means for a neighbour to help a neighbour in a semi-public capacity.

A great number of Raiffeisen banks exists in France, imported from Germany; they had greatly increased the welfare of the rural districts and saved thousands of families from certain ruin. The experience there has spoken, the work had stood the test, success was nearly miraculous.

The village of Vay in the Lower Loire has 2,800 inhabitants. There are two parishes, the smaller one being the parish of Saint Victor with 1,200 inhabitants. In the latter a rural bank was formed on October 28, 1894. It is one of the oldest banks of the union. Another bank was opened in 1896 for the larger parish. The beginning was slow and modest. The Breton peasant is not quick in adopting a new scheme, but once he has found an institution serviceable, he does not drop it. On January 1, 1925 the bank of Saint Victor had 248 members and a reserve of £750 accumulated in 30 years. During that time nearly all families of the Parish had made use of their bank, some as depositors, some as borrowers some for both purposes at different times. The office is in the house of the director. The parish priest is secretary and thus the relations of all members with the priest became more frequent and more cordial. The material services of the priest are highly appreciated and exercise a powerful moral influence for the common welfare. There was an old rivalry between the two parishes and for that reason two banks were formed. But now both banks co-operate with great harmony and the bank

officials form a study circle where the welfare of the people is studied and promoted.

The village of Frossay has 2,300 inhabitants, its rural bank, founded in 1907, had on Dec. 31, 1924 a reserve of £750. Until 1924 it had never made use of the Central Bank. In that year some land worth about £750,000 was offered for sale. Speculators wanted to buy it and sell it again with great profit. Ten excellent peasants, each with a large family, also wanted to buy the land, but each one alone would have been unable to buy. The Central Bank advanced the necessary money to the bank of Frossay and the land was bought by the poor peasants who now work very hard, so that, when dying on their property, they may not leave a farthing to be still paid off by their children who work with them.

The Rural and Urban Children's Bank of Nantes was founded on May 19, 1901. Money is deposited there by any one, but chiefly the poor workers, tradesmen, servants and children. Some children are given a savings book on the day of their baptism and from that day money is saved for them. At several schools the most deserving scholars are presented with a savings book and a little money on the bank. Only deserving members can borrow money from the bank at $5\frac{1}{2}\%$ interest. Loans are made to meet all the different needs of the poor people. In 1925 there were 150 other rural and urban banks in operation round Nantes, each independent, but all combined for mutual help. Their total reserve amounts to £45,000. The Central Bank at Nantes balances the surplus and deficiency of the other banks. The officials perform their service gratis for the love of God and christian charity.

CHAPTER X

ITALY

According to the report of H. W. Wolff the *Casse Rurali* (rural banks) were established in Italy by Dr. Wollemborg, the "Italian Raiffeisen". Usury was rampant in that country, but its practice was hardly held disgraceful, the usurer had even come to be looked upon as quite respectable. If the poor peasant wanted money, he could have it at rates varying from 50 to 1,200%. If he needed a bag of mealies, he could have one of inferior quality at 20/- for what in the open market cost only 10/-, but after 3 months he had to return it in good quality, which means 400% per annum. This was merry and flourishing business for the usurer, but it kept the peasantry in abject poverty which was rendered highly acute when hard times came. When a great depression came in 1880 there seemed scarcely anything left to work for. Cattle, implements and furniture were nearly all pledged to the usurer and all hope had been crushed out of the poor people.

For such a population the Raiffeisen banks, "with their aptitude for conjuring money out of nothing" (Wolff) were just the very thing needed. Their fame had crossed the Alps and in 1883 the Italian economist Luzzatti publicly declared that, if an ardent apostle were to start Raiffeisen banks in Italy, they should be welcome and not meet that foolish and disgraceful opposition which they had met in Germany at their origin. When Dr. Wollemborg resolved in 1883 to make a start, he was, of course told by everybody that his scheme was impossible. He began in his home parish Loreggia which had about 3,000 inhabitants. Being a rich man, Dr. Wollemborg might have done a good deal by charity to relieve the distress, but by doing so he would have failed to achieve the most important thing, the raising and education of the poor people. In June 1883 he opened his little pioneer bank with 32 members. The beginning was very hard, but progress was eventually made and the fame of the little bank spread rapidly.

When H. W. Wolff visited the bank of Loreggia some years after its start, old Bernardo Pietroni a very prominent man of the village served as guide and gave all possible explanations about the bank. When already a grandfather he had learned to write his name merely to qualify himself for admission to the bank, because every application for a loan has to be signed by the borrower. When the visitor discovered in the old man a surprising familiarity with the principles of modern farming the latter candidly admitted that the bank had taught him that. He had a large, simple and primitive, but substantial house for his family consisting of 28 children and grandchildren, he showed with pride large mealie cobs, full-grained barley and well shaped potatoes. "We used not to grow them like that. It is the bank that

has found the implements for good tillage and the manure". "But why did you not save money before to buy those things?" "There was nothing to save. All went to the usurer. We had never a centesimo over".

But old Pietroni had not only his own story to tell, he had several more from which only two are selected. There was a poor man in the parish, formerly tenant, then owner of a small farm of about 20 acres. It was wretchedly neglected. Everything was pawned, and the only one who got anything off the farm was the usurer. It was a hard case. The man joined the bank, but the bank was at a loss how much it might trust him with. It advanced him £4. He repaid the money and borrowed the maximum amount of £30 which sum may be kept continually going and coming, earning and repaying itself, thus giving the poor fellow £30 perpetually to work with. The bankrupt of ten years before had his farm in good condition, he had 6 beasts of his own, and £60 laid by in the bank as savings. "Then why does he not use his own money instead of the bank money?" "No, no," said the old man, "that would never do, what he borrows from the bank, he knows that he will have to repay. So he is careful with it. He will cast over thoughtfully what an outlay will bring him back. Yes, we have learnt to calculate. The other money is far safer where it is now. It is a good to the bank, and the man will not waste it."

There was at Loreggia a small trader. He was a pauper, receiving parish relief and was therefore not eligible for the bank. A kind friend lent him a little to get off the poor list. Then the bank admitted him, gave him a few pounds to buy cheap goods for hawking about. Some years after he had his little shop.

The social work started by Dr. Wollemborg soon gave rise to a very much more important movement which has become known as "Catholic banks". The leader of the movement was the catholic priest Don Cerutti who met H. W. Wolff during his visit to Italy. Since the ministers of religion played everywhere conspicuous part in the promotion of village banks, it is not surprising that the catholic priests in Italy, following their leader Don Cerutti, turned their attention to village banks. On July 1, 1890 Don Cerutti started his first Catholic bank at Gambarare near Venice with 26 members on the roll, but not a farthing in the cash box. The money to be lent out had first to be borrowed. Friends put in some deposits. The Savings Bank of Venice granted the first loan at $5\frac{1}{2}\%$ interest and the little bank dealt out in the first half-year about £370 in 33 loans at 6% interest. At the beginning loans were limited to £20, but later on this figure was doubled. The time limit for loans is 3 years, but there are many short loans down to a month. To make ends meet, expences had to be kept down to a minimum, and actually not a centesimo was spent in salaries. The first year's working resulted in a loss of 16/-, but the corner was soon turned and from the second year there was always a small surplus, and within 3 years a tiny reserve of £36 was accumulated. After this hard beginning the business and success of the bank increased and H. W. Wolff is proud of his disciple and friend Don Cerutti.

A poor man in Gambarare was £14 in arrear with his rent and no further delay was granted by the landlord. The only things which the poor tenant had to sell, were two badly bred cows, his very bread-winners. The bank helped, took security, compelled the

borrower to husband his means and save something from his weekly earnings. Within four months the cows had paid off the debt with interest, out of their milk.

A poor widow needed 30/- to buy a pig. The village usurer was ready to advance the money at his usual rate of 5/- per month and the loan to be paid back in one year, 90/- in all or 200%. Don Cerutti's bank offered to lend the same amount at 6% or 31/9 to be paid back after a year. The woman went to the bank, and after a few years she had saved a little sum of money.

After 20 years there were in Italy 1,200 catholic village banks altogether, with a federation and Central Bank at Parma, and their number is still increasing. The People's Banks have in Italy the same satisfactory tale to tell of success and good work and almost no losses as in Germany and elsewhere. They have shown themselves remarkably adaptable to Italian conditions and customs. In many a village they have proved a veritable god-send to the population, which under the crushing heel of usury had lost all interest in life and hope for a better future.

CHAPTER XI

J A P A N.

Co-operation has been known and employed in Japan in crude forms, in remote country districts, for centuries.

The fore-runners of Japanese co-operative societies are Mujini and Hotokusha. By these two forms the Japanese native genius solved the problem of popular finance and upon them modern alien forms of co-operation were grafted.

The Mujin is a spontaneous growth among the people and has existed for 700 years as a mutual aid society, chiefly for raising funds for domestic use or repairing temples. It moulded public opinion for the reception of the modern credit society.

The Hotokusha is a co-operative credit society of purely Japanese origin and was established in 1843. Rochdale started in the same year, Raiffeisen began in 1849. The general object of Hotokusha was to found economy on the basis of pure morality or to bring about a union of economy

and morality. Raiffeisen wanted his society "to rest upon a christian and patriotic foundation." The Hotokusha spread by leaps and bounds. In 1875 a federation of Hotokusha was organised. The Hotokusha was first formed to relieve distress, then to foster diligence and thrift and to develop agriculture; the moral side was always emphasised.

In 1887 two Japanese officials went to Germany and studied German co-operation in the Raiffeisen form; they were greatly impressed by its wonderful achievements and introduced in Japan the idea and organisation of German co-operation. Members of the Hotokusha organised the first two credit societies in 1892. In 1900 a Co-operative Law came into force. In that year there were already over 160 credit societies in Japan. They spread by leaps and bounds. In 1921 there were 13,000 societies with 2½ million members.

CHAPTER XII

INDIA

1 NEED OF CREDIT

The crying need of organised credit in India is expressed by H. W. Wolff with these words:- "If there is any one country in which the need of co-operative credit was written plainly on the face of things prevailing and to which accordingly without question co-operative credit must come as a god-send, that country is India." In that country there are over three hundred million people, honest, patient and hardworking, practising agriculture for many centuries. Skilled agriculture was carried on in India at a time when the Europeans were still in the hunting stage. Long before European rule was established in India, the people there were exploited by other races. When British institutions were introduced, rent had to be paid in cash and at the most inconvenient season of the year; in civil courts the ubiquitous money lender enjoyed easy advantages over his poor victims. Thus it came about in the course of generations that the Indian peasantry was plunged in a morass of debt and so remained, and the class of people who took the main profits of agriculture was, just as elsewhere, an army of unscrupulous and blood-sucking Indians of the worse type.

Sir Daniel Hamilton gives us an insight into the prevailing distressing conditions when he writes: "The power which stands in the way of India's economic development is the

power of evil finance, the want of a banking system for the people. The people have many bankers, but no banks. The land lies blighted by the shadow of the mahajan (usurer). Go where you will, you find the people waiting for a money monsoon which never breaks. The people say: "We are deep in debt, and if we borrow more, we shall be utterly undone." I find the same deadly mildew at work, blight, blight, blight everywhere. The mahajan still flies safely entrenched behind his money bags, while the victims of his silver bullet lie all around in heaps. The peasant is robbed of his crops, the cattle of their food, the weaver of his cloth, a dry and thirsty land is robbed of irrigation and of education, without which spiritual and moral progress is an idle dream. India stands a thousand years behind the times, because the mahajan with his ruinous rate of interest stands athwart the path of progress. Only along the co-operative route will India find the way from poverty to plenty."

General Booth, the founder of the Salvation Army, said in 1894 to W. H. Wolff: "Whenever my people get a Native up to the mark of being willing to embrace Christianity, the Native in question is almost sure to be heavily indebted, then the usurer steps in threatening to draw in the noose which his debtor carries perpetually slung round his neck, to sell him up. To meet this we must get a competing source of money to bring

into play."

2. ATTEMPT TO HELP

The British Government did not neglect its duties and sought long ago for a remedy for this pitiful state of rural India. The dole system was resorted to by rendering active help in times of famine and loans were given from Government funds. This form of state help proved to be only a palliative but no cure, since it lacked just those elements or qualities which alone can secure a permanent improvement, educating and raising the people, making them industrious, thrifty and self-reliant. Sometimes also harsh measures had to be employed by the Government for the recovery of loans, and this acted as a deterrent to the use of Government money.

It therefore became evident that a better system for help had to be found. In 1894 Lord Wenlock, Governor of Madras, sent Sir Frederick Nicholson to Europe to study there the question of co-operative credit. Sir Frederick summed up the results of his inquiry in two words: "Find Raiffeisen." About the same time H. W. Wolff discussed the same question with several influential men and all were greatly interested in the proposed scheme of co-operative credit. Sir Arthur Cotton even said to him: "That is the very thing for India; whatever expectation you may have formed as to results multiply them by ten and you will still find them exceeded."

But the fact that the British Government planted the idea of co-operative credit in the minds of the Indian people and guided the movement through the last twenty years is now considered by the Indians as a "prenatal defect."

3. CO-OPERATIVE CREDIT

Owing to the frequency of periods

of distress the Government of India could not wait for private agencies to arise and organise such a great people on co-operative lines. Therefore the Government introduced co-operative credit in order to encourage the spirit of thrift, self-supporting and mutual assistance and thus to prevent famine and starvation. Consequently the co-operative movement in India is largely due to official stimulus and enterprise, but the sympathetic officials did not discourage private helpers from entering the huge field, and thus missionaries also stepped in and did some social service in that line of work.

First the Government tried by legislative measures in 1904 to remove the necessity of borrowing from the peasants, but it was only reduced, not removed. Indebtedness could only be eliminated by successfully replacing the money lender by some alternative system of credit, or by replacing private credit by organised credit, and the only system found suitable was, as mentioned before, the Raiffeisen Bank. This first Act very rightly directed attention towards the provision of credit, both in town and country. A Registrar was to be appointed in each province, with the duties of registration, audit and liquidation. It was assumed that the organization and guidance of societies after the experimental stage would be carried out by local enthusiasts, and no provision was made for an official staff of subordinates.

A rapid advance took place and the opposition of the interested money lender, who in Indian villages is usually also a grain dealer, was overcome with notable success. Non-official workers, however, were not found in all four provinces, nor were their proceedings sufficiently business-like nor their knowledge sufficiently scientific, to justify the Registrars in handing over to them the sole control. An

official staff of inspectors and auditors was gradually collected, working side by side with non-officials, and the number of registered societies had risen in 1912 to over 8,000, when the first Act was replaced by the Co-operative Societies Act passed in that year. The new Act contemplated the extension of co-operative activity to more complex forms. Provision was made for the registration of all societies aiming at the promotion of the economic interests of their members, i.e., for societies dealing not only with credit, but also with purchase and sale, insurance and the various specialised functions carried out by the most recent types. The Registrar was authorised to depute other persons to audit societies, the number in each province being now far beyond the capacity of a single officer.

The annual return of co-operative societies for 1920-1921 showed a total over 47,000 in all India, of which 4,000 were in four Indian States. Societies exist also in other States not included in the return, but the varying standards of audit and of co-operative education renders it difficult to describe these in general terms. The number of societies in British India alone is now about 50,000, of which 90% are primary agricultural societies, 7% non-agricultural, and 3% are central banks, unions and other secondary institutions.

Registrars refuse to register societies unless the applicants have been properly instructed in co-operative principles and unless there is sufficient and efficient supervision.

4. WORKING OF BANKS

The Indian rural credit societies are based on the Raiffeisen system. Not less than ten adult persons apply to the Registrar, forwarding a copy of their bye-laws, and unless the proposals appear ill-considered or unco-

operative, the society will ordinarily be registered. As a rule, there are no shares. The area from which the members are to be drawn will be a single village or two or three hamlets, and the members pledge their unlimited liability, i.e., all their property, moveable and immoveable, which can legally be pledged, as security for any loans or deposits which their society may receive. They elect their own managing committee and secretary, and so far as their education permits, keep their own accounts and records; decisions are taken in general meetings or in their own responsible committee, and members are admitted or expelled, subject to the by-laws by the will of the common body. On the strength of the unlimited liability, a loan may be obtained from a co-operative central bank or union, or deposits may be attracted from members and non-members; the funds thus collected are lent out to members for useful purposes approved by the committee, within a limit sanctioned for each individual member by the general meeting. The members are bound to supervise the conduct of the borrower and for the greater safety the security of another member is taken in support of each loan. Repayment by instalments is, if necessary, allowed and punctuality is the essential rule. It cannot by any means be claimed that all these precepts are exactly obeyed by every society: there are weaknesses and perversities, defaults and even an occasional speculation; and if after warning and instruction by the official inspector and the unofficial auditor, there is no improvement the society is dissolved by the Registrar. It may, however, be stated that in the last ten years the quality of co-operation in the rural society throughout British India has been greatly purified and the determination of the members to shake off

by honest and united efforts, their yoke of debt, has been immeasurably strengthened. Wherever now a society establishes its footing and survives for two or three years, the moneylender knows that his kingdom is doomed to fall; the co-operators know that if they can avoid faction among themselves, they may become free men, and they gain courage to listen to new schemes of moral and material improvement which in their former bondage were unmeaning to them, even if practicable.

The credit movement of British India is not working with official money: about 50% of its capital consists of small shares contributed by the members and the surplus accumulated from the interest on their borrowings; another 10% consists of deposits by the members themselves, the remainder is commercial credit. The societies are not managed by the Government or by the officials. they are in the hands of their members, subject to an audit prescribed by law and carried out by non-officials under a decreasing official supervision; the official visits the society, teaches, praises and chides, but unless management is so negligent or perverted that liquidation is the only remedy, the official has virtually no legal power of enforcing his advice. (Co-operation in India by Strickland).

5. DIFFICULTIES

If one considers the enormous and almost invincible difficulties which militated against the introduction of People's Banks in India, then it sounds simply incredible that such institutions could ever have been established. Yet exactly as elsewhere, so also in India the impossible became possible in spite of the following difficulties:

a. *Religious*: Hindu philosophy does not care for material wealth and progress; it teaches people to be passive and resigned in natural calamities.

Famines are regarded as scourges from above and any preventive or protective measures as a sacrilege. Asiatic fatalism has become proverbial.

b. *Climatic*: The success of agriculture depends more on the rains falling with more or less regularity between June and October than on agricultural knowledge and skill, consequently the harvest is often ruined by failure of rain, and starvation follows.

c. *Social*: The caste system fixes the position of man by his birth, and he is precluded from all possibility of raising his position.

d. *Economic*: The Indians are a poverty-stricken and custom-ridden people. A large proportion of the inhabitants are desperately poor, the most striking element of economic life is waste, the habit of thrift is non-existent.

The great poverty and frequent famines caused the people to look for help on the line of least resistance by making debts, and the ubiquitous moneylender was, as usual, willing to help in his way. The Indian moneylender seems to have existed from time immemorial, there were always some men anxious to find some outlet for their ready cash, and money-lending was one of the most profitable industries in the country outside the towns.

Indebtedness was an age-long custom; ancient writings mention the sale of wife or children to pay debts. A man was born in debt, he lived in debt, he died in debt and his son inherited the debt, with the ancestral property.

Any scheme designed to alter this state of things, to banish debt and to replace it by savings, was against the accepted order of things which had prevailed since time began; therefore explanation of the advantage of organised or co-operative credit was

countered with the remark, "The father inherited debt, why should not his son?"

And even when the people consented at last to organize, then their ignorance and lack of business experience led them to unrealisable expectations of profits from the simplest form of enterprise.

6. RESULTS

"An entirely new atmosphere has been breathed into Indian country life," says H. W. Wolff. Indebtedness was not wholly relieved because many people made no effort at self-improvement, or they lacked the character essential to success, some were selfish and refused to help their neighbours; others did not desire any economic progress and uplift, or succumbed to the temptations of the ever present money-lender.

Yet some remarkable success has already been achieved and there is strong reason to believe that continued efforts on the same lines will bring vast benefits to the country.

In India, as elsewhere, the credit society was a valuable starting point for further co-operative experiments, the idea of self-help and mutual help taught in credit work being directed into other channels.

There are over 1,000 agricultural societies for objects other than credit; for spreading of agricultural knowledge, cattle insurance, purchase of agricultural implements, seed, manures, simple household requisites and sale of produce.

The societies for sale passed through many difficulties, but the obstacles were surmounted and success was achieved.

Other societies are arbitration societies for the purpose of diminishing litigation or court cases which is such a curse to the peasantry.

There are also societies for the con-

struction of irrigation works, for owning and working demonstration farms, for improving cattle and sheep breeding, for reclaiming waste land, for providing night schools for illiterate peasants.

The modest and rather primitive type of rural leadership existing in a dormant state is aroused and developed by the co-operative movement into a powerful factor in the economic uplift of the masses of the people.

The spread of co-operative credit societies must afford considerable relief to a large body of peasant farmers. The societies help the solvent peasant farmers with loans at rates of interest between 9 and 12 percent. They also help in the disposal of produce. A direct off-shoot of these societies is the growth of compulsory education societies which not only exact from the parents the promise to send their children to school, but under whose guidance the parents themselves attend evening classes. Thus there are village schools, where the barber, the goldsmith, the washer-man, the carpenter and the blacksmith attend in association with young pupils and where they are anxious to be able to read and write and understand the elements of book keeping and accountancy.

7. NEED OF EDUCATION

After 20 years experience of co-operative work in India the need of more knowledge was clearly perceived. In the early years of the co-operative movement Government officials helped the first co-operative societies in their proper working. But when the movement steadily grew apace, the societies grew in number and the volume of transaction expanded, the bank officers were thrown on their own resources to help best the working of societies, and as a result many mistakes were made.

The defects which occurred were traced to the illiteracy and credulity of the people, to the lack of proper knowledge of co-operative work in the office-holders and members, to the general incompetency and fraudulent conduct of the chief office-holders who assumed the role of dictators, and to the lack of effective supervision.

Therefore a keen desire for knowledge arose, for a proper education in the history, principles and practice of co-operation in other countries and a thorough training in carrying out a systematic enquiry into local conditions. For this purpose co-operative training classes were organised. In order to inspire the humble peasants with public spirit, to prevent dishonesty and to set up a higher standard of conduct, the Indians want now non-official missionaries for the work of propaganda and education, because they say that a Government officer is hardly the man to educate the office-holders not to take remuneration but to perform gratuitous service, because he has to break his preaching in his own case.

8. AMONG THE MUDAS

a. The Mundas

are a primitive poor people in India. They lived in poor mud houses, where money was not safe against the thieves, therefore each man had to bury his money at some secret place. The Mundas were very much exploited by Hindu moneylenders, having to pay 100-200% on loans. Since they lived in abject poverty, they were ready for any kind of help, and thus it came that, when they heard about Raiffeisen Banks, they at once had great confidence in these banks.

b. Organisation of Raiffeisen Banks

Father Johannes Hoffman S. J. was for thirty-seven years a missionary among the Mundas. With the per-

mission of his Archbishop he travelled through the country in 1908, stayed at every place two days, gave long lectures on the bank-system, and assisted in the election of the bank officials.

The Catholic mission of Chota-Nagpur consists of 17 mission stations, each having two or three missionaries. A mission comprises many villages or groups of families. For each village a Catholic Credit Society was founded. All deserving people were admitted. This society was autonomous and formed the RURAL UNIT. All societies belonging to a mission station formed a CIRCLE. All seventeen circles formed the CENTRAL SOCIETY, 800 rural units served 16,000 Catholic families. The central society had its seat at Ranchi, the capital of Chota-Nagpur. In order to raise the necessary funds each family had to pay an entrance fee of 8d. and a share capital of 3/9 for which no interest was given. Much of the money buried by the Mundas was unearthed and paid in as deposits; 5% was given for deposits and 9% was charged for loans.

For the first 15 years the director of the bank was to be a missionary appointed by the Archbishop of Calcutta without any financial responsibility. After 15 years the general assembly can ask the Archbishop to appoint again a missionary for a period to be fixed by the assembly.

c. Opposition

From all sides Father Hoffman was told that these banks would be impossible among the primitive Indian peasants. When he attended the first Provincial Congress of the Co-operative Societies at Bengal the people laughed at his plan. Asked how he would create the necessary capital, he said that he would try to raise it among the members themselves. This was

believed to be simply impossible. But in the following year the Father reported at the second Congress that his 8,000 members had paid in about £2,100 as entrance fees and share capital and over £600 deposits. Of course people wondered how he succeeded in doing this. He told them that he simply explained everything to the people, and they understood, believed and obeyed. Then a Moham-medan official said: "We also explain but we don't get money. The secret seems to be that you as a Catholic Missionary possess the people's confidence to a degree impossible to us."

d. Registration.

The bank founded by Father Hoffman was registered in 1909 at Calcutta under the Co-operative Societies Act as Chota-Nagpur Catholic Co-operative Credit Society. Registration meant freedom of income tax and stamp duties, the free use of printed forms for loans, registers and cash books, all free of charge from Calcutta. Difficulties were raised against the word "Catholic", but the bank was eventually registered under that name. For every 600 members of such banks the Government gave a monthly salary of £2 for the secretary. Father Hoffman had 8,000 members, so he should have got about £25 a month, but he got nothing, because the Government refused to support a denominational bank. But in 1911 the Government inspector granted £2 a month for at least one secretary. In 1913 the Government declared that the denominational system had worked splendidly in the Catholic People's Banks so that other societies were advised to proceed on the same lines.

The reason which Father Hoffman had for limiting his bank to Catholics was the danger that in case of success too many people wanted to enter,

Protestants and Pagans, but the Catholic Missionary would have been unable to manage such a bank.

e. Results

Material Help.

A Jesuit Father writes: "How many families has the bank not snatched away from clutches of moneylenders! How many has it not saved from slavery and ruin and from emigration to tea estates of Assam!"

Moral Help

Self-discipline: The council of management could accept and exclude members. Any one who wanted to make a loan was compelled to behave excellently. The council refused to give help to doubtful people.

Drink reduced: Indians drink rice beer and brandy, drunkenness is their greatest vice. Credit Societies organised a strong campaign against drink, the chief helpers of the councils being the members of the councils who refused to give loans to drunkards and young men who helped to arouse the self-respect of the people by forming Temperance Societies. People who were found drunk were fined and the money was used for schools.

Self-confidence: The poor people were proud of their bank, it belonged to them, was managed by them and helped them in making money circulate among them.

f. Present State

These banks do still exist in Chota Nagpur, being managed by 13,000 Native shareholders, all Catholics. The headquarters of the bank are at Ranchi, and branches exist in all districts. In addition to periodical meetings of shareholders in the districts, a general meeting is held each October at Ranchi. The Archbishop attends this

meeting. As many as one thousand picked representatives from the branches attend.

The meeting lasts several days, and the delegates do not only discuss the affairs of the bank, but all matters affecting the welfare of the people. Thus the work of the genuine People's Banks is really synthetic, comprising all aspects of the human life.

Not many years ago there was in Chota Nagpur not a single Native tradesman or shopkeeper. All goods were sold by foreign Hindu mahajans. As a result of the training the people

had got through their banks, Co-operative Stores were established to prevent all of the profits from going to the foreigners.

A further development is the growth of Industrial Schools and the Weaving and Cotton Industries to train Natives for the various occupations common to India.

All these institutions belong to and are managed by the Natives. Thus the Raiffeisen bank has proved in India that it is really a People's Bank, a bank of the people, for the people and by the people.



PEOPLE'S BANKS

OR

USE AND VALUE OF CO-OPERATIVE CREDIT

LEGAL PART

CHAPTER I

PART OF THE GOVERNMENT

1. Right of Association

Everywhere and at all times, men combined in various forms: in guilds, societies, associations or clubs, in order to achieve in combination certain aims which they were unable to achieve in isolation. The gregarious instinct is part and parcel of man's equipment for his journey through the world. Men are social beings and instinctively unite their forces in order to increase them. Consequently the right of forming associations is natural and no Government can give to men the right of combining and co-operating, nor can any ruling power suppress good associations or hinder them in their legitimate aims.

2. Need of Legislation

The duties of the Government towards associations are similar to the duties of parents towards their children. Parents do not give their children the force to act; but they regulate that force or the activities of their children. On the other hand the parents must protect their children against any harm which might threaten them from their physical or

social environment.

Associations have some definite aims and particular interests which bind and hold them together. In their efforts to achieve their aims they are very liable to become one-sided, to overlook and disregard, and thus to come into conflict with, other public, group or private interests. In this way the harmony of society may be disturbed and in such cases, of course, it would be the duty of the State to step in and control, as far as it is necessary, the associations so as to avoid a conflict or clash of interests as well as other possible abuses and excesses.

A very important activity of the Government, in connection with certain societies, is to afford the necessary protection and give them a legal status so that they may be considered as corporate or legal personalities, enjoy as such certain rights (e. g. of acquiring and holding movable and immovable property), and to be able to carry on certain activities necessary for the achievement of their purpose. In order to acquire such a legal status, associations must be duly incorporated

or registered under a certain law of that particular country.

Registered societies are protected by the State against any harm, damage or loss, just like any private individual. A registered co-operative society can sue or take a civil action against members or against outsiders in support of its just claims; e.g. recovery of loans and payment of debts. It has also the right of prosecuting or resorting to criminal courts in case of wilful damage caused by outsiders, and in case of criminal misconduct of an office-bearer or member.

But although a society has the right to criminally prosecute an officer or member, it would rarely be expedient to take such a step. Co-operators would have to be painfully ashamed if such a procedure became necessary. It would show that there were among them men of highly depraved moral calibre, who should never have been admitted to the society and still less be elected as office-bearers. It would show that the latter have not been chosen with the utmost care and that they have been remiss in the discharge of their duties. It would also show that the members as a body were not alive to their responsibilities and did not keep a vigilant eye over the management of the society by the Committee.

Co-operators should exercise the utmost caution in resorting to the criminal court and they should refrain from doing so, if the conviction of a wrong-doer is not perfectly sure. But this does not mean to say that a criminal should be left scotfree. It may be sometimes an inevitable necessity to bring such a member before the court so that the punishment of the offender and his consequent degradation in public estimation may serve as a deterrent to those who might be disposed to similar wrongdoing.

Prevention is better than cure, and if all instructions given in the theoretical part of this book are carefully observed, the society will never be compelled to make use of its right to prosecute a member or officer for criminal misconduct; e.g., misappropriation of funds which may be due to gross carelessness and disregard of regulations.

3. Attitude of Government

The attitude of Government towards the formation of associations by private individuals can be summed up in the following words:—Harmful associations must be suppressed and useful ones should be encouraged.

It is the essence of co-operation that it be spontaneous in its beginning and voluntary in its working. It is spontaneous if it comes from the people themselves, because they deeply feel and clearly see the need of it. It is voluntary in its working if the recognised need urges them to make an attempt at self-help by working together.

Where co-operation does not yet exist, but is necessary for the welfare of a section of the people, the Government may, as has happened, try to influence public opinion in the desired direction and provide the legal machinery necessary for the protection of the co-operators. But it does not seem advisable that the Government itself should start co-operative societies for the people, for in the further development of co-operation, such an act of the Government would be felt by the people as a prenatal defect which might prove harmful.

If a number of people have made up their minds to combine their moral, mental and physical forces and material resources for co-operation, then the Government must wisely guide and protect the movement, but not throttle it

by too much interference and by forcing the members to submit to Government rules down to the most minute details.

4. The Right Spirit

All depends on the right spirit on both sides, the co-operators' and the Government's. Where that spirit is absent, compulsory co-operation, even if it were necessary, will be evaded and frustrated by passive resistance. A horse feeling no need of water can be led to the water, but it cannot be compelled to drink if it does not want. On

the other hand no man with sound legs will make use of crutches, or any similar support. In many countries the poorest peasants have achieved well-nigh wonderful results in co-operation without the whip and crutches of the State.

People must organise themselves with the friendly counsel of their leaders and under the protection, and where necessary, control of the Government. But too much activity of the latter would weaken the sense of responsibility and private initiative.

CHAPTER II

CO-OPERATIVE LEGISLATION

The term "Co-operative Legislation" may be misunderstood. It may be taken to mean that two or more parties co-operated in framing laws. This is not the present meaning. Here we understand by this term legislation on co-operation, chiefly on agricultural co-operation and on co-operative credit.

1. In Other Countries

In ancient Rome, when the Republic was flourishing, there was complete freedom of associations, and the various religious, political, social and economic associations had a legal status. Later on, under the regime of the emperors, all associations were suppressed and became illegal.

In Germany the first law for co-operative societies was passed in 1868, the second in 1889. The latter permitted limited liability, prescribed shares and forbade the accumulation of a reserve fund. Another law permitted again the reserve fund, but

business with non-members was forbidden.

Similar laws were enacted in other European countries during the second half of the last century. In Italy a law was passed in 1887 to promote co-operative banking. Even in South America such legislation is found. Argentine has possessed a law authorising the formation of co-operative societies of all sorts since 1889, Uruguay since 1912.

On account of the apparent success of the German Co-operative Act of 1889 a similar law was passed in Japan in 1891 mainly in the interests of agriculture.

In 1895 a Russian law on co-operative credit was promulgated. When amended in 1904, it gave a new impulse to co-operative societies. The most striking feature of this law was that it provided for state control over these institutions to be exercised by the Ministry of Finance through the medium of the Small Credit Administra-

tion which was a part of the State Bank. In the provinces there were Provincial Small Credit Administrations which gave the necessary authorisation for the formation of co-operative societies and which directed them. Moreover the State Bank employed inspectors for small credit business.

In 1904 the Government of India passed "The Co-operative Societies Act" which pioneered the co-operative credit societies of the Raiffeisen type into India with a view to relieve agricultural indebtedness which was a heavy burden upon agriculture, the mainstay of India's people. That first Act did not contemplate, recognise nor encourage co-operative distributive societies of the Rochdale type. The amended Act of 1912 filled up this omission and the formation and fostering of "Co-operative Stores" became the concern of the Government.

In South Africa.

In this country we have the following pieces of co-operative legislation.

- (a) The Co-operative Societies Act of 1922.
- (b) The Agricultural Credit Act of 1926.
- (c) The Companies Act of 1926.
- (d) The Transkeian Draft Proclamation of 1926.

Although at present African associations, banks or co-operative societies

cannot be registered under any one of the above mentioned three Acts it is nevertheless necessary for Africans to know something of the co-operative legislation. Therefore an outline of those Acts is given in the following chapters.

More must be said about the Co-operative Societies Act, since it is possible that with the development of agriculture and co-operation African associations may, in the future, apply for registration under that Act. Two alternatives are that the Transkeian Proclamation, after it has become law, may be extended to other parts of the Union inhabited by the South African Natives, or that Natives apply for a private bill or special law for the registration of African banks or co-operative societies.

But the application for a private bill has also its great difficulties, since it is very expensive. A certain sum of money which may be £100 or £200 would have to be deposited with Parliament, and Counsel and witnesses would have to be engaged.

Whatever course may be taken in the future, the sketch which is given of the Co-operative Societies Act should be instructive to African students of economics and sociology and serve as a guidance in their attempts of organising, developing and managing their own associations.

CHAPTER III

THE CO-OPERATIVE SOCIETIES ACT

1. Nature and Scope of the Act

a. Title

In 1922 Sir Thomas Smartt, the then Minister of Agriculture piloted through Parliament the Co-operative

Societies Act or Act No. 28 of 1922. The full title of the law is: Act to provide for the formation, registration and management of co-operative agricultural societies with unlimited liability, co-operative agricultural companies

with limited liability and co-operative trading societies with limited liability.

b. Administration

This Act is administered by the Department of Agriculture through its Sub-division of Agricultural Co-operation which assists farmers to form societies and then endeavours to see that such societies are conducted along the right lines and generally fosters the spread of the co-operative movement. In June 1922 there were 45 registered societies, in June 1926 their number was 294. The work of the Sub-Division consists of education, propaganda, organisation, inspection and guidance.

c. Education

in co-operation is still necessary for the white people to make them understand what co-operation means and implies. Many failures in co-operation can be traced to this ignorance. Farmers often believed that co-operation meant a quick rise in prices. The Government tries to show the farmers that high prices are not the first advantage of co-operation. The first aim must be to produce a uniform product for the market; this only makes the pooling of the produce possible. The second aim must be to realise a stabilised price over a period of years instead of one which varies from season to season. Then the farmers are encouraged to make the best possible use of storage and credit facilities.

d. Propoganda

The principal aim of the Government is not a hasty development of a number of co-operative societies, but to prepare the farming community for co-operation by explaining the principles, methods, advantages and risks. Before many new organisations are formed the existing societies should be con-

solidated and be made successful, because nothing succeeds like success, and successful societies are the best propaganda for new ones.

The Sub-Division assists prospective societies in drafting regulations and in complying with the requirements of the law.

e. Inspection

Registered societies must be inspected by the Government. The Sub-Division supervises and checks the business management, the activities and undertakings of registered societies. Some ten officers act as inspectors of co-operative societies under the supervision of a senior inspector. Inspection entails the examination and analysis of the financial statements and annual returns which the registered societies are required to send to the Registrar in the terms of the Act. The most important part of inspection consists of visits to societies for the purpose of auditing their books, examining and reporting upon their business management and activities. The object of such a report is not only to see that the provisions of this Act are complied with, but rather to advise societies regarding improvement in their business methods.

The three subsequent sections of this chapter contain some documents which were kindly supplied to the writer by the Registrar of Co-operative Societies in Pretoria.

MEMORANDUM

HOW TO FORM A CO-OPERATIVE AGRICULTURAL SOCIETY, WITH UNLIMITED LIABILITY, UNDER THE CO-OPERATIVE SOCIETIES ACT

(No. 28 OF 1922.)

1. The first step necessary is to call a meeting of farmers interested in

the venture.

2. At this meeting there must be present a sufficient number of persons qualified to form the society, i.e., at least seven persons carrying on farming operations for the benefit of themselves in the Union, either exclusively, or in conjunction with some other person, business, profession or occupation.

3. A Chairman and Secretary should be elected to conduct the business of the meeting.

4. After a brief explanation by the Chairman of the objects of the meeting, there must be presented and read:

(a) A written statement showing the object of the society (as contained in Clause 3 of the proposed Regulations), its business prospects, and facts and statistics calculated to show that, when registered, it will be able to carry out its objects successfully. This statement should be prepared by the promoters before the meeting. In addition to the objects of the proposed society, the benefits they expect to derive therefrom and such information in regard to the estimated turnover, income, and expenditure of the proposed Society as will enable the prospective members more or less to judge what likelihood there is of the concern proving a success. A report on these lines would suffice;

(b) A copy of the Regulations which it is proposed to tender for registration. Any blank spaces occurring in the regulations should be duly completed, as decided upon by the meeting. In completing clause 1 of the Regulations, it should be noted that the

word "Co-operative" must form part of the name of the Society. As regards clause 2, it is only necessary to insert the name of the Province in which the office of the Society is to be situated, but the exact situation of the office in that Province (i.e. the name of the town and the number (if any) and the name of the street, or the name and number of the farm and the district where the office of the Society will be) must be duly approved by the members, and particulars thereof must be furnished the Registrar on the attached Form "M".

5. After consideration of the Statement and the Regulations, referred to in the preceeding paragraph, those desirous of becoming members of the Society must sign, in duplicate, the form of application for membership provided for the purpose. It is important that no application for membership should be signed before this stage has been reached.

6. Those persons who have signed the forms of application for membership must then proceed to elect the first directors of the Society. The number of such directors will be as specified in the Regulations, but it may not be less than three. No one can be elected as a director unless he has signed the application form at the meeting and is qualified for membership. It is therefore very desirable that the meeting should be as representative as possible. The first directors shall hold office until the first general meeting of the Society.

7. The Society is now legally formed and the meeting may be closed.

8. Within two months after the date of the meeting, application must

be made to the Registrar of Co-operative Societies, Agricultural Department, Pretoria, for the registration of the Society under the Act, on the attached Form "A." The application must be accompanied by the following documents:

- (a) A solemn declaration made by the persons who acted as Chairman and Secretary at the meeting, of compliance with the requirements of the Act (see form "B" attached);
- (b) A copy of the written statement referred to in paragraph 4 (a) above;
- (c) Two copies of the proposed Regulations of the Society, signed by seven of the applicants for membership, each of whose signatures must be duly witnessed. The Regulations tendered for registration should be clearly typed or printed; one of the copies at least, must be an original, i.e., a non-carbon copy. Any alterations made in the Regulations must be initialled by the seven applicants who sign the copies.
- (d) A list containing the full names, addresses, signatures and occupations of all the applicants for membership, including those who applied subsequent to the date of the meeting. (For the purpose of this list, one copy of each of the application forms for membership duly completed must be submitted.) A list of the directors of the Society, showing the full name and address of each director;
- (f) Detailed list of the expenses and liabilities incurred by the Society to date of the

transmission of the application for registration to the Registrar;

- (g) Notice of the situation of the registered office of the Society (see Form "M" attached);
- (h) Two Revenue stamps, value £1 and 5/-, in payment of the registration fees.

The documents specified in (a), (b), (e), (f) and (g) must be signed by the Chairman and Secretary.

9. As soon as the registration of the Society has been effected, the Registrar will transmit to the Society a certificate of registration and a copy of Regulations with particulars of registration endorsed thereon, upon receipt of which the Society may commence operations.

10. In the case of Societies formed for the disposal of members' products, registration is very largely dependent upon the expected turn-over of the Society. It is therefore advisable that as many applicants for membership as possible should be secured before the registration of the Society is applied for.

REGULATIONS OF THE CO-OPERATIVE AGRICULTURAL SOCIETY.

NAME.

1. The name of the Society is the "..... Co-operative Agricultural Society"

OFFICE.

2. The office of the Society will be situated in the.....
.....Province.

OBJECTS.

3. The objects of the Society are:—
(a) to dispose of the agricultural

- products or livestock of its members in the most profitable manner;
- (b) to manufacture or treat the agricultural or livestock products of its members and to dispose of the products so manufactured or partly manufactured in the most profitable manner;
- (c) to purchase or otherwise acquire on behalf of and to supply to its members agricultural implements and machinery, livestock, feeding stuffs, seeds, fruit trees, manure and other farming requisites;
- (d) to manufacture or treat feeding stuffs, manure or other farming requisites;
- (e) to purchase, hire, or otherwise acquire on behalf of its members, agricultural implements or machinery;
- (f) to purchase, hire, or otherwise acquire and to use and control on behalf of its members, breeding stock;
- (g) to commence, acquire and carry on supply stores under a co-operative system of disposing of and supplying agricultural products;
- (h) to provide by purchase, hire, construction or otherwise cold storage for the products of its members;
- (i) to commence and carry on crop, produce or livestock insurance, orchard spraying or cleansing, fruit packing, ploughing and other farming operations for its members under a co-operative system;
- (j) to engage competent persons to carry out any of its objects and to give instruction and advice to its mem-

- bers on farming operations;
- (k) to acquire and distribute information as to the best manner of carrying on farming operations profitably;
- (l) to acquire and distribute information on the markets of the world, and of co-operation in general;
- (m) to acquire by lease, purchase or donation, and to hold movable and immovable property for the better carrying on of any of the objects of the company;
- (n) to recruit and supply labourers for its members;
- (o) to raise money on loan for any of the lawful objects of the Society, and for that purpose to mortgage the movable and immovable property of the Society;
- (p) to acquire by purchase or otherwise shares in any co-operative agricultural company or in any central or federal co-operative agricultural company registered under the Cooperative Societies Act, 1922, provided that shares in such federal company shall only be acquired in the special circumstances mentioned in Section 37 (1) of the said Act.

TIME OF ESTABLISHMENT.

4. The society shall be established for a period of years.

CAPITAL

5. The funds necessary for carrying on the operations of the society shall consist of:—

- (a) any loans raised by the society;
- (b) The reserve fund of the society.

MEMBERSHIP

(a) ENTRANCE.

6. Bona fide farmers may become members by application to the board of directors, who shall have the right to accept applicants for membership on the basis of these regulations or to reject such applicants without assigning any reason for doing so.

7. Every person desirous of becoming a member must sign in duplicate the printed forms of application provided for the purpose and forward them to the board of directors who shall decide at their next meeting whether or not membership shall be granted.

8. Every member shall by his signature on the form of application be bound by the existing regulations and any additional regulations or alterations to the regulations which from time to time may lawfully be made.

9. The entrance fee for members shall be.....which amount shall be subject to alteration at the annual general meeting. The entrance fee shall be added to the reserve fund.

10. The widow of a deceased member or any other beneficiary from his estate may, subject to the approval of the directors, become a member in place of the deceased, and within two months after his death, as such beneficiary take over his rights and obligations in respect of the deceased member's interest in the society. If no beneficiary takes over such rights and obligations, the beneficiaries shall be entitled to receive a certain amount which shall be determined by the directors but which in no case shall exceed 75 per cent of the deceased's interest in the society; the balance to be added to the reserve fund.

(b) RESIGNATION AND EXPULSION.

11. A member may resign only at the end of the financial year; and then only if he had previously have given three months written notice to the society of his intention to resign. Such notice shall be placed on the agenda, and be recorded in the minutes of the first meeting of directors after its receipt by the society and the member thereafter with as little delay as possible be notified in writing by the society that the notice has been so recorded.

12. A member may be expelled from the society at the end of the financial year if such expulsion has been previously agreed to by not less than two-thirds of the members present at the general meeting specially convened for that purpose: Provided that expulsion shall occur for, or on account of, one or more of the following grounds or reasons, viz:

- (a) in the event of such member calling a meeting of creditors or arriving at a compromise with them;
- (b) in the event of such member being insolvent or at any time failing to pay his true and lawful debts, or any order being issued against him by any court of law for payment of money;
- (c) in the event of such member failing to discharge his obligations to the society, whether prescribed by these regulations, or arising out of any contract.

13. A deceased member shall be deemed to have retired at the close of the year in which he died.

14. If a member becomes insolvent or assigns his estate for the benefit of his creditors, such insolvency or

assignment shall not in itself, terminate membership.

15. In event of a member resigning consequent upon his relinquishing farming operations he may, subject to the approval of the directors, cede his rights in the reserve fund and all assets of the society to any member of his family who agrees within two months thereafter to become a member of the society: Provided that the rights so acquired shall be subject to all the conditions of membership; and provided further that such approval of the directors be obtained by resolution of the board passed within two months from the date upon which such registration takes effect.

16. Save as is provided in regulation 15, members who have resigned or have been expelled shall have no claim on the reserve fund or other property of the society.

LIABILITY OF MEMBERS.

17. It shall be a condition of membership that all members be jointly and severally liable for payment of the debts and obligations of the society: Provided that the liability of any person who has resigned his membership or has been expelled from the society and the liability of the estate of any person who has died shall cease in respect of any of the society's debts and obligations incurred after he had ceased to be a member; and in all respects shall also cease as soon as the annual financial statements of the society signed by its auditor disclose a credit balance in favour of the society.

18. In the event of the society obtaining a loan from the Land and Agricultural Bank of South Africa, all members of the society shall, notwithstanding withdrawal (which includes resignation, death or expulsion) from the society, and notwithstanding the financial statements of the society, disclosing

a credit balance in favour of the society, remain liable for every debt or obligation of the society to the said Bank which was undischarged at the date of withdrawal, until the Central Board of the said Bank is satisfied that the society and its remaining members are capable of discharging the debt of obligation. An obligation shall remain to the said Bank in respect of a loan granted in the form of a cash credit account as long as the authority of members by virtue of which such loan was raised is acted upon and recognised by the Central Board of the said Bank.

19. In the event of the balance-sheet and profit and loss account disclosing that the year's operations have resulted in a loss to the society, such loss shall be borne in equal shares by the members of that year and the amount of such share shall be a debt by the members of the society, and recoverable by the society from the members.

BOARD OF DIRECTORS.

20. The operation of the society shall be managed and controlled by a board of directors consisting of members. At the first annual general meeting.....Of the directors, who shall be determined by ballot, shall retire yearly by rotation of..... and

21. Retiring directors may be re-elected.

22. Any casual vacancy occurring on the board of directors during the year shall be filled by the remaining directors until the next general meeting.

23. The society may by a resolution passed at a general meeting specially convened for that purpose remove any director before the expiration of his period of office and appoint another qualified person in his stead.

Any director so appointed shall not hold office for a longer period than the director in whose stead he was appointed would have held the same if no vacancy had occurred.

24. directors shall form the quorum of any meeting of directors.

25. The directors shall elect from among themselves a chairman and a vice-chairman.

26. Questions arising at any meeting shall be determined by a majority of votes, and in the case of an equality of votes the chairman shall have a casting vote in addition to his deliberative vote.

27. The directors shall act in the name of the society and they shall exercise, within the limits of these regulations, the same powers as if they had been determined at a general meeting.

28. The directors shall report and account for all their transactions at each general meeting when called upon to do so.

29. The directors shall meet as often as is necessary.

30. The position of the director shall be honorary, save and except when one or more of them are appointed to perform special services for the society, but out-of-pocket expenses incurred by the directors when engaged on the business of the society shall be refunded.

31. The directors shall engage a sufficient staff to carry on the business of the society, and shall fix their salaries and determine the work to be carried out by them. The directors shall also have the right of suspension and dismissal.

32. The directors shall cause every officer in the employ of the society occupying a position of trust to give adequate security.

33. The directors shall cause books of account to be opened in a form approved by the Registrar which shall truly reflect the transactions of the society and they shall see that such books are kept up to date.

34. The directors shall open a banking account in the name of the society into which all monies received shall be deposited as soon as possible after receipt. All cheques drawn on such account shall be signed by one of the directors and counter-signed by the secretary or some other officer authorised by the board of directors. The directors may also open a bankig account in the name of the secretary as such, into which account the directors may cause to be paid by means of cheques drawn on the first-mentioned account, such moneys as may from time to time be necessary in order to enable the secretary to defray current expenses, and to make such advances to members as they may be entitled to demand from time to time : Provided that the total amount of the banking account opened in the name of the secretary as such shall in no case exceed the amount in respect of which the secretary has given security in terms of regulation 32.

35. The directors shall arrange insurances against loss, damage to, liability of the socitey by reason of fire, accident, peril of the sea, or otherwise and shall also effect such insurances in respect of members' produce or other goods while under the care and control of the society.

36. The directors shall cause minutes of the proceedings at all general meetings and of every meeting of the board of directors to be entered in separate books kept for the purpose and containing proper tabulated details of the business conducted at the meeting. The minutes of the proceedings

of each meeting shall be submitted at the next ensuing meeting, and, if passed thereat as correct, shall be confirmed by the signature of the chairman thereof.

37. Without prejudice to the powers conferred by regulation 27, it is hereby expressly declared that the directors shall have the following powers:—

- (a) to make by-laws provided they are not in conflict with these regulations;
- (b) to mortgage any property of the society as security for any loans legally raised;
- (c) to give in the name and on behalf of the society indemnities in pursuance of a guarantee to be issued by any bank, central or federal co-operative company or similar institutions in respect of any obligations incurred or contract entered or to be entered into by the society;
- (d) to impose on members the fines prescribed by these regulations. Any fines so imposed shall be added to the reserve fund. Any moneys (other than an advance) due to a member in respect of produce delivered by him to the society may be applied in payment of any fines imposed by the society: Provided that whenever the directors have decided to impose a fine on a member they shall cause to be transmitted to him written notice of their intention and the reasons therefor and state in the notice that within a period to be specified therein he may appear before them in person with or without witnesses or may

send to them a written statement signed by himself and by others for the purpose of showing cause against the imposition of the fine. The imposition of the fine shall be deferred until the expiration of the period specified in the notice.

38. A director shall vacate his office:—

- (a) if he becomes insolvent or assigns his estate for the benefit of or compounds with his creditors; or
- (b) if he becomes of unsound mind, or is convicted of an offence and sentenced to any period of imprisonment without the option of a fine; or
- (c) if he absents himself from four consecutive ordinary meetings of the board without its leave (and such leave shall not be granted for a period covering more than six consecutive ordinary meetings, unless the absence be on the business of the society); or
- (d) if he resigns his membership of the society, or is lawfully expelled therefrom; or
- (e) if he gives one month's notice in writing to the board of his intention to resign his office and his resignation is accepted by the board.

BORROWING POWERS.

39. The directors may not raise a loan involving a liability of the society exceeding £100 (one hundred pounds) unless such loan has been approved by not less than two-thirds of the members present at a general meeting convened for the purpose of which

notice, stating full particulars of the proposed loan, has been duly given.

40. Any resolution authorising a loan from the Land and Agricultural Bank in the form of a cash credit account shall fix the period for which the loan is to be obtained and such period shall in no case exceed one year reckoned from the date of the granting of the loan by the said bank.

GENERAL MEETINGS.

41. An annual general meeting of members shall be held within four months after the close of the financial year for the purpose of:—

- (a) reading and considering the the balance sheet, profit and and loss account and auditors report;
- (b) considering a general report by the directors;
- (c) electing directors and auditors; and
- (d) for general business, including any complaints that may be made by members.

42. The board of directors or any two directors may whenever they think fit convene a special general meeting.

43. A special general meeting shall be convened at any time upon a requisition in writing to the board of directors signed by not less than one tenth, but in no case less than five of the members of the society, for the consideration of such business as shall be specifically stated in the requisition. If within twenty-one days after the transmission of such requisition a special general meeting be not convened by the board, it may be convened by the requisitionists.

44. All meetings, whether annual or special general meetings shall be convened by notice, which shall be posted to the addresses of the members at

least fourteen days before the date fixed for the meeting, and shall specify the date, place and hour of meeting, and the nature of the business to be transacted. The non-receipt of such notice by any member shall not invalidate the proceedings of any such meeting.

45. The chairman of the board of directors, if present, shall unless the meeting otherwise determine by resolution be the chairman of any general meeting.

46. One-tenth of the members of the society shall form a quorum : Provided that a quorum shall in no case consist of less than five members.

47. If within one hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members shall not be held; in any other case it shall stand adjourned to the same day in the next week at the same time and place, or if that day is a public holiday, it shall stand adjourned to the next day which is not a public holiday, and if at such adjourned meeting a quorum is not present within one hour from such time, the members present not being less than five shall constitute a quorum: Provided that whenever it is by these Regulations required that the question for decision by a general meeting shall be determined by a specific number or majority of votes, and not by a bare majority of votes only, the quorum prescribed by regulation 46 must be secured.

48. Members shall record their votes in person and no member shall have more than one vote.

49. Save as is otherwise provided in these regulations, every question for decision by a general meeting shall be determined by the majority of members personally present thereat, and on a show of hands, unless a poll be demanded by at least five members.

50. At a poll voting shall be by ballot.

51. In case of an equality of votes, whether on a show of hands or on a poll, the chairman shall have a casting vote in addition to his deliberative vote.

AMENDMENT OF REGULATIONS.

52. No alteration shall be made in these regulations unless such alteration has been approved by at least two-thirds of the members present at a general meeting specially convened for that purpose. Any alteration lessening the period of establishment of the society shall require the approval of not less than two-thirds of the total number of members of the society.

FINANCIAL YEAR.

53. The financial year of the society shall be reckoned from the..... to the.....

AUDIT.

54. Auditors shall be appointed, their duties regulated, and their remuneration fixed, in accordance with section 28 of the Act, or any amendments thereof for the time being in force.

55. A copy of the balance sheet and profit and loss account duly signed by the auditor and a majority of the directors shall, with the auditors report attached thereto, be open to inspection of the members at the office of the society at least fourteen days before the date fixed for the annual general meeting, and be sent to the Registrar immediately such period of inspection commences. Such balance sheet, profit and loss account and auditors report shall also be read at the annual general meeting.

DELIVERY OF PRODUCE.

56. Every member shall be bound to sell all his agricultural products through the society, with the exception of what he requires for personal consumption, provided the society is in a position to deal with such produce.

57. Every member shall pay into the reserve fund of the society a fine of per cent. of the sale price in the case of grain and per cent. of the sale price in the case of wool which he fails to deliver in accordance with the preceding regulation, and shall remain liable for any further loss or damage which the society may sustain by reason of his failure to deliver except in the special circumstances indicated in regulation No. 63.

58. Immediately at the commencement of every season, but not later than the.....in each year, each member must inform the board of directors in writing of the kind, quality and quantity of his expected crop, on forms which the board of directors shall provide for that purpose, and if he fails to do so he shall be liable to a fine of £1 which shall be placed to the reserve fund.

59. Immediately after reaping, but not later than the in each year, each member shall furnish the board of directors of the society in writing with definite particulars concerning

- (a) the kind, quality and quantity of his crop;
- (b) the quantity and kind of produce which he will require for personal consumption.

Any member who fails to do so, shall be liable to a fine of £10 which shall be placed on the reserve fund.

60. Unless otherwise determined by the board of directors every member

shall, with as little delay as possible after reaping or shearing, deliver his produce or wool to the nearest storehouse of the society.

61. All produce must be properly classified and marked. In case of any dispute as to the produce delivered, the decision of the board of directors or its representative shall be final. All produce shall, where possible, be sold by weight as well as quality.

62. No advance shall be paid to members until the produce is actually delivered in accordance with regulation No. 60.

63. In the event of a member's crop being damaged or destroyed by circumstances beyond his control so that he cannot fulfil his engagements towards the society, he shall be relieved of his obligations in respect of such crop, provided he immediately advises the board of directors to that effect.

PAYMENT TO MEMBERS.

64. The board of directors may in its discretion —

- (a) pool the produce and dispose of it in this manner;
- (b) dispose of the produce without pooling the same.

65. The payment to members in respect of produce treated by the board of directors in the manner described in paragraph (a) of the last preceding regulation shall be as follows:

The produce shall be pooled according to kind and grade. Members may receive an advance on the produce delivered by them to the society, if it is in a position to make such advance. The amount of such advance shall be determined from time to time by the board of directors in consultation with the other maize producing societies and companies registered under the Co-

operative Societies Act, 1922, in the case of grain, and by the board of directors in the case of other produce, but it shall in no case exceed 60 per cent of the current market value of the produce. From the total amount realised by the society on the sale of such produce shall be deducted a commission of 5 per cent to cover the expenses of the society. The balance shall be paid to members who delivered the produce in the following manner:

The average prices obtained for each grade and kind of produce during the currency of the Pool Account—less the above mentioned commission—shall first be calculated and members shall then be paid out in accordance with these prices. These payments shall be made on the closing off of the Pool Account, and shall be subject to the deduction of advances received by members on such produce together with the interest due thereon in terms of regulation No. 68.

66. The payment to members in respect of produce treated by the board of directors in the manner described in paragraph (b) of Regulation No. 64 shall be as follows:—

Members may receive an advance on imperishable produce delivered by them to the society, if the society is in a position to make such advance.

The amount of the advance shall be determined by the board of directors, but it shall in no case exceed 50% of the current market value of the produce. The actual price realised on the produce shall be paid to the members who delivered the same as soon as the produce is sold after deduction of the advances received on such produce and the interest due thereon in accordance with regulation No. 68 and also after deduction of a commission of 5 per cent. of the nett price obtained. (With the exception of wool.

on which the commission shall be determined from time to time by the board of directors).

67.. In the event of the advance paid by the society to members on any kind or grade of produce being higher than the nett price to be credited to members in terms of regulation No. 65 or 66 the excess shall be refunded by those members who received it.

68. On any advance made under regulation No. 65 or 66 and also on any outstanding debts interest shall be charged at the same rate as the society pays on money raised by it or otherwise at the current bank rate.

SUPPLYING OF FARMING REQUISITES TO MEMBERS.

69. The society shall, if it is in a position so to do, supply its members with agricultural implements and other farming requisites.

70. The society shall supply the articles mentioned in the last preceding regulation at cost price plus a commission to be determined by the board of directors.

71. The total value of the farming requisites which the society may have in stock for supply to members shall not at any one time exceed £.....

GAIN OR SURPLUS.

72. The gain or surplus resulting from the operations of the society during the financial year shall, after having provided for depreciation in value of the society's property or for contingent liability for loss, be added to the reserve fund at the end of such year.

GENERAL.

73. By a resolution of a general meeting of members or a meeting of the board of directors, a committee

may be appointed for the execution of such special duties as may deemed desirable.

74. In the office shall be kept a true copy of these regulations and also in one or more books a register of the members and of the directors of the society, wherein must be entered all the particulars mentioned in section thirty-three of the Act.

75. All communications to the society should be addressed to the secretary.

76. The society shall not supply its members with agricultural implements and other farming requisites on credit, but members shall be allowed to purchase grain bags and woolpacks as soon as the produce for which the bags or woolpacks were purchased has been delivered to the society, and provided further that in no case credit shall be given for a longer period than six months from the date of purchase.

77. The fact of the registration of the society shall be published as required by the provisions of section fifty-eight of the Act.

78. The society shall sue and be sued in the name of the society, and all powers of attorney and documents in connection therewith shall be signed by the chairman of the board of directors, or any person lawfully acting in that capacity and by the secretary.

79. Any immovable property acquired and held by the society shall be registered in the name of the society.

DISSOLUTION.

80. The society may be dissolved by resolution passed by two-thirds of the total number of members of the society present in person at a general meeting specially called for the purpose.

81. In case of dissolution, the debts of the society shall first be paid, and other engagements fulfilled. The surplus, including the reserve fund, shall then be distributed amongst existing members in proportion to the value of the business of each member with the society during the last fifteen years.

82. The Model Regulations contained in the First Schedule to the Co-operative Societies Act, 1922 shall not apply to the society.

APPLICANTS FOR MEMBERSHIP:

1.
2.
3.
4.
5.
6.
7.

WITNESSES:

1.
2.
3.
4.
5.
6.
7.

4. FORMS.

Form A.

Application for Registration of a Co-operative Agricultural Society, with Unlimited Liability, Established under the Co-operative Societies Act (No. 28 of 1922) and any Amendment thereof.

Place

Date

To
The Registrar of Co-operative Societies, Pretoria.

Sir:
We hereby apply for the registration of the and enclose--

- (1) Declaration of compliance with the law;
- (2) Copy of written Statement submitted at the meeting at which the Society was established, containing the objects of the Society and other particulars;
- (3) Two copies of the proposed Regulations of the Society, signed by seven applicants for membership, each of whose signatures has been duly witnessed;
- (4) List containing the names, addresses, signatures and occupations of all the applicants for membership, and the date upon which each application for membership was made;
- (5) List of the Directors of the Society, showing the full name and address of each Director;
- (6) Detailed list of the expenses and liabilities incurred by the Society to date;
- (7) Notice of the situation of the Registered Office of the Society;
- (8) Two revenue stamps, value £1 and 5s., in payment of registration fees.

We have the honor to be,

Sir,

Your obedient Servants,

.....
Chairman

.....
Secretary.

N.B. The application for membership forms are to be signed in duplicate, and one copy of each must accompany this application. The documents mentioned in (1), (2), (4), (5), (6), and (7) should be signed by the Chairman and Secretary.

Form B.

Establishment of a Co-operative Agricultural Society, with unlimited Liability, under the Co-operative Societies Act (No. 28 of 1922) and any Amendment thereof.

Declaration of Compliance with the Requirements of the Law.

We, the undersigned
of....., and.....
of....., do solemnly
and sincerely declare that at a meeting
held at.....
on the.....
(at which meeting we acted as Chair-
man and Secretary respectively) for the
purpose of establishing a Co-operative
Agricultural Society, with unlimited
liability, there were presented :

- (a) a written Statement showing the objects of the Society; its business prospects, and facts and statistics calculated to show that, when registered, it will be able to carry out its objects successfully;
- (b) a copy of the Regulations proposed to be tendered for registration; and that such Statement and Regulations were approved at the meeting by a number of qualified persons competent to form the Society.

We declare further that the Statement and the Regulations annexed hereto are true copies of the Statement and Regulations approved by the meeting; that the situation of the Registered Office of the Society, as appearing in the Notice annexed hereto, was approved by the applicants for membership; and that the three attached lists contain (a) the full names, addresses, signatures, and occupations of all the applicants for membership (including those who applied subsequent to the

holding of meeting), and the correct dates upon which these applications were made, (b) the full names and addresses of the Directors of the Society, and (c) all the expenses and liabilities incurred by the Society up to the date of the transmission of this application to the Registrar.

We declare further that all other requisitions of the law in respect of matters precedent to the registration of the Society and incidental thereto have been complied with.

And we make this solemn declaration conscientiously believing the same to be true.

.....
Chairman.

.....
Secretary.

Sworn before me at
this day of
One thousand Nine hundred and



.....
Justice of Peace.

Form M.

**Co-operative Societies Act,
1922, Amendment Act, 1925.**

Notice

**of the Situation of the Registered
Office of the**

(1)

To

The Registrar of the Co-operative
Societies,

Pretoria.

The (2)
hereby give you notice. in accordance
with section five of the Co-operative
Societies Act Amendment Act (No. 38

of 1825), that the Registered Office of the Society is situated at
(3)

.....
Chairman.
.....

Secretary.

Dated day
of 192...

APPLICATION FORM FOR MEMBERSHIP IN

.....
Date 192...

I, the undersigned (full name)
..... hereby apply for membership in the above mentioned Society, established under the provisions of the Co-operative Societies Act, 1922, and any amendment thereof.

In the event of my application being approved of by the Board of Directors I agree to pay the entrance fee when

called upon so to do; and by my signature hereunder I bind myself to the existing regulations of the Society and to any additional regulations or alterations to the regulations which may be lawfully made from time to time.

Witnesses: Signature.....

(1) Occupation.....

(2) Name of farm...

Postal address.....

Approved at a meeting of the Board of Directors held on the..... 192...

.....
Secretary.

(1) and (2) here insert full name of the Society.

(3) If the Office is situated in a town, the street and number (if any) should also be stated. If situated on a farm, the name and number of the farm and the district should be stated.

CHAPTER IV

THE AGRICULTURAL CREDIT ACT

For the sake of illustration and comparison with People's Banks as outlined in the first part of this book a short extract of another piece of South African co-operative legislation is given here which should be instructive to students of co-operative banking.

1. Title

The full title of this law is: ACT to provide for the for the formation, registration, management and control of Agricultural Loan Companies and Rural Credit Societies, and to extend the powers of the Land and Agricultural Credit Act, No. 40, 1926.

2. Aims

The Act aims at inculcating and fostering the spirit of self-help through

organised co-operative effort among farmers, to increase agricultural production and to provide the small farmer with working capital so frequently necessary at low rates of interest.

By "farmers" only European farmers are meant, for the Land Bank was not constituted for Natives, but "for Europeans only". There is a provision in the constitution of the Land Bank which prevents Natives from getting loans from that institution.

3. Organisation

The Central Board of the Land Bank divides the Union into areas called Agricultural Loan Circles. Within each circle the board may establish an Agricultural Loan Company managed by directors appointed by the Land Bank.

The Rural Credit Societies are formed within the different circles, consisting

of not less than seven and not more than fifteen farmers called foundation members. They must all be subject to the approval of the Loan Company directors, and no further members can be admitted without the written consent of all the foundation members.

4. Registration

The regulations of a Credit Society must be in the form contained in the Act and signed in triplicate by the members at a meeting convened for that purpose, each signature being attested by at least one witness. The regulations are then forwarded to the Central Board, which, after having considered them, files one copy in its Office, returns the second copy with the date of registration certificate to the Credit Society, and sends the third copy to the Loan Company of the particular Loan Circle. Upon the issue of the certificate the Credit Societies will have all the rights, powers, privileges and duties conferred or imposed on such societies by the Act.

5. Functions

The Loan Companies lend money to the Credit Societies within their circle on the joint and several liability of their members and also for individual farmers who are not members, on the security of grain or other produce which is to be sold through the agency of some approved co-operative organisation.

The Loan Companies receive also money on deposit from shareholders and non-shareholders, they re-discount bills endorsed by Credit Societies and bills drawn by individual farmers and transact other business calculated to increase or assist agricultural production.

The Credit Societies grant loans to their members on their joint and several liability for periods not exceeding

two years and for amounts not over £300 and for the following purposes: to enable members to sow, reap and dispose of crops, to purchase implements, livestock, foodstuffs, seed, manure and other farming requisities, to erect buildings for farming and livestock purposes, to pay farm wages and for other incidental purposes permitted by the Central Board.

6. Capital

Before starting business a Loan Company must have a subscribed capital of not less than £5,000. Therefore, when such a company is formed, the Central Board will open books of subscriptions for the share capital of the Loan Company in shares of £1 each. Those shares may be subscribed for and held by any person. If the minimum capital of £5,000 is not subscribed after sixty days the Land Bank is authorised to subscribe the whole or the balance.

7. Loans

A member who needs a loan presents his bill for the amount required to the Credit Society, which backs or endorses the bill, and all members are then severally and jointly liable for the payment of the bill. The bill is then taken to the Loan Company which if it approves of it, discounts it or endorses it over to the Land Bank which has the power to discount.

8. Recovery

For the purpose of recovering debts or loans, the Loan Companies as well as the Credit Societies are empowered, without recourse to any court of law, to seize and sell so much of the property of the defaulting persons as may be necessary to meet the liability of such persons.

9. Difficulties

It is very doubtful whether this scheme will become popular and attractive to the farmers. Besides other fines for contraventions there is one of £500 with the alternative of imprisonment for five years or both on making a false statement or committing forgery with intent to defraud in connection with loans.

Farmers whose credit is good on account of their assets and good farming methods will have to give more than they receive from these societies. Therefore the societies would consist mostly of the less stable elements of the

farming community.

If a Credit Society suffers some serious disaster (e.g. through drought or locusts) it would be ruined, and even those farmers who would be able to struggle through alone, would be insolvent through their liability.

Such Credit Societies are not genuine People's Banks, the aims, structure and management being quite different. And since this tree differs so much in kind from that of the Raiffeisen institutions, its fruits cannot be of the same kind either. It is quite evident that for poor Natives such Credit Societies are unsuitable.

CHAPTER V

THE COMPANIES ACT

1. Title

The full title of Act No. 46 of 1926 shortly called "The Companies Act", is: ACT to consolidate and amend the laws in force in the several provinces of the Union (other than special laws) relating to the constitution, incorporation registration, management, administration and winding-up of companies and other associations, and for other purposes incidental thereto.

2. Registration

For the registration of companies under this Act there is a Registrar of Companies and a Companies Registration Office in Pretoria.

3. Constitution and Incorporation.

No company or association of more than twenty persons can be formed for the purpose of carrying on any business that has for its object the acquisition of gain unless it is registered.

Any seven or more persons associa-

ted for any lawful purpose, may by subscribing their names to a Memorandum of Association form an Incorporated Company.

The memorandum must state the name of the company, its objects, liability and amount of share capital. It must be signed by each subscriber and the signature must be attested by a witness for each.

There may, in the case of a company limited by shares, and there shall, in the case of an unlimited company, be registered with the memorandum, Articles of Association prescribing regulations for the company, signed by each subscriber and a witness for each.

The memorandum and the articles together with four copies thereof certified by a notary public, or by two directors on oath, as true copies, shall be sent to the Registrar with the prescribed fee to be registered. The original memorandum with the articles shall be returned to the company, endorsed with the date of registration.

From the date of incorporation the subscribers of the memorandum as well as the future members later on shall be a body corporate, capable of exercising all the functions of an incorporated company.

Every member shall be supplied with a copy of memorandum and articles.

4. Association not for Profit

Where the Minister of Justice is satisfied that any existing association for promoting commerce, art, science, religion, charity, or any other purpose in the interests of the public, and intends to apply its profits or other income in promoting its objects, and to prohibit the payment of dividend to its members, the Minister may by licence under his hand direct that the association be registered with limited liability, without the addition of the word "Limited" to its name.

Such a licence may be granted by the Minister on such conditions and subject to such regulations as he may think fit.

The association shall upon registration enjoy all the privileges of limited companies and be subject to their obligations. It shall be free from the following obligations:

- (a) using the word "Limited" as any part of its name;
- (b) publishing its name;
- (c) sending lists of members, directors and managers to the Registrar;
- (d) submitting annual list of members and summary;
- (e) holding statutory meeting and transmitting statutory report;
- (f) certain restrictions on appointment or advertisement of director;
- (g) restrictions as to allotments of shares and on commencement of business;
- (h) sending in a return of allot-

ments of shares;

- (i) taking out an annual licence amounting to at least £1 every year.

The licence granted by the Minister may be at any time revoked by him.

5. Fees

For registration of the original memorandum of the association a fee at £3 has to be paid. The fee for registration of an altered memorandum and altered articles of association is £2. Besides these there are several other registration fees and miscellaneous fees to be paid for other things, ranging from £1 down to one shilling.

6. Difficulties

This Act is unsuitable for African rural people for the following reasons:

a. The Act cannot be understood by simple rural people on account of the language and on account of its highly complex nature, being far beyond the capacity and the conditions of the people.

b. A very large amount of secretarial work and correspondence would have to be done. Simple rural associations would be unable to find a suitable secretary.

c. The registration and whole management would be far too expensive for an association composed of poor peasants.

d. They would have to appoint a qualified auditor and pay all expenses for travelling and for professional work. There is also a fine of £100 for failure to comply with any requirement of the section dealing with auditing.

e. People's Bank are not formed for the acquisition of gain. Although such associations may be registered by licence of the Minister, it can only be done under such conditions and subject to such regulations as he may think fit, and he may revoke it at any time.

CHAPTER VI

THE TRANSKEIAN DRAFT PROCLAMATION

At the twenty-fourth annual session of the Transkeian Territories General Council in April 1926 the following Draft Proclamation was submitted by a committee of which the writer was a member, appointed to consider the establishment of Co-operative Credit Societies in Transkeian districts and approved by the Transkeian Territories General Council.

Report of Select Committee on the Formation of Co-operative Societies.

Order of Reference:- Minute No 15 of the 8th April, 1926.

Members:- F. Brownlee, Esq. (Convener), Chairman of the District Council, Butterworth; H. E. Grant, Esq, Chairman of the District Council, Umzimkulu; W. F. C. Trollip, Esq., Chairman of the District Council, Kentani; Councillors Mda, Sakwe, J. Moshesh, Mateza, Matoti and W. Mlandu.

Report:- 1. Your Committee met and deliberated on the 8th, 9th, 10th and 12th instant.

2. Your Committee is unanimously and emphatically of the opinion that.

- (a) the establishment of a system of co-operative societies in these Territories is advisable in the interests of the Natives;
- (b) there is a desire for the establishment of such societies;
- (c) this Council should take inaugural steps in the matter;
- (d) the time is ripe for experimental action in this direction.

3. Your Committee in presenting the draft proclamation attached hereto with bye-laws framed thereunder, de-

sires to state that in drawing up these documents it has aimed at

- (a) simplicity;
- (b) a medium which would place upon Magistrates a minimum of extra labour;
- (c) placing in the hands of the honest poor a means of helping themselves.

4. Your Committee desires to express its warmest appreciation of the assistance rendered to it by the Revd. Bernard Huss and the Revd. Reginald Weinmann.

5. Your Committee desires to place on record its recognition of the time and labour devoted to the subject under report by the late Mr. Walter Carmichael. Your Committee has benefitted by his efforts.

6. Your Committee recommends that

- (a) the first active steps to be taken be by way of propaganda and that this Council nominate some person to carry out propaganda work.
- (b) that the Revd. Bernard Huss be requested to give a course of lectures on Co-operation at suitable centres.
- (c) Government be requested to exclude the operation of Co-operative Societies Act (No. 28 of 1922) from Native areas in the Transkeian Territories.

Frank Brownlee,
Convener.

Committee Room No. 1,

12th April, 1926.

FORMATION OF CO-OPERATIVE SOCIETIES.

Draft Proclamation.

Whereas it is desirable to meet the need for agricultural credit, to encourage thrift, co-operation, and a sense of financial responsibility among the Native inhabitants of the Transkeian Territories, and for that purpose to provide for the constitution of Co-operative Societies: Now, therefore, under and by virtue of the powers vested in me by law, I do hereby proclaim, declare and make known that the following regulations shall take effect and have the force of law from and after the date of this proclamation in all districts to which the provisions of the Cape Proclamation No. 152 of 1903 are applied and in any other district to which the provisions of the said proclamation may from time to time be extended.

Registrar.

1. It shall be lawful for the Chairman of the Transkeian Territories General Council to depute an officer to be Registrar of Co-operative Societies established under the Provisions of these regulations. The Registrar shall act in close consultation with the Magistrate of the district.

Membership and Registration.

2. (1) Any ten or more persons all of whom are local rate-payers under Act No. 41 of 1925 and are domiciled in the same location or other area approved by the Registrar as a sphere for the operations of a co-operative society, and who shall satisfy the Registrar that they have a subscribed capital of twenty pounds, may apply to the Registrar for registration.

(2) The Registrar upon being satisfied that the requirements of the pre-

People's Banks

ceeding sub-section have been complied with, may register the Society, or, at his discretion, refuse to register it.

(3) Upon registration the Registrar shall give the Society a distinctive name and shall grant to it a certificate of registration.

Liability of Members.

3. (1) All members of a Society shall be jointly and severally liable to its obligations to an unlimited amount.

(2) On the resignation, death or expulsion of a member, the liability of such a member or his estate shall be in respect of all obligations of the Society as they existed at the date of his resignation, death or expulsion, as the case may be, and such liability shall extend to a period of two years therefrom unless the profit and loss account of the Society duly audited shall show a credit balance.

Loans from General Council Funds.

4. The Treasurer of the Transkeian Territories General Council, upon the recommendation of the Registrar and with the approval of the Chairman of the Transkeian Territories General Council, shall be empowered to make loans to any Society from Council funds on such terms as he may think fit.

Inspection.

5. (1) The Registrar may of his own motion, and shall upon application by a majority of the Committee of any Society or by not less than one-third of the members of the Society, hold an inquiry into its working and financial condition. The Secretary and all members shall furnish such information in regard to the Society's affairs and produce for inspection such books and records, as the Registrar may require.

(2) The Treasurer of the Transkeian Territories General Council or his deputy and the Magistrate of the district in which a Society exists shall have the right of inspection of all the books and records, and enquiry into all the affairs of the Society at any time, and it shall be the duty of all officers and members of the Society to furnish such information in regard to the Society's affairs and to produce for inspection such books and records as may be required.

Dissolution.

6. (1) The Society may be dissolved by a majority vote of two-thirds of those present at a general meeting specially called to consider such proposed dissolution.

(2) The Chairman of the Transkeian Territories General Council may cause the Society to be dissolved on proof of mismanagement, disregard of the rules governing the Society, or should it appear to him advisable that such Society should be dissolved.

(3) In the event of the dissolution of any Society the Registrar shall wind up its affairs.

(4) Upon dissolution all reserve funds belonging to the Society shall be deposited with the Chairman of the Transkeian Territories General Council, who may apply same, in his discretion, to an endowment of a new Society within the same district or to some useful local public purpose for Natives in the said district: provided that in the event of any of the members of the late Society forming a new one in the same area and receiving a certificate of registration, they shall be given preference to the said endowment.

Bye-Laws.

7. Every Co-operative Society shall be regulated by the provisions of the bye-laws contained in the Schedule

A to this Proclamation and any amendment or additions thereto.

SCHEDULE A.

BYE-LAWS FOR CO-OPERATIVE SOCIETIES. Object of Society.

1. The objects of the Society shall, be to create a security based on the collective responsibility of honest and thrifty persons and to promote thrift and co-operation amongst its members.

Management.

2. The management of the Society shall be vested in

- (a) the general meeting of members,
- (b) a Committee of Management.

3. On receipt of a certificate of registration a general meeting of the members of the Society shall be held at which a Committee of Management, its Chairman, and a Secretary shall be elected.

4. A general meeting of the members of the Society shall be held annually and more often if necessary.

5. The Committee of Management shall consist of not less than three and not more than five members including the Chairman of the Society. The Chairman shall be elected annually and half the other members of the Committee shall retire in rotation at the end of every two years.

6. The Secretary may be paid from the funds of the Society and his services may be terminated at any time by a majority vote at a general meeting.

7. Committee meetings shall be held at least once a month.

8. Two-thirds of the members of the Committee or of the Society shall form a quorum at any meeting of the Committee or a general meeting as the case may be.

9. The services of the members of the Committee of Management shall be gratuitous.

Funds.

10. How to be raised:

1. Entrance fees, if any.
2. Deposits by members.
3. Loans, if necessary, from outside sources.
4. Accumulation of reserve funds from profits of the Society.

Loans.

11. Application may be made by any member of the Society for a loan of money for productive purposes.

12. Application for loans shall be in writing signed by applicant and two other members of the Society as co-principal debtors.

Interest.

13. Interest is to be charged on all loans made by the Society and paid on all deposits.

Termination of Membership.

14. The membership of any person shall cease at his

- (a) death;
- (b) resignation;
- (c) ceasing to reside in the area in respect of which the Society is established;
- (d) expulsion.

15. A member may be expelled by a two-thirds majority of those present at a general meeting.

Reserve Fund.

16. No dividend of the profits of the Society shall be paid.

CHAPTER XI

ATTEMPTS TO REGISTER AFRICAN BANKS

1. Searching for a Way

Since it became more and more clear to me that African Natives will have to form their own co-operative societies and carry on their own co-operative banking, I tried to find out during 1925 and 1926 how those future Native Banks could be registered. I consulted economists, lawyers and officials, but could not get a satisfactory answer. The only Act under which African co-operative societies were likely to come was the Co-operative Societies Act of 1922, because many of the objects enumerated in Section 4 of that Act apply to Native Farmers' Associations, especially the following clause: "(p) to carry on the business of banking and insurance under a co-operative system." A careful observer will notice that this particular clause is missing among the objects enumerated above in chapter

III, section 3, containing regulations of agricultural co-operative societies. It was omitted after the passing of the Agricultural Credit Act.

But according to one of the different opinions I heard it was doubtful whether that European law applied to unexempted Natives, therefore any banking would have to be undertaken by them at their own risk and without the hope of legal protection or redress in case of fraud or failure to pay back a loan.

On the other hand it was thought that, if Native Banks must be registered, the Native Affairs Department might take over this business and there should be an official who acts as organiser, registrar, supervisor and auditor of such banks. But no definite information became available.

2. Correspondence with Registrar of Co-operative Societies

Eventually I resolved to inquire directly from the office of Co-operative Societies in Pretoria and wrote the following letter:

Mariannhill, 10. 8. 1926
The Registrar of Co-operative Societies
Union Buildings

PRETORIA

Sir,

I herewith beg to ask whether there exist any prescribed forms for the application of, and other business connected with, Co-operative Societies.

Last April-I was invited by the Chief Magistrate of Umtata to address the Transkeian Territories General Council on Co-operative Credit Societies, and now I have written a book on that subject for the Natives. It will presently be published in the Native Press. Our Natives are eager to start co-operative banking. Suppose they form rural banks of the Raiffeisen type, would these banks fall under the Co-operative Societies Act of 1922 and would you register such small and humble banks?

You can find my textbook on Agriculture in the Agricultural Library in the Union Buildings.

Yours faithfully,

(sgd.) Bernard Huss.

After two weeks I received the following reply:

Department of Agriculture,
Office: Registrar of
Co-operative Societies
(Division Agricultural Economics).
Union Buildings,
PRETORIA.

26. Aug. 1926.

Bernard Huss, Esq.

Mariannhill,

NATAL.

Co-operative Banking.

Sir:

With reference to your letter of the 10th instant, I beg to inform you that co-operative banking institu-

tions are not registered under the Co-operative Societies Act.

During the recent session of parliament, however, Act 40 of 1926 was passed providing for the formation and registration of agricultural loan companies and rural credit societies.

This Act is being administered by the Land and Agricultural Bank of South Africa. I have therefore forwarded your letter to the said Bank for attention, and you will hear from that institution direct.

Co-operative agricultural societies having as their object the disposal of their members' produce and livestock, and supplying to them farming requisites, and ordinary co-operative trading societies, are registered under the Co-operative Societies Act. Should you require any information in connection with any of these, I shall be pleased to furnish you therewith.

I have the honour to be,

Sir,

Your Obedient Servant,

(sgd.) A. P. van der Post

Acting registrar of co-operative societies.

3. Correspondence with the Land Bank

Since I did not get any communication from the Land Bank up till September 14, 1926, I wrote on that day to that institution directly, sending there a copy of my first letter to the Registrar of Co-operative Societies, mentioning that official's reply and added:

"Since it is possible that this small matter has been overlooked, I herewith venture to address myself directly to the Land Bank in order to hear what can be done if the Natives will form their own co-operative credit societies outside the Transkei in the near future. I know that they are determined to form such banks. We must know what is to be done in order to have the future Native People's Banks re-

gistered and placed on a legal status".

"These co-operative credit societies are quite different from the Rural Credit Societies dealt with in the new Act No. 40. If this matter cannot be made clear enough by correspondence I would be willing to meet you at Pretoria in October".

On September 21 Mr. Thomas Herold, the Managing Director of the Land Bank, wrote that he would be pleased to see me at the office of the Land Bank in Market Street during the following month.

On September 23 I informed the Registrar of Co-operative Societies of my impending visit to Pretoria and was also invited by him to an interview at his office in the Union Buildings.

4. First Conference at Pretoria

Having arrived at Pretoria on the previous evening, I went on October 5, 1926 first to the Union Buildings and had there a conference of over an hour with two officials in the Co-operative Societies office. As a result of this conference the Registrar went with me to the office of Mr. T. B. Herold, the Managing Director of the Land Bank. Mr. Herold called two other officials of the Land Bank to attend this conference which also lasted over an hour.

As a result of this conference the Director of the Land Bank sent me with the Registrar of Co-operative Societies and one of his officials to the Palace of Justice in order to interview there Dr. Schoch, the legal adviser of the Government.

The following difficulty had arisen and had to be cleared. As stated above, the Co-operative Societies Act of 1922 mentions as one of the objects of co-operative agricultural societies "(p) to carry on the business of banking and insurance under a co-operative system". But section 38 (1) of the Agricultural Credit Act of 1926 says: "No person

shall, unless registered under this Act, carry on business, after the commencement of this Act, under the name of "agricultural loan company" or "rural credit society" or any other name importing a similar meaning or hold himself to be in any way a body having the objects, powers and privileges of such loan company or credit society".

It had now to be decided whether that section 38 (1) of the Agricultural Credit Act interfered with the above mentioned object (p) of the Co-operative Societies Act and thus made co-operative banking under the latter Act illegal. After a long discussion Dr. Schoch decided that that section 38 (1) did not prohibit co-operative banking under the Co-operative Societies Act. It was therefore decided that the future Native Banks shall be registered under the Co-operative Societies Act of 1922 and not under the Agricultural Credit Act of 1926.

The Registrar of Co-operative Societies then suggested to me that, as soon as that part of my book on People's Banks which deals with their mechanism, is printed, I should send it to him so that he might work out for us a simple and elastic constitution in a legal form under which our banks could be registered.

I was greatly impressed by the deep interest all the Government officials showed in the humble efforts of the Natives and by the help they gave me so kindly and willingly. On October 7 I wrote to both Departments a letter expressing my warmest thanks for all the help they had rendered to me and promised to mention to the Natives in the press and on the platform the interest and sympathy shown by the Government officials of Pretoria for the attempts of the poor Natives.

Soon after that I got the following reply from Pretoria:

Office of the Land and Agricultural
Bank of South Africa,
PRETORIA
14/ 10/ 26.

Bernard Huss Esq.
Mariannhill
NATAL.

Sir,

I have to acknowledge the receipt of your letter of the 7th instant and to thank you for the Text Book on Economics for Natives.

I was only pleased to be able to do what little I could, and if I can be at any time of further assistance to you I hope you will not hesitate to approach me.

I have the honour to be,

Sir,

Your obedient servant

(sgd.) Thos. B. Herold.

Managing Director.

5. Further Correspondence with the
Registrar of Co-operative Societies
Department of Agriculture
Sub-Division Co-operation
Union Buildings
PRETORIA

17 Febr. 1927.

The Rev. Father Bernard Huss
Mariannhill
NATAL.

**Transkeian Territories General
Council Blue Book 1926.**

Rev. Sir,

Allow me to apologise for not acknowledging receipt of your letter of the 24th November addressed to the Registrar of Co-operative Societies at an earlier date. This, however, is mainly due to the fact that I was away on leave for five weeks. I wish to thank you for having the above-mentioned publication sent to me. It was with interest that I read your address to the Council and took notice of the good work you are trying to accomplish. Allow me to offer you

the services both of myself and my officers in so far as they may be needed. Wishing you all success on your work,
I am,

Reverend Sir,

Yours Obediently,

(sgd.) A P van der Posh

**ASSISTANT CHIEF: DIVISION
ECONOMICS AND SUPERINTENDENT
OF CO-OPERATION.**

On 1. March 1927 I wrote to the Registrar: "Under separate cover I send you the first six chapters of my book on PEOPLE'S BANKS. When I interviewed you on Oct. 5th last year at your office, you kindly agreed to write out for us in a simple legal form the possible constitution of the future NATIVE BANKS or rather AGRICULTURAL CO-OPERATIVE SOCIETIES to be registered under the Co-operative Societies Act of 1922. You find the Transkeian Draft Constitution in the Bluebook which was sent to you from Umtata. But in that constitution an essential item of the mechanism, the Council of Inspection, has been omitted. This cannot be dropped in our Constitution, since it is an essential part."

After two months the following reply came from Pretoria:

Department of Agriculture,
Sub-Division Co-operation,
PRETORIA.

6 May 1927.

The Rev. Father Bernard Huss
Mariannhill,
NATAL.

**Formation Co-operative Rural Banks
for Natives.**

Sir:

In this connection I have now had an opportunity of carefully studying the first six chapters of your book on People's Banks kindly sent for the information of this Department, as well as your most interesting address to the Transkeian Territories General Council on this subject.

The type of society you propose to form will have objects identical to those of an agricultural loan company or rural credit society and its business will be entirely such as is contemplated by Act No. 40 of 1926 (the Agricultural Credit Act), which is administered by the Land Bank.

While it would be quite possible to register under the Co-operative Societies Act a co-operative agricultural loan organisation with limited or unlimited liability formed to carry on the business of banking under a co-operative system, registration of societies such as you propose to establish may not be effected under the provisions of the Co-operative Societies Act of 1922 in view of the prohibition contained in section 38 (1) of Act 40 of 1926 which I quote hereunder for your information viz:-

"No person shall unless registered under this Act, carry on business after the commencement of this Act, under the name of Agricultural Loan Company" or "Rural Credit Society" or under any other name importing a similar meaning or hold himself out in any way as a body having the objects, powers and privileges of such Loan Company or Credit Society".

This interpretation of the section quoted has, I may add, been confirmed by legal opinion. In these circumstances and before proceeding with the framing of regulations it is suggested that the matter be submitted to the Land and Agricultural Bank for an expression of its views.

I have the honour to be,
Sir,

Your Obedient Servant,
(sgd.) W. D. Alsen

REGISTRAR OF CO-OPERATIVE
SOCIETIES.

On the 20th of the same month I replied pointing out that the difficulty caused by section 38 (1) had been cleared on October 5, 1926 at our con-

ference with Dr. Schoch in the Palace of Justice at Pretoria.

In my reply I also drew attention to the fact that there are now several Native Farmers Associations in the Cape, Transkei, Natal and Basutoland, and said: "In Europe and India the Co-operative Credit Societies were formed at first expressly to meet the crying need of rural credit and then they gradually developed into many-sided agricultural co-operative societies. Among the South African Natives some simple rural organisation for co-operation is first necessary, since the old tribal organisation has broken down and must be supplanted by an economic reorganisation on modern lines. As soon as this develops, agricultural credit will become a necessary by-product of rural organisation. Therefore in my opinion those existing Native Farmer's Associations which may apply for registration, should be registered under the Co-operative Societies Act as Co-operative Agricultural Societies".

Further I said: "I do not see how those future humble Native Banks will fit into the machinery created by Act 40, 1926, with its Loan Circles, Agricultural Loan Companies and Rural Credit Societies. The Natives would not understand the business, be unable to pay in shares and offer Elevator or Warehouse receipts as security. The drastic penalty mentioned in Section 35 would frighten them away." (There is a penalty of £500 for making a false statement and such a thing may easily happen owing to a misunderstanding).

Ultimately I added: "The Natives have no hope that they will ever get money from the Land Bank, so they have started to save their scanty pennies in order to build up their own little African capital."

6. Second Conference at Pretoria

Since I received no reply to this letter I resolved to interview the Land

Bank once more on the question of registration of our banks. I informed the Managing Director of the Land Bank by the letter of October 25, 1927 that I shall call at his Office on November 14. I was kindly received at the Land Bank on that date and the matter of our Native Banks was at once thoroughly discussed over the phone with the Registrar of Co-operative Societies at the Union Buildings.

The Manager of the Land Bank eventually and finally decided that our banks cannot be registered under the Agricultural Credit Act and assured me that the Land Bank would never prosecute the Natives under that Act if they started their own humble banks.

I was then invited over the phone to come once more to the office of the Registrar at the Union Buildings for a final discussion there. I went there at once and we had a long and serious discussion. It was quite plain that the Government officials were deeply interested in our scheme. But in the course of the discussion it became more and more clear that the Natives cannot yet comply with the many and complicated conditions and regulations of the Co-operative Societies Act. On the other hand the Registrar pointed out clearly that he had no power to alter the law.

Ultimately the Registrar declared that this matter would be reconsidered by the Government and promised to inform me soon of the Government's final decision. Within a fortnight I received the following

7. Final Reply from Pretoria:
Department of Agriculture,
Sub-Division of Co-operation
(Division Agricultural Economics),
Union Buildings

PRETORIA.

25 Nov. 1927.

The Rev. Father Bernard Huss
Mariannhill

Natal.

Registration of Co-operative Rural
Banks for Natives.

Sir:

With reference to previous correspondence and our interview some days ago I have the honour to advise that this matter has now received further consideration.

As intimated in my letter of the 6th May last, (No. 538/565) it will be quite possible to form and register under the provisions of the Co-operative Act societies or companies to carry on under a co-operative system, the business of banking for the purpose of promoting agriculture and to assist farmers financially to carry on their farming operations.

From the correspondence which has passed and also during the course of our interview above referred to, I understood from you that in addition to conducting a Savings Bank for Native farmers the organisations you have in mind will have the further objects of accommodating their members for the purpose of sowing and reaping crops, purchasing agricultural implements, livestock and farming requirements generally.

As you are aware there came into operation during the latter part of last year the Agricultural Credit Act No. 40 of 1926. This Act as pointed out to you makes provisions for the establishment of organisations known as Agricultural Loan Companies and Rural Credit Societies for the purpose of performing the very functions which the Native Farmers Banks which you propose to form will carry out.

I have to state, in this connection, that since the Agricultural Credit Act commenced operations the Minister of Agriculture has ruled that farmers desirous of co-operating for the main purpose of raising funds to enable their members to obtain the facilities indicated

in your proposals should receive that assistance through the medium of the Agricultural Credit Act, instead of through formation of co-operative organisations and he is prepared to sanction the registration under the Co-operative Act of organisations formed for that purpose only if it is proved to his satisfaction that the farmers concerned cannot obtain the necessary assistance through the machinery provided by the Agricultural Credit Act.

In addition I would point out to you that the Co-operative Act confers upon the Minister the right of veto in respect to the registration of any proposed co-operative society or company and he will in the interests of the whole movement, I may add, not authorise registration unless it is proved conclusively and to his satisfaction by submission of facts and statistics that such proposed co-operative society or company will be able to carry out its functions successfully.

You mentioned in this connection that you did not anticipate any turnover of consequence since the savings which the natives would probably be able to deposit from time to time would be a matter of shillings and pence.

However small the organisations may be there are certain administrative expenses to be met and it must derive sufficient income from its turnover to enable it to do so.

The Land Bank who is charged with the administration of the Agricultural Credit Act informed you, I understand, that it is not prepared to take the necessary steps for forming Agricultural Loan Companies and Credit Societies in your area and that notwithstanding the provisions of section 38, sub-section (1) of the Agricultural Credit Act which reads as follows:

"No person shall, unless registered under this Act, carry on business, after the commencement of this Act,

under the name of "agricultural loan company" or "rural credit society" or under any other name importing a similar meaning or hold himself out to be in any way a body having objects, powers and privileges of such loan company or credit society"

it would not raise any objection to the type of society, which you have in mind, carrying out, without registration under the Agricultural Credit Act, any of the objects for which Agricultural Loan Companies and Rural Credit Societies may be formed.

By now you will have had an opportunity to acquaint yourself with the several provisions contained in set the of Model Regulations handed you on the occasion of your last visit here as also the steps required to be taken in regard to the formation of a co-operative society, contained in the Memorandum of how to form such a society.

The Model Regulations handed you indicate the lines upon which a co-operative organisation must conduct its business and contain all the essential provisions of the Act in regard to the manner in which the organisation is to be managed and controlled. These essentials being requirements of the Act I could not allow any of the Native-Farmers Banks, proposed by you, to exclude such of the provisions as are not understood by the Natives or which may cause expense or absolve them from complying with the provisions of the Act, which I understand is your objection.

In conclusion I wish to repeat the suggestion made verbally to you namely that, in order to give the proposed Banks legal status, which I understood you to say is the main objective, they be registered under the ordinary Companies Act.

I have the honour to be,

Sir;

Your obedient Servant,

(sgd.) W. D. Alsen.

REGISTRAR OF CO-OPERATIVE SOCIETIES.

As was pointed out above at the end of Chapter VI, the Companies Act would not suit our purpose either, being far too complicated for simple rural socie-

ties. We have therefore to find some other way or ways of ensuring the utmost possible safety of the deposits of the Natives in their own Banks. If these rural banks develop as they did in other countries, the Government will certainly have to reconsider the question of their registration in the future. It would help the Natives "to develop on their own lines."

CHAPTER VIII

TWO INTERIM MEASURES

What is to be done in the case of a borrower refusing to pay back a loan advanced by the bank? If the bank is not registered or incorporated it cannot sue as an individual can. There are two ways open for creating the possibility of suing a defaulting borrower.

1. Promissory Note

Suppose the member A of a bank applies for a loan of £5. There may be a member B who has a deposit of that amount in the bank. Then A writes out a Promissory Note by which he binds himself to pay back to B the loan plus interest at the date appointed by the bank. Printed forms of such notes can be had from booksellers. If A gets the loan of £5 at $7\frac{1}{2}\%$ interest for one year on January 1st 1930, then he writes out the following promise:

No.....Due 31st December 1930.
£5 7s. 6d. 1st January 1930.

On the thirty-first day of December next I promise to pay John Bhengu or order at the office of the Mariannhill People's Bank the sum of five pounds seven shillings and sixpence sterling for value received.

James Africa.

If A fail, to pay back the loan to the bank at the fixed date, then the bank can sue him through B as an individual.

If there is no single member in the bank who has a deposit of £5 in the bank, then the amount of the loan can be distributed in smaller amounts to two or more members who have deposits of £2 or £3 in the bank.

The following is the tariff of stamp duties on Promissory Notes according to the Stamps Duties and Fees Act No. 30 of 1911:-

- (1) Payable on demand..... 1d
- (2) Payable otherwise than on demand
 - (a) When the amount or value does not exceed £10..... 1d.
 - (b) When the amount or value exceeds £10, but does not exceed £50 6d
 - (c) When the amount or value exceeds £50, for every £50 or part thereof.....6d

Law No. 44, 1887 (of Natal), Section 8 says: "That no judgement shall be given in any Court of Law against any

Native founded on a promissory note, bill of exchange, or mortgage bond, or other liquid document of debt, unless such promissory note, bill of exchange, mortgage bond, or other liquid document of debt, shall have endorsed thereon or attached thereto, a certificate signed by a Resident Magistrate or Justice of Peace, to the effect that the Native sought to be charged thus, signed his name or made his mark in the presence of a Resident Magistrate or of a Justice of Peace after the same had been explained to him by the said Resident Magistrate or Justice of the Peace".

This provision has been made to protect the Natives against any fraud on the part of unscrupulous people, and although it may only obtain in Natal, it will be wise and safe to observe it anywhere. The following addition should therefore be made to a promissory note:

"The above document was signed by the above named in my presence after same had been duly and properly interpreted, and I certify that the signatories above mentioned understood the nature and terms of the document so signed by them....."

Justice of Peace or Magistrate.

Since applicants for a loan must bring two sureties, the promissory note should bear the following endorsement signed by the sureties:

"Endorsed by us as sureties in solidum and joint principal debtors for due payment at maturity".

2. Forming a Trust

Another way of securing legal redress against a defaulting borrower is the formation of Trust. Three prominent members of the Bank are elected as Trustees of the Bank funds. Such a Trust can take legal action before a Court. In order to form such a Trust, a Deed of Trust must be drawn up

and signed before a Notary Public for a fee of £1. 1-.

The following is a Deed of Trust worked out for the Mariannhill People's Bank (founded 1927) by Mr. J. H. Nicolson of Durban:

DEED OF TRUST

KNOW ALL MEN WHOM IT MAY CONCERN:

THAT on this the.....day of...in the year of our Lord One Thousand Nine Hundred and Twenty.....before me, JOSEPH HENRY NICOLSON of Durban, Natal, Notary Public, by the authority of Government duly admitted and sworn, and in the presence of the subscribed witnesses, personally came and appeared

ADAM	AFRICA
BEN	BHENGU
CHARLES	CELE

AND these APPEARERS, with the consent and approval of a General Meeting of the Mariannhill People's Bank held on the.....day of 19... did declare to have constituted a Trust to be known as the "MARIANNHILL PEOPLE'S BANK" upon and subject to the following terms and conditions.

1.

The object of Trust is to manage the money of the MARIANNHILL PEOPLE'S BANK according to the rules and regulations from time to time in force of this Bank and its Committee.

2.

The said Appearers having been nominated by the Bank in General Meeting shall be the first Trustees.

3.

The Trustees shall hold office until... ..when fresh Trustees shall be elected by the Committee of the Bank, and thereafter fresh Trustees shall be elected annually (biennially), the old Trustees being eligible for re-election.

4.

Out of their number the Trustees shall appoint a Chairman and a Secretary who shall remain in office up to the end of the calendar year.

5.

An endorsement on the Deed of Trust, signed by the Chairman of the Committee, naming the new Trustee or Trustees, shall be deemed to the sufficient for all purposes of any change of Trustees.

6.

Any Trustee may be removed at any time from office by a majority vote of the Committee of the Bank, anything to the contrary herein contained notwithstanding, and that without giving any reason therefor. In this case as well as in the event of death, absence or any other permanent disability whatsoever of any Trustee during his time of office, the Committee will nominate and appoint another Trustee, and such newly appointed Trustee shall have and exercise all the powers, privileges and immunities, conferred by the Deed upon the Trustees now appointed.

7.

The Trust may sue or be sued in the name of the Trustees.

8.

The signature of any two Trustees will be sufficient for any legal document. All withdrawals of monies deposited anywhere will be on the signature of the Chairman and the Secretary of the Trustees.

9.

The Trustees shall not be entitled to any remuneration whatsoever for their services, which have been given gratis,

but the Trustees shall be entitled to legitimate travelling and any other expenses while engaged on the business of the Trust.

10.

In case the Trustees act against the rules and regulations of the Bank or its Committee, they will be personally and jointly and severally responsible for any losses arising therefrom.

11.

Proper books of account shall be kept reflecting all monies received on behalf of the Trust, and of all loans and advances, and generally of the operations of the Trust.

12.

Such books shall be duly and properly balanced and a Balance Sheet prepared as at the 31st day of December in each and every year.

13.

Minute books shall be kept reflecting all the proceedings, meetings and decisions of the Trustees.

THUS DONE AND EXECUTED at ... on the day, month and year first hereinbefore written in the presence of the undersigned witnesses.

AS WITNESSES;

Daniel Dube

Fred Fakazi

Quod attestor

Joseph Henry Nicolson

Notary Public.

Adam Africa

Ben Bhengu

Charles Cele

2s

Revenue
Stamp

