

## APPENDIX No. 3

which I am giving expression is coming to be more and more accepted, and on this score peace between traditional rivals seems at length in prospect.' (People's Banks, page 39).'

## LOANS—THE SMALLEST PREFERRED.

A co-operative credit society being designed to help the poorer classes, it should therefore look first to the wants of these classes. The best way to reach that object is to make it a strict rule to give a preference to the small loans which are likely to come in much larger proportion from the poor than from the well-to-do individuals. This will seem rather out of place in a period where everything seems to be done for one purpose only, that of making money by all means and before anything else, these loans being those that are the less profitable if made at a reasonable rate of interest, as it is always the case in such societies, because no other rate can possibly prevail. But it should be remembered again that in such an association the make-money-quick doctrine has no foothold. Its very existence is due to quite another object, and unlike, to quote Mr. Wolff (Co-operative Credit Banks, page 11), the 'capitalist or joint-stock banking exists for the avowed purpose of earning out of its business a maximum profit for a restricted number of traders; the few avowedly live upon the many, the traders upon the customers. A co-operative society is a customer's society, created, not to earn a profit—a profit which, coming from the same purse into which it is ultimately to go, would be an illusion—but to supply a service, in the interest of all.'

And Mr. Peters writes upon the subject as follows:—

'It is, in fact, one of their principal aims to let the members share as widely as possible in the advantages they have to offer, one of the rules laid down for their observance being that, other things being equal, the preference is to be given to applications for small loans, so that the number of members accommodated may be as large as possible. As a matter of fact the small transactions greatly preponderate. It is said that loans as small as one lira are not unknown, and that those of less than twenty lire (\$3.86) form a majority of the whole number, while the largest number of deposits are less than fifty lire (\$9.65) in amount.' (Page 88.)

Further on, he adds these most significant words:—

'While this shows that the growth in the business of the co-operative banks is far from being as rapid as the growth in their number, it is an indication of an increasing breadth of distribution for the supply of local needs, and seems to imply that the function for which such institutions were designed—that of catering to the wants of the poorer classes—is being increasingly well performed.' (Page 91.)

This preference granted to small loans has another great advantage, that of been much safer, for it is very seldom that, say a hundred dollars divided up in ten or fifteen small loans is not more punctually repaid by honest borrowers as are those of a co-operative society, than by one individual who would have borrowed the same amount in a lump sum. This is the teaching of a daily experience in such matters.

## OBJECT OF LOANS AND CONTROL OVER THEIR EMPLOYMENT.

But what is of paramount importance both to the borrower and to the society, and is a serious element of surety for the punctual repayment of the loan, as evidenced by an experience extending in Europe over half a century with uniform good results, is the obligation on the part of the borrowing member to state clearly the purpose for which he asks for a loan. The by-law requires that he shall do so, and if he does not comply with this rule the loan is invariably refused, however good may be the surety offered. This is a valuable safeguard for the association, because its object is not to make a profit out of a loan, but to help its members by a wise use of credit for production or obtain a saving on an expense that would be higher if money could not be had at the proper time. As already quoted from Mr. Nicholson, it is not mere