Co-operative or People's Banks

A Paper Read Before the Twentieth Century Club of Boston, by M. Alphonse 8 Desjardins, President and Manager of the Levis People's Bank, ~ Levis, Que., Canada—(Concluded from last week)

Administration

In such banks the supreme ruling power is vested in the general assembly of the associates, and the various administrative organs selected by the general meeting are always under its strict dependence and supervision.

Three boards, usually called board of administration, commission of credit and commission of supervision, are chosen. The members of each of these boards are distinct; that is, one member cannot be on two boards.

The president of the society, however, is *ex officio* a member of the commission on credit, in order to be in a position of acquainting the board of administration of all that is done in this important body entrusted with most delicate functions, the spirit and reason upon which its decisions are taken, the apropos of measures having for their object the increasing of the funds of the society. The president being, or supposed to be, the best man of this general board, and this board being selected out of the best men in the society, his moral authority is large, and so is his responsibility. It is therefore but fair that his guiding influence should be strengthened by corresponding opportunities of supervision and advising. But, as just stated, he is the only exception to the rule, that one person cannot be a member of more than one board or commission. This is so in order to avoid dividing the responsibility, and thereby to make it certain that no excuse can be alleged. Without going into details, the same being unnecessary for the present purpose, let us come to the various duties to be discharged by these boards.

The board of administration has general powers of supervision and control of the affairs of the society. It controls the admission and expulsion of the members, sees to the transfer of shares, if any, makes all the recommendations to the general meeting in connection to the dividing of the profits of the year, apart from the disposal already provided for in the rules, approves or suggests any desirable amendments to the by-laws; submits any increase in the number of shares that can be held by or the amount loanable to one member, appoints the manager and other officials required, and exercises all necessary administrative powers not specially given to the two other boards.

The commission on credit deals only with the loans submitted to it through the manager. It makes by-laws, determining the conditions upon which the loans are to be made, the security exacted, the rate of interest to be charged, the proper payments of such loans. No loan can be made unless the members present are unanimous. In case of refusal for want of unanimity, the would-be borrower can appeal to the board of administration, and the decision of this body is final. The members of the commission on credit cannot borrow, either directly or indirectly.

As the granting of the loans must be considered the most important duty devolved upon the commission on credit, and therefore deserving the closest attention, I must state that the borrower is always required to state distinctly the object for which he asks the loan, how he intends to repay it. If the object is an improvident one in the opinion of the commission, it cannot be granted for any consideration by the security of the very highest character. Nobody is allowed to borrow if it is not to effect an economy or for a productive purpose. This golden rule has been carried out everywhere and has worked wonders as a matter of safety. The character, the habits of the borrower, as well as of his family, have to be inquired into, in order to convince one of his ability and willingness to reimburse the loan sought for. The moral security is paramount, and refusal must follow if this security is not forthcoming, however reliable may be the other guarantee offered, because the contrary will always bring trouble and discredit upon the society. Thus, honesty, industrious habits, good conduct and thrift, becoming a reliable and valuable asset for the poor man.

Once granted the loan must be repaid regularly and faithfully; the conditions, in most cases, are those offered by the borrower himself, if considered reasonable and fair, but once accepted he must be held strictly to them, unless there is a case of *force majeure*, like sickness or unemployment. Punctuality is a lesson that must be taught. Its practice will confer advantages so great that the borrower himself will soon appreciate them.

I need not mention the question of interest, as I have already dealt with it. But I may add that the custom in our society is to make it payable every three months, deducting from the capital loaned all the instalments paid in, computing the interest charged upon the balance only, and so on until the whole is reimbursed.

The board of administration and the commission on credit are renewable every half year and are composed of, say, nine and four members respectively.

The board of supervision is elected for one year and is composed of, say, three members. Its powers are of the widest character, including the ordinary duties of auditors. In fact, I could not better describe its function than by stating that it is the general meeting sitting *en permanence* alongside the officers chosen to administer the affairs of the society. This board can, and in some stated cases must, call at any time a general meeting and submit to it its appreciation of the acts of either of the board of administration or the commission on credit, leaving the whole matter in the hands of the society itself as represented by the meeting.

Advantages

Officers or members of these boards give their services gratuitously. The manager and officials, if any, alone can be paid. These boards meet as often as the affairs of the society require. Were I to mention here all the advantages of such co-operative banks, I would perhaps weary this audience, for they are numerous and far-reaching. Let me, however, enumerate some of them.

1. Their absolute proximity to the saver and borrower.
2. Their ability to excite local confidence, and, consequently, to draw in local capital. This has been admitted to be by a banker who confessed that no bank could secure to the same degree the confidence of small folk, the hoarders of every description.
3. Their exact knowledge of their clients, and their influence over them, either as members of the same labor union or as co-resident of the same town or city ward.
4. Their power of making the smallest loans, and of undertaking operations, however petty, in consonance with local custom and individual needs, in giving preference to the humblest demands.
5. Their ability to help along a general or particular liquidation of debts.
6. Their ability to work cheaply, almost gratuitously, and thus provide cheap credit.
7. Their retention of local capital and of all profits thereon for the members and borrowers.
8. Their ability to act as agents for their members in certain circumstances and for objects outside of their field of activity.
9. Their power of influencing borrowers towards the true use of credit, and of watching the utilization of loans in accordance with contract.
10. Their tendency to group themselves into unions for mutual development, instruction, inspection and audit.
11. Their steady educative influence in matter of thrift, association and self help, by their continuous presence and continuous object lessons, and by their frequent though small calls upon the