

APPENDIX No. 1

(3) The German Savings Bank

The German Savings Banks are mortgage credit institutions of very great importance to farmers. Their total investments in farm mortgages in 1913 were about \$850,000,000. In some parts of Germany they were the chief source of mortgage credit for the small farmer. Most of these institutions are public savings banks, established, managed and guaranteed by the public authority. In 1913 there were 2,844 public savings banks of this type in Germany with 7,404 branches.

The deposits in these banks reached the sum of over \$4,000,000,000.

These institutions, being usually under local control and management and not subject to central control are allowed to fix a rate of interest to suit their own convenience.

The result is they pay comparatively high interest on deposits, as high as four per cent. There is no combine to fix rates paid on deposits. The result is the savings of the district go to the banks and loans are made to those people living in the same district. The guarantee of the District Authority makes them absolutely safe.

The charges made on loans are also slightly higher than in the case of the *Landschaften*.

Of the total deposits of over \$4,000,000,000 in 1913, over \$2,500,000,000 was invested in mortgages, of which \$850,000,000 was invested in farm mortgages. The exchange in all the figures in this report is based on gold values of the coinages used.

These institutions are of such great importance in connection with agricultural credit that the following brief statement concerning them taken from the report of Mr. Cahill, will not be without interest:—

“The earliest German savings banks were founded to serve as institutions for safeguarding the poorer classes against absolute poverty by providing a place for the safe deposit of small sums of money until such should be required in bad times. Established in connection with the efforts to reform the poor laws they were regarded rather as philanthropic institutions. But the savings banks lost this character of philanthropy early in the nineteenth century, and have developed along the more general lines of institutions for the furtherance of thrift. They have been established usually by and under the guarantee of public authorities; and in normal cases do not aim at profits beyond the obtaining of an adequate interest upon money deposited with them and the payment of the expenses of management. Any surpluses remaining after paying these charges and making suitable appropriations to reserve are applied to objects of public welfare. In primary aim they are distinguishable from banks in the ordinary sense of the term; they seek deposits, not in order to be in a position to grant credit for their own profit, but to foster thrift, and only to utilize deposits for investments in the interests of the depositors themselves. But while there is this distinction in their aims, German savings banks constitute, by reason of their un-examined development and freedom of investment credit sources of great importance. Not being obliged to deposit their funds at interest with the State Treasury, or invest in stocks and shares only as such banks are constrained to do in some other countries, but seeking to obtain on investments the best returns consistent with the absolute security of their funds, they have lent a very large percentage of their deposits on mortgages, a considerable proportion of which have been on rural property.”