Quebec

The first successful effort to introduce the principle of the small bank for rural purposes in Canada was made in the Province of Quebec. The late M. Alphonse Desjardins, a resident of the town of Lévis, after a careful study of the systems of small banks in operation in Europe, decided to introduce into Quebec a system of "People's Banks", the "Caisses Populaires" after the model of the "People's Banks" in Italy.

The first bank was organized under the scheme on December 6th, 1900, in the town of Lévis.

The conditions making possible the success of such a scheme were present in the Province of Quebec as in no other province in Canada. The social, racial and religious unity that exists there made it easy for groups of people to co-operate on a common idea.

These banks were finally organized by law and operate under the Quebec Syndicates Act passed in 1906 and amended in 1919. Since 1915, they are obliged to make an annual report on their operations to the Secretary of the Province and the Bureau of Statistics is obliged to collect and compile reports for publication in the statistical year-book.

These banks are not strictly rural institutions, that is to say, they admit to membership persons who are other than farmers, but, in reality, they work out to be more largely in the interest of farmers than any other class, because of the high percentage of farmers composing the membership. While they do not specially aim to do mortgage business, loans are made on first mortgage on immovable property. In addition, they make loans to their members on personal security.

Each bank works in a small restricted area, where the personal character and integrity of the individuals are well known, so that the risk on loans is exceedingly small. The capital for the individual banks is raised by selling shares of five dollars each and by receiving deposits, upon which savings bank interest rates are paid. Both shares and deposits may be withdrawn on demand. The liability of the shareholder of the bank is limited to the value of his shares in the bank. It was believed by Mr. Desjardins that it would be impossible to have an unlimited liability scheme in Quebec as in Europe and that was probably his real reason for selecting the Italian model rather than the German model for his banks.

Management

Each bank is administered by a board of management composed of at least five members. There is a committee on credit composed of at least three members. This committee examines and approves, or disapproves, the loans requested by shareholders. None but shareholders are allowed to borrow. There is a board of supervision composed of three members, who are responsible for checking the value of the securities and checking accounts. No member of any board is permitted to borrow. They give their services gratuitously. All officials are obliged to reside in the parish or city where the bank is founded. The manager may be paid a salary.

Each bank is required to deposit at least ten per cent of its annual net profit in a reserve fund. The balance is distributed among the shareholders as a bonus or dividend. The shareholders receive a dividend on their investment, varying from 4½ per cent to 8 per cent. Depositors are paid from three to four per cent on their deposits.

In 1922, there were 111 of these banks in existence in Quebec, with 32,173 shareholders or members. 30,583 persons held deposits in these banks. Loans