

One of the surveyed banks stated that the Bank Act precludes the introduction of new services based on current technology. Thus its "new" services are basically variations on old services. To some extent, this is also true of the other banks surveyed.

These services largely fall into three categories: cash-management services that use the computerized facilities of the banks; financing services that include new lending instruments; and business services.

Financing services contain a number of loan plans with varying terms to maturity and down payment requirements. Interest rates are usually floating although fixed rates for one year are sometimes available. Under some plans, banks take partial equity in assets. Fixed-rate farm mortgages and one year fixed-rate farm equipment financing packages have also been introduced.

Financing plans made in conjunction with various government programs have recently been instituted. These include Small Business Development Bonds, SBLA loans, the Quebec Industrial Development Corporation's Emergency Programme and the Newfoundland Fishery Vessels Assistance Plan.

New or modified services with respect to cash management and business operations largely were the result of increased computerization of bank operations. Electronic collection and centralization of funds and consolidated reporting were introduced in order to reduce the need for idle business cash balances. Daily interest commercial accounts and automatic transfer of funds among accounts were designed to reduce the cost of holding such balances and these services saved on accounting costs to firms.

The choice of new services provided at the retail and commercial levels was stimulated by high interest rates, new modes in computerization, and competitive pressures on banks to differentiate their products. Most of these services were aimed at small and medium-sized firms.

Bank financing of farms

In many ways, the difficulties farmers face in arranging financing for their operations parallel those of small businessmen. They have come to depend heavily on banks for their financing. They, too, lament their slighter chances of obtaining long-term fixed-rate financing, and they question the amount of collateral required.

Bank loans outstanding to farmers have grown at a compound annual rate of 18.30 per cent from December 1973 to October 1981. While this has been slightly lower than the growth rate of total bank loans, it has exceeded the rate of growth of Canadian dollar assets of the chartered banks. In fact, the banks have picked up some of the funding normally provided by the Farm Credit Corporation during the 1970s.

From October 1980 to October 1981, bank loans to farmers increased by only 7.56 per cent. It is likely that much of this drop is due to factors on the demand side. As with small businesses, farmers are required to pledge security greatly exceeding the value of the loan obtained from the bank. Since much of this security is in the form of farm produce that may