

## APPENDIX No. 3

process in praise of which the Duke of Argyll—surely a judge of authority—has written these words. ‘Your system of strict payments and watching the loan is admirable.’

‘But even that is not enough. The borrower must engage to pay interest promptly and to repay the principal by regular instalments, which are, for educational reasons, and also to ensure good, business-like management, unmercifully exacted. Banks will forgive anything rather than unpunctuality in meeting obligations. (Co-operation Credit Banks, page 28).’

I have said that a bank does not care to inquire into the proposed expenditure of the money that it loans so long as the security is good. The same custom prevails in Europe, as is shown by the following words taken from Sir Horace Plunkett’s evidence before the Select Committee of the House of Commons of England on money lending, that sat in 1897 and 1898. On page 99 of the report of 1898, Sir Horace said: ‘A bank lending to a farmer does not go into the question as to whether the business is likely to repay the loan, but the bank simply looks to the material security that the farmer is able to offer.’

I may add that the agricultural co-operative credit society started in Ireland mostly through the labours and perseverance of Sir Horace Plunkett, and there are now over 230, have all adopted the rule here spoken of. As to the value of such a rule, Sir Horace Plunkett says further on:—

‘Now, I might point out that the special features of the system, which seem to have this educational and elevating effect, are what are known as the “approved purpose” of the loan. This seems to educate the people up to a point where they distinguish between the two kinds of borrowing—the borrowing to increase their expenditure and the borrowing to increase their production. When they are clear upon that point, and when you get a whole district banded together to enforce the observance of the principle that poor people must only borrow—except in cases of dire necessity—to increase their production, the whole difficulties of the system disappear, and we find that the people are ready to take any amount of trouble, to make any sacrifice, in order to master the details of the system and to put it into operation.’

He adds also that another great advantage of the system is the surveillance over the application of these loans.

Thus it is seen that two distinct features distinguishing the loans of a co-operative credit society are, first, the stating of the object for which the money is borrowed; and, second, the control whereby the association makes it sure that the funds are not wasted and the borrower made poorer.

As the question discussed now relates to productive credit, the following extract from Mr. Wolff in ‘Co-operative Credit Banks’ shows the undeniable advantage of this form of association as a force applied directly to production:—

‘But while it was mainly for the benefit of the smaller industries that this particular form of co-operation was originally designed, and while it has abundantly proved its utility in that sphere, it would be a mistake to suppose that its utility must cease in any branch of industry now carried on by many small producers, if the introduction therein of some new method or process shall give an indisputable advantage to the larger system of production. It is really in such a case that co-operative banking may be expected to yield its most valuable results, since it is there that it can most contribute to the realization of the comprehensive views with which co-operation, as a general system, has from the first been associated. This it can do, and, in a greater or less degree, already has done, by serving as a stepping stone to productive co-operation, in which the advantages of aggregated capital are combined with those of divided ownership. It may safely be affirmed that the measure of success in productive co-operation would have been far greater than it has had the way for it been more generally paved by co-operation in the comparatively simple and practicable form of the loan association or credit union. The habit of saving inaugurated by joining such an association, and this, too, by the small beginnings which alone are possible to