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**THE PRESENT STATE OF THE CO-OPERATIVE
RURAL BANK MOVEMENT IN
FINLAND**

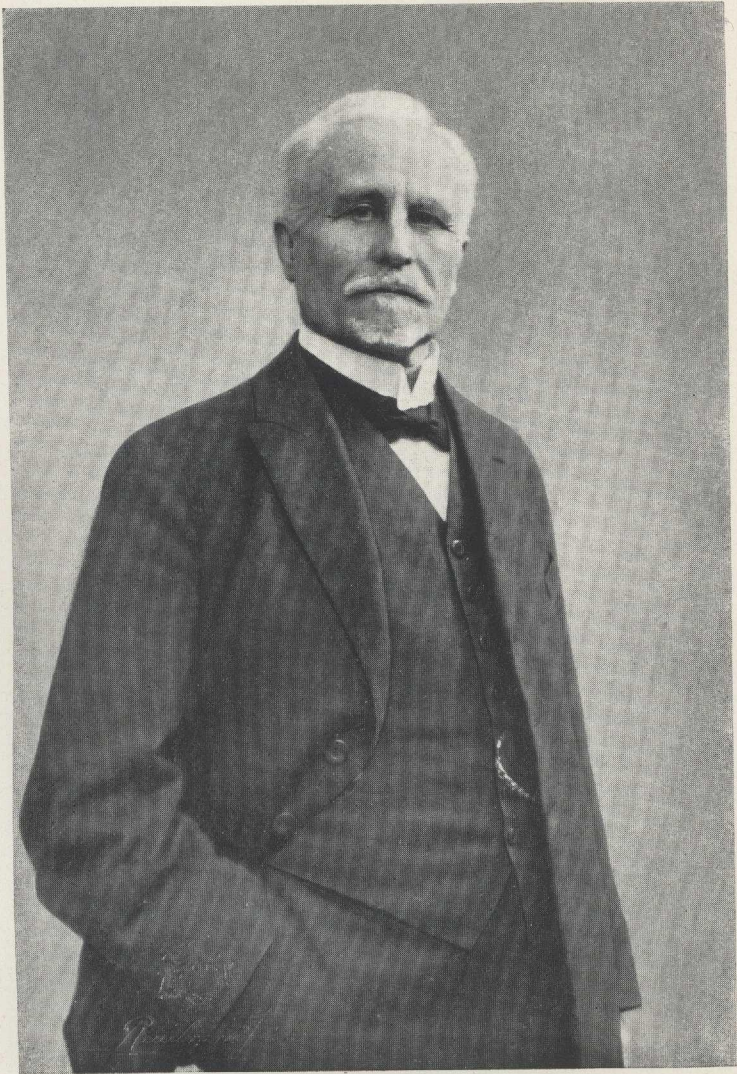
BY
HANNES GEBHARD



**PELLERVON
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PELLERVO SOCIETY

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Founder and organisator of the Finnish Co-operative rural
bank movement.

THE PRESENT STATE OF THE CO-OPERATIVE
RURAL BANK MOVEMENT IN
FINLAND

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HANNES GEBHARD

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VALTIONEUVOSTON KIRJAPAINO

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VALTIONEUVOSTON KIRJAPAINO

Preface.

The cause of the publication of this booklet was the festival arranged by the Central Co-operative Bank on April 29th., 1927, on the occasion of the 25th anniversary of the foundation of the first Finnish Credit Societies. (Like these, the Finnish Credit Societies of later date are — except 10 or 20 — of the rural type, wherefore they are called in this booklet Co-operative Rural Banks.) The main part of its contents is derived from the lecture held on that occasion by Professor *Hannes Gebhard*. Various additions have however been made and the second chapter is wholly new.

The booklet was finally prepared for publication by the Literary Secretary of the Pellervo Society, *Ilmari Rahola*.

Office of the Pellervo Society.

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I.

The Finnish Co-operative Rural Banks.

The great Swedish author and thinker *Victor Rydberg* has likened the Christian Faith to a casket full of glittering jewels. At long intervals someone succeeds in finding the key to it, and opening it, takes out a new jewel from this mysterious treasure, mankind's inheritance and its source of regeneration. In these words Victor Rydberg expressed his conviction of the undiminished power of the Christian Faith to renew life and his belief that new forces capable of exerting a regenerating effect on life continued to flow from this mysterious spring of life.

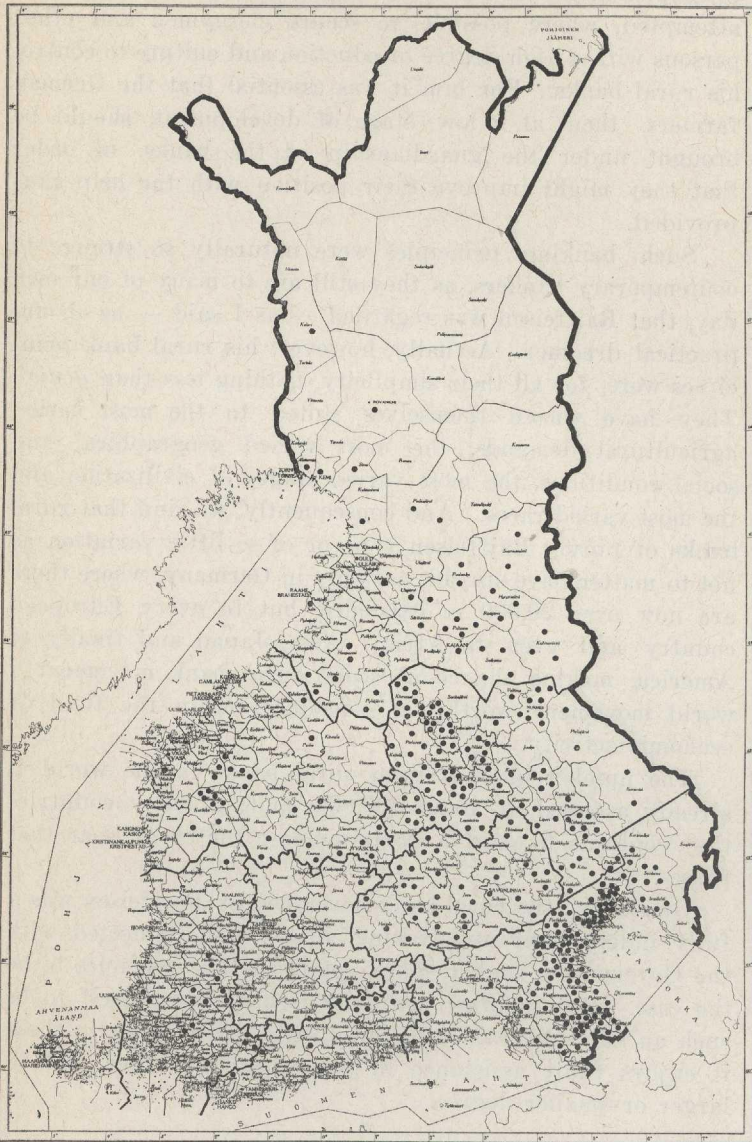
A type of discoverer of these regenerating forces recently brought before us is *St. Francis of Assisi*, the merchant's son whom, though a man of unusual bravery, his contemporaries regarded as a childish crank. As we know, he founded, in the thirteenth century, an originally insignificant order of mendicant friars. From this beginning, however, there grew a religious and philanthropic movement that spread throughout the world, the significance of which as a regenerating influence in cultural and even in economic life is revealed all the more clearly as light is cast on it by history.

I am inclined to regard as a similar discoverer to whom the precious casket has opened the *originator of the co-operative rural bank movement*, the German *Friedrich Wilhelm Raiffeisen*. He too had the openmindedness of a child and only little actual education, and passed for long in the eyes of the world for a crank, when on the whole it paid any attention to him. Yet he had a devout Christian

nature and a heart full of the warmest sympathy for the hard fate of the poor and oppressed. And he too was to become by grace of these qualities the originator of a great movement that has since spread throughout the world, a movement that aims at bringing into finance reforms in keeping with Christian ideals.

In the forties, the crops in Raiffeisen's neighbourhood had failed so completely during a succession of years that the small farmers, poor enough beforehand, were *threatened with starvation*. Their distress was increased by the system of unabashed *usury* that still flourished in those parts at the time. This induced Raiffeisen, who lived amongst them in the capacity of a minor official, to found a species of Distress Society, which began to procure the necessities of life on a co-operative basis, and even to maintain a common kitchen. Having subsequently read in a pamphlet of the *co-operative movement* then spreading in France, Raiffeisen began experimenting with the application of the new principle to the credit conditions of small farmers. With his exact knowledge of the needs and the economic and moral failings of the poor, unenlightened peasants, he was gradually able to obtain an idea of the kind of financial institution that might be able to raise them out of their misery. Thus were evolved what are known as *Raiffeisen's Principles of Co-operative Rural Banking*: an insignificant working capital, unlimited liability of all members in respect of the debts of their bank, a circle of membership so small that all members are well acquainted with each other, a strict choice of members to avoid the inclusion of persons lacking in moral qualities, drunkards, liars, idlers and all other persons negligent of their economic welfare, the granting of means for productive ends only, careful supervision that loans are really used for the purposes for which they were borrowed, and finally, a loan period long enough to be of benefit in the special conditions governing agriculture.

Fig. 1. Co-operative rural banks in receipt of credit from the Central Co-operative Bank in 1910. 374 banks.



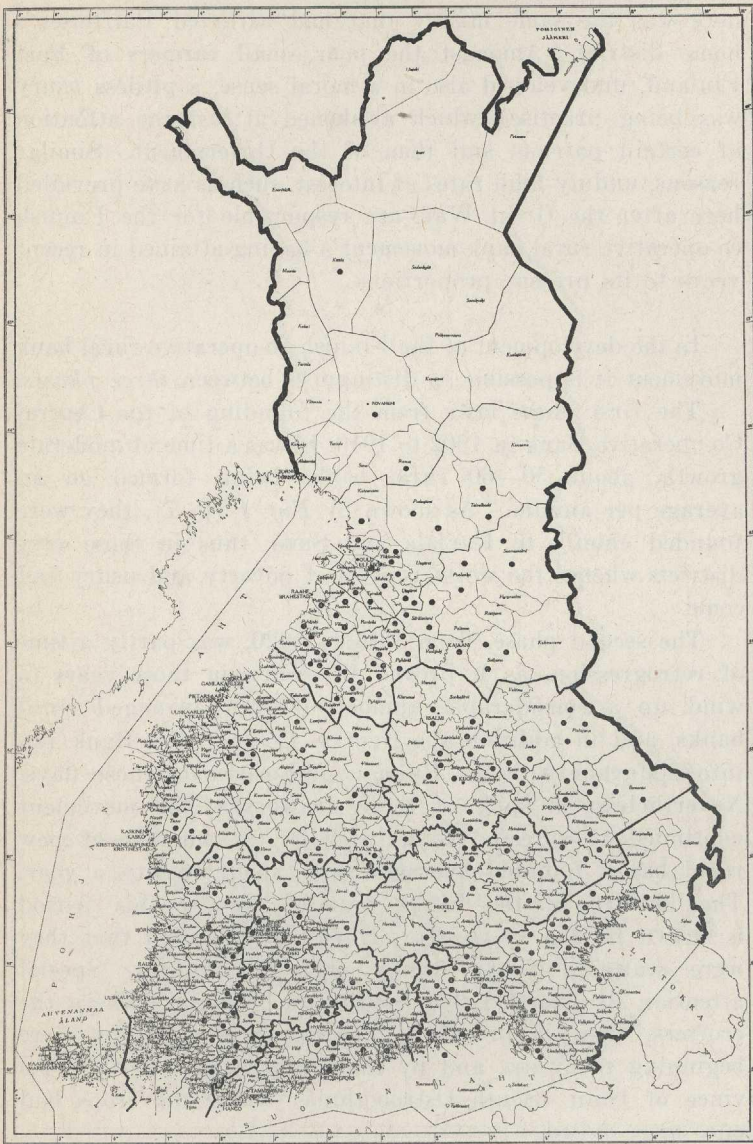
Raiffeisen was afraid to leave the supervision of these principles in actual life to the small farmers themselves, but attempted, where possible, to secure clergymen and other persons with a high degree of education and culture to control his rural banks. For him it was essential that the German farmers, then at a low stage of development, should be brought under the guardianship of the banks, in order that they might improve their position with the help thus provided.

Such banking principles were naturally so strange to contemporary bankers, as they still are to many of our own day, that Raiffeisen was regarded — as I said — as an unpractical dreamer. Actually, however, his rural bank principles were, for all their simplicity, nothing less than *genial*. They have shown themselves suited to the most varied agricultural demands, the most varied geographical and social conditions, the most varied stages of civilization and the most varied races. And consequently, we find that rural banks of purely Raiffeisen type or of so little variation as not to matter have spread, not only in Germany, where there are now over 20,000 in existence, but to every European country and even to Africa, Asia, Japan and finally to America, making the co-operative rural bank movement a world movement worthy of consideration in the field of economic activity.

The number of Raiffeisen rural banks in the world is already assessed at about 100,000, and in many countries they continue to show a great increase for every year that passes.

Originally, the rural bank developed by Raiffeisen was a fully independent undertaking, in no wise connected with the Government, and in many countries this continues to be the case. But in other countries it has shown itself to be such an admirable aid to a State social policy, that in these it enjoys State assistance in some form or other and in larger or smaller degree.

Fig. 2. Co-operative rural banks which received their first credit from the Central Co-operative Bank 1911—1920. 228 banks.



To *Finland* the co-operative rural bank movement spread exactly twenty-five years ago. The cause of its introduction here was the same misery that had afflicted Raiffeisen's home district. Amongst the poor small farmers of East Finland, undeveloped also in a moral sense, a pitiless usury was being practised which awakened at last the attention of certain patriots and then of the Government. Similar reasons, unduly high rates of interest, such as have prevailed here after the Great War, are responsible for the Finnish co-operative rural bank movement's having attained in recent years to its present proportions.

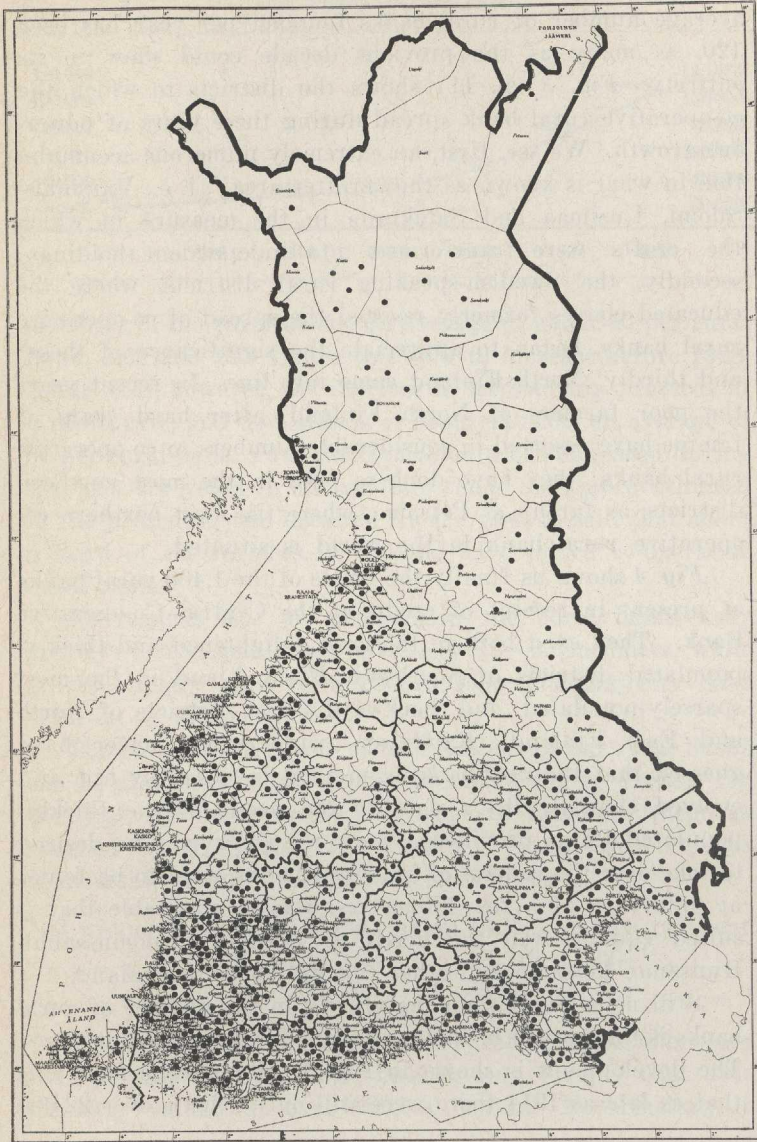
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In the development of the Finnish co-operative rural bank movement it is possible to distinguish between *three phases*.

The first phase lasts from the founding of the Central Co-operative Bank in 1902 to 1910. It was a time of moderate growth, about 50—60 rural banks being formed on an average per annum. As shown by *Fig. 1* (p. 7), they were founded chiefly in Karjala and Savo, thus in those very districts whence the worst reports of poverty and usury had come.

The second phase, from 1911 to 1920, was partly a time of retrogression, as it proved necessary in those years to wind up a considerable number of badly-managed rural banks, and in addition the Central Co-operative Bank fell into disfavour with the Russian authorities of those days. Nevertheless, in spite of these drawbacks, the movement continued to spread, though slowly: the number of new rural banks founded averaged only about twenty a year. The locality of the banks founded during this period is shown in *Fig. 2* (p. 9). It will be observed that they were scattered fairly evenly over the country. Special attention is merited by South-west Finland, where the crofters, then in process of becoming independent, were beginning to awake, and by the southern part of the Province of Oulu (South Ostrobothnia) where the crops had once more failed.

Fig. 3. Co-operative rural banks which received their first credit from the Central Co-operative Bank 1921—1927. 757 banks.

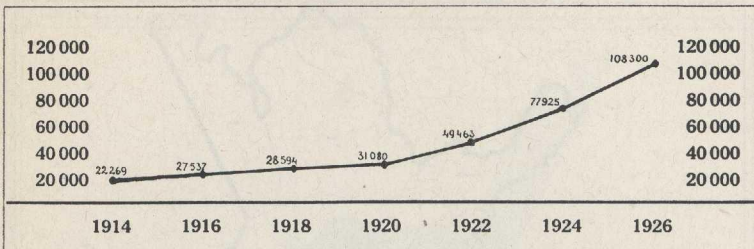


The last phase, from 1921 onward, has been a time of unusually rapid development; in the last six years the average number of rural banks founded per year has been 120, as many as the previous decade could show in its entirety. *Fig. 3* (p. 11) shows the districts to which the co-operative rural bank spread during these years of powerful growth. We see, first, an extremely numerous accumulation in what is known as the „crofter area”, i. e., Varsinais-Suomi, Uusimaa and Satakunta in the measure in which the crofts were transformed into independent holdings; secondly, the Swedish-speaking rural districts, where the educated classes formerly resisted the spread of co-operative rural banks, began to appreciate the significance of these; and thirdly, North Finland came into line. In recent years the poor farmers of North Finland, after hard years of famine have resorted in considerable numbers to co-operative rural banks; they have done so even in the most northern districts, as far up as Petsamo, where the most northern co-operative rural bank in the world is situated.

Fig. 4 shows us finally the whole of the 1,400 rural banks at present in receipt of credit at the Central Co-operative Bank. They exist both in the most enlightened and thickly-populated districts of Southwest Finland and in the most sparsely-populated and backward forest districts of North and East Finland. Raiffeisen could surely never have guessed that the new banking method invented by him and evolved chiefly with a view to the needs of the thickly-populated Rhine provinces, where the clergymen he desired to take over the control of his rural banks were to be found at intervals of a few kilometres, was so adaptable that it suited equally well the needs of Suojärvi, Suomussalmi, Kuusamo, Petsamo and other remote places in Finland.

Still more rapid than the growth in the number of rural banks is the growth in their membership during recent years. The development is shown in *Fig. 5*. We observe from this that as late as 1914 there were still only a little over 22,000

Fig. 5. Membership of the Co-operative Rural Banks During the Years 1914—1926.



members in the rural banks, an average of about 40 per rural bank, and that this figure was slow to increase before 1920. After this, however, the increase in membership proceeds at a rapid rate, and now stands at about 110,000, an average of 80 per rural bank. Thus the membership has increased during the past six years to almost four times the figure achieved in the preceding two decades. It can now be said that about a third of the farmers in Finland have joined co-operative rural banks.

As regards size of membership the rural banks vary greatly: a few small ones have only 15—25 members, while others already have from 250 to 450. The majority have from 50 to 100 members.

The economic resources of the members of our rural banks can be examined in two lights. Members can be classed, for the first, according to the net property owned by them, as assessed by the rural bank boards. In this respect, the membership was divided in 1926 as follows:

Net property	under 50,000 marks	64,988	or 66.9 per cent
"	" 50,000—200,000	" 28,543	" 29.4 " "
"	" over 200,000	" 3,566	" 3.7 " "

The overwhelming majority of rural bank members are thus persons of very small means; only 3.7 per cent own property valued at over 200,000 marks. Nevertheless, it

Fig. 4. Co-operative rural banks in receipt of credit from the Central Co-operative Bank on March 31st., 1927. 1,359 banks.

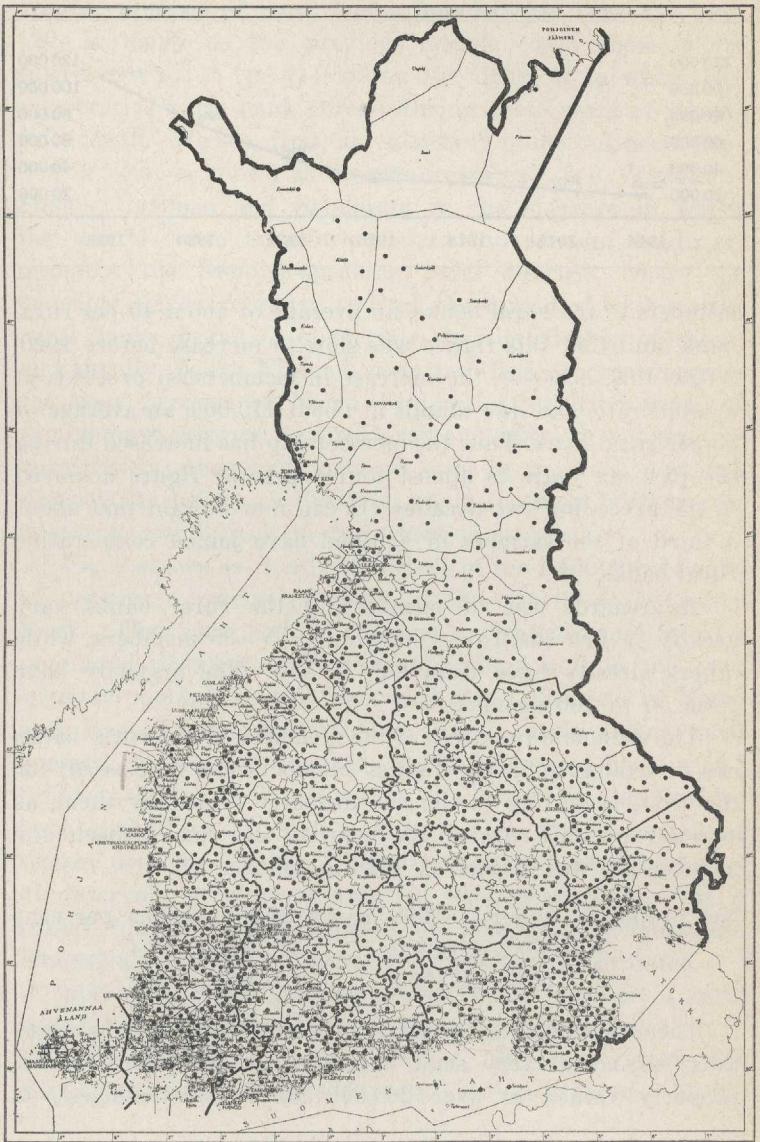
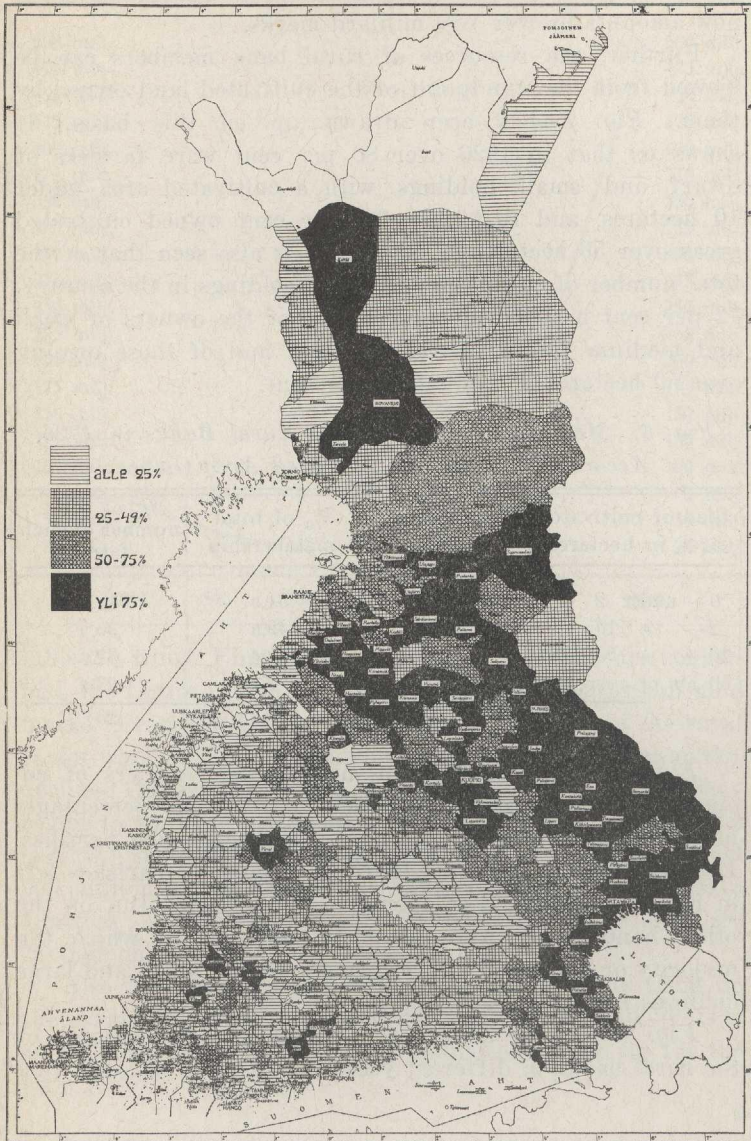


Fig. 7. Membership of the co-operative rural banks in percentages of the farms in the respective parishes in 1926.
Under 25 %, 25—49 %, 50—75 %, over 75 %.



must be taken into account that agricultural property is generally greatly undervalued. Notwithstanding, the aggregate property of the combined membership of the rural banks now amounts to over five milliard marks.

Further, the resources of rural bank members can be viewed from the standpoint of the cultivated land owned by them. *Fig. 6* has been drawn up on this basis. It shows us that in 1926 over 80 per cent were farmers of dwarf and small holdings with a cultivated area under 10 hectares, and that only 0.9 per cent owned cultivated areas over 50 hectares in extent. It is also seen that of the total number of cultivators of dwarf holdings in the country, 12 per cent had joined rural banks, of the owners of small and medium farms 32—36 per cent, and of those owning over 50 hectares of fields 23.5 per cent.

*Fig. 6. Members of Co-operative Rural Banks in 1926
According to Size of Cultivated Area Owned.*

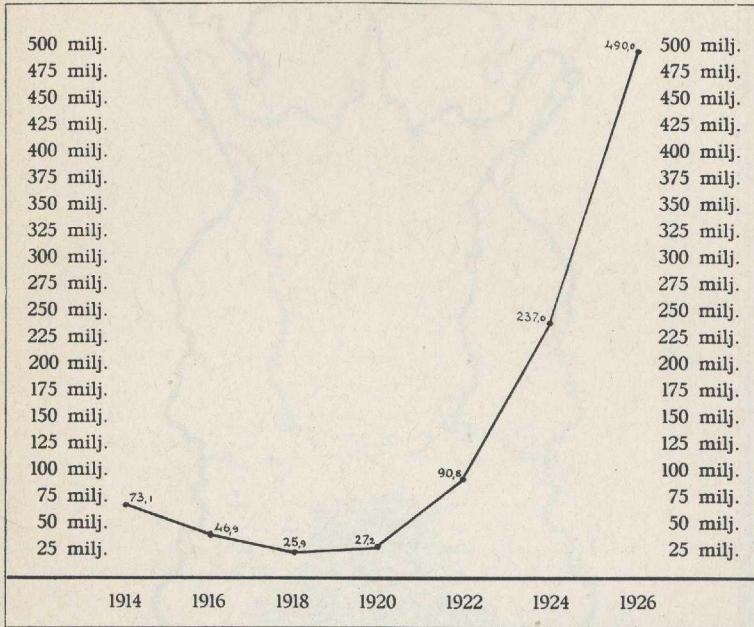
Size of cultivated area in hectares	Number of members	% of total membership	% of total number of such farms
0—under 2	30,230	31.9	11.9
2— » 10	46,649	49.2	36.2
10— » 50	17,035	18.0	32.6
50 hts or over	886	0.9	23.5
Total	94,800	100.0	25%

Fig. 7 (p. 15) shows the number of members of co-operative rural banks in each parish in percentages of the total number of holdings in the respective parishes. It shows that at the time there were only 70 parishes left in Finland without a co-operative rural bank. But on the other hand, there were about 80 parishes in which the majority or almost all of the formers of both small and large holdings had joined rural banks.

Fig. 8 (p. 17) shows the means at the disposal of the rural banks in different years. Here, as in the following

Fig. 8. Means of the Co-operative Rural Banks During the Years 1914—1926.

In million marks.



tables in which Finnish marks of varying values are concerned, the figures given have been converted into present gold marks. From the diagram we see that the means of the rural banks, which in 1914 amounted to close upon 75 million marks, declined during the war to one-third of this amount. They began to increase again after 1920 had passed, and in the last two years rose so rapidly and to such a figure, almost 500 million marks, that heads have begun to reel in certain quarters — wholly without cause, however, as we shall see further on.

Also in respect of the means disposed over by them do the rural banks vary, the majority being quite small. This is seen clearly from the following tabulation drawn up for the year 1926.

Fig. 9. Co-operative rural banks with between 500,000—1 million marks at their disposal in 1926. 229 banks.

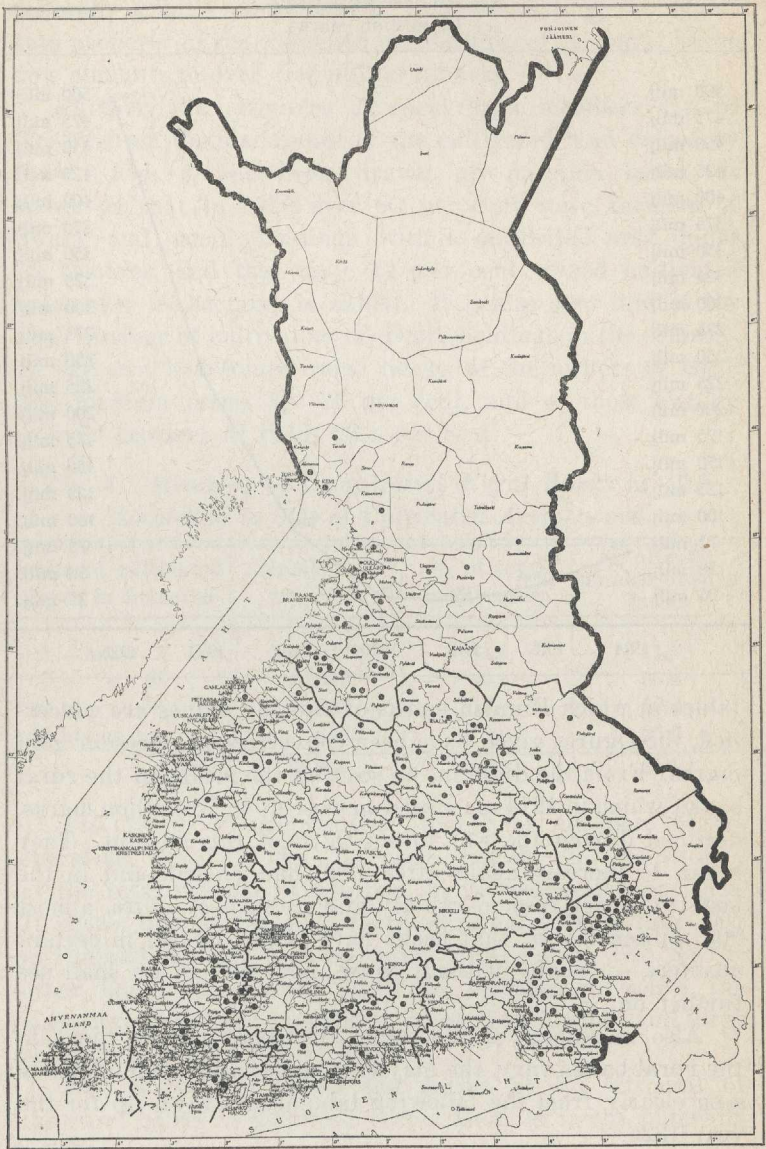
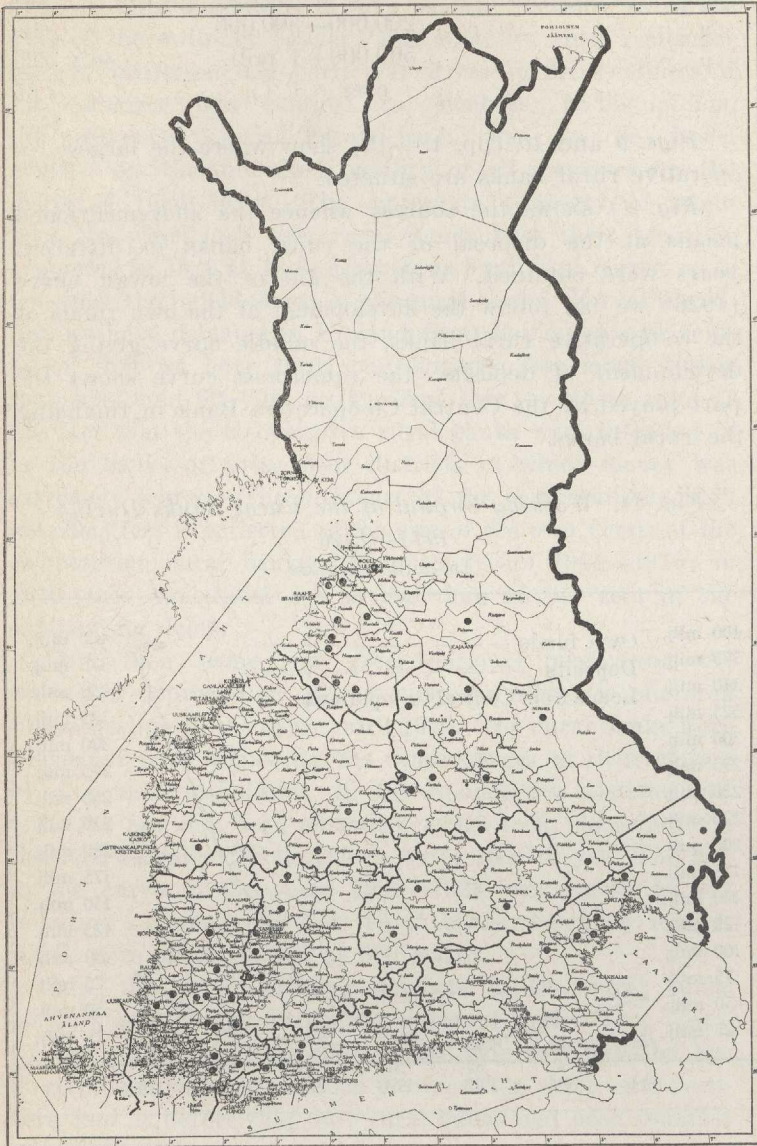


Fig. 10. Co-operative rural banks with over 1 million marks at their disposal in 1926. 66 banks.



Co-operative Rural Banks

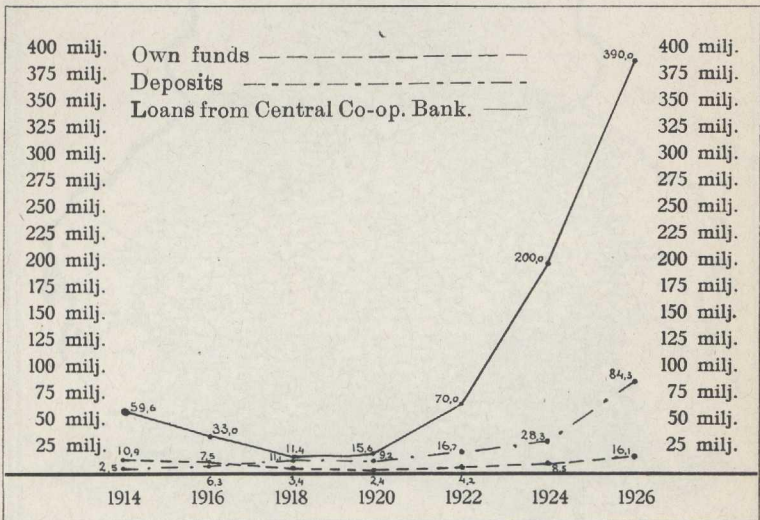
with a working capital of	under 200,000 marks	544
" " "	" 200,000—500,000 "	505
" " "	" 500,000—1 mill. "	only 229
" " "	" over 1 " "	66

Figs. 9 and 10 (pp. 18—19) show where the largest co-operative rural banks are situated.

Fig. 11 shows the sources whence the abovementioned means at the disposal of the rural banks in different years were obtained. With the aid of the lowest curve (1926) we can follow the development of the own funds of the co-operative rural banks, the middle curve giving the development of deposits; the uppermost curve shows the part played by the Central Co-operative Bank in financing the rural banks.

Fig. 11. Working Capital of the Rural Banks During 1914—1926.

In million marks.



The share of the co-operative rural banks' own funds in their lending operations is very modest, foolishly so in the eyes of the ordinary banker. But what we must remember is that Raiffeisen laid particular stress on the smallness of the entrance fees charged to members. In his opinion, the solvency of a rural bank was to be based chiefly on the unlimited liability of all members for the debts of their bank. The aggregate property of members, on which our own rural banks base their security, amounted in 1926 at a low estimate to 5 milliard marks, or to ten times the indebtedness of the rural banks. Notwithstanding, we have deviated in Finland from Raiffeisen's principles in that we have fixed our entrance fees much higher than his, or at 60—100 marks. And this we did in spite of the fact that the co-operative rural banks were intended to be the banks of those poor districts in which money was extremely scarce. The influence of the comparatively high entrance fees is reflected in the size of the own funds of the co-operative rural banks during the years 1914—1916; in 1916 they amounted to no less than 15 per cent of the outstanding debts.

But then came our great national misfortune, the continued depreciation of our currency, which is mirrored in the decline in the curve until 1920. The rural banks were prevented from adjusting the consequences of depreciation by a certain stipulation in the co-operative societies law until the law had been amended, which took place in 1927, thus too recently for its effects to be seen as yet. The rise in the curve in the years 1922—1926 was caused by the founding of numerous new rural banks, entrance fees in which were usually fixed at 300 marks.

Also the curve showing deposits in the rural banks displays only a very modest development until recent years. Up to the year 1920 the rural banks were forbidden by law to accept deposits from other persons than their own members, and as before that date rural banks had been founded

chiefly in the poorest districts of the country, amongst small farmers with very little means at their disposal, it was natural that deposits should not amount to much. An amendment was finally secured in the law in 1920, permitting the rural banks, after the necessary alterations had been made in their regulations, to accept deposits from the public without the former restrictions. This is reflected in the rise in the curve showing deposits during recent years.

The uppermost curve shows, finally, the development in the amount of loans granted to the rural banks by the Central Co-operative Bank. In 1914 the amount was close upon 60 million marks in present currency. From this it declined, owing at first to the increased supply of cash in rural Finland, and later to the depreciation of the Finnish mark, until in 1920 it was only 15.6 million marks. However, after Finland had achieved its independence and recovered from the economic losses occasioned by the war, so that the rural bank movement too could be assisted by loans or Government guarantees, the share of the Central Co-operative Bank in financing the local banks grew rapidly. It is to be regretted that so large a part is played in the assistance thus given by foreign loans, secured in part on extremely heavy terms, which sooner or later will have to be repaid. Improved conditions can therefore only be brought about by increasing the own funds and deposits of the rural banks. We must consequently endeavour to raise the two lowest curves as high as possible and press the uppermost curve as far down as we can: herein lies one of the chief duties for us in the immediate future.

The following Table (*Table 12*) shows the amount of credit granted to the co-operative rural banks by the Central Co-operative Bank, calculated in present currency.

The Table reveals the development already familiar to us from the preceding account: first a considerable decline from 70 million to 21 million during the period 1914—1920, and from then onward a great increase, almost to half a

Table 12.

Credit Granted to the Co-operative Rural Banks by the Central Co-operative Bank During the Years 1914—1926.

End of	Total	Average personal credit per member
1914	69,266,000	3,110
1916	52,772,000	1,837
1918	26,862,000	862
1920	21,159,000	627
1922	100,466,000	1,959
1924	222,298,000	2,669
1926	491,953,000	3,129

milliard, which, as I have remarked, has begun to make those unacquainted with the facts dizzy. But the next column shows a row of figures that should *reassure the nervous*. It shows us that the personal credit, that is, the credit remaining when mortgage loans and those granted to co-operative dairies and other productive agricultural undertakings are subtracted, amounted in 1914 to an average of 3,100 marks per member and that it subsequently declined to 600 marks in 1920. Since then it has risen no higher than it was in 1914. The Central Bank has not, as a matter of fact, been able to procure more capital for the co-operative rural banks during these years than the birth of new rural banks and the accession of new members has made imperative. And even then, I am firmly of the opinion that this amount is too small if we take into account in how great a measure our farmers have gone over in late years from a nature economy to an economy based on money, how their buildings and machinery were left unrenewed during the war and how high the general rate of interest has latterly been in this country. What has a farmer been able to obtain with this 3,000 mark loan? One ordinary cart-horse or a slightly better-class heifer. When in 1924 an

investigation was made into the conditions prevailing in this respect in other European countries, it proved that no other country could show co-operative rural banks furnished with as insignificant a capital per member as ours had.

We have still to examine more closely the business done by our rural banks in deposits at the end of 1926. For this purpose let us, to begin with, group the rural banks according to the amount of deposits held by them. We obtain the following classification.

Co-operative rural banks with deposits	under 100,000 mks	— 993
» » » » »	100,000 — 500,000	» — 188
» » » » »	500,000 — 1 mill.	» — 21
» » » » »	over 1 million	» — 5

This compilation shows how exceedingly small — under 100,000 marks — the amount of deposits was in most, i.e., 993 rural banks at the end of 1926. And even in the few in which it was above that amount, it had not yet reached any considerable figure. The rural banks consequently hold only a small portion of the country's deposits. This is seen with all clearness from the following compilation, which shows the amount of deposits in the different kinds of financial institution in 1926.

Deposits in Different Financial Institutions in 1926.

Joint Stock banks	5,354,000,000	marks
Savings banks	2,510,000,000	„
Savings Funds attached to co-operative stores	254,400,000	„
Postal Savings Bank	184,500,000	„
Co-operative rural banks and Central Co-operative Bank	103,000,000	„

We see from this compilation that in 1926 the Joint Stock banks held almost 5.5 milliard marks in deposits and the Savings Banks 2.5 milliard marks, whereas the co-operative stores' savings funds, Postal Savings Bank, co-opera-

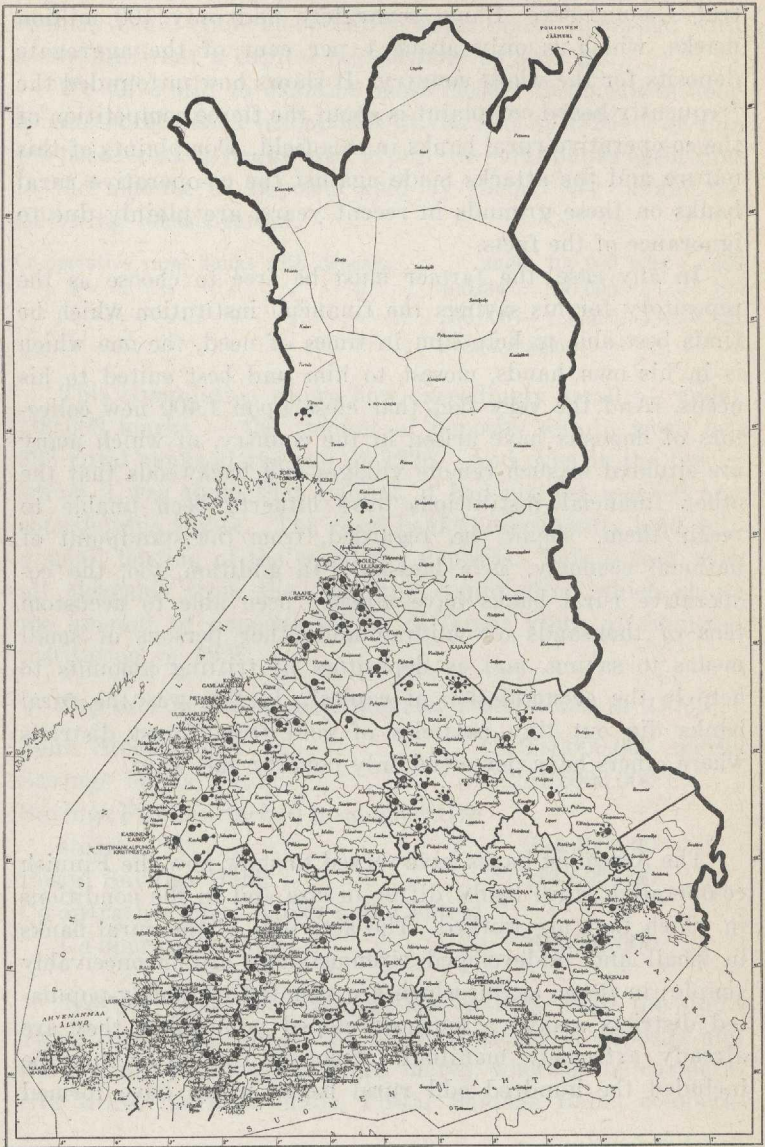
tive rural banks and Central Co-operative Bank together had only a half-milliard. The co-operative rural banks and Central Co-operative Bank separately had only 100 million marks, which is only about 1 per cent of the aggregate deposits for the whole country. It shows how unfounded the frequently heard complaint is about the fierce competition of the co-operative rural banks in this field. Complaints of this nature and the attacks made against the co-operative rural banks on these grounds in recent years, are plainly due to ignorance of the facts.

In any case, the farmer must be free to choose as the repository for his savings the financial institution which he finds best able to help him in times of need, the one which is in his own hands, closest to him and best suited to his needs. And the very fact that close upon 1,400 new collectors of deposits have arisen in the country, of which many are situated in such remote villages and backwoods that the other financial institutions have hitherto been unable to reach them, should be regarded, from the standpoint of national economy, as a blessing. In addition, too, the co-operative rural banks have already been able to accustom tens of thousands of children and other persons of small means to saving, and as depositors of trifling amounts to help in the accumulation of capital. In this way the rural banks dig out tiny particles of gold from forest districts where others have perceived only poverty and want.

*

The foregoing pages have served to show how the Finnish co-operative rural banks differ in size and in the conditions in which they are worked. The activities of the rural banks in small and undeveloped circumstances are inconceivably simple; in those, again, which are situated in thickly-populated districts amidst a more developed population, they are already extremely manifold. Amongst the latter may be included the hundred odd rural banks which have formed

Fig. 13. Co-operative rural banks entrusted with the circulation of currency in their district.

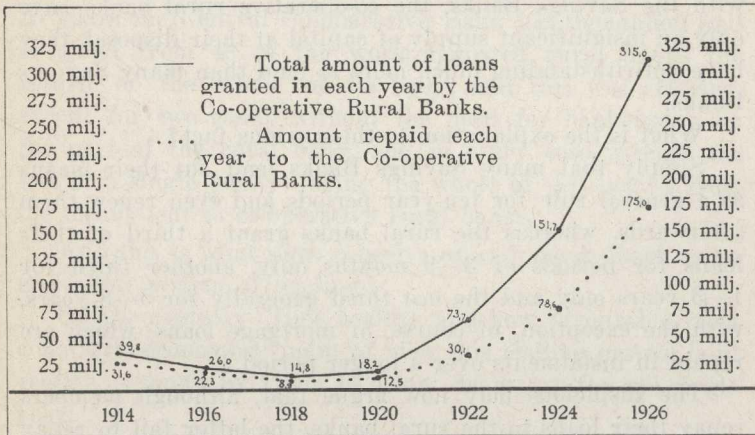


business relations with the local co-operative dairy and other co-operative undertakings; these usually operate on a cheque basis and have thus become entrusted with the circulation of currency in their neighbourhood.

Fig. 13 (p. 26) shows the districts in which developed rural banks of this description are at present to be found, together with the number of other co-operative undertakings associated them. The larger circles denote co-operative rural banks and the smaller circles connected with these by lines denote co-operative dairies, societies and certain other associations.

Fig. 14. Loans Granted by the Co-operative Rural Banks During the Period 1914—1926.

In million marks.



Persons unacquainted with the co-operative rural bank movement and prejudiced against it have been heard to declare that the members of rural banks constantly demand more and more loans and neglect to repay those already obtained. Thus, they say, the rural banks tend to plunge agriculture into debt. Such persons prophesy a general

crash and widespread misery, when the inevitable day of repayment dawns.

How unfounded this conception is, I will attempt to show in the following. Let us first glance at *Fig. 14*. We see there two curves, of which the uppermost shows the amount of loans granted by the rural banks in different years to their members; the lower curve shows the amount of loans and instalments repaid during the same period. For instance, in 1926 the rural banks were able to grant loans to an amount of 315 million marks, but in the same year 175 million marks was repaid. This is a fine example of the fact that members really do repay their loans on the date of expiration.

It reveals too another circumstance that has often awakened wonder, the circumstance that although, compared with the Savings Banks, the co-operative rural banks have only an insignificant supply of capital at their disposal, they have notwithstanding much more to lend than many Savings Banks.

What is the explanation to this curious fact?

Simply that many Savings Banks lend out their means as a general rule for ten-year periods and even renew them afterwards, whereas the rural banks grant a third of their loans for periods of 3—9 months only, another third for 1—3 years only and the last third generally for 5—8 years, with the exception, of course, of mortgage loans, which are repaid in instalments over a longer period.

The suspicious may now argue that, although members repay their loans to the rural banks, the latter fail to repay theirs to the Central Co-operative Bank, but instead continue to grant new loans to their own members. My answer to this is, first, that banks too continue to grant new loans to their clients; that is the very nature of business credit. Farmers, for instance, are able to buy fodder and fertilizers on much more favourable terms if they pay cash and with this intent borrow from their rural bank. But they repay these loans

within less than a year and the next year need new loans for the same purposes.

Secondly, I can show the doubters that the rural banks too, are capable of redeeming their loans at the Central Co-operative Bank on demand.

Of the Distress Loans granted by the Government in 1923, distributed through the Central Co-operative Bank to the co-operative rural banks of districts which had experienced a failure of crops as complete as that of 1867, a sum of 26 million marks was due for repayment in the present year. And although these districts have not, in so short an interval, been able to recover from the blow then received, the rural banks have punctually repaid their loans, except for an exceedingly small amount.

And I can further inform them, that during the past 25 years the Central Co-operative Bank has demanded and obtained from 48 of the worst-managed rural banks the return of the whole of its loans, and this was effected, except for two cases, without the need for bankruptcy on the part of the rural bank, and in every case without the loss of a single penny during the whole of this period from the means lent to co-operative rural banks.

And this is what some conceive of and speak about as an unhealthy system of lending!

On the contrary! How healthy and how favourable from a national-economical point of view this lending system is in reality, is shown by *Table 15* below, drawn up for one single year.

Table 15.

Uses to Which Loans from Co-operative Rural Banks Were Put in 1926.

Bought 458 new holdings	5,536 hectares
„ additional land for 1,353 farms	11,517 „
„ 1,014 existing farms	24,343 „

Built new homes	1,439 buildings
" dwelling accomodation to replace old	2,509 "
" accomodation for 22,280 head of cattle	3,290 "
" other buildings	5,639 "
Repaired	5,426 "
Fields cleared for cultivation	10,900 hectares
Ditches dug	8,340,000 metres
Carted materials for improving soil ..	2,022,500 loads
Bought artificial fertilizers	107,887 sacks
" seed	1,544,000 kilos
" fodder	1,254,700 "
" hay	6,767,200 "
" machinery	2,379 items
" agricultural implements	3,244 "
" cattle	9,079 head

As I remarked in the beginning, it was one of Raiffeisen's original principles that loans should only be granted for purposes of increased production. In Finland we attempt to adhere to this principle as closely as the undeveloped condition of the country will allow and exercise the utmost strictness in its supervision. The Boards of the rural banks must appoint special inspectors for the purpose, whose duty it is to visit every member who has received a loan and control the uses to which the loan has been put and to draw up a written report of what they have seen. The compilation on the preceding page is drawn up from these reports. In examining it, however, we must take into account that the loans granted by co-operative rural banks have not been the only factors instrumental in bringing about these results; they may, for instance, have been eked out with private means or even, to some extent, with the proceeds of loans raised elsewhere.

Nevertheless, the Table shows that in a single year with the aid of loans from the co-operative rural banks over four hundred new holdings were bought and land added to 1,300 previous small holdings. Further that loans — chiefly Government mortgage loans — have helped in the purchase of 1,000 old farms. To continue, loans from co-operative rural banks were used — and I am still speaking of the same year — in building 1,400 new homes on new holdings and 2,500 dwelling-houses to replace former buildings, 3,300 cattle-houses for 22,000 head of cattle and over 5,000 other farm buildings.

More important, however, to my mind is that with the aid of co-operative rural bank loans 10,900 hectares of new ploughland were cleared in 1926. If we consider that the average ploughed area in our parishes is only 4,000 hectares, the figure quoted denotes that in one single year the Finnish co-operative rural banks have been instrumental in wresting an area equal to $2\frac{1}{2}$ average parishes from the wilderness. — In addition, ditches have been dug to a total length of over 8,000 kilometres, or seven times the length of Finland from Hanko to Petsamo.

It would take too long here to recount all the other productive ends enumerated in the Table. The list given there is in any case incomplete, for it does not take into account the fact that in the same year the Central Bank had outstanding loans to co-operative dairies amounting in the aggregate to close upon 50 million marks and about 15 million marks lent to about 100 other co-operative undertakings.

As in all human activity, there are naturally many defects in the work of our co-operative rural banks. And we ourselves are better aware of it than others. But we strive year by year to eliminate these defects, to tighten up control and to secure better and better talent in the service of the co-operative rural bank movement.

Up to now I have dwelt on various features showing the extent and nature of the loan business of our co-operative rural banks. It might be of interest after this to see how the banks function. With this object in view we might begin with two interesting features connected with their offices.

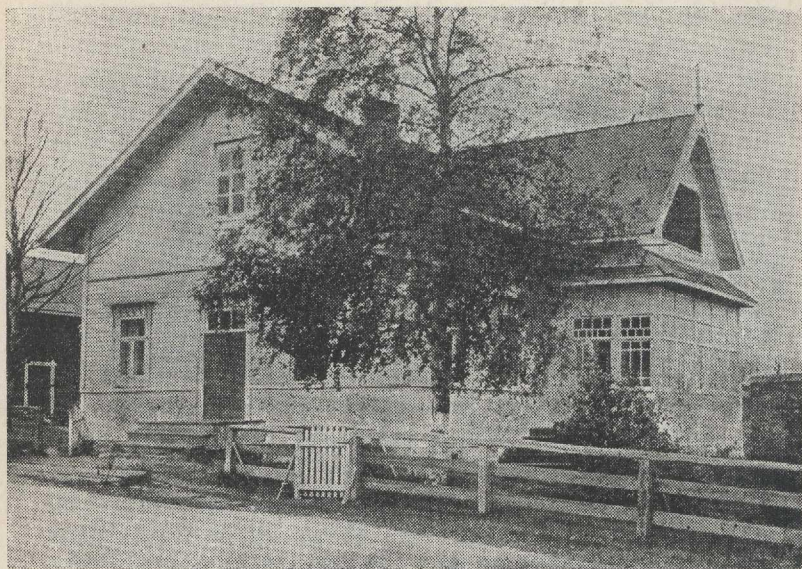
As regards, first, the time during which the offices are open, the rural banks can be grouped as follows (*Table 16*).

Table 16. Office Hours of the Co-operative Rural Banks.

Office open	Number of rural banks
Twice a year	1
Once a month	427
Twice a month	124
Once a week	144
More than once a week	36*
Every week-day	18
Information uncertain	336

When, twenty-five years ago, the Central Co-operative Bank drew up regulations for Rural Bank Boards, one stipulation contained in them was that the Board should meet once a month, on which occasion the office was to be open to clients. We note from the Table that even in our undeveloped conditions and sparsely populated parishes, most of the rural banks from which information has been obtained, or 427 in all, adhere to this rule. The greatest exception in this respect is formed by a single bank, that at Petsamo, which is open only twice a year. Those open twice a month or once a week are already fairly numerous (268 in all). Oftener than this, or every day, only few rural banks keep their offices open, but the development in that direction has recently been rapid.

The office accommodation of the rural banks has been arranged in such a way that 935 banks have their offices situated in the home of their bookkeeper or Chairman,



Building of the Impiranta Co-operative Rural Bank at Impilahti.

126 have rented rooms specially for the purpose, and only 25 own buildings themselves or share one with other co-operative undertakings. Thus in by far the most cases, offices are situated in the home of the bookkeeper or Chairman. It serves to show how modest most of our rural banks are and the smallness of the expenditure with which they are run. Herein lies their strength.

As a matter of interest I have included illustrations showing the unassumingness of these first „bank-buildings” procured by the co-operative rural banks. The first of these illustrations shows the building of the Impiranta Rural Bank. I must confess that when I first heard of the purchase of a building by this comparatively small rural bank and saw the size of the building from a picture, I shook my head and sternly denounced such „Carelian frivolousness”. But when last summer I visited the place and saw

that the bank had reserved only a small suite for itself and heard at the same time the favourable terms on which the rest of the building had been let, I could only approve of their enterprise. With the building is connected a small field in which agricultural competitions are held each year under the guidance of the bookkeeper. The bookkeeper is the District Agricultural Adviser, who has leased part of the house for his own accomodation.

Certain other rural banks too have procured houses of their own. These include the Vampula Rural Bank (illustration on p. 35), whose building also looks too large; in this case, too, so much of the building is leased to others that its possession is no burden on the bank. A smaller, pleasant-looking building is owned by the Immula Rural Bank at Lohja (see p. 36).

The last illustration to be included shows the beautiful and dignified „bank premises” of the Yläne Rural Bank although the building is not in this case the property of the bank. The business of the Yläne Rural Bank has been managed for twenty years without salary and is still so managed by Mr. Onni Rantasalo, a farmer owning a large estate. He kept the office for a long period in his own home, but when this became difficult with the growth of its business, he had the poetical old annexe to his former manor set in order (see p. 38) and placed it at the disposal of the bank. Here a special room has been reserved for the Board, beautifully furnished specially for the purpose (see p. 39), while another room, furnished and decorated throughout with artistic taste, has been set aside for meetings of the members of the bank.

The uninitiated might finally inquire where the co-operative rural banks, which are so small and so modest, have obtained persons capable of managing an organized financial undertaking.

It is indeed wonderful. But the staff of our rural banks usually consists of one single bookkeeper; only in rare cases



Building of the Vampula Co-operative Rural Bank.

does the Chairman of the Board take any effectual part in the work. In the circumstances the bookkeeper not only keeps the books, in accordance with his title, but is at the same time manager, accountant, cashier, correspondent and statistician. And in the majority of cases he yields up part of his home to accomodate the office of the bank, as we have previously seen.

I remarked in the beginning that Raiffeisen sought and obtained for the direction of his rural banks the services of the clergymen of the local small congregations of 500—1,000 souls. The example set was followed in many other countries, especially in Roman Catholic countries like France, Ireland and Italy. Elsewhere elementary school teachers have been available for this work, or country doctors or other officials with a higher education. Sometimes, as in Hungary, the owners of large estates have comparatively often taken upon themselves the duties of bookkeeping, either personally or through their bailiffs.

In this country, too, we tried in the beginning to interest the clergy in the co-operative rural bank movement. For this end a special booklet was published containing an account of what the clergy of other countries had done for the



Building of the Immula Co-operative Rural Bank at Lohja.

movement and of their speeches or writings in the matter; this booklet was sent together with a circular to every clergyman in the country. On the whole, however, the seed thus sown fell on barren ground. At present I believe we have only one clergyman bookkeeper, and another five acting as Chairmen of the Boards of their local rural banks.

We succeed much better with school teachers: of these we have now 215 acting as bookkeepers and 47 as Chairmen of Boards. Other officials, professional men and tradesmen act in 144 cases as bookkeepers. In by far the most rural banks, however, the bookkeepers are farmers or farmer's sons: these amount altogether to over 700, and are thus to be found in 66 per cent of the rural banks which have sent in information.

It may now be asked how the Finnish rural banks have been able to manage in such great measure without the assistance of well-educated persons.

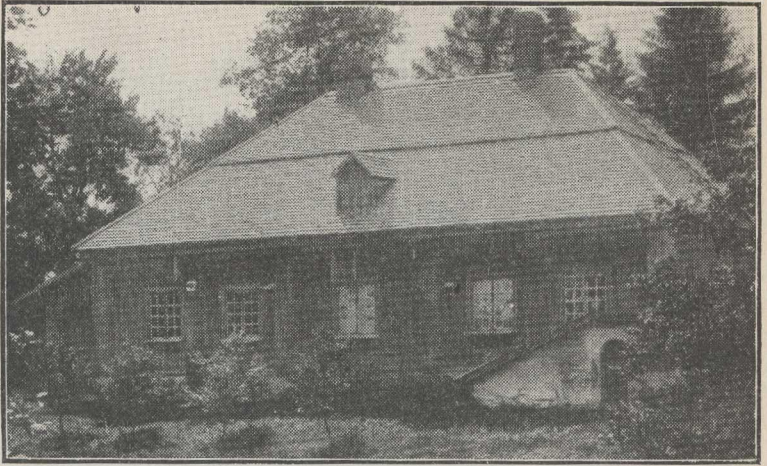
To throw light on this question, *Table 17* has been drawn up, showing the degree of education possessed by the bookkeepers.

Table 17. Degree of Education of Rural Bank Bookkeepers in 1926.

Without education	6 per cent
Elementary school only	31 " "
Elementary school+People's College or a Trade School	37 " "
Teachers' College or other high school	22 " "
University degree	4 " "

We see that of the bookkeepers of the Finnish co-operative rural banks, 6 per cent, or in numbers about 60, have received no education whatever, and a further 31 per cent only the education provided by elementary schools. On the other hand, 37 per cent have supplemented their elementary school education with a course either at a People's College or some trade school, while 22 per cent have passed through Teachers' Colleges or other higher schools and 4 per cent had enjoyed a University education.

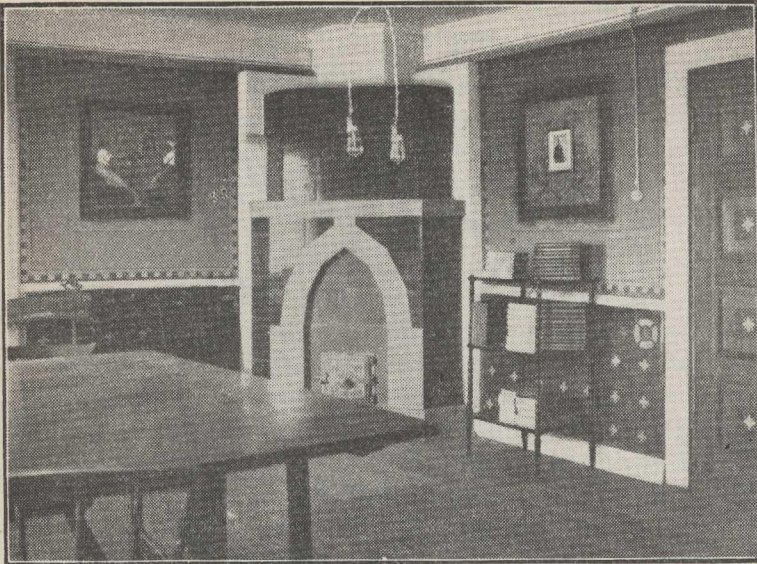
On this preliminary basis the Central Co-operative Bank has trained the bookkeepers for their work. It has, for the first, organized from 1905 onward co-operative rural bank courses, at first short, but later prolonged to 3—4 weeks, at which the chief subject taught has been co-operative rural bank bookkeeping, supplemented by co-operative society law, general knowledge of co-operative activity and, in special degree, the management of co-operative rural banks. During the course of years, about 1,000 persons have been trained in this manner. In addition, numerous persons totally ignorant of bookkeeping have received the knowledge necessary for their task from our Inspectors on the inspection journeys made by these. It is to be noted that their inspections are not only ordinary audits, but as occasion demands have been expanded into educational gatherings with an extremely varied programme, at which bookkeepers and, where necessary, other rural bank leaders, have been taught not only bookkeeping, but also co-operative society law, general co-



Exterior of the office of the Yläne Co-operative Rural Bank.

operative principles and in special degree the principles of co-operative rural banking, the management of rural banks, etc. In very many cases the Inspectors have even been obliged, during the first years of a rural banks' existence, to draw up the annual balance sheets.

It is with such teaching that we have been compelled to manage. It has not always been easy; over a hundred bookkeepers have had to be dismissed and new ones installed, and in many cases the training of those who remained took up a disproportionately large amount of the Inspector's time. As regards the great majority, however, we must give them the praise that they have learned their work unexpectedly quickly and succeeded unexpectedly well in carrying out duties quite strange to them. And we can also now see that the difficulties and shortcomings commented on here occurred chiefly during the initial stages of the 25-year period that lies behind us. The improvement in popular education, particularly the increase in the numbers of those who take advantage of the People's Colleges or



Boardroom of the Yläne Co-operative Rural Bank.

Agricultural School courses, has materially helped the co-operative rural bank movement. On the other hand, we have also been in a position to note that even persons with a very modest education, who have moreover been prevented from attending the courses inaugurated by the Central Co-operative Bank, have been capable of rising into the front ranks of our bookkeepers. That this could occur is a tribute to the natural giftedness of our people and the keen interest displayed in the subject by the persons concerned.

To show that the opinion expressed here regarding the ability of our bookkeepers to deal satisfactorily, often extremely well indeed, with their tasks, is not a mere phrase, but is based on figures, *Table 18* is appended, in which the rural banks inspected in 1926 on behalf of the Central Co-operative Bank have been graded according to the condition they were found to be in.

Fig. 19. Number of co-operative rural banks in the different inspection areas in 1927.



Table 18. Rural Banks Inspected in 1926 Grouped According to Condition of Bank.

Rural banks whose management was good	390	31 %
" " " " " " satisfactory	750	59 "
" " " " " " weak	107	8 "
" " " " " " bad	22	2 "

On the basis of the Inspection Reports, which are printed on three sheets and comprise 175 questions, each bank is referred to one of the above classes, according to relatively strict rules. The above Table was drawn up from the last classification. We observe that at the end of last year there were 390 well-administered rural banks in the country and 750 whose management was satisfactory, while those indifferently or badly managed numbered 107 and 22 respectively. Regarding the last group certain special measures have been deemed necessary.

In this connexion we might glance at *Fig. 19* (p. 40). It shows the Inspection Areas, in each of which one of our Inspectors is domiciled, together with the number of rural banks in each.

We have at our disposal 21 District Inspectors at present, who are partly in the service of the Central Co-operative Bank, partly in the service of the Pellervo Society. They are mostly young or middle-aged men with a basic education acquired at Teachers' Colleges, agricultural schools or the Commercial High School. Before they are appointed to their posts, they are given a special training and practice on behalf of the Central Bank. Afterwards they are guided and educated partly by means of frequent circulars, partly by fairly long annual congresses. Their work is responsible and heavy, as they have to travel all the year through and to board in extremely primitive conditions in the backwoods. This applies especially to the Inspectors who live in North and East Finland.

As already mentioned, these officials are not only inspectors, but teachers and awakeners as well. They help to spread throughout the country not only knowledge of bookkeeping or even of the management of rural banks, but also general education in co-operative principles and interest in the subject; they assist farmers in planning and founding various forms of co-operative enterprises and in the rational care of these. Thus the economic enlightenment work carried out by them can be looked upon as being of the greatest importance for the development of the Finnish people.

II.

The Central Bank of the Co-operative Rural Banks.

Under the title of *Osuuskassojen Keskuslainarahasto-Osakeyhtiö* (the Central Bank of the Co-operative Rural Banks Ltd.), a central bank for co-operative rural banks, was established in 1902. It is probably unique in the respect that it was founded before there was a single co-operative rural bank in the country, though these were to be its sole clients. Its foundation was made possible by a decision reached by Parliament, at the instance of certain persons interested in the matter, according to which the Government would undertake, in the event of a limited liability company being founded in the country for the purpose of procuring capital for co-operative rural banks, to support the company both with an amortization loan at low interest and an annual subsidy for the propagation of knowledge regarding the co-operative rural bank movement and for the inspection of the banks.

The new enterprise was founded by private persons interested in the movement, who agreed to be content with an extremely modest dividend on their capital and, in addition, to surrender their shares as occasion arose to the co-operative rural banks joining the enterprise as shareholders. In this way the bank was gradually to become the property of the rural banks. The company charter forbade it to grant loans to other than co-operative rural banks approved by it which engage to become shareholders in the concern in proportion to the credit enjoyed by them.

The subsequent development has not, however, proceeded entirely along the lines laid down in the beginning. Already



Offices of Osuuskassojen Keskuslainarahasto-Osakeyhtiö (the Central Co-operative Bank) at Simonkatu 6, Helsinki.

in 1917 it became necessary to raise the share capital, and as the increased amount could not be furnished by the rural banks, who were themselves in need of capital, private individuals had again to be approached. Later, when the need for fresh capital had again grown, and especially after the bank had been compelled to seek credit abroad, it was deemed necessary considerably to improve the ratio between its own funds and outside capital. This was done by the Finnish Government's taking shares in the company in 1925 to an amount equal to the standing loans previously granted

by it; of this amount a sum of 25 million marks was invested in shares unentitled to dividend and 7 1/2 million in dividend-bearing shares.

Thus, the share capital of the company has varied in nature during the term of its existence as follows.

Table 20. Division of the Share Capital of the Central Co-operative Bank.

Year	Private persons Fmks.	Government Fmks.	Co-operative rural banks Fmks.
1902	288,800	—	11,200
1910	220,600	—	79,400
1920	624,900	—	675,100
1925	—	32,500,000	6,000,000
1926	—	32,500,000	7,500,000

As will be observed, the Government now owns by far the greatest part of the company's shares. The company rules restrict, however, the voting power of shareholders to an extent that secures the rural banks a majority vote at company meetings. Further a block of 7 1/2 million marks of the shares held by the Government is redeemable by the rural banks; the term during which they may be redeemed began in the present year (1927).

The purpose of the Central Bank is to satisfy on the best possible terms the need for credit of members of the farmers' co-operative rural banks owning shares in the company, special attention being devoted to small farmers. Such credit is to be granted through the shareholding rural banks. With this intent the company grants credit to legally-established co-operative rural banks which have been organized and are administered in conformity with the principles drawn up for the purpose by the company and are under its control. In addition, the company is entitled by its charter to extend its lending operations also to other co-

Assets *Fig. 21. Balance Sheet of the Central Co-*

Year	Bash	Home correspondents	Due from co-operative rural		
			Over-drafts	Loans to co-op. dairies	Bills
1905	807	514,976		641,775	
1910	548	230,803		4,033,715	
1915	14,581	872,929		6,234,223	
1920	48,602	221,952		15,662,031	
1921	28,046	1,637,869		29,179,122	
1922	31,313	3,968,216		70,113,844	
1923	10,634,764	31,741,390	98,064,024	4,614,256	19,840,208
1924	729,701	21,736,276	139,456,858	6,046,456	49,868,000
1925	1,021,288	21,976,837	159,448,998	11,001,306	95,815,500
1926	1,464,350	43,522,571	152,865,489	21,220,819	146,733,900

Liabilities

Year	Share capital	Reserve funds, etc.	Government loans	Loans from Bank of Finland	Other loans
1905	300,000	8,963	800,000	—	—
1910	300,000	79,882	4,002,000	—	—
1915	1,000,000	168,817	4,611,820	1,800,000	20,000
1920	1,300,000	444,804	6,470,691	2,000,000	3,673,989
1921	1,700,000	439,839	21,440,312	2,000,000	4,827,251
1922	2,500,000	705,482	54,337,022	10,050,000	2,154,000
1923	2,500,000	1,181,833	91,810,833	13,840,000	46,198,000
1924	4,000,000	2,454,257	116,494,596	24,092,914	57,844,900
1925	38,500,000	17,281,419	97,400,404	24,984,000	87,897,900
1926	40,000,000	17,769,371	156,918,519	8,580,227	166,543,167

operative societies working for the economic benefit of agriculturists. In practice, however, this side of the company's business has developed in such a manner that loans to other co-operative undertakings, which comprise chiefly co-operative dairies, are granted in most cases through the local rural banks.

operative Bank for the Years 1905—1926.

Assets

banks	To other co-op. so- cieties	Securities	Bank furnitures	Sundry accounts	Total
Mortgages					
	—	150	555	—	1,158,263
	—	286,298	1	—	4,551,365
	401,710	292,804	1	800	7,817,048
	163,667	1,223,136	1	33,384	17,352,773
	3,652,600	1,418,271	1	27,254	35,943,163
	3,800,300	11,263,043	50,000	448,557	89,675,273
2,789,270	5,181,500	11,860,143	90,000	510,804	185,326,359
3,309,162	5,764,700	11,315,753	100,000	831,961	239,158,867
5,715,679	3,708,345	11,272,510	200,000	1,577,106	311,737,569
68,896,915	9,489,625	11,572,589	100,000	577,635	456,443,893

Liabilities

Bond loans	Deposits	Bank- postbills	Sundry accounts	Profits	Total
—	—	—	29,022	20,278	1,158,263
—	—	—	133,844	35,639	4,551,365
—	131	—	149,804	66,476	7,817,048
2,469,000	753,142	—	202,517	38,630	17,352,773
2,458,000	2,203,361	359,178	258,777	256,445	35,943,163
12,936,000	3,867,831	1,403,255	1,278,485	443,198	89,675,273
14,314,000	8,009,158	3,751,695	2,477,920	1,242,920	185,326,359
14,190,000	13,181,246	1,801,618	4,304,637	794,699	239,158,867
14,065,000	23,168,135	1,997,964	5,632,747	810,000	311,737,569
13,939,000	39,734,973	2,445,697	8,652,355	1,860,584	456,443,893

Ever since its inception, the duties of the Central Bank have further included the inspection of co-operative rural banks and advisory work in co-operative principles amongst officials and members of rural banks. The methods used in inspections and advisory work were dealt with earlier (on p. 41). To maintain this work the company has



Interior of the offices of the Central Co-operative Bank.

been in receipt of an annual subsidy from the Government, amounting in 1926 to 1,248,000 marks.

To enable it to meet the demands of the rural banks for credit the company has raised loans, in part from the Government direct or on Government security from the Postal Savings Bank, in part from certain banks abroad. In addition, small national bond loans were raised earlier, and the Bank of Finland has also granted credit to the company. From 1920 onward it has been entitled to accept deposits from the public. Nevertheless, the supply of capital from this source has remained relatively small up to now, as will be seen from the tabulation on pp. 46—47. Even the co-operative rural banks have only been able, up to the present, to deposit comparatively small amounts at the Central Bank, but to all appearances an increased flow of means can be expected from this source in the future.

The loans granted by the Central Bank to co-operative rural banks were granted at first, wholly, and later



The present Board of Directors of the Central Co-operative Bank.

in considerable measure, in the form of overdrafts, the business done between the company and the rural banks having been extremely lively in this branch. Since 1923 this form of credit has been supplemented in increasing measure by the discounting of bills. Another form of credit has been the long-term amortization loan, out of which the rural banks have the right to grant similar loans on their own behalf, partly to co-operative dairies and other co-operative societies, partly against mortgage security to individual farmers.

The development of the lending business of the Central Bank is seen in *Table 21*.

A result of the lending business touched on above, which has grown with particular rapidity since 1922, is the corresponding increase in the company's turnover. The turnover is dealt with in detail in *Table 22*.

Table 23 shows the development in the income and expenditure of the Central Bank since 1905. It reveals that the company's income has been extremely modest. This is due partly to the fact that the company does not practise those forms of banking which may result in considerable

Table 22. *Turnover of the Central Co-operative Bank During the Period 1905—1926.*

Year	Total turnover Fmks.	Cash account Fmks.	Co-operative Rural Bank account	
			Debit Fmks.	Credit Fmks.
1905	5,093,000	1,342,000	653,000	30,000
1910	14,065,000	2,127,000	4,439,000	572,000
1915	28,329,000	6,614,000	7,024,000	1,041,000
1920	160,696,000	62,262,000	30,560,000	14,944,000
1921	343,692,000	162,202,000	57,072,000	28,000,000
1922	778,937,000	355,246,000	104,714,000	34,795,000
1923	1,364,779,000	614,190,000	218,675,000	93,654,000
1924	2,202,437,000	992,409,000	408,711,000	210,486,000
1925	3,738,829,000	1,655,120,000	698,299,000	427,567,000
1926	6,313,080,000	2,862,496,000	1,123,146,000	734,861,000

market gains, but chiefly to the fact that the company's duty is to procure working capital for the co-operative rural banks at the lowest possible rates of interest. For this reason the company has occasionally undertaken the service of Government loans for various purposes wholly without profit to itself.

Fig. 23. *Income and Expenditure of the Central*

Year	Salaries, expenses and taxes	Inspection and guidance of rural banks	Written off furniture and securities	Profits	Total
1905	41,237	8,146	555	20,278	70,216
1910	158,355	26,179	392	35,639	220,565
1915	191,531	45,213	1,625	66,476	304,845
1920	699,810	111,884	—	38,630	850,324
1921	893,116	266,344	138,320	256,445	1,554,225
1922	874,597	496,045	48,801	443,198	1,862,641
1923	908,010	588,398	20,537	1,242,919	2,759,864
1924	1,498,377	1,017,204	72,509	794,699	3,382,789
1925	3,047,678	1,245,274	162,908	810,000	5,265,860
1926	2,591,653	1,503,432	354,971	1,860,584	6,310,640

In the circumstances it is only natural that the profits annually derived from the company's business should be comparatively small, as seen from the Table.

On the other hand, however, it is due to the nature of the company's business that during the whole of its existence it has never suffered losses from its loans to co-operative rural banks. The development in respect of income and expenditure shows, consequently, a continual improvement, modest indeed in extent, but steady and sure.

The business of the Central Bank is managed by a Board of Administration and a Board of Directors appointed by the former.

The Board of Administration comprises 12 members, of whom the Bank of Finland and the Ministries of Finance and Agriculture each nominate one and the Annual Meeting nine.

For ordinary current matters the Board of Directors consists of three Directors in the service of the company, supplemented in the case of important matters by two members chosen outside of the company, of whom one must possess a legal education and the other a higher agricultural education.

Co-operative Bank During the Years 1905—1926.

Interest accrued	Govt, subsidy for inspection and guidance of rural banks	Other income	Total
50,216	20,000	—	70,216
198,172	20,000	2,393	220,565
292,358	10,000	2,487	304,845
800,054	50,000	271	850,324
1,479,225	75,000	—	1,554,225
1,785,651	75,000	1,990	1,862,641
2,462,067	75,000	222,797	2,759,864
3,305,959	75,000	1,830	3,382,789
4,036,802	1,229,058	—	5,265,860
5,044,657	1,248,000	17,983	6,310,640

III.

Conclusion.

The facts brought forward here have given us the opportunity for a glance at the outward development of the Finnish co-operative rural bank movement and its material achievements.

We must remember, however, that „Father Raiffeisen” — by which name he is known all over the world — as one of the discoverers of jewels of whom Victor Rydberg wrote, did not intend the movement inaugurated by him to be devoted only to material ends. Side by side with and above material benefits, he placed the raising of the spiritual and above all the moral level of the rural population joining his banks.

Raiffeisen knew well that although big business concerns which derive huge profits from speculation can prosper even though they do not always follow moral principles in their management, the co-operative bank movement could not in the long run sustain other than damage and finally collapse by the adoption of such methods. And he was right too in his belief that the agricultural population could not enjoy a permanent improvement of its conditions until it had been morally raised from the degraded state to which it had sunk in his neighbourhood.

For this reason he tried — as I have earlier related — to secure chiefly clergymen to manage his funds. And in a comparatively brief space of time he had achieved very fine results in this respect, as the booklet of the Pellervo Society previously referred to convincingly shows. I append here a few extracts.

The Rector of a German parish writes: „The rural population needed something that would infuse new life into everything connected with life in the country, that strengthened the moral foundations of rural community life, confidence and its conditions — honesty in buying and selling and in all other personal relations —, something that brought light and enlightenment and as opportunity afforded, relieved material distress. No Government and no public authority was capable of this. — — — — One must oneself have been in office in the country or have cultivated a large estate, before one can appreciate how in twenty years, in spite of all obstacles, the co-operative rural banks could conquer the whole country, and to understand how the class in whose care the spiritual and moral welfare of the people had been entrusted, could take up the matter with such energy. The clergy believed and still believe, after the experience of years, that in the co-operative rural banks they had found the physic that is to restore the rural population to health”.

Another Rector writes:

„Economy and orderliness, love of work and moral effort, ordered family life and the promotion of religious feeling, these are in thousands of cases the noble fruit of the labours of the co-operative rural banks. Drunkenness, that last resort of the apathetic, a sorrowful lust for quarrelling, lawsuits over trifling matters which invariably follow when each pursues only his own aims, all these are prevented, enmity dies down; and this the people are able to perceive. How important this is in our unbalanced times, torn from all moral foundations!”

A third clergyman confesses that: „Our co-operative rural banks have done more to improve morals in the parish than the whole of my sermons”.

Thus in Germany.

If Father Raiffeisen were now to demand of us Finns an account of how we have cultivated the spiritual and

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