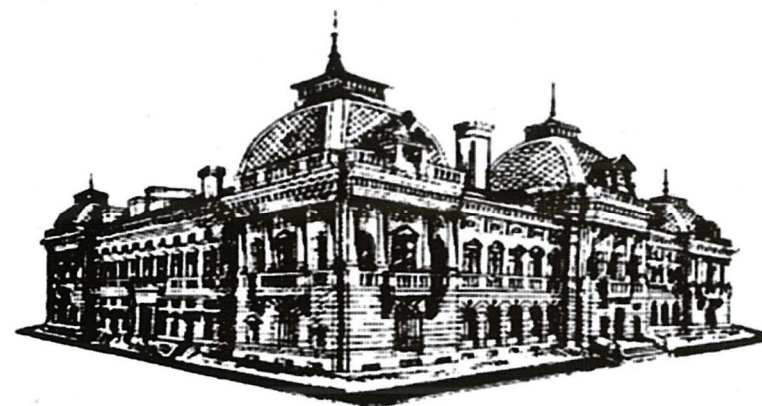




**National Bank of Romania**



*Monetary Policies and Banking Institutions  
in South-Eastern Europe between National Objectives  
and European Patterns - a Historical and  
Comparative Perspective*

*Sixth Conference of the South-Eastern  
European Monetary History Network (SEEMHN)*

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## INTRODUCTION

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On 18 March 2011, the National Bank of Romania hosted the Sixth Conference of the South-Eastern European Monetary History Network (SEEMHN) in Bucharest.

The SEEMHN is a community of researchers in the history of economics, economists and statisticians alike, established in April 2006 on the initiative of the National Bank of Bulgaria and the Bank of Greece. The Network is currently supported – aside from the aforementioned institutions – by the central banks of Albania, Austria, Romania, Serbia and Turkey. It aims to develop and promote the economic history of South-East Europe as an integral part of the pan-European experience.

In particular, the SEEMHN focuses on comparative analyses in the history of economics, as well as on developing statistical and historical data series for Central and South-East Europe based on up-to-date data collection and processing standards. This contributes to a better understanding of the past and present of this region, which encompasses countries that shared many experiences during their economic history.

Data collection and processing with a view to establishing a historical database on South-East European statistics in the 19th and 20th centuries lie at the root of the activity carried out by the SEEMHN. Partial data have been published so far, both in 2007 with the support of Oesterreichische Nationalbank and in 2009 under the aegis of the Bank of Greece. The third volume is currently underway, thanks to financial support from the central banks of Austria, Bulgaria, Greece and Romania. It will include several statistical and historical data series, starting with the 19th century until the end of World War II.

A conference focusing on topics related to the history of economics in the area is organised every year and is hosted by the central banks in the region. Such conferences have been hosted so far by the National Bank of Bulgaria in Sofia in 2006, by the Oesterreichische Nationalbank in Vienna in 2007, by the Bank of Greece in Athens in 2008, the National

# INTRODUCING EUROPEAN INSTITUTIONS FOR FINANCING AGRICULTURE IN SERBIA: FARMING CREDIT COOPERATIVES OF RAIFFEISEN TYPE FROM 1894 TO 1913

Dragana Gnjatović\*

## Abstract

At the end of the 19<sup>th</sup> and at the beginning of the 20<sup>th</sup> Centuries the Raiffeisen formula of credit cooperatives was successfully implemented in Serbia. The aim of this paper is to explain this phenomenon with help of the logic of institutional economics. In the first part of the paper, we give a short remainder on the meaning and importance of Raiffeisen Type Credit Cooperatives for economic development of rural regions in Europe before the World War I. In the second part of the paper we explain how creating funds for credit cooperatives on the basis of massive participation of small farmers contributed to growing credit organization in Serbia. In the third part of the paper we analyze the reaction of Serbian government to the emergence of credit cooperatives. Without legal and financial government support those micro finance institutions would not become such important developmental tool. Finally, in the last part of the paper we discuss the characteristics of the competition between credit cooperatives and small township banks on local financial markets at the beginning of the 20<sup>th</sup> Century, when credit cooperatives became major creditors of farmers in Serbia.

**Keywords:** Farming Credit Cooperatives, Raiffeisen Formula, Local Financial Market, The Kingdom of Serbia

**JEL Classification:** G21, N23, N83

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## 1. Introduction

At the end of the 19th century, the farming credit cooperatives emerged in Serbia. Until The World War I, they were to the only specialized institutions for crediting farmers. Although they were primarily intended to save farmers from loan-sharks, they had in time grown into autonomous development crediting organizations. Their work was founded on principles of bonds of solidarity and high ethical values of its membership. They succeeded in their endeavors because they managed to acquire statutory and material support of Serbian Government.

Farming credit cooperatives were seen in Serbia as “rural population salvation anchor”<sup>1</sup>. At the time when credit cooperatives emerged, there was no organized agricultural credit in the country. All the ventures undertaken by the state-run financial institutions: Funds Directorate and district savings banks, to provide peasants with cheap loans had failed. The only loan that remained accessible to farmers was the loan-sharking one, leading the entire agriculture of the country into debtor's bondage. In its strives to rescue peasantry from this bondage, Serbian Government banned the seizure of homestead property for debt repayment in its vital part providing for subsistence of farming households; but this, in turn, indirectly deprived peasantry of any access to the mortgage loans available at the Funds Directorate<sup>2</sup>. During those times, peasant neither had any option to legally acquire draft loans of the shareholding banks, as the State had denied him the use of draft as means to secure credit, again in its endeavor to discourage peasantry from excessive indebtedness; yet falling in dire need of a personal loan, peasant would resort to false representation in the role of a merchant, and this he paid dearly once falling into the hands of the township loan-sharking banks<sup>3</sup>. Only once the farming crediting cooperatives emerged did the conditions appear for financial consolidation of the agricultural producers and for crediting development of agricultural production in Serbia.

<sup>1</sup> M. Nedeljković: “Zaštita seoskog poseda”, Mijatović Boško, ed.: “Srpski ekonomisti do 1914. Godine” Belgrade, 2008, p. 247-278.

<sup>2</sup> D. Gnjatović: “The Earliest Measure of The Credit Policy in Serbia”, Bankarstvo, No. 11/12, 2009, pp. 40-61.

<sup>3</sup> D. Gnjatović: “Zelenasi, The Earliest Creditors of Farmers in Serbia”, Bankarstvo, No. 1/2, 2010, pp. 49-72.