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DOI: <https://doi.org/10.51663/pnz.64.2.01>Nataša Henig Mišič<sup>\*</sup>

# Microfinance Providers and Rural Lending in the Province of Carniola Before 1914: a Case Study of the District Credit Cooperative Litija<sup>\*\*</sup>

## IZVLEČEK

### MIKROFINANČNI POSREDNIKI IN KREDITIRANJE PODEŽELJA NA KRANJSKEM PRED LETOM 1914: ŠTUDIJA PRIMERA OKRAJNE POSOJILNICE LITIJA

*Študija ponuja nova spoznanja in primerja dve različni vrsti mikrofinančnih posrednikov ter njihovo vlogo in vpliv na ekonomski in finančni položaj podeželskega prebivalstva pred začetkom prve svetovne vojne. Zemljiška odveza v habsburški monarhiji leta 1848 je imela pomemben vpliv na tradicionalno življenje v drugi polovici 19. stoletja. Kmetje so postali posestniki in je vključevanje kmetov v tržno in denarno gospodarstvo ključno pomena. Razvoj mikrofinančnih posrednikov, kot so bile hranilnice in kreditne zadruge, je predstavljal bistveni predpogoj za finančno implementacijo podeželskega prebivalstva. Prispevek prikazuje razvoj kreditnega poslovanja v podeželskem okolju na primeru Okrajne posojilnice Litija.*

*Ključne besede: mikrofinance, kreditiranje podeželja, hranilnice, kreditne zadruge, Okrajna posojilnica Litija*

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## ABSTRACT

*The study provides new insights and compares two different types of microfinance intermediaries and their role and impact on the economic and financial situation of the rural population before the beginning of World War I. The abolition of serfdom in the Habsburg monarchy in 1848 had a significant impact on traditional life in the second half of the 19<sup>th</sup> century. Peasants became landowners, and their participation in the market and monetary economy became crucial. The development of microfinance intermediaries, such as savings banks and credit cooperatives, was essential for the financial inclusion of the rural population. The article shows the development of credit operations in a rural environment using the example of the District Credit Cooperative Litija.*

*Keywords: microfinance, rural lending, savings banks, credit cooperatives, District Credit Cooperative Litija*

## Introduction

The land tenure reforms and the abolition of serfdom in the Habsburg monarchy in 1848 had a major impact on traditional life in the second half of the 19<sup>th</sup> century. Peasants became landowners, and their inclusion in the market and monetary economy became crucial. These changes had both positive and negative effects on the political, social, and economic position of the peasantry. First, they were burdened with compensation payments to the former feudal lords and landowners. Second, financial integration was directly linked to the abolition of serfdom and resulting indebtedness of the rural population.<sup>1</sup> Third, their social and economic situation was aggravated by the 1868 Inheritance and Compulsory Portion Law, which exacerbated the problem by further fragmenting estates.<sup>2</sup> The development of institutions such as savings banks and credit cooperatives was a prerequisite for the financial inclusion of the rural population in the second half of the 19<sup>th</sup> century.

1 On abolition of serfdom see: Shane O'Rourke, "The Emancipation of the Serfs in Europe," in David Eltis (ed.), *The Cambridge World History of Slavery, vol 4 AD 1804–AD 2016* (Cambridge: Cambridge University Press, 2017), 422–40. Roman Sandgruber, *Ökonomie und Politik. Österreichische Wirtschaftsgeschichte vom Mittelalters bis zur Gegenwart* (Wien: Ueberreuter, 1995), 233–37. Žarko Lazarevič, *Kmečki dolgovi na Slovenskem. Socialno-ekonomski vidiki zadoženosti slovenskih kmetov 1848–1948* (Ljubljana: Znanstveno in publicistično središče, 1994), 14–19. France Kresal, *Zgodovina socialne in gospodarske politike v Sloveniji od liberalizma do druge svetovne vojne* (Ljubljana: Cankarjeva založba, 1998), 30–33. Stane Granda, "Zakon o zemljiški odvezi," in Jože Ciperle (ed.), *Slovenska kronika XIX. stoletja, Knj. 1: 1800–1860* (Ljubljana: Nova revija, 2001), 346, 347. Svit Komel, *Vpliv katastrskih popisov na izvedbo zemljiške odveze na Kranjskem: magistrsko delo* (Ljubljana, 2022), 74–101.

2 On problem of fragmenting of estates see: Žarko Lazarevič, *Plasti prostora in časa: iz gospodarske zgodovine Slovenije prve polovice 20. stoletja* (Ljubljana: Inštitut za novejšo zgodovino, 2009), 106, 108–12. France Kresal, "Posestna struktura od zemljiške odveze do agrarne reforme na Slovenskem," *Zgodovina v šoli*, 1 (1997): 16–25.

The idea of providing financial services to the lower classes has a long history. Small, informal “savings and credit groups” have existed around the world for centuries, particularly in Europe. For example, the Catholic Church founded a pawnshop as an alternative to usury. However, it was not until the 19<sup>th</sup> century that formal credit and savings institutions for low-income people emerged on a larger scale and with great success. Such institutions are referred to as microfinance intermediaries. Joanna Ledgerwood defined the term in her book *Microfinance Handbook*, which refers to the provision of financial services to a low-income population. Microfinance provides financial services such as loans, savings and insurance to impoverished individuals or communities that are often unserved or underserved by traditional financial institutions, such as banks. In addition to accessible and smaller loans, microfinance typically involves informal assessment of borrowers and investments, access to repeat and larger loans based on repayment performance, streamlined loan disbursement and monitoring of secure savings products (deposits). It thus aims to promote economic development and reduce social exclusion.<sup>3</sup> The clients of these institutions were usually low-income groups in both urban and rural areas. Their activities usually provided a stable source of income (often from more than one activity), and, although poor, they were generally not considered to be the “poorest of the poor.”<sup>4</sup>

The article focuses on the emergence of financial networks in the province of Carniola in the second half of the 19<sup>th</sup> century and the credit policies of these institutions in rural areas. The research provides insights and compares two different types of microfinance intermediaries, their role and impact on the economic and financial situation of the peasant population before World War I. It examines the accessibility of loans for the peasants and how this changed as rural credit cooperatives created a more extensive network in the area. Particular attention is paid to the efficiency of two types of credit: mortgages and personal loans. Both types, savings banks and credit cooperatives, operated with the aforementioned loan policies, but the rural credit cooperatives developed in the last decade of the 19<sup>th</sup> century made a difference. Personal loans provided by these rural credit cooperatives were particularly beneficial to farmers’ financial needs. In a specific section, the article focuses on a case study, the District Credit Cooperative Litija, an example of a rural credit cooperative operating in a limited area. The well-preserved archival material allows us to see and analyse its credit performance.

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## Peasant Population after 1848

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Serfdom was a widespread institution in Central and Eastern Europe. Typical features of serfdom included restrictions on freedom of movement, the right to marry,

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3 Joanna Ledgerwood, *Microfinance Handbook. An Institutional and Financial Perspective* (Washington, D. C.: The World Bank, 1998), 1. Brigit Helms, *Access for All. Building Inclusive Financial Systems* (Washington: The International Bank for Reconstruction and Development / The World Bank, 2006), 2.

4 Ledgerwood, *Microfinance Handbook*, 2.

and the ability to learn a trade. All this was possible only with the consent of the landlord. One of the main differences with modern serfdom was the definition of property rights and the personal legal status of the rural population. In the Habsburg Monarchy, the neo-absolutist period following the revolution of 1848 was a time of intensive reforms in administration, trade, agriculture, industry and other areas, with a focus on property rights and a limited role for the state. The system of serfdom remained in force until 1848. It was a system of hereditary tenure. Peasants had to pay dues or provide services for their land, but it was hereditary because landlords could not freely choose their peasants. Peasants could sell, bequeath or give away their land without asking the landlord's permission, in which case the dues passed to the new landowner. The abolition of serfdom led to full peasant ownership. The dissolution of the old system in the Habsburg Monarchy was one of the lasting achievements of the short-lived Constituent Assembly of the 1848 Revolution.<sup>5</sup> This process created new opportunities and challenges. Farmers entered the path of financial integration and had to accept cash transactions. The difficult situation raised the question of how farmers could be given access to financial resources.

The abolition of serfdom and land reform were carried out with compensation determined by regional and district commissions. In the province of Carniola, this work was completed by 1853. One-third of the payment was written off because of the abolition of the public law functions previously performed by the landowners. The other third was to be repaid by the farmers in 20 annual instalments. The remaining third was to be repaid by the state in 40 annual instalments, for which it required the peasants to submit tax documents. The sum of the repayment of the land release on Slovenian soil comprised about 20 million guilders in capital and 1 million guilders in interest. Most of this money went to the seats of the larger feudal families, most of which were outside Slovenian territory. However, there was a lack of capital to develop the industrialisation of the Slovenian lands.<sup>6</sup>

Agriculture was the most important sector of the Slovenian economy; in 1910, 67% of the population earned their living from agriculture, although this proportion was steadily decreasing (in 1857, it was still 83%). Slovenian agriculture was underdeveloped and had a very unfavourable ownership structure. Small and passive farms predominated. Social differentiation after land expropriation led to a further deterioration in ownership so that by the end of the 19<sup>th</sup> century, more than half of the farms owned less than 5 ha of land. The farms were economically underdeveloped and had low yields per hectare. Agricultural production in Slovenia at the end of the century, when more than 100,000 people migrated from the countryside, and in the first decade of the 20<sup>th</sup> century, was sufficient for subsistence, except for the production of bread grain. This crop was a tenth too small and had to be bought in. This was not a problem, as increased livestock breeding and the sale of wood produced sufficient surpluses. For

5 Tuncer Pammer, "Economic policy during the long 19<sup>th</sup> century," in Matthias Morys (ed.), *The Economic History of Central, East and South-East Europe* (Abingdon (Oxon); New York: Routledge, 2021), 2, 3, 13, 14.

6 Kresal, *Zgodovina socialne in gospodarske politike v Sloveniji*, 31.

small farms that did not have enough forest and livestock, this was a big problem. They restored extra income from wealthier farmers and seasonal work.<sup>7</sup>

With the introduction of cash transactions or the penetration of capitalist relations into rural areas, peasants had to pay all their obligations in cash. At the same time, with the development of industry and transport, especially the railways, they were confronted with a newly created supply with which the local peasant craft and sales organisation could not compete in terms of price, quality and quantity. They lost an important source of income. The loss of this income could not be compensated by increasing sales of their agricultural products, which was made impossible by poor farming techniques and foreign competition; the influx of American and Russian grain lowered prices on the domestic Austrian market. As a result, the farmer had to sell as much of his produce as possible below cost and reduce his consumption to meet his cash needs.<sup>8</sup>

The transition to a fully independent monetary market economy overtaxed most farms, especially as they were burdened with high monetary compensation from the start. Many farms were also not trained for immediate independent management. Not all of them had their own heavier agricultural equipment, stronger draft animals, and economic experience (former tasks of the landlord). In 1873, the peasants' third of the compensation had barely been paid when a major economic crisis set in, followed by the collapse of the vineyards, the loss of additional income from transport and many other financial problems. Debt and stratification began. By 1890, the debt had reached 120 million gulden in debt. In the province of Carniola, 10,190 farms were sold between 1868 and 1893, i.e. one in five. In addition, many individual plots of land were sold, and farms became smaller. As there were not enough opportunities to make a living from other (non-agricultural) activities, farms were also divided to create new families.<sup>9</sup>

The abolition of serfdom was a double-edged sword. It freed the serfs and granted them equality with other classes of the population. It freed them from paying taxes and duties in kind, which was undoubtedly a considerable gain. Still, on the other hand, it deprived them of the benefits of serfdom or forced them to repay a heavy monetary debt. It mainly affected small farmers and nomads, sometimes also middle peasants. In this way, the process and transition of agriculture from a predominantly natural to a market capitalist economy was accelerated.<sup>10</sup>

Debt was the result of complex social and personal relationships and circumstances. The broader context of borrowing is undoubtedly the process of economic and social modernisation. Debt is a phenomenon that emerges and operates at the intersection of personal financial and social conditions, individual aspirations and the macroeconomic environment of society and the economy. The pioneers of the national movement, Josip Vošnjak, Janez Krek and others, were the ones who pointed

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7 Ibidem, 34, 37.

8 Lazarevič, *Kmečki dolgovi*, 15.

9 Kresal, *Zgodovina socialne in gospodarske politike v Sloveniji*, 32.

10 Lazarevič, *Kmečki dolgovi*, 14.

to (over)indebtedness. The debt was defined as terrible because of the unjust capitalist system and the impending agrarian crisis. The approach was from a national and social perspective. It was essential to know about the economic integration of the Slovenian space into the global economic area in the second half of the 19<sup>th</sup> century and the processes of economic and social modernisation in agriculture. Farmers were active participants in this process and not passive observers. New technologies require not only knowledge but also funds for urgently needed investments. However, economic modernisation was accompanied by social modernisation, which posed an additional challenge in terms of costs. It was also necessary to finance the modernisation lifestyles towards the middle-class ideal of housing, clothing and society, which included the concept of social modernisation, i.e. the symbolic integration of peasants into society.<sup>11</sup>

The law of 1868 allowed the fragmentation of peasant property. Because of its harmful effects, in 1889 the state amended a law prohibiting the division of medium-sized farms. The economic crisis accelerated the fragmentation of peasant property after 1873, which further influenced the decline of small and medium-sized peasant holdings. Farmers were increasingly tied to the market, where they could need a lot of money.<sup>12</sup>

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## Financial Networks in the Province of Carniola

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Network analysis explains the geographical distribution of financial institutions, the links, the impact of distance and the overlap between different types of financial intermediaries. Furthermore, by examining the structure and functioning of financial networks, the financial needs of the population (savings and credit cooperation) and the state and general economic development, modernisation and industrialisation should be considered.

Financial intermediaries generally provide liquidity services, mobilise savings, allocate resources, and collect and transmit information. Their role is to accumulate a wider range of loanable funds to make them available over a wider geographical and temporal horizon to ensure their efficient use by competitive users of capital.<sup>13</sup> The main objective of microfinance institutions was to improve the financial situation of different social groups, especially the poorer classes of society. The funds raised collected by these institutions helped to overcome hardship and contributed to the local and regional economy.

Savings banks were financial institutions that emerged in the early 19<sup>th</sup> century. Their main purpose was to collect funds or savings deposits from the lower but captive classes of the population. Deposits in savings banks could be used by depositors where

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11 Žarko Lazarevič, *Delo in zemlja: male študije kmečkega sveta* (Ljubljana: Inštitut za novejšo zgodovino, 2022), 48–51.

12 Lazarevič, *Plasti prostora in časa*, 106, 108–12. Jasna Fischer and Franc Rozman, "Socialna demokracija in kmetstvo na Slovenskem 1870–1918," *Prispevki za novejšo zgodovino* 37, No. 1 (1997): 6, 7.

13 Paul Glasserman and Peyton H. Young, "Contagion in Financial Networks," *Journal of Economic Literature* 3 (2016): 779–81, 10.1257/jel.20151228.

and when they needed them. By increasing the savings rate, savings banks increased capital accumulation and played an essential role in economic growth.

The development of financial institutions in Slovenian territory(ies) and particularly in the province of Carniola, can be traced back to 1820 when the first savings bank was founded in Ljubljana, the capital of the province of Carniola. However, the network only began to grow in the second half of the 19<sup>th</sup> century, with a delay of over sixty years. The Savings Bank opened in Zagorje in 1872 but was liquidated in 1879. The actual founding moment came in 1882. At the beginning of the new century, six regulated savings banks were operating in the province of Carniola. This trend accelerated, and their number more than doubled by the beginning of World War I. By 1913, there were fourteen savings banks in the province.<sup>14</sup>

The founding pattern of credit cooperatives was similar. As in other parts of Europe, especially in the Habsburg Monarchy, credit cooperatives were founded in Slovenian territory, initially in the urban centres, on the model of the Schulze-Delitzsch credit cooperatives. In the province of Carniola, the establishment of this type of microfinance intermediary began in the mid-1870s. The Prva Dolenjska hranilnica in Metlika was one of the first cooperatives to be registered. The founding wave was slow. Institutions were established in urban centres and were not sufficiently accessible to people living in rural areas. The first credit cooperative based on the Raiffeisen model was established in 1892. From then on, only this type of credit cooperative was set in the province of Carniola, and 193 were founded before World War I.<sup>15</sup> In 1911, for example, a total of 236 credit cooperatives of both types were operating in the province.<sup>16</sup>

Observing the dynamics of financial networks and the development of financial intermediaries also supports the hypothesis of the existence and successful functioning of parallel financial institutions with business overlaps in both urban and rural areas, sufficient free financial resources, and the need for accessible credit, which was particularly the domain of credit cooperatives.<sup>17</sup>

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## Urban and Rural Financial Intermediaries and Small Farmers

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The Carniolan Savings Bank, the only microfinance institution in the province of Carniola for over sixty years, had an obvious attitude towards small landowners. It was very reluctant to lend to this segment of the population for fear of facing possible

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14 *Statistik der Sparkassen in Österreich für das Jahr 1913 bearbeitet vom Bureau der K. K. Statistischen Zentralkommission, Neue Folge Österreichische Statistik Herausgegeben von der K. K. Statistischen Zentralkommission, 15. Band, 1. Heft* (Wien: Der kaiserlich-königlichen Hof- und Staatsdruckerei, 1916), 16, 17. Žarko Lazarević and Jože Prinčič, *Zgodovina slovenskega bančništva* (Ljubljana: ZBS - Združenje bank Slovenije, 2000), 26, 43.

15 Ivan Mohorič, "Razvoj kreditnega združništva," *Veda. Dvomesecnik za znanost in kulturo*, 1 (1913): 37, 47.

16 *Ibid.*, 34–58.

17 Glasserman and Young, "Contagion in Financial Networks," 779–81.

insolvency due to the poor financial situation of farmers who find it difficult to repay their debts. Despite the obstacles of its business policy, the Savings Bank helped the poor residents to a large extent through various charity campaigns. Every year, it allocated part of its net profits to help the city's poor through various institutions. Individuals rarely received open financial assistance.<sup>18</sup>

However, the increased cash turnover brought about by the new economic boom in the early 1880s put an end to the financial crisis. This allowed the Carniolan Savings Bank to change policy and take some steps to help small farmers. The bank lowered the interest rates on mortgages taken out by small landowners. Since 1881, there has been a separate category of mortgage loans with a lower interest rate intended exclusively for the inhabitants of the province of Carniola. The following text was published in the *Slovenski narod*: "The interest rate on loans of up to 300 guildens will be lowered on 1 July to make it easier for small farmers. The interest rate on deposits will be 4% for smaller mortgages."<sup>19</sup>

The agricultural survey, carried out on 17 and 18 April 1884, was an attempt to assess the social and economic situation in the countryside of the province of Carniola. The survey was conducted during the economic depression that followed the collapse of the Vienna Stock Exchange in 1873.<sup>20</sup> The decade after 1873 saw a sharp fall in prices, which remained low until the mid-1880s. The prices of grain and manufactured goods fell, while those of meat and wine rose.<sup>21</sup> The results of the agricultural survey were extremely unfavourable. They showed how poor the economic situation of farmers in the province was a result of a long-term development path. The results showed a chronic lack of capital and over-indebtedness in rural areas.<sup>22</sup>

By the end of 1887, the total amount of mortgages issued by the Carniolan Savings Bank was 11,504,448 guildens, of which 3,932,913 guildens were to persons in the province of Carniola, almost a quarter of the total – by the end of 1887, loans to small farmers had been issued for 349,902 guildens, which represented 8 per cent of the amount for the province of Carniola and only 3 per cent of the total. Two years later, the situation was very similar. 12,932,544 guildens were spent, of which 4,462,439 guildens or 26 per cent of the total, were spent in the province. The new level of loans to small farmers was 403,529 guildens, the same percentage as in 1887, i.e. 8 per cent of the province of Carniola and 3 per cent of the total amount.<sup>23</sup>

The Jubilee Book of the Carniolan Savings Bank, issued in 1895, shows that 1,500 small farmers benefited from soft loans. Low-interest mortgage loans accounted for

18 For more about Carniolan Savings Bank and "small farmers loans" see: Nataša Henig Mišič, "Odnos Kranjske hranilnice do malega kmeta v sedemdesetih in osemdesetih letih 19. stoletja," in Mojca Šorn (ed.), *Lakote in pomanjkanje: slovenski primer* (Ljubljana: Inštitut za novejšo zgodovino, 2018), 105–11.

19 "Naznanilo hranilnice in zastavnice," *Slovenski narod*, May 8, 1881, 4.

20 For more on the effects of the stock market crash of 1873 on Slovenian territories see: Peter Vodopivec, *O gospodarstvih in socialnih nazorih na Slovenskem v 19. stoletju* (Ljubljana: Inštitut za novejšo zgodovino, 2006), 263–80.

21 Andrej Pančur, *V pričakovanju stabilnega denarnega sistema* (Celje: Zgodovinsko društvo, 2003), 234.

22 Miha Seručnik, "Socialne razmere na kranjskem podeželju v luči gradiva za kmetijsko anketo 17. in 18. aprila 1884 v Ljubljani," in *Kronika* 56, No. 3 (2008): 506, 518, 519. See also: Lazarevič, *Kmečki dolgovi na Slovenskem*, 16–19.

23 SI ZAL LJU 362, folder, 29, *Denkschrift*, 1895, 20.



only a tiny fraction of the Savings Bank's expenditures. The question arises to what extent the management of the Savings Bank had small landlords in mind when it offered low-interest mortgage loans.<sup>24</sup> As time went on, the Savings Bank moved away from its original purpose and began to target a more affluent population. The creation of the Credit Association in 1875 and the amendment of Article 17 in 1888,<sup>25</sup> which allowed the Savings Bank to do business with municipal authorities, also boosted turnover. These loans made it possible to finance major municipal projects, such as water supply systems and electrification.<sup>26</sup>

In the second half of the 19<sup>th</sup> century, rural credit was seen by many as a major problem. Janez Bleiweis in his book "Zgodovinske črtice c. k. kmetijske družbe na Kranjskem" ("Historical Lines c. k. of the Carniolan Agricultural Society") writes that the importance and necessity of establishing a loan fund was discussed as early as 1862 at a meeting of the General Assembly of the Carniolan Agricultural Society.<sup>27</sup> Land reform and emancipation had created a free but undercapitalised peasantry, and the fall in agricultural prices in the 1880s later left some holdings overburdened with mortgage debt.<sup>28</sup> Ivan Mohorič, the author of the article "Razvoj kreditnega zadružništva" (Development of credit cooperatives), stressed that "savings banks offered only mortgage loans, which did not correspond to the economic depression and were unsuitable for the small business sector. Therefore, the form of the reformed financial organisation should be a credit cooperative based on unlimited guarantee and personal credit."<sup>29</sup> Before the introduction of credit cooperatives, smallholders and the landless were dependent on shopkeepers, agricultural traders, and other informal lenders for credit. Credit was expansive, and some accounts describe interlinked markets' credit relationships that are part of other transactions.<sup>30</sup> The agricultural crisis at the end of the 19<sup>th</sup> century and the lack of suitable lenders were essential conditions for the establishment of credit cooperatives. In rural areas, the initiators were also able to use the networks of the Catholic Church, which contributed to the successful expansion of the network of credit cooperatives. The credit cooperative managed to collect a large amount of small savings, which it then distributed to farmers through low-cost loans.<sup>31</sup>

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24 Ibid.

25 "Občni zbor kranjske hranilnice," *Slovenec*, July 30, 1888, 3.

26 SI ZAL LJU 362, folder 29, Denkschrift, 1895, 11, 12.

27 Janez Bleiweis, *Zgodovinske črtice važnejšega delovanja c. k. kmetijske družbe na Kranjskem od pričetka njenega v letu 1767. do konca leta 1867* (Ljubljana: C. k. kmetijska družba na Kranjskem, 1867), 36.

28 Timothy Guinnane, "Cooperatives as Information Machines: German Rural Credit Cooperatives, 1883–1914," *The Journal of Economic History* 2 (2002): 368.

29 Mohorič, "Razvoj kreditnega zadružništva," 45.

30 Guinnane, "Cooperatives as Information Machines," 368.

31 Christopher L. Colvin, Stuart Henderson and John D. Turner, "The Origins of the (Cooperative) Species: Raiffeisen Banking in the Netherlands, 1898–1909," *European Review of Economic History* 4 (2020): 752, <https://doi.org/10.1093/ereh/hez018>. Lazarevič and Prinčič, *Zgodovina slovenskega bančništva*, 29.

## District Credit Cooperative Litija

Looking at the map of Slovenia, it is not difficult to find Litija, which lies almost in the middle of the country, not far from its geometric centre, east of Ljubljana. It can be recognised by the typical meander of the Sava River, which makes its way between the steep banks of the Zasavje hills. During the Austrian period, Litija was the seat not only of the municipality but also of the tax office, the district court and the district administration. The latter began in the mid-19<sup>th</sup> century when the Austrian Empire reorganised the provincial administration after the March Revolution of 1848 following the abolition of the crisis and the delegated feudal lordships. District governorships were introduced as early as 1849, only to be abolished in the Bachian absolutist period, to reappear in their final form after 1867. The District of Litija covered an area of 686.45 km<sup>2</sup>.<sup>32</sup>

The District of Litija included quite different geographical regions. It was situated in the transitional area between the Ljubljana Basin and the Dolenjska Basin, as we understand it today. The rugged territory of the northern part of the district was blessed with a rather sparse settlement and relatively poor transport connections. On the other hand, the centre of the district administration was located next to one of the first and most important roads of the Habsburg Monarchy – the Southern Railway. The less active parts in the southern part of the district centre, which fell under the jurisdiction of Višnja Gora, were located along an important road leading to Novo mesto and Zagreb. Before the end of the 19<sup>th</sup> century, the Dolenjska railway was built.<sup>33</sup>

The Litija Spinning Mill and the lead and Sitarjevec mercury mine, renovated in the second half of the 19<sup>th</sup> century, were important to the economy of the area. However, both parts of the district - the north and the south - were relatively sparsely populated and concentrated mainly on agriculture. In the northern jurisdiction of Litija, there was less agriculture and, in places with favourable conditions, viticulture played an important role. The statistical data show the relatively low importance of fruit growing, despite the good conditions for it. It should be stressed that despite the well-known emigration, it is not yet possible to speak of depopulation and overgrowth in the modern sense. In any case, fruit growing did not become important until the 20<sup>th</sup> century. Cattle farming dominated in the district and was more intensive in the southern part. Sheep farming was more modest, with a slightly larger share in the hillier northern part of the district.<sup>34</sup>

The network of credit cooperatives in the Litija district emerged during the accelerated wave of new credit cooperatives in the province of Carniola. The first credit cooperative in Litija district was founded in Litija in 1894. By the end of the 19<sup>th</sup> century, the number had grown to seven, divided between the two Judicial districts of

32 Damjan Eli, *Litijsko šolstvo skozi čas. Litija: Osnovna šola* (Litija: Osnovna šola, 2000), 15. Miha Seručnik, "Prebivalstvo, kmetijstvo in vinogradništvo okrajnega glavarstva Litija na začetku 20. stoletja," in Miha Preinfalk (ed.), *Iz zgodovine Litije in okolice* (Ljubljana: Zveza zgodovinskih društev Slovenije, 2011), 568, 573.

33 Seručnik, "Prebivalstvo, kmetijstvo in vinogradništvo," 573, 574.

34 Ibid., 574.

Litija and Višnja Gora. In the first district, there were five credit cooperatives, while in the second district there were two. By the end of the first decade of the 20<sup>th</sup> century, the number of credit cooperatives in judicial districts of Litija had risen to eleven.<sup>35</sup> It is important to note that no savings bank was established in the entire area during this period.

The membership lists show that the District Credit Cooperative was active in the judicial district of Litija. These members were also debtors, as the lists of those who had approved a loan have been preserved.<sup>36</sup> This credit cooperative was a financial institution with an unlimited guarantee that offered loans exclusively to its members. However, it accepted savings deposits from anyone, regardless of membership status.<sup>37</sup>

The credit cooperative in Litija was founded on the initiative of the Association of Slovenian Credit Cooperatives in Celje.<sup>38</sup> On 12 July 1894, at the meeting of the Association, it was decided to establish new credit cooperatives, one of which was in Litija. The task was taken on by Ivan Lapajne, the Association's auditor. Under the chairmanship of Luka Svetec, a member of the Carniolan Regional Assembly, the residents met to discuss the statutes of the new organisation prepared by Lapajne.<sup>39</sup> By the end of 1894, 31 members had come together and paid the shares needed to set up and run the credit cooperative. They collected a total of 147 shares; each worth 20 crowns. At the beginning of the following year (1895), the credit union was able to start its work. Most of them, nine each, came from Litija, Šmartno pri Litiji and Vače, the others from the neighbouring villages.<sup>40</sup>

Credit cooperatives raised their capital through members' contributions and loans from third parties, the latter excluding any state aid or capitalist intervention.<sup>41</sup> The statutes of the cooperative stated that its purpose was to receive money-saving deposits, to collect money with cooperative credit and to grant mortgages and personal loans to its members. At the top was the principality, with the head and four members taking care of all the business.<sup>42</sup>

35 SI ZAL LJU 85, Zadrudni register; Mohorič, "Razvoj kreditnega zadrudništva," 46, 49.

36 SI AS 444, Pristopni listi.

37 SI AS 444, Zaključni račun za leto 1896. SI AS 444, *Pravila okrajne posojilnice v Litiji, registrovane zadruge z neomejeno zavezo*, 14. 10. 1894, 1.

38 For more about credit cooperatives unionss see: Žarko Lazarevič, Marta Rendla and Janja Sedlaček, *Zgodovina zadrudništva v Sloveniji (1856–1992)* (Ljubljana: Zadrudna zveza, 2023), 101–12.

39 Miloš Štibler, "Trideset let zadrudnega dela," *Zadruga* 8–10 (1913): 231. "Nova posojilnica v Litiji," *Domovina*, August 25, 1894, 4.

40 SI AS 444, Imenik društenikov, 21, 22.

41 Jurij Perovšek, "Schulze-Delitzscheva zadrudnogospodarska doktrina kot liberalni odgovor na socialno vprašanje v 19. stoletju," *Prispevki za novejšo zgodovino* 37, No. 1 (1997): 22.

42 SI AS 444, *Pravila okrajne posojilnice v Litiji*, 1, 4.

Table 1: Relationship between mortgage and personal loans of the District Credit Cooperative Litija

	<b>new mortgage loans</b>	<b>repaid mortgage loans</b>	<b>mortgage loans at the end of the year</b>	<b>new personal loans</b>	<b>repaid personal loans</b>	<b>personal loans at the end of the year</b>
1896	65	0	183	17	9	30
1897	42	16	209	9	11	28
1898	45	22	232	17	12	33
1904	80	10	488	17	15	22
1905	110	21	529	23	10	33
1906	128	21	585	14	15	30
1907	107	24	606	26	12	42
1908	94	31	610	22	10	47
1909	104	32	621	25	10	56
1910	148	36	637	23	19	52

Source: SI AS 444, Poročilo in računski sklep za drugo upravno leto 1896. SI AS 444, Poročilo in računski sklep okrajne posojilnice v Litiji, registrovane zadruge z neomejenim poroštvom za tretje upravno leto 1897. SI AS 444, Poročilo in računski sklep za četrto upravno leto 1898. SI AS 444, Konto posojil 1904–1910.

The District Credit Cooperative Litija was active in mortgage and personal loans; borrowers, mostly farmers from the Litija surrounding area or more precisely the judicial area, could obtain a loan for “valuable documents, things of small and large value, goods and mortgages.”<sup>43</sup> Ivan Lapajne, the main initiator of the credit cooperative in Litija, was in favour of private loans. However, he felt that in an area where there were no functioning savings banks, it was justified to work with mortgage loans from credit cooperatives.<sup>44</sup> Since, as mentioned above, there was no savings bank in the district administration of Litija and the District Credit Cooperative was the largest in the area, it is not surprising that its credit policy was based on mortgage loans. As can be seen from Table 1 above, the number of personal loans was negligible.

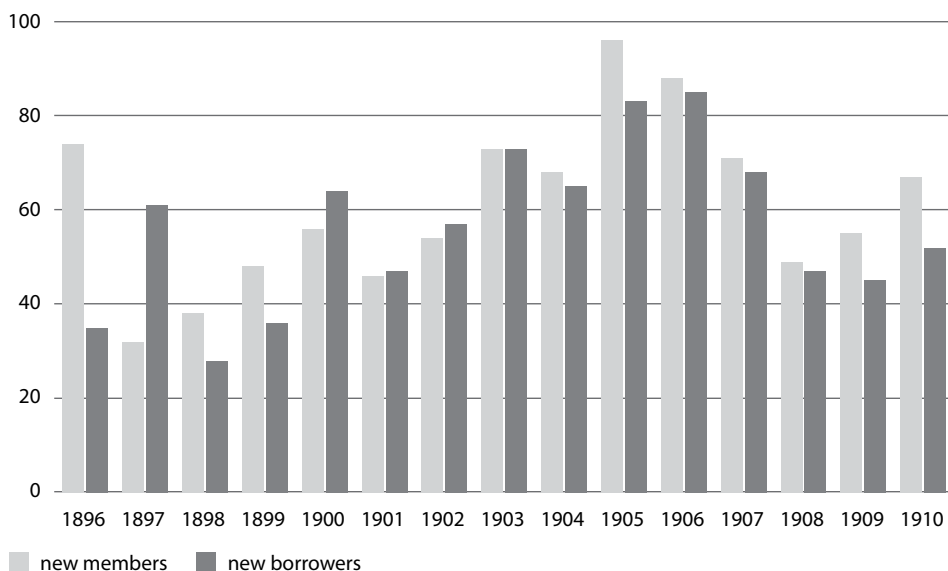
The second year, 1896, the second year of a credit cooperative in Litija in 1896, for which data has been preserved, will serve as an example. There are sixty membership forms from 1896, which contain data on the applicant and the value of the property, the type, the amount and the requested and granted credit. The analysis of the list of new members or loan applicants shows that applicants from almost all municipalities, i.e. from seventeen, were represented. Only three were not among the new borrowers, namely from Moravče, Kotredež and Ržišče, which were close to the three different credit cooperatives mentioned above. As expected, Litija stands out with ten, followed

43 SI AS 444, *Pravila okrajne posojilnice v Litiji*, 2, 3.  
44 Ivan Lapajne, *Slovenski posojilničar. Drugi, poporavljeni in pomnoženi natis Navoda o snovanju in poslovanju slovenskih posojilnic* (Krško: Založil pisatelj, 1907), 5.

by three other rural areas such as Šentlambert with seven, Trebeljevo with six and Šmartno with seven. In 1896, in addition to the district credit cooperatives, three other credit cooperatives were operating on the territory of the Litija judicial district, namely in Zagorje, Moravče and Sv. Križ pri Litiji (today Gabrovka).<sup>45</sup>

The value of land used as collateral for mortgage loans ranged from 1,000 to 20,000 crowns.<sup>46</sup> Most of the estates, i.e. almost 92 per cent, were worth less than 10,000 crowns, and 60 per cent of these only up to 5,000 crowns. Of the total of sixty estates for which we have data, only one had a value of 20,000 crowns.<sup>47</sup> The lack of data makes it difficult to estimate the value of the land. Nevertheless, we can place it in the following context: the monthly income of workers was between 50 and 200 crowns, while clerks received between 200 and 800 crowns per month. If we convert the income of a worker with the highest monthly income, who earned 2400 crowns per year, his annual earnings reached a higher value of a quarter of lands in the Litija district. However, if we consider that the highest-paid clerk earned just under 10,000 crowns per year, his annual income was higher than 92 per cent of the value of the estates in this region. From this, we can conclude that the value of the agricultural land of the borrowers of the credit cooperative in Litija was extremely low.<sup>48</sup>

Chart 1: Ratio of new members of credit unions to new borrowers



Source: SI AS 444, Okrajna posojilnica v Litiji, registrovana zadruga z neomejeno zavezo. Računski zaključek za XVI. upravno leto 1910

45 SI AS 444, Pristopni listi.

46 Austria-Hungary introduced a gold currency with the reform of 1892 when crowns were introduced. The guildens were finally withdrawn from circulation in 1900. The exchange took place as follows: One gulden was worth two crowns. – Pančur, *V pričakovanju stabilnega denarnega sistema*, 263–71.

47 SI AS 444, Pristopni listi.

48 Kresal, *Zgodovina socialne in gospodarske politike*, 317.

The archival sources show that the number of members of the loan fund mainly increased during the period covered by the article. Membership was a prerequisite for obtaining a loan, as there is also a correlation between the number of new members of the credit cooperative and the number of new borrowers. The dynamics in the acquisition of new members was to a large extent directly related to the increase in the number of new loans, as Chart 1 above shows.

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## Conclusion

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The abolition of serfdom led to the full ownership of peasants. The dissolution of the old system in the Habsburg Monarchy was one of the lasting achievements of the short-lived Constituent Assembly of the 1848 Revolution. This process brought new opportunities and challenges. Farmers entered the path of financial inclusion, and the question arose as to how farmers could be given access to financial resources. The solution to the emerging situation was found through the creation and development of financial networks. This was also the case in the province of Carniola in the second half of the 19<sup>th</sup> century. The credit policy of these institutions had to solve the problem of the lack of, or inaccessibility to, financial resources for the lower classes. The savings banks focused more on the cities and the urban environment, so the situation of the rural population was only improved by the creation of credit cooperatives. The credit cooperative managed to collect a large amount of small savings, which it then distributed in the form of cheap loans to farmers.

The District Credit Cooperative Litija was a Schultze-Delitzsch-type credit cooperative founded on the initiative of the Celje Cooperative Association. Until 1894, there was no other financial institution in the Litija district. This gap was filled by The District Credit Cooperative Litija. The network of credit cooperatives grew slowly but steadily. By 1910, eleven credit cooperatives had been established in Litija juridical district. Even though that the credit cooperative in Litija was located in the centre of the district administration and although it formed a network of credit cooperatives, farmers all over the area benefited from its loans.

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## **MIKROFINANČNI POSREDNIKI IN KREDITIRANJE PODEŽELJA NA KRANJSKEM PRED LETOM 1914: ŠTUDIJA PRIMERA OKRAJNE POSOJILNICE LITIJA**

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### **POVZETEK**

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Reforme zemljiškega posestva in odprava tlačanstva v habsburški monarhiji leta 1848 so močno vplivale na tradicionalno življenje v drugi polovici 19. stoletja. Kmetje so postali lastniki zemlje, ki so jo obdelovali in je postala ključnega pomena njihova vključenost v tržno in denarno gospodarstvo. S tem se je spremenil tudi njihov vpliv na politični, socialni in ekonomski položaj. Sprva so bili obremenjeni z odškodninami, ki so jih morali plačevati nekdanjim fevdalcem in veleposestnikom. Hkrati je bilo finančno vključevanje povezano z odpravo tlačanstva in posledično z močnim prezadolževanjem podeželskega prebivalstva. Z vidika socialnega in gospodarskega položja je bila njihova pozicija dodatno otežena s sprejetjem zakona o dedovanju in obveznem deležu leta 1868, ki je spodbudil drobljenje že tako majhnih posesti.

Razvoj inštitucij mikrofinančnega posredništva, kot so bile hranilnice in kreditne zadruge, je bil bistveni predpogoj za proces finančnega vključevanja kmetov. Poleg tega so te ustanove razvile kreditne storitve za podeželsko prebivalstvo. Posebej so bila pomembna osebna posojila, ki so jih razvile kreditne zadruge, saj so bila obrestne mere kreditov dostopne gmotnemu položaju kmetov.

Raziskava ponuja nova spoznanja in primerja dve različni vrsti mikrofinančnih posrednikov ter njihovo vlogo in vpliv na ekonomski in finančni položaj kmečkega prebivalstva pred začetkom prve svetovne vojne. Članek se osredotoča na kreditno politiko omenjenih finančnih ustanov. Raziskuje, kako so kmetje dobili kredit ter kako in v kolikšni meri so lahko odplačevali svoje obveznosti. Posebna pozornost je namenjena analizi učinkovitosti dveh vrst hipotekarnih in osebnih posojil.

Okrajna posojilnica Litija je bila kreditna zadruga tipa Schultze-Delitzsch, ustanovljena na pobudo Celjske zadrugne zveze. Do leta 1894 v tem okraju ni bilo nobenega drugega denarnega zavoda, to vrzel pa je še istega leta zapolnila Okrajna posojilnica Litija. Mreža kreditnih zadrug se je počasi, a vztrajno povečevala. Do leta 1910 je bilo v sodnem okraju Litija sicer ustanovljenih enajst kreditnih zadrug, vendar je litijska posojilnica kljub temu obdržala primat. S sedežem v središču okrajnega glavarstva je kljub konkurenčnim zadrugam nudila kmetom posojila, ki so jih s pridom uporabljali za poplačilo upnikov.