"Social Credit Societies": A French Experiment in Africa

by

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Under the Act of 30 April 1946 for the establishment, financing and execution of investment and development plans in the French overseas territories[1] *a number of credit institutions, called "social credit societies", have been set up in French tropical Africa to provide financial assistance to co-operatives, agricultural associations, handicraft undertakings and small and medium sized farm holdings, and to advance loans to individuals for the acquisition of small properties or the construction of dwelling houses. That the scheme, which has now been in operation for some eight years, has been a success is clearly shown, in particular, by the progressive increase in the proportion of loans granted to Africans. In the following pages Mr. Leduc explains how the social credit societies function and what use is made of the sums they advance, and describes the difficulties they have encountered in obtaining adequate security on their loans.*

A VERY interesting social experiment is being carried out at the present time in the French territories in Africa[2] as part of the policy, inaugurated in 1946, of speeding up economic development and promoting a general improvement in living standards, largely through investment schemes financed by the home Government, which provides most of the money in the form of outright grants. The official charter for this comprehensive plan, which cannot be gone into in detail here, is a French Act dated 30 April 1946, and the agency responsible for implementing it is the Central Fund for Overseas France (C.C.F.O.M.).[3]

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[1] See *Journal officiel de la République française*. Lois, ordonnances, décrets, etc., 1 May 1946, pp. 3655-3656.

[2] It has recently been extended to other territories in the French Union, such as New Caledonia (Sep. 1955), the French West Indies and French Guiana (Dec. 1956).

[3] The author discussed the financial aspects of this policy in an article entitled "La politique des investissements dans l'outre-mer" published in the *Revue de science financière* (Paris), 49th Year, No. 1, Jan.-Mar. 1957, pp. 94-115.

This fund administers the Overseas Territories Economic and Social Development Investment Fund (F.I.D.E.S.), whose existence and activities have already given rise on many occasions to fierce controversy, but at the same time it has its own resources, which it uses to supplement the work of the F.I.D.E.S. through a wide variety of financial operations, and in this way to offset the inadequacy of private investment and clear a path for it through all the obstacles to planned development that still abound in Africa.

The experiment which this article sets out to examine fits into this general policy and is in fact the direct outcome of the above-mentioned Act of 30 April 1946. It consists of the work of the agencies referred to hereafter under the general title of " social credit societies ", the latest of which have now been in existence for more than eight years and the most recent for barely a few weeks. As their name indicates, these societies are concerned, at least primarily, with financial matters. Granted that they are credit institutions, why have they been qualified as " social " ? The answer, as may readily be surmised, is that this often overworked term expresses a conscious intention of making credit facilities available to " social " categories which—for a wide variety of reasons, as will be seen later—are thought to merit special treatment.

The first task must therefore be to define the aims of the experiment and to show why these agencies should have been considered by their founders to be necessary to any general policy of accelerated development. The second task will be to draw various conclusions from an experiment that has already yielded a great many lessons of all kinds in a number of different spheres—technical as well as financial, legal as well as economic, political, ethnological, in fact sociological in the broadest sense of the word.

It should be added that these conclusions are based on a lengthy scrutiny of the documentary material available, backed up by a certain amount of direct observation on the spot, more particularly in French Equatorial Africa and the Cameroons.[1] Although there may seem to be little justification from many points of view for including Madagascar in Africa, this has been done so as not to leave out the particularly energetic and persevering work carried out there in the field with which this article deals. It should be made clear, however, that the remarks made here apply first and foremost to the territories in continental Africa for which France

[1] The author wishes to express his deep gratitude to all those who allowed him to draw on their knowledge of people and things and who helped him in his research. The only general survey of this question published so far is given in the *Troisième rapport annuel du Comité monétaire de la zone franc — Année 1955* (Paris, Imprimerie nationale, 1956), pp. 19-24.

bears political responsibility, i.e. in the first place the overseas territories proper, comprising the two administrative divisions of French West Africa (eight territories) and French Equatorial Africa (four territories), and in the second place the two territories which now form the Autonomous Republic of Togo and the trusteeship territory of the Cameroons.

Creation and Resources of the Social Credit Societies

A general survey of the situation is first necessary. The earliest social credit societies, the French Equatorial Africa Credit Society and the Cameroons Credit Society, were founded on 9 and 25 May 1949 [1] under section two of the Act dated 30 April 1946, which was designed to promote " activities essential for the execution of plans or for economic and social life in the territories concerned ". The Madagascar Credit Society came into existence the following year (on 19 November 1950). After an interval of three years, societies were progressively set up in all but one of the territories of French West Africa, namely the Benin Bank (7 January 1954) in Dahomey, followed by the credit societies of the Ivory Coast (4 February 1955) and Guinea (21 June 1955), Senegal (17 August 1956) and more recently still the Sudan, the Upper Volta and the Niger (16 August 1957).

Thus Mauritania is now the only territory in French West Africa not to have its own social credit society. This is due to the fact that its economy is still extremely backward, the population being mainly composed of pastoral nomads. (It is true that a number of promising mineral deposits have been discovered, but they have yet to be exploited commercially.)

It may have been noted that in French Equatorial Africa a single social credit society has been set up to cover the four territories concerned, i. e. the Middle Congo, Gaboon, Ubangi and Chad. The practice of having one society for each territory has its supporters in this part of the world, but so far it has been quite rightly felt that this would be too burdensome an arrangement as it would entail a rate of overheads out of proportion to the actual volume of business and would come up against the acute shortage of competent specialists, which is one of the most difficult handicaps to overcome in an underdeveloped country. But it may be assumed that in the future French Equatorial Africa will follow the example of its sister federation once economic progress has had a greater impact.

[1] All these institutions were founded by ministerial orders bearing the dates indicated.

To complete the list, it must be mentioned that a credit society was set up in Togo on 18 May 1957.

Broadly speaking the overseas countries united to France are now covered by a more or less complete network of social credit agencies, and it might at first sight appear that this steady extension of the system provides evidence of its efficiency. But of this more will be said later.

With the sole exception of the Benin Bank, these agencies have the very peculiar legal status of state companies—a formula specially introduced by the Act of 30 April 1946 in order to make it possible for them to operate " with the methods and flexibility of private business ". The author has written elsewhere about this legal oddity, which consists of a company with only one partner, namely the State, all the prestige and power of which cannot make it less of an oddity.[1]

It should merely be mentioned, therefore, that these agencies are bodies corporate possessing financial autonomy and ranking as trading organisations with all the rights and obligations that this involves. Judged from this standpoint, the financial considerations appear to outweigh the social, in that the societies are not welfare agencies designed to relieve distress but banking institutions responsible for issuing credit rather than gifts and concerned over the security of their loans. Nevertheless, the fact that these loans are officially stated to be " social " in purpose does mean that the societies are to some extent disinterested ; they were certainly not set up for the sake of their financial profitability and no one expects them to swell the revenue with their profits. Accordingly it is hardly surprising that, despite frugal management, most of them lose money, at least during their early years.

Similar considerations apply to the Benin Bank, although legally it is not a state company but a joint state-private company for which provision was also made in section 2 of the Act of 30 April 1946 ; these companies are characterised by a majority shareholding in the hands of the " State, the public authorities in the overseas territories and public establishments in the aforesaid territories ". In this case, for example, 40 per cent. of the initial capital of 100 million C.F.A. francs[2] of this company was subscribed by the public authorities (20 per cent. by the French West African Federation and 20 per cent. by the territory of Dahomey), 16 per cent. by the Central Fund for Overseas France (a public institution),

[1] Gaston Leduc : " Les sociétés d'Etat, instruments de mise en valeur de l'outre-mer ", in *Archives de philosophie du droit*, nouvelle série, No. 1 (Paris, 1952).

[2] The C.F.A. franc (the initials represent the now obsolete title of French African Colonies) is officially equal to 2 French francs.

12 per cent. by the issuing institution for French West Africa and Togo (also a public institution), 12 per cent. equally shared out among three deposit banks (two of which are nationalised) and the remaining 20 per cent. by private subscribers. This formula is in many ways better than that of the state company, but it will not work unless there are private subscribers available who are willing to invest their money. In Dahomey they happened to exist but this was an exceptional case.[1]

Before concluding these preliminary considerations some details should be given regarding the extent of the funds on which the social credit societies can draw. This has been done in table I, which shows the existing registered capital of these societies (in several cases this capital has already been increased a number of times) together with the amounts made available to them in the form of grants and rediscount facilities.

Since this article is not concerned with the financial aspect it is not necessary to give any lengthy explanation of the figures. It should merely be explained that the registered capital of these societies is split up, the proportion varying from one case to another, between the State (through the Central Fund for Overseas France) and the territories, which as a rule are enabled to subscribe by means of advances made to them by the Central Fund and thereby to have a direct share (through their own representatives) in the management of the societies.

The grants, which are in any event on a fairly small scale, are always used for ventures which, although extremely risky, are likely to help borrowers thought to merit special treatment. Sometimes they are also used to form guarantee funds for particularly speculative loans.

Almost all the advances and credit facilities are provided by the Central Fund for Overseas France and the local issuing institution (at least in French Equatorial Africa and the Cameroons). They have a number of special advantages such as a low rate of interest and ample time for repayment, the aim being to allow these societies to operate in trades and on behalf of borrowers that could not be reached through the normal banking credit channels.

These figures make it clear that the scope of the experiment is still fairly limited. Nevertheless, the steady increase in the funds employed and the rise in the number of societies themselves are

[1] Nevertheless there is nothing to prevent a state company from becoming a joint state-private company, although the Act of 30 April 1946 is silent on this point. Moreover, the definition of a state-private company is vague, e.g. would a company change from one category to another if an infinitesimal proportion of its registered capital were subscribed by private investors ?

both reliable pointers to the success of the experiment, and it is likely that the volume of business will continue to expand in the future. The information given in the table must therefore be taken as describing a steadily improving position.

TABLE I. NATURE AND EXTENT OF FUNDS AVAILABLE TO SOCIAL CREDIT SOCIETIES

(Millions of C.F.A. francs)

Name of society	Registered capital	Contribution by Central Fund for Overseas France	Rediscount credits
French Equatorial Africa Credit Society	220 [1]	317.5	85
Cameroons Credit Society	600	425	420
Madagascar Credit Society	725	350	—
Benin Bank	100	159	70 [2]
Ivory Coast Credit Society	200	425	30 [3]
Guinea Credit Society	100	150	— [4]
Senegal Credit Society	100	—	—
Togo Credit Society	50	30	—

[1] Plus two grants of some 203 million and 119 million respectively. [2] Comprising 50 million authorised for rediscount by the issuing institution and 20 million authorised for medium term rediscount by the Central Fund for Overseas France. [3] Authorised by the issuing institution. [4] Empowered to rediscount with the issuing institution without restriction.

The Operations of the Social Credit Societies

The operations that the social credit societies are allowed to undertake are defined in almost identical terms in their articles of association, viz. to make cash loans or to guarantee loans made by financial institutions of the usual type.

Initially provision was made for four main types of operation :

(1) Short or medium term credit to officially approved co-operatives and agricultural associations.

(2) Short or medium term credit to small or medium sized farm holdings.

(3) Short or medium term credits to handicraft undertakings.

(4) Loans to individuals to encourage the acquisition of small properties or the building of dwelling houses.

These provisions thus have two economic purposes. One is to promote production ; the other to promote consumption, which is expressly allowed as regards housing but has since been extended to a wide range of durable consumer goods lumped together under the term " minor household equipment ".

In what follows we shall first consider " social " credit in so far as it is used for purely productive purposes, and then the different forms of consumer credit. Two general observations should, however, be made before analysing the scope of these arrangements.

The first is that restrictions are imposed on the scale of operations by social credit societies in order to confine their business to relatively minor transactions. Each class of loan is subject to upper limits which are usually laid down in the articles of association and explicitly stated in the societies' rules. It would be pointless to go into greater detail on this subject but it should be mentioned that these ceilings vary from one society to another and in most cases have been raised either once or several times. A restriction of the same kind is imposed on the duration of credits or guarantees, which varies from between five and ten years for medium term operations (although this may on occasion be extended) to 25 years for certain types of property loan.

The second point is that there is no discrimination between borrowers whatever their country of origin may be (i.e. in practice, their colour). White or Black, European or African is treated by the social credit societies in exactly the same way. On the other hand, it should be borne in mind that these agencies were chiefly set up to make credit available to the economic and social classes most in need of money to enable them to play an effective part in economies which are expanding and therefore changing rapidly.

It is not very surprising that they should have tended to give priority to their " African " customers owing to the urgency and extent of their needs. But this has not always been the case, for reasons which are explained below.

Production Credits

Production credits are accorded to both agriculture and handicrafts.

Agricultural Credit.

Chief emphasis has, not surprisingly, been placed on agriculture (taken in its broadest sense to include forestry, stock raising and fishing) since this is still—and will certainly remain for a long time—the basis of the African economy, even during the present rapid shift from traditional subsistence occupations to the production of cash commodities.[1]

It should be noted that these credits are granted to bodies corporate and also in respect of individual holdings. The former

[1] See United Nations : *Enlargement of the Exchange Economy in Tropical Africa* (New York, 1954), and the two recent supplements to the *World Economic Survey : Economic Developments—Africa, 1954-55* (New York, 1956) and *Economic Developments—Africa, 1955-56* (New York, 1957).

may be co-operatives or associations of any other kind, provided that they have been approved by the administrative authorities. In point of fact the number of co-operatives is fairly small despite repeated attempts to introduce systems of agricultural co-operation modelled on those of more advanced countries. But this is not the place to describe the reasons for these disappointments or to discuss the circumstances in which agricultural co-operation could expand successfully south of the Sahara.

The other approved associations entitled to receive short or medium term loans are in the main, taking the territories under French administration as a whole, the organisations which formerly went by the general name of Native Provident Societies and which are now called African Provident Societies (or S.A.P.) and which differ from co-operatives of the classic type in that membership is compulsory (as is the payment of contributions) and that the Government keeps a close watch on their operations. It is true that over the past few years some very interesting attempts have been made both in law and in practice to induce the African peasants to form voluntary associations under less detailed administrative supervision. The main result of this effort, which has been conducted under new legislation [1], has been the formation of bodies known as Mutual Benefit Production or Rural Development Societies (S.M.P.R.). This fits into the general policy of encouraging the emergence of an African peasantry, the chief aim being to turn the traditional Native peasant as quickly and as completely as possible into a modern-style farmer (producing crops or livestock, or both at the same time whenever possible). This policy has already made a certain amount of headway even though it has come up against a number of obstacles ; it is not, however, confined to the territories associated with France. It is also being pursued in the Belgian Congo, the territories under British administration, the Rhodesias and the Portuguese provinces. Unfortunately, however, there is no space to discuss this topic in greater detail.

Short or medium term credits are also made available to " small or medium sized farm holdings ". It may be asked what exactly constitutes a " holding " of this kind, particularly if it is farmed by or on behalf of Africans. The articles of association of the social credit societies give no further details, however, and the question is obviously left to the discretion of managements. This point will be reverted to later in analysing the difficulties encountered over agricultural credit owing to the fact that peasant organisation in Africa is still by and large far removed from the systems and

[1] Chiefly through the issue of Decree No. 57/387 dated 27 Mar. 1957.

methods employed in modern economies. There are very few types of individual holdings as such. The general framework for peasant farming in Africa is the expanded family group working the land in common, in accordance with legal systems of occupation and development based on custom. In many areas these collective systems of ownership (in so far as the Roman-Western concept of ownership can be used in this context) and land use go hand in hand with systems of shifting cultivation with lengthy fallow periods, which are essential because of the nature of the soil and the demands of the climate. There is still a great deal of controversy among the experts as to whether or not these practices are economically sound and whether they spell ruin for the soil of Africa or, on the contrary, are the best way of preserving its fertility.[1]

But there is nothing to stop the social credit societies making loans to holdings, whether operated by individuals or by families (in the broadest sense) and whether settled or shifting, provided that the nature and purpose of the operations give grounds for hoping that the cash income will be sufficient to enable the borrowers (who are assumed to be honest) to meet their liabilities without overmuch difficulty.

The only exception to this consists of holdings the size of which is such that they clearly cannot be included under the heading of " small or medium sized holdings ". Here it would seem that the authors of the scheme merely intended to withhold the benefits of " social " credit from the large concerns, such as the traditional type of capitalist plantations, which are capable of obtaining from the ordinary banks any type of credit they may need to finance their operations.

In any event, doubts over the nature and size of the yardstick to be used in deciding into which category a holding falls are usually ruled out by the fact that the articles of association of the social credit societies place a ceiling on the transactions in which they can engage.

Handicraft Credits.

Handicraft undertakings are the second form of productive enterprise to which the social credit societies may grant credits. Here, too, their articles of association are by no means explicit. What does the term " handicraftsmen " mean in the present-day economic context of Africa south of the Sahara ? It certainly implies a restriction on the size of the business, as it would in any

[1] See the very able book by J. P. Harroy : *Afrique, terre qui meurt*, 2nd edition (Brussels, Hayez, 1949).

other part of the world for that matter. As with agriculture, this restriction is operative only by virtue of the fact that both the amount and the duration of loans are limited.

There appears to be no exclusion of certain occupations as being incompatible with handicraft status. Social credits are granted both to the processing trades (mainly industrial, but including forestry) and to transport concerns (with a great number of failures). In a number of societies the articles of association even allow loans to be made to professional workers to set up in business (e.g. on the Ivory Coast). Commercial concerns are not excluded, at least in so far as they need loans to help them to start up. However, the social credit societies have always taken the view that routine discounting of bills does not form part of their business ; in this respect they differ from people's banks on the European model. Purely commercial transactions are therefore left to the deposit and discount banks and also to a large extent, it must be confessed, to small or medium scale middlemen who are often nothing less than usurers (except where the marketing of local farm products is at least partly handled by co-operatives).

To sum up, production credits were designed to fill the gaps caused by the progressive shift from wholly subsistence economies to economies that are at least partly based on the market and making increasingly widespread use of money. Previously, nothing had been done to deal with this problem except in agriculture, and even here most of the efforts had come to nothing. Without going into detail, it can be said that this failure was largely due to the fact that the only attempts made in this direction had been carried out by the colonial authorities themselves, who were guided by experience at home and did not take the trouble to find out whether the potential users were really capable of co-operating properly with the new agencies. It turned out that they were not, and the agricultural credit funds set up in the territories or federations during the years before the Second World War did not live up to the hopes of their founders. Despite their official title of mutual agricultural credit funds, the principle of mutuality was entirely absent, for they never received any deposits from their members and confined themselves to granting loans out of the very meagre appropriations made in the local budgets. Since they were, in fact, offshoots of the civil service, management and responsibility were over-centralised—which ran completely counter to the habits and mentality of the local peasants. Moreover, the question of security formed an almost insuperable obstacle to any extension of the funds' operations, since the authorities laid down conditions which took no account of local legal customs or the absence—almost universal in Africa—of any system of individual property which can be transferred by sale or inheritance and used as a basis for granting mortages.

The extent to which the advent of these new social credit agencies has changed this state of affairs is discussed later in this article.

Consumer Credits

Consumer credits were originally intended to facilitate housing policy, but, as already stated, their scope has since been enlarged to include credits for household equipment. These two aspects must therefore be dealt with separately.

Housing Credits.

The need for housing credits requires no emphasis. The present tempo of economic and social development in Africa is causing a rapid growth of towns and suburbs, to which attention has already been drawn in the *International Labour Review*.[1] Moreover, the rise in real incomes, at least among certain social classes, has led to an increased demand for housing, its urgency and extent being aggravated by the fact that the position at the end of the Second World War was thoroughly unsatisfactory in every respect. Apart from the extremely small-scale operations of a few private companies specialising in property loans, it is a fact that no systematic efforts were made in this direction until 1946.

The Act of 30 April 1946 empowers social credit societies not only to finance the building or improvement of dwelling houses but also to set up special house-building agencies. These agencies —known as housing societies, of which there are six at the present date in Africa south of the Sahara—are legally joint state-private companies, i.e. companies in which a proportion of the capital (usually fairly small) is held by private shareholders. They are now operating in the Cameroons, Equatorial Africa, Madagascar, Guinea, the Ivory Coast (where the agency is called the *Société immobilière des habitations économiques*) and in the Cape Verde Peninsula and Senegal. They have been given substantial financial assistance by the Central Fund for Overseas France and generally have tried (with varying success) to build housing estates for subsequent resale on the instalment system (chiefly by the sale-rental method).

It goes without saying that the work of these societies required close co-ordination with the policy of the social credit institutions ; this is a point which will be dealt with later.

[1] See " The Development of Wage-Earning Employment in Tropical Africa ", Vol. LXXIV, No. 3, Sep. 1956, pp. 239-258.

Household Equipment Credits.

This type of social credit was not provided for originally, but it became clear that a definite need existed and that an efficient credit system could help to give the African masses the material progress they hankered after. Nevertheless, purchases on credit were confined to certain types of semi-durable goods, such as transport (pedal and powered bicycles), sewing machines, household equipment in the strict sense of the term (refrigerators, washing machines) and furniture. It was intended to link up this latter type of loan with the financial assistance given to African handicraft joiners to help them buy tools, thereby promoting expansion in a trade considered to be worthy of special encouragement.

But operations of this kind largely hinge on the tricky question of solvency and have to be hedged around with very substantial safeguards. The regulations governing this type of credit accordingly lay down a whole series of restrictions regarding the recipients (i.e. in the main only wage earners in reasonably stable employment can be given loans), the nature of the goods for which a loan can be given (non-durable consumer goods such as cottons, clothing and ironmongery are excluded), the amount of loans (limited to a certain proportion of the value of the article), the degree of security (expressed as a minimum ratio between the level of the loan and the borrower's wage) and the maximum length of time allowed for repayment (usually one year). By and large, despite all these precautions and the complicated procedure involved, it is noteworthy that quite a large number of Africans have been attracted by these facilities. Thus, for example, at the end of 1956, after an experiment of only a few months, the number of household equipment loans granted by the credit societies in French Equatorial Africa amounted to nearly 2,000 (1,973 to be exact), with a total value of nearly 36 million C.F.A. francs. And this scheme catered exclusively for Africans, European borrowers being excluded.

In short, the provision of social credits in Africa south of the Sahara grew out of the desire to equip these territories with financial institutions that it was believed would prove exceptionally useful at their present stage of economic and social development.

The investment policy launched ten years ago within the institutional framework set up by the Act of 30 April 1946 was based on the hope that there would be a relatively large and rapid increase (although no figures were quoted) in average income per head. Since local capital was not available in sufficient volume in the early stages, an attempt was made to offset this absence by a judicious supply of credit. The idea was presumably to try to stimulate savings, which were recognised to be necessary and which, if the scheme were properly administered, could gradually replace government credit.

In certain branches of the economy it was not possible to rely for this purpose on the usual credit machinery, despite the growth of banking facilities in Africa.

Moreover, since such a scheme could not be administered in detail direct from Paris by a body such as the Central Fund for Overseas France, it became necessary to set up independent agencies with sufficient resources to be able to operate efficiently within the relatively limited areas concerned (although some territories such as French Equatorial Africa are extremely large).

Can it be asserted that the scheme's results so far have come up to the expectations of its authors ? What difficulties have been encountered in the process ? How did the credit societies overcome obstacles that were unforeseen when they were set up ? What general lesson can be drawn from this experiment ? A brief attempt to answer these questions is made below.

Results and Difficulties of Obtaining Adequate Security on Loans

As was emphasised earlier, one of the distinctive features of the social credit scheme is the absence of any difference in the treatment of Europeans and Africans of equivalent economic and social status. Since the Europeans in Africa south of the Sahara are, on the average, considerably better off than the Africans, it might have been expected that the social credit societies would deliberately set out to cater for the latter whenever it was possible to find worthwhile customers among them.

The results set out in table II do not always bear out this assumption.

Table II shows that a fairly clear line must be drawn between French Equatorial Africa and Madagascar, on the one hand, and the other territories on the other. In the two former the amounts lent to Europeans are substantially higher than those lent to Africans (with the exception, as was seen earlier, of household equipment loans, which are made only to Africans).

This is undoubtedly because the societies, although established for a social purpose, are nevertheless required to function like any other credit institution and are anxious to place their money wisely ; they have naturally had far less difficulty in finding " safe " borrowers among the Europeans.

But determined efforts have been made to raise the proportion of credits granted to Africans, as is, in fact, shown by the increase

TABLE II. BREAKDOWN OF LOANS MADE BY SOCIAL CREDIT SOCIETIES TO AFRICANS AND EUROPEANS UP TO THE END OF 1956

(Percentages)

Credit society	Loans to Africans	Loans to Europeans
French Equatorial Africa Credit Society [1] :		
General section	46.1	53.9
Agricultural section	22.2	77.8
Cameroons Credit Society [2]	75.5	24.5
Madagascar Credit Society [3]	27.0	73.0
Benin Bank	96.0	4.0
Ivory Coast Credit Society [4]	86.5	13.5
Guinea Credit Society :		
General section	81.0	19.0
Agricultural section	54.7	45.3

[1] Loans to Africans, which accounted for 38.2 per cent. of the total volume of credits granted by the French Equatorial Africa Credit Society in 1954, rose to 43.7 per cent. in 1956. [2] The percentage of loans to Africans made by the Cameroons Credit Society amounted to 93.4 per cent. during the 1956-57 financial year. [3] The proportion of loans to Africans granted by the Madagascar Credit Society amounted to 36.3 per cent. during the 1956-57 financial year. [4] Not including special loans to forestry undertakings.

in the percentage of these loans from year to year, figures for which are given in the notes to the table. There can be no doubt that this trend will continue, and this is readily confirmed by an analysis of the operations of the social credit societies by branch of the economy. Those in which most of the customers are European are generally declining, while those where the majority of borrowers are African (particularly house building and household equipment) are constantly expanding.

Some explanation should be given of the difficulties encountered in trying to extend social credit among the Africans.

Security is the most important of these and it arises in each of the main types of credit already described.

(1) In agriculture, it became apparent that many African peasants are not yet farmers as the term is understood in more advanced countries. This fact is quite obvious in French Equatorial Africa, although somewhat less so in the Cameroons and Madagascar. Wherever farming has become static, e.g. the coffee and cocoa plantations, the problem of what constitutes security is less awkward. But one runs up against the vagueness of systems of land tenure in this part of Africa, based as they are on customs which are often difficult to interpret.

Mortgaging the property is not always a satisfactory answer. For practical purposes the value of any real security depends on the opportunities of realising it. It presupposes the existence of a property market and the availability of potential buyers. Quite often all these are lacking and the creditor institution has no option but to take over the security itself and to try to develop it on its own account.[1]

Experience has shown that the approach best suited to the present-day African mentality and legal institutions is to require joint security from a group based on race, family, age, the tribe or the village. In the Cameroons, for example, in the Bamiléké country, some very interesting results have been obtained using the system of mutual agricultural credit co-operatives, whereby all the members pledge their entire personal belongings as joint security for any liability contracted by any member with the management's approval.

At the present time there are 70 co-operatives of this kind throughout the Cameroons, and the network of these societies is now being extended over the whole country ; although specialising for the time being in providing joint security in this way, they will perhaps in time manage to build up their own resources so as to be able to operate a genuine co-operative credit system.

In other territories—particularly Madagascar—attempts are being made to fit the agricultural credit scheme into the general policy of fostering the growth of an African peasantry, while relying, where possible, on traditional patterns of social organisation. The results hitherto seem to be encouraging.

The same is true of the efforts being made to associate the granting of credit with the co-operative movement, not only in production but above all, as in the advanced countries, in the twin fields of supply and marketing. A marked success has, for example, been achieved in the Cameroons by co-operatives of coffee planters in the Bamoun country.

Until systems of this kind can be extended throughout rural Africa—which will require a change of outlook and an extension of education—it is still possible to provide credit through the traditional provident societies. These, however, as has been seen, are out of favour with rural opinion. They are, as often as not, in debt and lend themselves too easily to political interference. As a result an effort is being made to overhaul their structure so as to allow more scope for the voluntary principle and for individual responsibility.[2]

[1] Nevertheless, a decree (No. 57/213) was issued on 23 Feb. 1957 making French legislation on agricultural warrants applicable to French Equatorial Africa, the Cameroons and Togo.

[2] Reference was made earlier to the fact that in all these territories, when the social credit societies were set up, mutual agricultural credit funds were formed at the same time ; but these funds, it will be remembered, were mainly offshoots of the civil service and as a result their business was fairly

(footnote continued overleaf)

(2) In the African handicraft trades it must be admitted that the results have always been somewhat disappointing. This is a branch of the economy where the volume of unpaid debts is always proportionately the highest in relation to the credits granted. The question of real security in these trades is almost insoluble since customers usually have no financial standing or, if they have, can readily obtain loans from the ordinary banks. It is almost impossible to accept as security a business which has no realisable value or a set of tools and equipment which may very quickly become outdated. The only successful instances have occurred when loans have been made to certain mutual associations (fishermen, joiners and makers of artistic goods) consisting of people of the same race, few in number and properly supervised. Their credit is enhanced by the existence of guarantee funds which are maintained by subsidy.

It is apparent that a great deal more remains to be done to give the average African some idea of what a small business involves and implies, based as it is on a sense of responsibility and an acceptance of all the risks inherent in a market economy. It is a well-known fact that lack of business enterprise is one of the major stumbling-blocks in underdeveloped economies.[1]

(3) As was stated earlier, the social credit scheme has had the greatest success in making consumer loans to the Africans, particularly for housing. Of course the results achieved, especially in terms of modern all-weather housing, are still very limited in relation to the needs that must be satisfied if the Africans, in both the towns and the countryside, are to be adequately housed.

Hitherto attention has been concentrated on housing in the cities and suburbs, and a division of responsibility has been made between the social credit societies, which specialise in individual loans, and the housing societies, which are mainly responsible for building apartment houses on special estates. But in Equatorial Africa an agreement has been signed between the two bodies establishing a permanent arrangement whereby the housing society is recognised by the credit society as the contractor responsible for actually carrying out any building financed by individual loans. The results of this experiment have been extremely satisfactory and it is to be hoped that the system will be extended.

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limited. They were attached to the new societies, although they did not completely disappear, and they now form special sections which have their own funds and are run independently. Their relations with the societies were defined by law (section 2 of Decree No. 57/210, dated 23 Feb. 1957).

[1] A decree (No. 57/214) dated 23 Feb. 1957 has been issued establishing mutual security associations of " retailers, manufacturers, handicraftsmen and commercial companies " in the overseas territories, the Cameroons and Togo.

A great many difficulties have, of course, arisen, mainly as a result of the fact that the social credit societies, like the housing societies, have had the utmost difficulty in reconciling the high cost of building in French Africa with the relatively low level of individual incomes for which the credit scheme was designed to cater. Indeed, incomes are not only low but often irregular as well. The most reliable, therefore, are those of government employees who, being placed by law on the same footing as employees of the French public service, are the least badly-off section of society. As a result they were the first to benefit (and on the widest possible scale) by the building loans scheme. In addition it was fairly simple for the lending institutions to arrange for repayments to be deducted from the officials' salaries, subject to the statutory maximum allowed.

Where wage earners in private employment were concerned, this system proved less easy to operate owing to the instability of employment and the unwillingness of employers to endorse any security offered by their employees. Novel methods were sometimes worked out, e.g. with the help of the Chambers of Commerce, as in French Equatorial Africa, or by means of an employers' contribution to a guarantee fund, as in the Cameroons.[1]

Nevertheless, the excessive mobility of manpower in Africa often forms an insuperable obstacle to the granting of long term credits or even of the shortest kind of medium term credits ; this applies equally to housing and to household equipment loans. This is in fact a vicious circle, for instability is often due to inadequate housing, and financial assistance to overcome the shortage is impossible without at least a measure of stability.

It would be desirable if these credits could be extended to social classes other than wage earners in public and private employment, particularly to peasants and handicraftsmen. Work in this direction has hardly even begun, for here, too, lack of security once more forms an obstacle.

The effort to reduce costs has taken another form which should be mentioned. In addition to relatively substantial credits for building modern-type housing, loans are also made to finance the purchase of materials for use in building, or rather improving, traditional-type dwelling houses (roofing, shutters, foundations, etc.), the suppliers being paid direct by the credit institutions. A similar scheme is being prepared to facilitate the laying-on of water and electricity.

Some of the social credit societies are beginning to extend their radius of operation from the cities to the small towns of the interior

[1] A decree was issued on 8 Apr. 1957 (No. 57/471) revising the conditions in which wages may be ceded or subjected to distraint in the overseas territories.

and even to the up-country villages, chiefly by financing the purchase of materials, the security being supplied by provident or co-operative societies.

Conclusion

On the whole this experiment in social credit in Africa has already proved highly instructive. It has met with setbacks and such success as it has achieved has not been gained easily. But it would have been surprising if this had not been so.

This was a novel and indeed an audacious experiment not only in the aims it set itself but also in the variety of the methods employed. Against the general background of the public investment programme introduced by the Act of 30 April 1946 and the work of the Central Fund for Overseas France, the operations of these credit societies are seen to be an essential part of the machinery required to finance the economic growth which was the purpose of the investment programme. In some cases their success has been quite remarkable, e.g. the urban housing schemes in French Equatorial Africa and the agricultural mutual security societies in the Cameroons.

By and large, with the exception of the handicraft credits, unpaid debts have been insignificant, both in number and in value. Whenever those responsible for granting credit have taken the trouble to adapt their methods to local customs and ways of thought they have usually been successful. They are increasingly tending to combine their financial operations with what amounts to technical assistance to the borrowers, but for this they must be provided with the facilities, and above all the staff, they need.

Another of their tasks is to educate the public—in fact, to try to inculcate moral principles, while carefully steering clear of political influences and stressing that, although credit schemes can do a great deal, they cannot solve all the problems of an economy suffering from growing pains. They can no more perform miracles in Africa than they can elsewhere. It will, indeed, be a great achievement if they can play their due part in assisting development and extending the material well-being that is ever more impatiently awaited by the Africans.