

THE SAVINGS AND LOAN SOCIETY OF PAPUA NEW GUINEA

SOME ASPECTS OF ITS STRUCTURE AND FUNCTIONS

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Savings and Loans Societies were first incorporated in Papua New Guinea under the Savings and Loan Societies Act 1961. These societies are credit unions. Their early traditions are planted thousands of miles away in Europe; their introduction into Papua New Guinea, a mixed tale of exploitation and welfare. Their future for a country coming to Independence is interesting.

In discussing credit unions one lays no great claim to making an exposition of the mechanics of economic development. The credit union is but one of the rough implements available to the planner in a developing country. He may fashion it as an appropriate tool for achieving limited results.

The purpose of this article is to examine the credit union's legal structure, the role of government now, as Papua New Guinea comes to Independence --- and to suggest some tentative objectives.

Over the years, economic growth of the savings and loan societies has been constant. (See Table 87, Annual Report of Registrar of Savings and Loan Societies, attached.) By September 1974 the funds of Savings and Loans Societies amounted to \$4.5m which was 31 percent higher than at the end of the previous quarter and 75 percent higher than the same time in the previous year. Outstanding Loans amounted to approximately \$2.9m at the end of September 1974.

Credit unions are a kind of cooperative financial institution.¹ Consequently reference will be made from time to time in

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1 By s. 49 of the Savings and Loan Societies Act 1961 it is provided that a society registered under the Cooperative Societies Ordinance 1950 or the Native Economic Development Ordinance 1951 - 1952 may apply for registration as a savings and loan society.

this paper to cooperatives. However, this paper is not intended as an analysis of cooperatives, as some of its conclusions have been arrived at without considering the particular problems of cooperatives.² Similarly, readers might find some indications, valid in a very general way, for all indigenous groups. Again, no special attention has been paid to these latter groups.

Under the Savings and Loan Societies Act, P.N.G. credit unions have four statutory objects, *viz*: the promotion of thrift, the education for financial responsibility, the accumulation of savings, and the use of such savings to provide loans for certain specified purposes. These purposes, which are set out in Part V of the Act, could be broadly classified as relating to the applicant's health or that of a member of his family, the formal education of his children or other dependants, the setting up of house or removal of household effects, the purchase, lease, mortgage, repair or painting of a house of the applicant, the purchase of tools, machinery, stock or material for use in business trade or industry, or commencing, acquiring, or carrying on any business, trade or industry.

The specified purposes are consequently so constructed as to enable the savings and loan society to offer to its members both personal loan finance and development credit.

Only members of societies could obtain these benefits. A society can only offer such benefits over a limited geographical and kinship area. This is emphasised by the provision that the Registrar of Savings and Loan Societies must be satisfied, as a prerequisite to the registration of a society, that reasonable personal contact be maintained between its members.

Association and Incorporation

By the terms of the Act a society is a limited liability

2 For current analysis of cooperatives as distinct from credit unions see Peter Fitzpatrick "Cooperatives Law and Overdue Reforms" (1975) 3 Mel LJ 77.

corporate body. It has perpetual succession as a commercial company has - and a common seal. The liability of its members is limited to the amount unpaid on their shares in the event of a winding up.

Savings and Loan Societies v. the Commercial Company

Incorporation lent to the Savings and Loan society the legal status of a commercial company. This was an important feature in that societies of this kind, in some other parts of the world, have sometimes been left to operate as unincorporated associations and have consequently suffered from the lack of such protections as the status of legal personality offers.

Therefore it might be observed that incorporation identified the savings and loan society with the commercial company only for the limited legal purposes of establishing corporate powers of suit, corporate liability and corporate ownership. And here the analogy ends. For the whole underlying philosophy of savings and loan societies is that of friendship and fraternity, of common interest and association while that of companies is one of profit.

Savings and Loan Societies - Association v. Company

Thus it was the quality or aspect of association, rather than the characteristic of incorporation, that was significant for a comparison between the grassroots loan association and the capitalist company.

An application for registration of a savings and loan society may only be made by a group of at least twenty persons. By s 11(2), upon such application a list of proposed members must be submitted to the Registrar. This list should be accompanied by a statement of the "qualifications" of each person for membership and the amount he proposes to invest in the society.

The Role of the Individual

From the provisions relating to qualifications for membership another feature of the Papua New Guinea credit union begins to emerge.

The concept of individual entrepreneurship seems to be competing for a place in the scheme of things. Persons who wish to set up a credit union should, as individuals, be competent for such a purpose. Each person must have the

means and the will to invest. The fact of previous experience in business, in finance -- perhaps the possession of the skills of, say, a bookkeeper or a secretary -- are all factors to be considered in assessing competence as foundation members.

This attention to the individual which comes out in savings and loans society ratiocination is not to be overlooked in an assessment of economic policy over the period of development of savings and loan societies in Papua New Guinea. It is true that there was some recognition of the need to involve only good individual businessmen (small ones but businessmen, nevertheless) in the exercise. But at least, at the inception, the policy seemed firmly grounded in the principle that wherever such individual ability did exist it should be encouraged to find expression in corporate cohesion.

Membership of a society was limited by s 20 of the statute to those who shared a common bond of occupation, association or interest or to groups of persons who resided within a well-defined community or area.

Group Responsibility

The individual interest is subsumed under the general interest of the group. And upon application for registration it is the group's past performance which becomes paramount. From the inception of the movement in Papua New Guinea, a non-statutory convention has grown up that before a group can be registered as a savings and loan society, it must first serve a probationary period as a savings club. A savings club, as its name implies, is a club which can only hold its member's savings, but cannot lend. It has been felt that if persons worked together under the supervision of the Registrar of Savings and Loan Societies, a proper assessment could then be made of their prospects of continued viability and sound management practice after registration.

Government Supervision --- The Registrar

But if it can be said that the Act is characterised by a special emphasis and meaning given to the concept of association, it can also be shown, *pari passu*, that government supervision of savings and loan societies is a particularly outstanding feature of the legislation. Government supervision is effected through and by the office of the Registrar of Savings and Loan Societies and the officials of his department.

INSPECTION AND ADVICE

The Registrar has power to inspect and audit books and to compel the office bearers of savings and loan societies to disclose any information required from their societies. He may also appoint advisers to societies. These advisers have power to attend society meetings and to take part in their deliberations without vote.

POWERS BEFORE INCORPORATION

The Registrar also, as has been seen above, has preincorporation powers, exercisable at the time of the registration of societies. By these, he must be satisfied that a society is economically viable and that it complies with the law as to registration before registering it.

RULE-MAKING POWERS

The Registrar may make statutory rules (called "Standard Rules") which may be adopted either totally or partially by any society for its governance. He is the ultimate umpire on issues of entitlement to membership.

POWERS TO RATIFY DECISIONS

The Registrar exercises important ratifying functions in relation to mortgages of society property, the borrowing of money, the security to be given and the conditions of acceptance and repayment of deposits to members. No dividend in excess of \$14 per cent per annum could be paid except with the Registrar's approval.

The Registrar also has powers in certain circumstances to order the winding-up of a society. Finally, it is the Registrar who decides internal disputes, whether within a society or within the movement as a whole.

UNDERLYING CHARACTERISTICS OF SUPERVISION

Accordingly it may be observed that the Act provides a restricted, centrally supervised framework within which these societies may function. From this point of view, it follows a general pattern adopted in the Third World in the setting up of grassroots credit institutions.

For the purpose of projecting the common areas of similarity with credit union practice in other Third World Countries, two main indicia might be selected:

- (a) the emphasis upon the formation of groups, rather than upon the placing of confidence in individual entrepreneurship alone; and
- (b) government supervision of those groups by the provision of expert advice, the inspection of books and records, the auditing of accounts, and the ratification of major decisions.

Antecedents and Analogies

(I) COOPERATIVE SOCIETIES IN COLONIES

These indicia may be seen as having some wider application. Credit union models in the colonies were not built without regard to the frames of earlier cooperative society experience.

In Papua New Guinea a Co-operative Societies Ordinance came into force in 1948, just after World War II. It was one of a series of similar ordinances passed after the War in many parts of the British Commonwealth.

Some countries in which this trend can be seen are the West Indies, Ghana, Sierra Leone and Guyana, all of which had Cooperative Societies Ordinances passed in or around the year 1948.

(II) THEIR RATIONALE IN THE 50'S

One view is that in most of the countries in which cooperatives were encouraged they proceeded from a desire of the imperial governments to provide centralised systems for collection, marketing and export of raw materials such as cocoa, copra and bananas.

It was recognised that native enterprise was already producing these materials. The role the Cooperative was to fulfil was the provision of central gathering places. The governors and the governed were to go into partnership. The latter was to produce the raw foodstuff; the former were to see that it reached the manufacturers in the metropolis well sifted, graded and counted. It was more practical to deal with a group rather than a large number of individual peasant farmers - hence the Cooperative.

(III) PAY-BACK FOR SUPPORT DURING THE WAR

Another view of development is seen in the hindsight judgment that by 1948 imperial governments (whether British

or Australian) appeared to have been persuaded that some effort ought to be made to raise the economic standards of the colonies and seemed to have been equally convinced that at least part of the answer lay in the establishment of government-sponsored commercial groups.⁴ This view would link the Cooperative Societies Ordinance with such legislation as the Native Economic Development Act 1951, now repealed.

The Assistant Administrator (Economic Affairs), therefore, took high honours for steering between the Charybdis and Scylla of controversy by making no claims of development strategy. In a low-key statement before the Legislative Council of Papua New Guinea when introducing the Savings and Loan Societies Act on 28th September 1961, he said:

'the (banking) system needs supplementing on the lower levels of savings and credit. As we see it, an essential supplement to the banking system, and one of special value in our present stage of development, is the type of pre-banking system, in the form of savings and loan societies, outlined in this bill.'⁵

(IV) THE COOPERATIVE MOVEMENT AND THE CREDIT UNION IN THE METROPOLIS

The Cooperative Society and the credit union were expatriated from different home countries and were originally structurally quite different. The former was inspired by the example of industrial workers in Rochdale in Britain in

4. But government-sponsored commercial groups were not to be found in the Third World only in the period after 1945. They had been introduced into many parts of the British Colonies much earlier. See, for example, India as early as 1882, when agricultural credit groups were built upon a traditional foundation of partnerships called "lana" and mutual loan associations out of groups known as "nidhis". Referred to in Eleanor Hough "The Cooperative Movement in India" (1966) pp. 44 - 53.

5. Papua and New Guinea: Legislative Council Debates, Vol. VI, No.3, 192.

1844,⁶ while the latter was developed from roots ultimately traceable to an emergency experiment among Bavarian peasants in 1849.⁷ Neither the cooperative nor the credit union originally contained the element of central government participation or supervision.

The Rochdale principles considered the rule of one-man-one-vote an essential democratic ideal. Even though these principles have undergone some modification from place to place and from time to time, they are still considered essential for cooperatives in Britain, for example.

The Movement in Britain has preserved its special lower-income working-class bias. Government intervention has been minimal. The cooperative and the credit union operate as unincorporated associations similar to friendly societies. The credit union movement in Britain, unlike the cooperative, is still a new thing. A recent reporter counts less than 50 credit unions in Britain.⁸

(V) THE NORTH AMERICAN COOPERATIVE AND CREDIT UNION

The Cooperative Movement crossed the Atlantic to the United States, and now, as the home of some of the largest cooperative societies and credit unions, the U.S. and Canada might fairly claim to have provided a second *fons et origo* for the world cooperative credit union movements.

The cooperative and credit union movement in Australia and the Pacific (a later development than either Europe or North America) has tended to be influenced by ideas developed in both the old world and the new. For example,

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- 6 The Movement began on 21st December 1844, with the opening of a cooperative store in Toad Lane, Rochdale, at which the twenty-eight founder members subscribed £1 each to purchase stocks of flour, butter, sugar, oatmeal, and other foodstuffs. They were all from the working class (flannel weavers, in fact). The leader, Charles Howarth, was a warper.
 - 7 Credit unions were begun by Friedrich Wilhelm Raiffeisen. Raiffeisen was born in 1818 (the same year as Karl Marx). Having seen the success of his experiment in Bavaria in 1849, he organised the true forerunner of the credit union in Heddendorf in 1864.
 - 8 Paul Harrison, "A Worker's Cash Card" - New Society 18th April 1974 p121.

an Australian writer, A.S. Arneil, in a work on credit unions sees the Rochdale principles (as enunciated by an American writer) as laying down some basic tenets of the credit union movement.

In North America both the cooperative and particularly the credit union broke away from the lower-class membership syndrome which they had created for themselves in Europe. They developed as sturdy commercial institutions capable of (and actually) competing, on equal footing, with other established financial institutions.

(VI) AUSTRALIA AND THE PACIFIC

Arneil's exposition of the philosophy of credit unions confessedly comes very close to the Rochdale principles. To him it is of the essence of the credit union movement that its control and management is democratic. The participation of each member is voluntary, based upon bonds of common interest and association.

The Australian movement, as Arneil sees it, demands that unions should be autonomous -- free from the direction or participation of Management. The Rochdale one-man-one-vote principle is expressed as a rule of "equity" -- ensuring equality of rights and the entitlement to returns upon investments to each member.

The fraternity and mutuality of the European and American precursors of both cooperative and credit unions in Australia are wholeheartedly espoused by Arneil as one of the bases of credit unionism. And so also has international brotherhood which has become a major objective of the American Credit Union National Association (CUNA).

A distinguished Australian scholar, D. Neil Runcie, endorses⁹ the criteria of CUNA as applicable to the credit unions of the Pacific.

CUNA applies eight main tests for determining whether a society is a credit union for the purposes of its world-wide credit union international statistics. The tests which indicate close analogies with Rochdale are as follows:

9 Neil Runcie . "The Economics of Credit Unions" in *Credit Unions in the South Pacific* p58.

- (a) that the main function of the society should be to hold the savings of members and make loans therefrom to them;
- (b) that the principle of one-man-one-vote applies;
- (c) that capital is derived mainly from the savings of members;
- (d) that loans are made only to members and at reasonable rates of interest, for personal loan or development purposes;
- (e) that the primary object is not to make a profit out of credit union activities;
- (f) that societies do not become subdivisions of government financial institutions;
- (g) that the liability of members is limited;
- (h) that there is no discrimination on grounds of race, colour or creed.

Thus Cooperatives and Credit Unions in this part of the world have come to be motivated by only marginally different philosophies. From a purely legalistic standpoint, however, it must be observed that they are usually incorporated under different Acts and are sometimes administered by different Registrars or departments.

(VII) THE GOVERNMENT ROLE IN THE 60'S AND '70'S.

By the time the credit union had come into being in Papua New Guinea, seventeen years had elapsed since the end of the Second World War. India had become independent in 1947 and several countries throughout Africa and the Caribbean had gained their independence in the fifties and sixties. An awareness, not always immediate, but inevitable, of three matters relating to native commercial groups came upon the nationalist governments which succeeded the colonial power.

Firstly, such groups were often the few if not the only repositories of capitalist disciplines, skills, initiative and resources which were in the hands of those of their nationals whose commitment was unchallengable, if only because they had nowhere else to go. Secondly, the commercial sector of the economy inherited was dominated by an alien race, who, despite urgent efforts at independence to adopt appropriate postures, either lacked commitment or failed

to establish in the minds of a justifiably cynical population an image of commitment. Thirdly, the governments themselves consisted of a sometimes inadequately trained public service, particularly in matters of finance.

The objectives of these governments with respect to commercial groups had to be:

- (a) to keep those groups which were already established viable;
- (b) to encourage the formation of new commercial units where none previously existed;
- (c) to mobilise the resources (whether monetary or otherwise) of these native movements as a whole;
- (d) to fulfil the political, economic and psychological need of a liberated people for seeing their own competing with the outsider, by the Government itself engaging in commercial activities where the individual or the indigenous business group had not developed sufficiently to meet the situation;
- (e) to direct such of the resources of these groups as might be considered necessary towards improving the lot of the people themselves, i.e., for national developmental purposes;
- (f) to provide an atmosphere and an ideology in which the small saver or borrower, the small artisan or businessman, might develop and thrive.

The approach to these objectives has been different in different places.¹⁰ The total elimination of alien compe-

10 There is, of course, the general tendency to suggest that the problems of all Third World Countries are, for that reason alone, amenable to solution by the same remedies. This is, of course, not always true. The Melanesians, though comparable in levels of commercial development to parts of India or Africa, have their own peculiarly Melanesian problems.

tition in the commercial sector is an extreme position at one end of the scale. The other solutions offer varying degrees of control of existing alien commercial units and competition with them.

In an attempt to meet the challenges of commerce in a developing society the supervisory role of Government - the legacy of the colonial power - was sometimes modified to government control and sometimes when that, too, failed to government participation.

In essence, the distinction between supervision and control was that supervision involved inspection and assistance, where necessary, while control demanded that government provide the executive officers and engage in the total running of the institution or movement. Supervision and control have sometimes merged, when in practice the statutory supervisory powers were used to control the group. Government participation derives from a desire to achieve something more than either supervision or control. Participation could be by direct or indirect part ownership coupled, if required, with shared responsibility for management.

Direct part ownership occurs where government owns a proportion of the shares in an enterprise. Indirect ownership occurs when the venture is acquired or begun wholly or partly by means of government finance (loan, guarantee or other resource)-- the undertaking being required to amortise its obligations to the government over a period of time.

The distinction for the purposes of management between participation and control is that, in the former, the management is a partnership between government and its nationals, and in the latter it is not.

Government Supervision in the Pacific

The colonial experience entrenched the concept of government supervision of commercial groups. In England, North America and Australia government supervision was never an attribute of these groups. In fact, when legislation did come, it came in the form of restrictions upon competition with banks and other financial institutions --- the imposition of government restrictions, rather than government supervision as such.

In Papua New Guinea, as in some other colonial places, the philosophy of supervision often gave way to the doctrine

of total control. These ideas (in whatever form current) were considered valid for cooperative, credit union or indigenous association. For that matter, Fiji's credit unions -- the immediate forerunner of the P.N.G. Savings and Loan Society in the Pacific -- can also bear testimony to the paramountcy given to the doctrine inherent in the colonial credit union that the government should supervise.¹¹

The combination of the cooperative and credit union ideals of the metropolis together with massive government supervision (at times paternalistic, at others with deliberate attempts at capitalist mobilisation of resources) was the world into which the Papua New Guinea credit union was born.

The Papua New Guinea Credit Union

(A) INTO WHAT ECONOMY DOES IT COME AT INDEPENDENCE?

Papua New Guinea now has a population of approximately three million. E.K. Fisk in discussing the economic structure of Papua New Guinea, points out:-

"There is a vast, stagnant, but surprisingly affluent subsistence sector, upon which has been grafted a rapidly expanding but still relatively small monetary sector, within which economic growth is taking place at an encouraging rate".¹²

Fisk goes on to point out that there is a considerable overlap between the subsistence and the monetary sector. So that while it might be said that only approximately 5% of the total population is wholly or mainly dependent on a money income for the basic essentials of life, probably some 80% of the adult population is marginally dependent on some degree of acquisition of money for the purchase of non-

11 G.A. Arbuckle, "Economic and Social Development in the Fiji Islands through Credit Unions," in Neil Runcie, *Credit Unions in the South Pacific* 90-108. The Credit union in Fiji was a direct transplant from the colonial Caribbean. The author of credit unions in Fiji, Fr. Ganey, was brought from British Honduras to form and develop the movement in Fiji.

12 E.K. Fisk, *New Guinea on the Threshold*, 23.

essentials. The statement is cited to support the proposition that the indigene of Papua New Guinea and a national government in this country are faced with the dilemma of dealing with at least two levels in the commercial sphere -- a section of the population now awakening to the full use of money, particularly as consumers, cheek by jowl with another section of the population made up predominantly of producers and entrepreneurs.

In many cases the colonial experience has been the same, with the latter section of the population consisting for the most part of alien-owned enterprises.

Hovering above these two sections of the population is a public service to which responsibility for financial institutions has only recently been transferred, at the same time that national redemption requires the withdrawal of large numbers of experienced officers from the service.

(B) IS THE TRADITIONAL TYPE OF CREDIT UNION RELEVANT?

There are two traditions, as has been seen, which could influence the future development of credit unions in Papua New Guinea. The first is the Rochdale-type American model which has reached the Pacific through Australia. The second model, though not excluding the influence of the first, is the colonial model which reached the Pacific in general and Papua New Guinea in particular as a direct transplant from the colonial Caribbean. This latter model has been designated colonial because of the already-discussed similarities with credit unions throughout the colonies.

It is submitted that a total rejection of the metropolitan type credit union would be as much an error as the complete acceptance of it. Even in the developed countries, the nature, structure and functions of credit unions are being considered for modification. Questions asked in Canada or Australia might demand different answers when posed in Papua New Guinea. Are not unions an anachronism, some English opinion asks, in an age where banks are making substantial efforts to capture the common man? The Canadian "caisses populaires" have answered this question in the negative by developing a banking institution out of the credit union, as established as the commercial banks themselves.

Neil Runcie of Australia stresses the welfare aspects of credit unionism. He sees the credit union as part of what he calls the consumer credit movement. The credit union, he

argues, must develop its role as the alternative financier of the small man's instalment credit.

Lessons drawn from lower-income-group-worker-type organisations in developed industrial societies do have some relevance to colonial societies where the indigenous masses are themselves low income wage earners.

Their social needs might be similiar. Their priorities for spending or saving their wages might be similar. Their attitudes to Management might be similiar also. But it cannot be overlooked that these similarities are more relevant to a 19th century Europe than they are to the industrial worker of the 20th century. Besides, the economic and social conditions of Papua New Guinea are probably more comparable to those obtained in the past decade in Africa than to anywhere in the metropolis - especially where such comparisons relate to the problems of developing an indigenous commercial sector.

(C) THE BASES FOR A STRATEGY FOR DEVELOPMENT WITH REFERENCE TO CREDIT UNION

Until Independence, and for some time afterwards, the individual local businessman might be the exception rather than the rule. Where such a person exists who has reached a level of fair competition with alien-owned and -operated business, he will probably display such resilience, skill, knowledge, acumen and all the other qualities necessary for sustaining his position in an at least unhelpful world, that he might not require government assistance at all. An individual financier, if one can be found within the early years before and immediately after Independence, must be a pretty rare bird indeed.

The Individual Financier--Future Policy

Government's attitude to such an individual will depend upon its overall economic policy. It might encourage such a man to invest or participate in group financial ventures in the hope that he might lend his knowledge and skills where they are needed. Such a policy, if explicit, would place the government in the category of the laissez-faire, free enterprise society into which the credit unions of Canada and the United States were born.

In the United States especially, the untiring efforts and the unstinting infusion of large amounts of his own money by a single financier, the millionaire Edward Filene, is said to be responsible for the success of the movement.

The tendency today however, even in developed countries, is to limit participation of speculative financiers in credit unions. And developing countries often find that the giving of an explicit mandate to the freelance native financier can prove an embarrassment.

On the other hand, Government may refuse the individual investor any such participation, laying down a policy of separate development for individual and for group. Alternatively, government might actively discourage individual ownership and management of credit financing, forcing the individual capitalist to seek expression through the group.

PNG Policy Statements on Credit Unions

A current government policy statement¹³ identifies savings and loan societies, the Development Bank and direct government grants as significant ways in which attempts might be made "to overcome the capital difficulties of Papua New Guinea nationals". But even such a conceded limitation upon the economic role which savings and loan societies can play was further circumscribed by other observations made in the Government statement that they must share responsibility (to a degree apparently not capable of estimation in the Report) with trading banks and hire-purchase companies.

Savings and Loan Societies are described as "indigenous grassroots financial institutions" which provide a convenient means of savings and are an increasingly important source of credit for Papua New Guineans. These unions give practical experience to members in the handling of money and "its associated financial responsibilities". The provident or welfare aspect of these societies is also stressed in that the objective of the members' improving their living standards by their own efforts is endorsed.

These pronouncements are rather succinct and consequently there might be some risk of misinterpreting them. That the State will sanction some degree of business activity appears from one of the Eight National Aims: "An emphasis on small-scale artisan, service and business activity, relying where possible on typically Papua New Guinean forms of organization."

13 "Strategies For Nationhood" (Policies and Issues December 1974) pp. 54 - 56.

To what extent the State will wish to develop the small-scale businessman, as an individual or group, is not clear from this objective. Is the word "business" to be given a restricted meaning so as to include cooperatives and exclude credit unions? If so, the state would seek to develop individual businessmen, but would only assist financing if done in groups or as part of a national network. Also, what are Papua New Guinean forms of organization?

Here the writer ventures to suggest that some flexibility be given to the meaning of Papua New Guinean forms of organization. There are economic institutions from the traditional past which are clearly and indisputably Papua New Guinean, e.g., shell money. But there are also new institutions, now in the process of development in Papua New Guinea, which also deserve to be classified as national, e.g., the PNG Banking Corporation. Other new institutions will be developed in Papua New Guinea from the particular wisdom of a future Papua New Guinean nation, and will also be Papua New Guinean. The term "Papua New Guinean forms organization" ought not to stand in the way of the development of an inherited credit union system into a national institution.

Government Alternatives for Credit Unions

Government will find that certain choices are open to it in a policy for credit unions. It could develop a policy which limits the role of savings and loan societies to that of welfare credit organisations. In such circumstances the PNG credit union would be restricted to the narrow confines of the private loan association. On the other hand, credit unions may be developed as a country-wide cooperative people's banking system which could hope to establish ultimately some basis for a working relationship--if not integration--with the Post Office Savings Banks system and/or the government commercial bank, the PNG Banking Corporation.¹⁴ Perhaps the latter alternative might even serve to fashion a liaison with all other cooperatives, business or other indigenous commercial undertakings. J. Dublin, whose experience in developing African States included Tanzania, states this alternative in the following way:

It is difficult to say exactly what shape the co-operatives of any country will take. The possibilities for different types of co-operatives are

14 The Cooperative Republic of Guyana has attempted such an integrated credit system.

practically limitless. Why shouldn't credit unions be the financial centre of other co-operatives owned by their members? Why shouldn't there be a credit union available to accept investments from other corporations--or make loans to them?¹⁵

VIEWING GOVERNMENT IN A COUNTRY-WIDE COOPERATIVE CREDIT SYSTEM

To postulate a deliberate Government policy to provide a nation-wide credit system would seem to come down in favour of government control rather than supervision. It is here that the distinction between the cooperative and the credit union is crucial, for while the cooperative (agricultural or business) might prefer non-interference with its affairs by industrial management or government, no efficient and generalised banking and financial system can be envisioned which leaves autonomy to small local groups.¹⁶ Supervision should, at least in this event, give way to centralised control. But Government control alone might not be sufficient to ensure general public confidence and effectiveness of the system. Accordingly something more like government participation might be called for.

The question might arise as to whether government should not own outright such an institution. It is, of course, a logical alternative open to a Papua New Guinean Government. Nevertheless, building as it will upon the framework of an institution of the masses, it would not be prudent for the Government to own, outright and alone, such an institution. Two reasons might be advanced for this. First, people will not identify with an institution as fully as when there is

15 Jack Dublin, "Credit Unions: Theory and Practice" pp 51-52.

16 One has the impression that the *Report of Committee of Enquiry into Cooperatives in Papua New Guinea* (September 1972) condemns the Division of Cooperative Development as being incompetent and inefficient. (See p 16 para 33 of its Main Recommendations). It does not, however, appear to wish to reject government supervision, control and participation where appropriate. (See, e.g., its Main Recommendations, paras 38 - 40). Its concern in relation to Government seems to be that the Government's role be made explicit and that higher inputs of planning direction and management be ensured whether by Government or by the movement itself.

some ownership by them. Secondly, the involvement of the people in activities closed to them prior to independence offers occasion for the inculcation of knowledge, skills and responsibility.

Finally the vision of government entering into a partnership with its people to provide commercial credit is not limited to the provision of a banking system. Credit unions can be linked with Government in an even wider financial order, aiming at providing avenues for both investment and useful welfare, yet run on a commercial basis. In the long term future, such a system might aim at providing even cooperative mortgage financing and cooperative insurance.

SAVINGS AND LOAN CLUBS AND SOCIETIES - MEMBERSHIP AND FUNDS - AS AT 30 JUNE 1968 TO 1972

(Source : Annual Report of Registrar of Savings and Loan Societies)

As at 30 June	Clubs			Societies					
	Number	Membership	Fund	Number	Membership	Funds			
						Loans to members	Bank balances	Invest- ments	Total
			\$'000			\$'000			
1968	298	12,142	298	208	10,781	281	318	98	696
1969	253	9,713	281	221	11,238	318	347	116	782
1970	192	7,744	281	241	11,871	393	328	191	912
1971	224	9,131	199	285	14,155	553	311	262	1,129
1972	269	12,696	232	314	17,802	856	369	335	1,560