

I. *The Need.*

1. Difficulty of farmers obtaining necessary intermediate credit.
2. If obtained under present conditions, money is too dear.
3. Money obtained to-day under security of stock and plant hampers farmers dealing where they wish.
4. Fear of being sold up at any time.
5. The difficulty of the young man who wants to start farming obtaining the necessary money on reasonable terms.

NOTE.—The object of the scheme is to meet the above need by providing sufficient money on chattels security at the lowest possible rate of interest, by the least expensive method, on the safest possible basis, and on the most serviceable terms. Investigations go to prove that there is ample money available for attractive investment in New Zealand. What is required is a system of finance that would cause the money to flow readily to rural interests.

II. *Constitution.*

1. The central authority shall be called "The Rural Intermediate Credit Council."
2. The Council shall be the supreme authority, and shall issue all bonds or debentures, provide all money, and decide all matters of policy.
3. The central authority shall, when necessary, set up in each land district a Board to be known as "The Rural Intermediate Credit Board."
4. The duties of the Board will be to administer the funds of the Council in their district, and supervise and control all loans.
5. The Board may consist of District Public Trustee; Commissioner of Crown Lands; District Valuer; local business man; district farmer. These men must be paid for attending meetings.

III. *Suggested Alternative Scheme.*

The alternative scheme, whereby the individual farmer who prefers to deal direct with the Board may obtain finance by providing additional security by way of a guarantee.

1. Any person engaged in farming operations may apply direct to the Board for a loan under the terms and conditions of this Act.
2. The Board shall consider such application, and if in order shall have same inspected and reported upon by the District Intermediate Credit Supervisor.
3. If such application is found satisfactory, the Board shall request the applicant to submit the name of a guarantor who will guarantee 20 per cent. of the final portion of the loan.
4. If the Board approve of the application and the guarantor, it shall have authority to grant the loan to the applicant.
5. The loan shall be granted for no definite period, but on demand, and the Board shall have the right to realize on their security at any time.
6. The Board shall declare before the 31st day of March in each year the percentage of each loan to be repayable at the close of Board's financial year, being the 30th June.
7. Each Local Advisory Board should be allotted its proportion of free money, and allowed to run its own finance and reap profits and bear losses.

Under this suggested scheme, the Board would come in direct touch with the individual borrower. The guarantor, whether an individual or a company, would have a direct interest in supervising his guaranteed loan, and would relieve the Board of an immense amount of supervision and expense, while the risk of the Board would be materially reduced. There would be no difficulty if a borrower left the district, because he would not be tied to any association.

This scheme has an advantage over the association, in that the individual borrower has no share capital to find, and is not asked to carry any risk except his own. His financial position is only disclosed to the Board and the guarantor. The system of administration would be far more economical than other schemes suggested in the Bill, and with the suggested 1-per-cent. margin there would be sufficient to cover the cost of administration and be able to pay a substantial reserve fund against possible losses.

The association of twenty persons requires a great deal of organization as a Dominion scheme, and would be of slow growth. The share capital is 10 per cent. of the loan, but the amount subscribed is 20 per cent. of this, or £20 per £1,000 loan—equal to £400 in an association of twenty men borrowing the maximum amount of £20,000. The borrower or shareholder will be disinclined to put the money into shares that he urgently requires for stock and plant, and especially as this share-money will be invested at a lower rate of interest than he is paying the association. This reinvestment entails expense. He has a further liability on his shares to his association up to 10 per cent. of his loan. If he sells or retires, the farmer cannot get out of his association, even when he pays off his loan, if by so doing he reduces the number in the Association below those prescribed in the Act.

The associations have advantages and have been successful in other countries, and it is not suggested that this proposed system should be altered, but that provision should be made for the group as well as the individual. Under this alternative scheme, and, we think, under all the proposals, there must be a policy of decentralization. Under the alternative scheme, more particularly, we are convinced that the growth of the business would be very rapid. Money at, say, 6½ per cent. to those who are now paying 8 to 9 per cent. would almost immediately attract a large amount of business. This would have to be dealt with promptly by some authority with power to act. Centralizing in Wellington would, in our opinion, cramp and delay (as in the Chattels Branch under the Advances to Settlers), and would destroy the effectiveness of the Act. The Board in each land district must have power to act direct with the applicant, and grant loans without referring them to the central authority. The present chattels scheme under the Advance to Settlers should cease, and the present accounts should be transferred to the Board, the Government guaranteeing 20 per cent. to put it on the same basis as the other securities. The experience gained by the District Land Commissioners in connection with loans on current account to soldiers would be of great assistance to the Board.