

These three sources of profit, when combined, result in a very large profit to those who issue the orders. It is clear from the table that the borrowers contribute less than the retailers to the total profit; and, moreover, the result of a reduction of the period of credit from a month to a fortnight shows a considerable decrease in the nominal and effective rate of interest earned. It should be noted also that the nominal rate of interest is fifty-two times the weekly rate of interest, and that the effective rate of interest is the total interest earned by a unit of capital on the assumption that the actual periodical interest is immediately invested as it becomes due on the same terms as the original capital. The table has been submitted to the Government Actuary, who has certified to its correctness.

INTEREST EARNED BY CASH-ORDER CONCERNS.

| Example. | By whom the Cash Order is issued. | Period for Re-payment of Cash Order. | Face Value of Order. | Premium on Commission paid at Time Order is issued. | Total Payments (including Premium) made by the Borrower before Trader receives Payment (Monthly Terms). | Discount allowed by Trader to Cash-order Co. | Amount actually advanced by Cash-order Co. | Gross Profit by Cash-order Co. |
|----------|-----------------------------------|--------------------------------------|----------------------|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------|--------------------------------|
|          |                                   | Weeks.                               | £                    | s. d.                                               | £ s. d.                                                                                                 | % s. d.                                      | £ s. d.                                    | s. d.                          |
| 1        | Cash-order Co.                    | 20                                   | 5                    | 10 0                                                | 1 10 0                                                                                                  | 12½ = 12 6                                   | 2 17 6                                     | 22 6                           |
| 2        | "                                 | 20                                   | 5                    | 5 0                                                 | 1 5 0                                                                                                   | 12½ = 12 6                                   | 3 2 6                                      | 17 6                           |
| 3        | "                                 | 18                                   | 5                    | Nil.                                                | 1 10 0*                                                                                                 | 12½ = 12 6                                   | 2 17 6                                     | 12 6                           |
| 4        | "                                 | 20                                   | 5                    | 5 0                                                 | 0 15 0†                                                                                                 | 12½ = 12 6                                   | 3 12 6                                     | 17 6                           |

Interest-yield to the Cash-order Traders.

| Example. | Nominal Rate per Annum (Convertible Weekly). |                                                              |                                                        | Effective Rate per Annum.      |                                                              |                                                        |
|----------|----------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------|--------------------------------|--------------------------------------------------------------|--------------------------------------------------------|
|          | From Borrower's Premium alone.               | From Borrower's Premium and Trader's 12½ per Cent. Discount. | From all Sources (including Credit allowed by Trader). | From Borrower's Premium alone. | From Borrower's Premium and Trader's 12½ per Cent. Discount. | From all Sources (including Credit allowed by Trader). |
|          | Per Cent.                                    | Per Cent.                                                    | Per Cent.                                              | Per Cent.                      | Per Cent.                                                    | Per Cent.                                              |
| 1        | 53                                           | 133                                                          | 267                                                    | 70                             | 272                                                          | 1,248                                                  |
| 2        | 26                                           | 99                                                           | 179                                                    | 29                             | 167                                                          | 482                                                    |
| 3        | (Loss)                                       | 84                                                           | 176                                                    | (Loss)                         | 131                                                          | 464                                                    |
| 4        | 26                                           | 99                                                           | 127                                                    | 29                             | 167                                                          | 250                                                    |

\* 10s. deposit paid at time of receiving order.

† Fortnightly terms.

A further factor that must be taken into consideration is the effect upon the retail houses in giving a 12½ per cent. discount. The evidence, whilst somewhat varying as to overhead charges, showed conclusively that, taking general-drapery business, the gross overhead costs ranged from 22½ per cent. to 30 per cent. Taking a rough average of, say, 25 per cent., it is obvious that a discount of 12½ per cent. must be added to the price of goods if the system grows in such volume that the bulk of the sales are effected by cash orders. It is difficult to say at just what point the giving of a 12½ per cent. discount would make the revision of all prices essential, but it is clear to us that, irrespective of the volume of cash orders dealt with, the public must pay the discount granted either in part or in full.

For the purpose of arriving at definite recommendations we submit the following questions, the answers to which embody our views:—

*Is the system so general in New Zealand as to constitute an undesirable form of credit?*

It has not yet reached such a stage, but in Auckland if it remains unchecked it is likely to reach such dimensions as to raise the cost of living generally. There is a danger also of the system spreading in the other centres and towns unless some control is exercised.

*Is the system of benefit to the working classes?*

To a limited extent, Yes. This form of credit is no doubt of assistance to workers in casual employment and not in receipt of regular wages. We are definitely of the opinion, however, that the beneficial scope for this class of credit is limited, and that it is probably one of the most expensive forms of credit of which the worker could avail himself.