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THE PROBLEM OF AGRICULTURAL LOANS IN YUGOSLAVIA BETWEEN TWO WORLD WARS

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Summary

After World War II agrarian problem and the organization of agricultural credit in the newly formed Kingdom of SHS broke out in the foreground. The problem of agrarians' access to credit, since before the First World War, only prolonged the creation of the new state. Instead of enlarging the capital, which was a feature of Western European countries, continued with the establishment of small banks and the process of fragmentation of capital. The resolution of the agrarian question happened with the adoption of the privileged Agrarian Bank in 1929. The establishment of a state bank, with more capital and increased grant loans approval to agrarians with a lower interest rate, began to solve a problem that has burdened the agrarians in 19 century.

Key words: *loan sharks, agrarian credit, peasantry bond, privileged agrarian bank*

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Introduction

Agrarian problems and organisation of agricultural loans have started to shake Serbian nation since the second half of XIX century. Usury that was particularly actual in the mid-seventies and in the eighties of the XIX century practically dictated difficult economic position of peasantry. Therefore, the only way to suppress the usury was to organise banking market. First Serbian bank was founded in 1869. Based on Trading law from 1860, however, for the peasantry wasn't enabled to take draft loans.

In the XIX century, on the contrary to the centralisation process and capital concentration which developed in the Europe of that time, in Serbia a process of capital commination took over. Only with the determination of the Law of Privileged agrar Bank in 1929 the measures against passive billing drafts ability to agrar population were abolished, and those

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measures were the biggest problem during XIX and in the beginning of the XX century. By forming of the Privileged agrar bank started to resolve the agrarians issues, and, as well theirs position started to improve compared to the past times.

Objective of this paper is to, analysing historical facts of XIX and XX century, introspect position of peasantry in Serbia and the problems that infected him the most. Therefore, we will analyse legal acts, as well as the obstacles and limitations that peasantry had to confront with, while using their bank possibilities in solving theirs daily based issues.

Usury and first Serbian bank foundation during XIX and in the beginning of the XX century

Passive draft billing ability was deducted from agrarians by Trading law of 1860, so they had no possibilities to legally get personal billing draft loan. At that time, usurers⁴ got lending opportunity towards agrarians by founding stock companies in provincial parts of the country. In our state there is a custom that if agrarian needs two, three, five dozens goes running to the city to people whom are known to borrow money, and this trade is upon goods to come, and that is how it's called *rake off*. By coming to this sort of heartless speculator - loan shark - the agrarian asks, for instance five dozens as a loan and he gets them from loan shark, but in return for this loan, agrarian is obliged that in the fall gives him 1400 units of corn, counting 100 units for one talir⁵. Minister of agriculture and waters dr Velizar Janković considered that within areas of Serbian law, agrarians were on their own. By forming Administration of Funds, mortgage loans were still hardly accessible to peasantry, while loans from private banks were highly expensive. Deprivation of passive loan abilities to agrarians, characteristic measures of second half of XIX century and beginning of XX century, was abolished with Law of Privileged agrar Bank in 1929.

In the mid of XIX century, Serbia had a lots of money-landers whom repurchased crops from peasantry in very low prices. There were cases when the burden of paying off to the loan sharks use to destroy complete villages. During 1857 and 1858, in several turn, Serbian Newspapers⁶ pointed out the diminished appearance of the loan sharks across Serbian villages. Those reports explained how agrarians who had, in the beginning, a debt of 14 talirs, pressed with need for financial assets, and careless with theirs material circumstances and without paying attention to how they will repay their debts, agreed to commit, if they don't deliver their crops until the arranged dead line, they will pay 3 talirs for each 100 units of crops, which was 42 talirs in total. So, from 14 talirs they begin with, their debts raised to 42, which further meant that interest rate for principal amount from 5 dozens, increased from 2 to 16 dozens, so on, from 40% to 220%. Under those conditions, agreement was made and signed by two witnesses. Those witnesses often were loan sharks themselves, but

4 Usuries were loaners who distributed their personal free financial assets under very unfavorable conditions, and in such way, using poor status of agrarians gained high revenues

5 Talir was silver Austrian money.

6 Serbske novine, edition 26, 1857.

they hide their tracks⁷.

The Serbian peasantry of XIX century, run into debt very easily and often at the same time while they weren't ready to repay the debt before required dead line, which influenced escalation of usury in great amount.⁸ The most often case of running into a debt for Serbian peasantry was the spring selling green wheat (making preparations for house odour, weddings, funerals, etc.).

Further on, Serbian peasants had to obtain money to pay out the tax fees. State tried to counteract advents of this kind by creating of certain laws. In civil Court act of 1860, in 1836 was added legal act of duke Miloš, that prohibits confiscation of peasantry basic share of theirs land.

Usury could only be prevented with the organization of the banking market. The first Serbian bank was founded in 1869. Pursuant to the Trading Law in 1860, the peasants were not allowed to take loans bill. Specifically, Article 76 of the Law mentioned above prescribed that every Serb can issue the bank bill, receive it and transfer this to another⁹. However, the following Article 77 of the same Law stated with it is exempt from peasantry who are interested in agrarian business¹⁰. The legislature held that the Serbian peasant is illiterate and ignorant and do not realize the gravity of the bill obligations, so the bill shouldn't be given to him. Serbian peasant, therefore, could not come up to personal bond loans, and, therefore had to address to loan sharks.

Loan shark practice to blackmail peasants to falsely sign the bond bill, since the end of the nineteenth century gradually began to approach and the monetary institutes that were springing up all over provincial parts of Serbia. In a country without a regulated agricultural loans, in which the agrarians were legally seized creditworthiness, loan bond bills to peasantry given from provincial joint stock banks were, in fact, a specific form of outside legal, usurious loans¹¹. With this kind of provincial banks practice of giving loans to peasantry, provincial joint stock banks have recourse to the illegal act of loaning, and thus accomplished extremely high revenues. Precisely the ability to gain fast and high earnings by discounting of peasantry drafts initiated the mania for multiple organizations for small monetary offices establishments in provincial parts of Serbia.¹²

Since the establishment of the Privileged National Bank in 1884, in Serbia was seven joint-stock banks established with private capital. However, during the First World War in Serbia were founded 208 private joint-stock banks. What was typical for the period from the late 19th and early 20th century is that the general increase in interest rates in the banking

7 Gnjatović, D. (2010): Zelenaši – prvi kreditori zemljoradnika u Srbiji, Bankarstvo, no. 1-2, str. 50, 52.

8 Glomazić, M. (1933): Istorija Državne hipotekarne banke, Beograd, str. 125.

9 Niketić, G. (1914): Trgovački zakonik i specifični postupak, Beograd, str. 35, 36.

10 Ibid, p. 35, 36.

11 Gnjatović, D. (2010): Zelenaši – prvi kreditori zemljoradnika u Srbiji, Bankarstvo, no. 1-2, p. 60.

12 Petrović, J. (1930): Okučje ili zaštita zemljoradničkog minimuma, Beograd, p. 98.

market of the former Serbia was due to increased demand for agricultural population for provincial credits. The interest rates at which private banks gave bond loans have led to the creation of the chaotic situation in the whole economy, and the Privileged National Bank had to react. As the foundation of the bank mentioned above decided to pursue a policy of cheap money and credit, the main instrument of its policy was the discount rate¹³. National Bank led its policies not only by taking indirect regulation of credit measures, but also the direct intervention measures. So she joined the state administration about limiting the cost of capital (12% minimum limit interest rates on an annual basis was very high). Privileged National Bank of the Kingdom of Serbia this way set conditions on private banks, which wanted to use their credits in hers branch offices. Banks that have existed for minimum in three past years could have the fully charged interest at the rate of 8%, banks that existed for two years were charging an interest rate of 9%, and banks with one year of existence limited the interest rate to 10%.¹⁴

Usurious banks were still formed on the entire territory of Serbia, charging high illegal interest rates. Thus, initiated measures of direct intervention in the market of banks couldn't stop the usury. Then the laws against loan sharks were performed¹⁵, though in practice they weren't respected either. Those laws remained in force and after the First World War.

The establishment of the new state of the Kingdom of SHS formulated conditions where agrarians from the former Kingdom of Serbia and Montenegro found themselves in a subordinate economic and assets position, compared to agrarians in parts of the former Austro-Hungarian Empire. "Purely economic issue, which is the Kingdom of Serbia, was treated as fiscal and social one, in the Kingdom of SHS received a political one"¹⁶. In that time, educated people from Serbia sought the limitation of the traffic of the country and were against the confiscation of passive bonding ability of the peasantry, so they asked for changes in the law.

Economic conjuncture after the war was quite good, however in 1925 there was an outbreak of agrarian crisis, and in 1929 general economic crisis, and the rural population fall into the debt crisis.

Banks that have kept unpaid peasant bonds found themselves in a very bad position. In order to save the agrarians and the private joint-stock banks from indebtedness, the state in periods over 1928 and 1929 passed several laws to reorganize the agrarian loans.¹⁷ The article 97 of new Bonding law, passed in November the 29th of 1928 was: Any person

13 Discount rate was an interest rate which was used in the cases when private stock banks were landing money from Central bank, discounting in that way short term bonds of their clients.

14 Central Bank 1884-1934, Belgrade, p. 61.

15 These laws prohibited alienation of protected minimum of the land, by limiting interest rates and disconnecting from passive bond ability of the peasantry.

16 Gnjatović, D. (2010): Zelenaši – prvi kreditori zemljoradnika u Srbiji, Bankarstvo, no. 1-2, p. 66.

17 Nedeljkić, M. (1927): Pasivna menična sposobnost zemljoradnika s pogledom na naše buduće zakonodavstvo, Ekonomist, Beograd, str. 179-201.

that can contract itself to the regulations of the Civil and Trading Law can engage into the bonding obligation.¹⁸

The organization of agricultural credit in the Kingdom of SHS and the Kingdom of Yugoslavia after the World War II

When in the 18 of August in 1920 dr Velizar Jankovic became Minister of Agriculture and Water of the Kingdom of Serbs, Croats and Slovenes (SHS), one of the first questions that were brought up on the agenda of the Royal Government was related to the organization of agricultural credit. He felt that the unique solution of this issue is of great importance in country where 3/4 of the population lived from agriculture and animal husbandry.¹⁹

After the Balkan Wars (1912-1913.) legal norms of the Kingdom of Serbia which were taken to regulate agricultural loans extended to the new south conquered areas (Kosovo and Metohia, Sandžak and Macedonia). According to the Law of Joint Stock Companies from 1896, were established agricultural credit cooperatives. However, in the case of personal bonding bank loan, as it is said, agrarians received credit in an indirect way.²⁰ The need to submit a land survey additionally complicated the position of the peasantry in obtaining loans. As the scope of the Serbian law was drafted cadastre²¹ and land registry did not exist, the mentioned request was an additional aggravating factor for the rural population to credit approval.

Agricultural credit cooperatives before the First World War were the only institutions in Serbia to credit the agrarians. During the First World War, Serbia deteriorated in many fronts. After the war once again the agricultural credit cooperatives started to function.

However, rebuilt of credit cooperative unions was slower compared to providing ones. The previous provisions for the preparation of agrarian reform²² as defined in the abolition of the feudal agrarian relations in the southern regions, which were freed from Turkish rule in the Balkan wars, and the country was supposed to be granted to the natives and settlers. Land reform measures were applied slowly so the peasants in these areas although freed of serfs lost their land. Then, an additional unfavourable fact was that the cooperative movement was used for political purposes. Mihajlo Avramović after leaving the Agrarian Party in 1922, which he founded, was talking about how shocked he was when he realized that in the party meetings he attends he was seeing clerk, restaurant owner, village merchants, usurers,

18 According to regulations of Kingdom of SHS, new Bonding law was supposed to start its implementation a year after his admittance, therefore the risk of bankruptcy of those banks that illegally held peasantry bonds, occurred.

19 Gnjatović, D. (2010): Poljoprivredni kredit u vreme stvaranja Kraljevine SHS na području važenja srpskih zakona, Bankarstvo, no. 5-6, p. 12.

20 Passive bonding ability was deducted from the peasantry by the Trading Law from 1860.

21 Cadastral surveys across areas covered with Serbian laws existed only in big cities, and after 1920.

22 The previous provisions for the preparation of agrarian reform, Gazette, 11th edition, 1919.

intellectuals without any connection to the peasantry.²³

The establishment of the State Agricultural Bank

Minister of the Agriculture and Water in the Kingdom of SHS for a period of 17 May in 1920 to 26th March of 1921, was dr Velizar Jankovic. In closer economic history he remained remembered for proposing the establishment of the government agency that is supposed to be specialized in agricultural credit. The project has achieved only by forming the Privileged Agrarian Bank (1929).

After examining the current situation of agricultural loans immediately after the national reunification in 1918, dr Jankovic was able to conclude that only in the scope of the Austro-Hungarian legislation exist well developed system of institutions that provides relatively cheap credits for agrarians, while in the scope of the Serbian law, agrarians were left on their own. He felt that this area was unrealistic to rely solely on the recovery of agricultural credit cooperatives because they would not be able to meet the needs of agricultural credit, even with a possible broader financial support from the state. For all these reasons, dr Jankovic on 31st December of 1920 submitted a proposal to the Council of Ministers of the Kingdom of SHS to establish a state agricultural bank with the main task of direct supplying of the agricultural credit to affect with the war areas.²⁴ Otherwise, he warned, the peasantry in areas affected by the war again, will have to borrow from moneylenders and usurious banks.²⁵

Velizar Jankovic had the idea that the Administration funds form a separate Directorate of farmer loans, which would realize the crediting, until achievement of more benefit circumstances for the formation of a separate agricultural bank with a state character. His suggestion was that the initial capital of the Directorate to be 100 million and that each year the capital subsidizes 20 million from the budget and two-thirds of the income of the State Lottery.²⁶ At the meeting held on 25th March of 1921, the Ministerial Council of the Kingdom of Serbs accept proposed project of dr Jankovic to form Directorate for agrarian credit, that will be subordinated under the Fund's Board, as a bridge to create a strong state banks to finance agriculture, and ruled that this project translate into regulation of the agricultural credit.²⁷ All this suggests that in the new Kingdom will be long-term policy of agricultural development. Since the adoption of the Regulation on the agricultural credit in 1921 until the establishment of the Privileged Agrarian Bank in 1929 in the Kingdom were changed seventeen governments and seven ministers of agriculture. The issue of regulation of agricultural credit has been addressed by one government to another, and the ministers

23 Jovanović, D. (1987): Mihailo Avramović, Seljak – svoj čovek, Izbor tekstova Dragoljuba Jovanovića, priredili Nadežda Jovanović, Momčilo Isić, Beograd, str. 296.

24 Janković, V. (1921): Pismo ministarskom savetu od 31. decembra 1920, Službene novine, br. 74.

25 Gnjatović, D. (2010): Projekat dr Velizara Jankovića o osnivanju državne zemljoradničke banke, Bankarstvo, no. 9-10, Beograd, str. 20.

26 Ibid, p. 22.

27 Ibid, p. 23.

of agriculture were all out with suggestions on how to resolve this issue.²⁸ Of course, the critics of project proposal of dr Jankovic ensued. They were usually derived to the fact that the priority was given to the bureaucratic allocation of state capital, which was intended for agricultural lending, rather than to use the existing cooperative systems across the country as a network for supplying government loans to agrarians.²⁹ However, if there was an organized system of agricultural credit cooperatives at the entire territory of the Kingdom, criticism of the project could make sense. As in the territory of the existing Serbian law such organized system didn't exist, it was obvious that critics were not justified, and thus, ministers proposals to use existing cooperatives for credit supply for rural population of the state, weren't accepted.

Krsta Miletic, Minister of Agriculture in 1924 was the first one that presented the fact that all agrarians in the new Kingdom must be treated in the same level conditions when taking loans. Fundamental change that would allow all possessors of the country in Serbia, Montenegro and southern regions to invest in long-term agricultural development, was related to the fact that the Serbian small owners could get the mortgage for the half of theirs estate (as well as the territory of the Austro-Hungarian legislation).

However, the government was of the opinion that the mortgage loans of one future state bank should open the question of survival of protected land minimum institution. Contrary to the law of the five days of plowing in 1873, i.e. Article 471 in the Law of the court in civil cases the Kingdom of Serbia, the Ministerial Council rejected the proposal of the Agricultural Bank, and not submitted to the National Assembly for consideration.³⁰

To somehow suppress criticism of the project of dr Jankovic, Royal government in 1925 gave the proposal³¹ to the National Assembly: first, that the cooperative system gave the best solutions in Europe, as a basis for lending to agriculture and secondly, that the cooperative system, which exist within the existing Serbian law of the Kingdom of Serbs, Croats and Slovenes, was not adequately organized or developed, and that could be a mediator of future Directorate for finance funding generation for agrarians credit. First of all, in the areas of earlier Serbia, the state was supposed to help finance agriculture, and dr Stojkovic made the proposal to establish a system of state agricultural credit cooperatives that would operate together with the Directorate of farmer credit. Each municipality would be established by a cooperative meat entering modest share of the local inhabitants, and more local cooperatives could form a local cooperative; The Directorate for agrarian credit would grant cheap loans to those agrarian cooperatives, at a price lower than the discount rate of the Privileged National Bank of the Kingdom of SHS, for thus, the cooperative would come to the capital to lend their

28 *Ustavi i vlade Kneževine Srbije, Kraljevine Srbije, Kraljevine SHS i Kraljevine Jugoslavije (1835-1941)*, Beograd, 1988 (*Ustavi i Vlade*), unauthorized editions.

29 Petrović, J. (1930): *Okučje ili zaštita zemljoradničkog minimuma*, Beograd, p. 158.

30 Petrović, J. (1930): *Okučje ili zaštita zemljoradničkog minimuma*, Beograd, p.158.

31 The creator of the proposal was executive member of Ministry for Agriculture of that time, dr Velimir Stojković

members under conditions that would have the character of state assistance.³²

According to dr Stojkovic, existing agricultural credit cooperatives, could use inexpensive capital of agrarian credit Directorate, if they would become part of a unique lending system to agricultural land. In this way, there was a chance to form and implement unique credit policy towards agriculture.

As already mentioned, Velizar Jankovic made the proposal for the establishment of the agrarian credit Directorate, which was accepted by Velimir Stojkovic, considering that the Directorate should operate as a standalone financial institution and not within a state bank.

The original idea of dr Jankovic at which the agrarian credit Directorate should function primarily as part of the Treasury until the moment of Directorate expansion of hers coverage area, and job development, and then as an independent state agricultural bank, in the meantime proved to be irrational. Reform of the Treasury to the State Mortgage Bank in 1922 was not affected by the growing interest of the financial institution for lending to agriculture.³³

In June of 1925, the Parliament adopted the Law on Agricultural Credit. The law provides local and provincial co-operatives in charge of agricultural credit, which had been run by the Department for agricultural credit. The law³⁴ stipulated that local residents establish local cooperative parties.³⁵ The county cooperative was able to establish a minimum participation of 20 local cooperatives.³⁶ In addition, the Act provided an interest rate of 4% of the maximum short-term and medium-term loans.

Just in 1927 the Department of Agriculture loan began with its work. With the establishment of the directorate was delayed because all cooperative associations in the country were against it. The fear of losing the competitive battle against cheap state credit, the representatives of the cooperative unions in public represented this delay as the fear of etatisation of already developed private credit cooperatives in the country. Why, however, eased the pressure existing cooperative battles against the Establishment of the agricultural loan, explained dr Velimir Stojkovic in an article in October the 5th of 1927, published by the Commercial Gazette.³⁷ The best response toward agrarian state loan was within the rural population of Serbia, and at least among the Slovenes.

Seven years after it was made public, the project for establishment of a strong financial institution that will support the development of the state capital key economic sectors in the

32 Gnjatović, D. (2010): Projekat dr Velizara Jankovića o osnivanju državne zemljoradničke banke, Bankarstvo, no. 9-10, Beograd, str. 30.

33 Ibid, p. 32.

34 Clause 2, of the Law on Agricultural Credit.

35 Local cooperative party had to have a minimum of 20 members.

36 Clause 26, of the Law on Agricultural Credit.

37 Gnjatović, D. (2010): Projekat dr Velizara Jankovića o osnivanju državne zemljoradničke banke, Bankarstvo, no. 9-10, Beograd, str. 34.

Kingdom, proposed by dr Velizara Jankovića finally began to realize. Short-term, successful two-year work of agrarian credit Directorate, confirmed that the state mechanism of cheap loans was indeed in dire need of agrarians, most of those in Serbia. At the same time it was shown that in all parts of the country there were agrarians who have found an interest to join in accordance with the Agricultural Credit Law.³⁸

Privileged Agrarian Bank with its foundation in 1929 took over the duties of the agrarian credit Directorate, and the local and provincial unions suddenly left without the institution which supplied the state capital. Positive in this process was the fact that the job of local and country co-operatives did not depend only upon the state and they soon became independent in general. After the liquidation of the agrarian credit Directorate, the General cooperatives for agricultural loan were established and at the same time represented the link between local and provincial unions, and were their central institution.

The position of agriculture during the Great economic depression and the establishment of the Privileged Agrarian Bank

The characteristic of the post-war period (World War I) was neglecting improvement of techniques in agriculture in our country. Australia, Canada and the United States were able to dominate the competition over Europe in terms of agriculture only by lowering the cost of production and prices of agricultural products. However, overseas countries have started to over produce and export agricultural products, in amounts than their own market, and foreign one, could accept. In this way they created too much supply of products and the prices of agricultural products suddenly started falling. Overproduction of agricultural products and, later, industrial, led to a major crisis of agriculture in the global market and the global economic crisis.

The beginning of agrarian crisis in the Kingdom of SHS appeared in 1926, and was initialized with the fall in prices of agricultural products. The crisis reached its peak in 1929, and lasts up until 1933, respectively in 1934. For example, since 1929 until 1933, the price of maize in the country fell by 50%, and in 1929 until 1934 year, wheat prices fell by 55%. Other plant products price had fall nearly as much.³⁹ Then, a decline in the purchasing power of the population which practically depended upon agricultural production, occurred. Yugoslavia was among those agricultural countries⁴⁰ where the crisis impact very negatively on the national income.

The fall in prices of agricultural products and the purchasing power of the population hit extremely difficult peasants, who already were heavily in debt.

While still in the period 1926-1928 crises was looming, there was the disparity between the purchasing power of agrarians and their financial obligations that have been concluded earlier under difficult conditions. In a time of crisis this disparity was so grown that the agricultural

38 Ibid, p. 36.

39 Vučo, N. (1958): *Poljoprivreda Jugoslavije 1918-1941*, Belgrade, p. 78.

40 USA and Romania found themselves into worse agriculture position.

debtors began to be threatening with mass bankruptcy. For example, a borrower who is in 1927 concluded some loan in 1933 to 1934, had to give back twice as more in plant and livestock, or 30% more of industrial, or 40% more of mixed products, as they were at the time of the conclusion of the loan could be bought for a borrowed money.⁴¹

With the falling of the prices of the primary products on the world market, it was necessary to export more to get the same income as before. Than in period between 1925 until 1930 the Kingdom of Serbs, the Kingdom of Yugoslavia, has managed to export a quantity of 4,000 to 5,000 tons of agricultural, forestry and mining on year basis, though, compared to in 1925 year, the value of exports in 1930 was reduced by a quarter.⁴² Until 1934, export revenues declined in our country, after that year revenue grew annually.⁴³

Since the agricultural population still increased its debt to loan sharks, the problem of over-indebtedness becomes a political and social, not just economic one. The agricultural debt problem, the state was trying to solve with foundation of the Privileged Agrarian Bank of the Kingdom of Yugoslavia. The law of Agricultural Bank of 16 April in 1929 sets out that the Bank is a semi-governmental financial institution of equity type.⁴⁴ The bank was founded in order to support agriculture by providing short and long-term loans to farmers and agricultural cooperatives and organizations.⁴⁵ Short-term loans were given to the agricultural organizations by discounting of bills and on the pledge of agricultural products, and long-term loans had pledge upon real-estate property; for purchase of a land, foundation of agrarian buildings, conducting land improvement and for the conversion of debt that farmers had in private banks or persons.⁴⁶

Liquidation of agricultural debts

Privileged Agrarian Bank was established under very unfavourable conditions. The bank has successfully worked, only to the middle on 1931 year, due to the transfer of general crisis to the banking system. The effect of Agrarian Bank remained pale in comparison to the scale of the problem of over-indebtedness of peasants. At this point, the peasant debts have reached the sum of seven billion, which at the time of the agricultural prosperity was tolerable burden on agriculture. At the time of the sudden weakening of purchasing power of peasants, however, this was an intolerable burden.⁴⁷ After a few years of the Bank, the structure of agrarian debt

41 Nedeljković, M. (1936): Problem dugova u današnjoj privredi, Privredni letopis zadužbine Nikole Spasića, knjiga I, Beograd, 1936, str. 231.

42 Statistics on outside merchantry of Kingdom of Yugoslavia 1932, Belgrade, 1933; Statistics on outside merchantry of Kingdom of Yugoslavia 1939, Belgrade, 1940.

43 Nevertheless to the mild revenue incensement, they still couldn't reach the same level they had before the general crisis.

44 Lombardovanje akcija Privilegovane agrarne banke, Politika, Beograd (izdanje za 19.6. 1929).

45 Upis akcija Privilegovane agrarne banke, Politika, Beograd (izdanje za 2.6.1929).

46 Zakon o Privilegovanoj Agrarnoj banci (1929), Službene novine, br. 84.

47 Gnjatović, D. (1991): Stari državni dugovi, Ekonomski institut, Jugoslovenski pregled, Beograd, 1991, str. 164.

was still unfavourable to creditors for failing to convert⁴⁸ most debts, and the government had to act. In the 1932 of all total financial liabilities, peasants owed to private individuals even 45.17%, to private financial institutions 32.18%, 12.54% to cooperatives and to Mortgage and Agrarian bank only 10.11%".⁴⁹

The law of the Protection of agrarians was created 1932, which helped to postpone all public sales of real estate and movable assets of agrarians, which have already started, while new sales were not permitted. All payments agrarians had to make were delayed, as well. It was decided that these measures are in effect until a final decision of conversion of agrarians' debts, and the maximum rate of interest on delayed claims is fixed at 6%.⁵⁰ Moratorium although thought of as a temporary measure in reality lasted over four years. Indebtedness of agrarians still was a burning issue, even though many regulations on debt repayment were amended. The crisis has blocked the entire agriculture. Since the problem of agrarian debt threatened the economic and social development of the country, it appears that the liquidation of agrarians' debts was inevitable.

Regulation on the liquidation of debts of agrarians, which was enacted in September of 1936, regulates the issue of the debt. All agrarians - debtors, whose debt amounted up to 25.000 of dinars, had the debt cut in half.⁵¹ When it comes to borrowers with more than 25.000 of dinars, district courts were deciding of measures to be taken. For them, the percentage of debt ranged between 30% and 50% of total debt.

When they were in the private banks and cooperatives, their claims have been transferred to the Privileged Agrarian Bank. Private individuals have had to write off half of their claims.

In the foreground, the question arises of compensation of private banks and cooperatives by the Privileged Agrarian Bank. The bank was supposed to pay out 50% of their claims during the next 14 years in equal instalments, and 25% had to be paid in state or 3% bonds, for a period of 20 years. The remaining 25% of the claims had to be cancelled. In order to enable privileged agrarian bank to reach 25% of the compensation of private banks and cooperatives, the state at the end in 1936, issued bonds for the liquidation of debts of agrarians in the nominal amount of 500 million of dinars, with the enablement of the Regulation on the liquidation of agrarian debts that the final amount of the bond issue can be more than 900 million. Bonds had interest rate up to 3%, and the deadline for payment was 20 years.⁵² This kind of bonds, Privileged Agrarian Bank issued to cooperatives and private banks, while the government in 1937 began to pay off debt towards them. Of course, at the expense of the state

48 Debt conversion meant assignment of long term loans to peasantry which already had burden of debt, and which were supposed to be used for payment of the basic debt to private bank or other party, and to Agrarian bank peasant would repay the loan under better circumstances than other offered.

49 Vučo, N. (1958): *Agrarna kriza u Jugoslaviji 1930-1934*, Belgrade, p. 208.

50 *Ibid*, p. 204.

51 *Zakon o privilegovanoj agrarnoj banci*, Politika, Beograd, (izdanje za 19.4.1929).

52 *Ibid*, p. 208.

budget fell bond repayment costs for the liquidation of agricultural debts. The state, in this way, the liquidation of one part of agricultural debts and with new adequate repayment terms of the rest of the debt, relatively well coped with the problem of agricultural indebtedness. Buying and purchasing power of the peasantry after VEK's could, in this manner, to file the burden of debt repayment. At the end of the third decade of the 20th century there was a stabilization of prices of agricultural products.

Conclusion

In Serbia, since the second half of the 19th century to the early 20th century, came to the fragmentation of the Loan capital in a way that they formed a small provincial bank type. In Europe at the time, went opposite concentration of capital. One important reason for this situation in the banking sector in Serbia was the inability to use the bill securities, i.e. denial of passive bond ability of the peasantry. Of course, this measure originated in Serbia earlier when in the country were no banks or regulated credit system and usury reigned. With unification of Serbs, Croats and Slovenes in the new community remains a ban that agrarians produce, transmit and receive bonds. Contrary to the position of agrarians in the territory of the former Kingdom of Serbia, agrarians from the provinces of Austria-Hungary, which joined the new state, did not have these problems. The adoption of the privileged Agrarian Bank in 1929, abolished the provision that the agrarians are unable to legally use the bonds as a legal tender, and creates favourable conditions for solving the agrarian question.

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PROBLEM POLJOPRIVREDNOG KREDITA U JUGOSLAVIJI IZMEĐU DVA SVETSKA RATA

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Abstrakt

Posle prvog svetskog rata agrarni problem i organizacija poljoprivrednog kredita u novoformiranoj Kraljevini SHS izbili su u prvi plan. Problem dostupnosti zemljoradničkog kredita, još od pre Prvog svetskog rata, samo je prolongiran stvaranjem nove države. Umesto ukрупnjavanja kapitala, što je bila odlika zapadnoevropskih zemalja, nastavilo se sa osnivanjem sitnih banaka i procesom usitnjavanja kapitala. Tek donošenjem Zakona o Privilegovanoj agrarnoj banci 1929. godine, počelo se sa rešavanjem agrarnog pitanja. Naime, formiranjem jedne državne banke, koja će imati veći kapital i davati kredite zemljoradnicima sa nižom kamatom, počeo se rešavati problem koji je opterećivao zemljoradnike u 19. veku.

Ključne reči: *zelenashi, poljoprivredni kredit, seljačka menica, Privilegovana agrarna banka.*

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