

## POLICY OF THE BOARD.

13. From the commencement of the Board's operations there have been many inquiries and applications by persons who have no adequate security to offer but are under the impression that the scheme was intended to be mainly for the benefit of those who had no likelihood of securing their financial accommodation through the channels previously available. It has been the policy of the Board to give sympathetic consideration to all applications coming before it, but, nevertheless, in the cases referred to it has been quite impossible to give the applicants the financial assistance they desired.

The main purpose of the rural intermediate credit system is to improve the existing credit machinery by organization and supervision and to create a greater degree of confidence in rural securities—mainly chattels and the like—than has existed in recent years, and so to secure a flow of funds for investment upon those securities at reasonable rates. In accordance with developments abroad, the individual lender, from one point of view, or borrower, from the other, will be replaced by a corporate concern, the Rural Intermediate Credit Board, which, by reason of the extent of its operations and the wider spread of risk, will, it is anticipated, be able to secure the necessary funds on more advantageous terms than would be possible in the case of individual borrowers. The success of the Board's operations must depend to a large extent upon its ability to secure a flow of funds through debenture issues, and confidence upon the part of the investing public cannot be expected if the Board does not maintain a prudent standard of investment. The Board is also a trustee in respect of the advances received by it from the Consolidated Fund, which are by way of loan only, and it is equally under an obligation to safeguard those funds. In view of the fact that by the Act debentures are constituted trustee securities it is evident that it was the intention of Parliament that advances should be made only against adequate security. To adopt any other lending policy would be inconsistent with the Board's responsibility to the Government and the debenture-holders, and would be opposed to and almost certainly defeat the accomplishment of the objects aimed at by the introduction of this system.

The producer will benefit from the policy followed by the Board not only by reason of the more favourable rates of interest at which accommodation is procurable, but also because of the security of finance provided where arrangements are made with the Board for accommodation.

In view of the experience of this Board, the following extract from the report of the Federal Farm Loan Board in America for the year ended 31st December, 1924, is of particular interest :—

“The losses which intermediate credit banks have charged off are negligible. That losses will occasionally occur in any banking enterprise is to be expected, but by adhering to the policies already adopted, which are considered as liberal as business prudence justifies, they will never be a disturbing factor. That a departure from these policies will result in a failure of service cannot be too often emphasized. It has been necessary to reject many applications for loans, and rediscount privileges. Should every application be granted and unsound and inadequately secured loans taken on by the banks, the entire system would be discredited in the investment markets and the service necessarily denied to worthy applicants, since the service is dependent upon the ability of the banks to market securities in volume.”

In order that the funds raised by the Board may be re-lent to farmers on the most favourable terms, every endeavour is being made to work the scheme as economically as possible, and with a minimum of cost to the borrower. The scale of fees fixed by the regulations for the preparation of instruments securing advances by the Board is on the most reasonable basis, and the arrangements made with the valuers ensure that the cost is kept to a minimum, and, indeed, in some cases valuers are charging less than their usual fees in order to help in achieving the success of the scheme. Every effort is made also to ensure that applications are dealt with as promptly as possible, and with this object district boards have been given power