

THE ASSOCIATION OF SOLE TRADER PAWNSHOPS AND COOPERATIVES

In 1920, friendly sole trader pawnshops (since 1926, sole trader credit institutions), i. e., credit institutions based on co-operative principles, initiated by Slovak craft corporations and under the financial participation of the Prague Ministry of Trade, Industry and Crafts, came into being. The first such pawnshop was established in Trenčianske Teplice on April 11, 1920. In 1922-1923, a total of 27 other cooperatives associating 2,104 members with deposits of approximately Kč 2 million were established in Slovakia.

The mandate to organisationally support this spontaneously evolving network of sole trader institutions was assumed by the *Zváz živnostenských záložní a družstiev pre Slovensko a Podkarpatskú Rus, družstvo s r. o.* (the Association of Sole Trader Pawnshops and Cooperatives for Slovakia and Ruthenia), headquartered in Bratislava. The primary impetus for the birth of this Sole Trader Association was provided by the Ministry of Trade in an agreement with existing Slovak pawnshops. The Association was established on April 8, 1923 as a co-ordinating, organisational and business centre of associated units. After the decision by the Ministerial Council of June 27, 1924, it took on the role of audit centre for all credit as well as non-credit craft organisations. On the basis of this decision, and subsequent legal stipulations, cooperatives falling under its powers were qualified to apply for diverse fee and tax relieves in the same way as other cooperatives. All legal and natural persons that expressed their will to support the Association's objectives and subscribed at least five shares (unless they were relieved from this obligation by a decision by the Association Board) could become its members.

According to its statutes, the Association had to support the economic tasks and interests of its members, and, primarily, to represent and advocate their interests, supervise associated cooperatives on the basis of uniform ideological and economic principles, and, through its audits, monitor and guide their administrative and business activities. As the financial centre, the Association provided its members with



cheaper re-discount loans, guarantees and caution money. It was authorised to accept savings and current account deposits from any clients, to discount bills and to borrow funds. On the basis of these tasks, the Association had to help cooperatives to become effective tools for the provision of craft credit

while avoiding influencing their independent legal status. However, this proved to be true only to a limited extent, since the Association gradually achieved decisive power and was able to influence their further existence as well as their nominations and finance. Thus, the Association was able to influence the selection of persons for leading positions in its member units and intervene in their lending operations.

There were two types of cooperatives in the Association. On the one hand, there were various kinds of non-credit (business) cooperatives, e. g., trade, building and engineering cooperatives. The second group was composed of credit cooperatives, i. e., craft and civil credit institutions. In 1927, the latter institutions numbered 60, and their subscribed capital amounted to Kč 32,953. During the first year of its existence, the Association failed to continue to expand its membership, and all its efforts were focused on the unification of administrative, accounting and business activities in existing cooperatives and on raising funds so as to provide for the development of business and to satisfy clients' borrowing needs. The association had raised funds using re-discount credit that amounted to some Kč 13 million at the end 1927. Following a partial consolidation in the area of craft credit, it gradually began to develop an organisational network of credit institutions. In the period of economic crisis in the 1930's it had to temporarily abandon this activity and to focus solely on the economic strengthening of existing cooperatives. At that time, the Association management ordered a tightened control of the purposeful and economical use of the funds of its cooperatives including the provision of loans and adherence to payment schedules for account receivables from re-discount and current loans. Despite these measures, some member units



were not able to resist the increased economic pressure and had to go into liquidation and/or merge with other credit institutions. This scenario was repeated in May 1939 after some changes were made to the conditions regulating cooperative undertakings in Slovakia, when certain credit institutions, previously under the Czech organisational umbrella, were included into the Association. The war, unresolved problems stemming from the economic crisis and the odd financial situation of new members resulted in a reduction in the number of credit institutions. In several other cases, the Association had to ask for the bailing out of its members. This bailing-out process began in 1944 and endured until the new conditions in popular banking were introduced. As a result of this reform, craft and civil credit institutions were merged

with newly established banks. These mergers took place with effect from January 1, 1948. On this day, 51 credit cooperatives were included in the financial statements of the Association. The savings deposits of these cooperatives totalled Kčs 325 million, current deposits stood at Kčs 279 million, and loans amounted to Kčs 680 million.

Within the merging process, the question of the central bodies of popular banking including those of the Sole Trader Association was solved. Its powers were taken over by Ľudové peňažné ústredie (the People's Money Headquarters) and the Association ceased to exist.

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