

"THE CAISSES POPULAIRES"  
AND THEIR OPERATING COSTS

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**"La société de demain appartiendra toute  
entière à ceux qui savent s'unir."**

**Alphonse Desjardins**

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## SYNOPSIS

This thesis is a study on the Caisses populaires, their origins, their initial and present roles and objectives, their present environment, their efficiency and their future as financial institutions in the Quebec economy. The thesis is composed of three books, different in their objects and structures, but always focusing on the central theme of this study, a Caisse populaire.

The first book, entitled "The Development of Cooperative Banking" is a brief review of the evolution of the credit unions in Europe and North America and a slightly more substantive review on the development of the Caisses populaires in Quebec.

The second book, entitled "Le Mouvement des Caisses populaires et d'économie Desjardins" (MCPED) focuses mostly on the caisses, the federations and the "Mouvement Desjardins" as they are known today. The book contains three chapters; the first one, on the principles, economic and social roles of the caisses as well as on the importance of the services offered by these institutions in the Quebec economy; the second chapter, an analysis of the federations affiliated to the MCPED; and lastly, a description of the confederation with a brief review of the various economic activities of the MCPED in the Province, on a regional basis.

The third and last book is a study of the operating costs of the Caisses populaires. The main objective is to determine if economies-of-scale exist in the operating costs associated to the services offered by a caisse. Four

services were analyzed separately in this study: (1) demand deposits, (2) time deposits, (3) mortgage loans and (4) personal and business loans. The author of the thesis hopes that this book will encourage the caisses to conduct extensive and complementary cost studies, giving them the "tools" to improve their efficiency and be better prepared to face the challenges of the near future.

**BOOK I**

**THE DEVELOPMENT OF COOPERATIVE BANKING**

## INTRODUCTION

Book one is a brief review of the development of cooperative banking in Europe and North America. The reasons justifying the creation of such institutions in Germany, Italy, France, Canada and the United States are described briefly. However, due to the objectives of this thesis, efforts were concentrated mostly on the analysis of the development of cooperative banking in Quebec.

## CHAPTER ONE

### DEVELOPMENT OF COOPERATIVE BANKING IN EUROPE

#### A. In Germany

The idea of creating a credit union took form in Germany at the beginning of the second half of the 19th century. Two men, Schulze and Raiffeisen, were the pioneers in this new approach to credit. Both of these men, due to their occupations, saw the misery and the needs of the German population. They found one solution to ease the situation - provide credit to the populace.

#### 1. The Schultze-Delitzsch People's Banks:

The first people's bank was established in 1850 by Schulze, an economist and lawyer working for the city of Delitzsch; forty years later there were close to 4,000 Schultze-Delitzsch banks in Germany.

The basic objective of those institutions was economic progress - a strong economy where poverty, misery and oppression would not exist. Credit was only allocated for production purposes and only attributed if the borrower was solvent. Modern banking services were offered to all members of the credit union - deposit accounts, buying and selling of stocks and bonds, etc.

## 2. The Raiffeisen Savings Banks:

Contrary to the Schulze-Delitzsch credit unions, the Raiffeisen Savings Banks objectives and services were directly aimed at those in need.

The main objective of these institutions was to improve the living conditions of the poorer segment of the population by helping them financially. Some of their fundamental principles, such as free administration and credit allowed to members only, can be found today in the caisses populaires.

These savings banks were most welcomed in Germany - less than seventy years after their appearance (1854), there were more than 18,000 of them in operation.

### B. In Italy

#### The People's Banks:

The first one was established in 1866 by Mr. Luigi Luzzati who saw the importance of the Schulze-Delitzsch credit unions to the economic progress observed in Germany. The primary objective of the new institution was to fight usurers by offering new and cheaper ways to obtain credit.

Luzzati studied thoroughly the operation of the credit unions in Germany and then adapted the ideas to his country. However, he never managed to create a federation unifying the people's banks with the same objectives. It was only later that a central bank, to which most of those institutions became affiliated, was established.

Another type of financial institution played an important and complementary role (e.g. the People's Banks) - the rural banks. Unlike the institutions founded by Luzzati, the rural banks limited their activities almost exclusively to the financing of the small farmers.

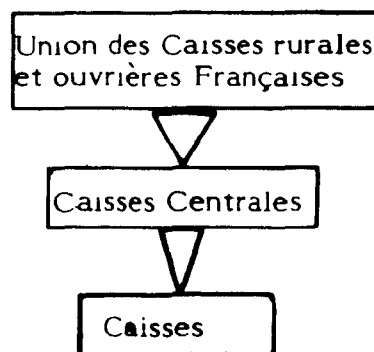
### C. In France

#### "Les Caisses Durand":

Credit unions in France did not succeed until the end of the 19th century - the French people preferred to trust and rely on governmental actions for their credit needs.

Mr. Louis Durand was responsible for the establishment of the first two "Caisses rurales et ouvrières Françaises" forming "L'Union des Caisses rurales et ouvrières Françaises" in 1893. He wanted to create an institution where any honest person would be able to deposit his savings and also be able, depending on his occupation and the reasons justifying the need for the loan, to obtain a line of credit.

Some principles found in "Les Caisses Durand" are present in "Les Caisses populaires Desjardins": free administration; the loans are available only to members of the caisse; affiliation of a "Caisse" to a "Caisse Centrale" which in turn is a member of "L'Union des Caisses rurales et ouvrières Françaises".



## CHAPTER TWO

### DEVELOPMENT OF COOPERATIVE BANKING IN NORTH AMERICA

#### A. In the United States

Credit unions in the U.S. appeared in the first half of the 20th century to supply credit to the working class; a need not completely fulfilled by the banking system at that time.

The first few ones were established in the French-American communities. They worked according to the principles and the objectives of the Caisses populaires Desjardins already operating in Quebec. Mr. A. Desjardins, the founder of "le Mouvement Desjardins", participated actively in the creation of credit unions in the United States.

In 1934, a national association was established to control and unify the objectives of those new financial institutions - the Credit Union National Association (CUNA). There are over 10,000 credit unions in the United States today.<sup>1</sup>

#### B. In Canada

##### 1. Outside Quebec:

Cooperative credit outside Quebec appeared only after it was well established within the Province itself. The credit unions were created to provide members with efficient, inexpensive savings-and-loan services and to improve credit facilities for urban workers and farmers, always bearing in mind the social

and educative aspects of cooperative credit.

2. In Quebec:

Cooperative banking first appeared in North America at the beginning of the 20th century at Lévis (a small city located on the eastern bank of the St. Lawrence River directly across from Quebec City). There, Alphonse Desjardins, a French Canadian journalist, established La Caisse populaire de Lévis on December 6, 1900.

As a journalist, devoting much of his attention to the study of economics, social sciences and the cooperative movement already strong in Europe, he became aware of the economic and social problem of his city. He observed the lack of adequate banking facilities for the common wage earners and farmers, leaving them at the mercy of money lenders who were charging usurious interests on loans. In 1897, he decided to attempt to remedy the lack of credit and financial services for the workers of his community. In 1898, he wrote to some of the cooperative credit leaders in Europe, Mr. Henry W. Wolff (an English economist and most noted promoter of people's banks in Europe) and Mr. Luigi Luzzatti, to obtain more information on cooperative banking. As his knowledge increased on the people's banks and similar institutions, he became more and more confident that he could introduce them into Canada.

Finally, on December 6, 1900 the Caisse populaire de Lévis was established. The objectives of the new cooperative were to promote savings, to combat usury, to provide capital for local individual enterprises and to help borrowers achieve economic independence.

The Caisse populaire opened for business on January 23, 1901. At the end of the first day, total deposits stood at \$26.40. A few months later the

Caisse had over 800 members.

Certain conditions were required to be eligible for membership - the applicant had to be honest, punctual in his payments, laborious and so on. The new member also had to buy at least one five-dollar share as an entrance fee.

In order to borrow money from the institution, a member had to have a clear record - to have repaid all previous loans. A credit committee was responsible for approving or rejecting any demands for credit, always giving preference to the smaller loans.

An administrative council of five to nine shareholders (elected by the members at the annual assembly) was responsible for the administrative decisions. Those elected members admitted new shareholders, appointed and supervised employees and controlled the reserve fund. Another committee composed of three members was created to monitor all operations in the institution - the supervisory committee.

At first, the funds of the caisse populaire consisted mainly of investments by members, in five-dollar shares. The other sources of funds were deposits by members, entrance fees and earnings from loans. A reserve fund was established as a precaution against risk - all entrance fees and twenty percent of net annual profits were allocated to the reserve fund.

The principles of the Caisse at that time were the following:<sup>2</sup>

- a) The Caisse had to have a cooperative structure; that is, each member had equal right, regardless of the size of his financial contribution or the number of shares held.
- b) The Caisse had to have cooperative objectives; that is, all profits had to be equally distributed among its members.

- c) The Caisse would exist for both saving and credit.
- d) The primary source of the Caisse's funds had to come from shares sold to its members.
- e) Only members were able to get credit from the Caisse and loans for luxury goods were prohibited.
- f) The unit in which the Caisse would operate would be the French Catholic parish which was a territorial and social entity, where everyone knew everyone else. Thus a basic trust among members, necessary for such an enterprise, could be achieved.

Before the end of the first fiscal year of the Caisse populaire de Lévis, another caisse was organized just outside Lévis. A third one opened early in the year of 1905 in Saint Malo. Those three institutions existed without any legal status until the Quebec legislature adopted the law of Cooperative Syndicates in 1906. Ten years after the establishment of the first caisse populaire, there were fifteen of them operating in Quebec.

It is important here to mention the active role played by the French Canadian clergy in the development of these new institutions during the first sixty years of their existence. Since a caisse operated within a determined French Catholic parish, it was normal for the parish priest, the undisputed leader of the community, to supervise the activities of the cooperative.

"The uncontested leader of the parish was the priest, whose role as spiritual minister and moral arbitrator of his flock developed into that of natural protector, adviser, and, in fact, pastor in the literal sense of the word. It is the parish priest who directly, profoundly, and inescapably influenced the temperament of the French-Canadian habitant."<sup>3</sup>

Mr. Desjardins died before he was able to regroup the caisses populaires into regional associations. The first regional association was

established in Trois-Rivières, only a few months after the death in 1920 of the founder of cooperative credit and savings in North America. In 1932, the existing regional associations created a provincial association: "La Fédération de Québec des Caisses populaires Desjardins" - known today as "La Confédération des Caisses populaires et d'économie Desjardins".

Today, the caisses are playing a major role in the economy of the province of Quebec. At the end of June, 1981, the Caisses populaires et d'économie had more than \$12.6 billions in assets (excluding those of the institutions affiliated to the "movement"). Three quarters of a century ago, Alphonse Desjardins predicted the great contribution of "Le Mouvement des Caisses populaires et d'économie Desjardins" (MCPED) to the Quebec economy.

"L'oeuvre sociale, économique que je viens de vous signaler, sans avoir le temps de vous la décrire minutieusement, sans parler de toute celles qui, plus tard, viendront se greffer sur elle, servant d'organes à une foule d'activités fécondes, et formant un tout complet, peut, par ses progrès, amener une profonde et bienfaisante évolution dans notre pays."

"The social and economic organization that I just described in general terms, without talking about other institutions that will join it, offering other financial services, will contribute to the growth and welfare of our country."<sup>4</sup>

- 
1. Alfred Nicols, 1972, Management and Control in the Mutual Savings and Loan Association, University of California, Los Angeles.
  2. Mercure, G., 1962, Credit Unions and Caisses Populaires, Royal Commission on Banking, Ottawa.
  3. Falardeau, J-C., 1964, "The Role and Importance of the Church in French Canada", Rioux and Martin eds., French Canadian Society, McLelland and Stewart, Toronto.
  4. Alphonse Desjardins, Congrès de la Jeunesse Québec, 1908.

## SUMMARY

Factors explaining the creation of cooperative banking were similar from one country to another - a lack of adequate banking facilities for the less fortunate individuals.

The first cooperative financial institution in North America was established by Mr. Alphonse Desjardins in Lévis, Quebec, at the beginning of the twentieth century. Mr. Desjardins also greatly contributed to the creation of credit unions in the United States.

In the province of Quebec, the French Canadian clergy played an active role in the development of the Caisses populaires.

A few years after the creation of the first caisse, Mr. Desjardins predicted the major role that would eventually be played by the Caisses populaires in the Quebec economy.

**BOOK II**

**"LE MOUVEMENT DES CAISSES POPULAIRES  
ET D'ECONOMIE DESJARDINS"**

## INTRODUCTION

Book two is a complete study of the "Mouvement des Caisses populaires et d'économie Desjardins" and is divided into three parts.

The first section is an analysis of the caisses populaires and their characteristics. This part contains the definition and the basic principles governing the operation of a caisse. The economic and social roles of the cooperative institutions are then compared to objectives of the "profit oriented" financial institutions to determine whether or not substantial differences (regarding their objectives and roles) still exist today between the two types of financial institutions. The administrative structure of a caisse is then examined to identify the individuals' functions, or groups thereof, controlling the objectives and activities of a caisse populaire. Finally, this section also contains a study on the services offered by the caisses and their importance in the Quebec economy is included.

The second section of this book is an analysis of the federations affiliated to the MCPED. The services rendered to their members (the caisses) are briefly described. Institutional and structural changes that occurred in the different federations over the last ten years are reviewed. A table is also included to show the relative importance of each of the eleven federations in the MCPED.

The third and last part is a description of the confederation and the services offered to its members (the eleven federations and some other financial

institutions). The economic activities of the MCPED (caisses and institutions) in Quebec are then briefly analyzed on a regional basis.

## CHAPTER ONE

### LEVEL ONE — CAISSE POPULAIRE

#### A. Definition and Basic Principles

A Caisse populaire Desjardins is a cooperative of credit and savings. A cooperative is an association of persons that own and control democratically a venture which they use to satisfy, as much as possible, their personal and common needs. Equality among members is always present - one person, one insure vote. It gives a sense of ownership and responsibility to the members, which improves the efficiency of the association.

The caisses base their operations on certain principles which are as follows:

- I. One person, one vote regardless of the number of shares a person owns.
- II. Limited Liability of the Members:  
Contrary to what can be observed in the majority of credit unions in Europe, a member of a caisse populaire is only responsible for the amount of money he borrowed from the caisse. Desjardins rejected the principle of unlimited responsibility:  

"Our population is completely opposed to the idea of unlimited responsibility ... would never have been able to acquire supporters if I had tried to have that principle accepted."<sup>1</sup>
- III. Restricted Territory:  
For each caisse, there is an assigned territory in which it can operate. At the beginning of

the "Mouvement Desjardins", each caisse was assigned to a parish:

"L'unité paroissiale nous a paru réunir toutes les qualités à un si haut degré qu'elle est pour nous la cellule économique idéale, le cadre parfait où doit fonctionner une telle Caisse."

"A parish seemed to us to have all the required qualifications, to the point that it is for us the ideal economic cell, the perfect framework where the Caisse should operate."<sup>2</sup>

Today each caisse has a territorial limit inside which they can operate but it is no longer limited to a single parish. It is also very common to see more than one caisse operating in the same territory. Because they are part of the same "big family", they usually do not compete with each other.<sup>3</sup>

- IV. Minimum Social Share:  
To become a member, it is necessary to buy at least one share worth \$5.00. There is a limit, fixed by each caisse, to the number of shares a member can own. At the end of each fiscal year members receive interest payments for their holding of social stock ("capital social").
- V. Free Administration:  
All members of the council of administration, the committee of credit and the supervisory committee do not receive any kind of income or privileges for their work at the caisse.

#### B. The Economic and Social Role of a Caisse Populaire

In one of their recent official publications serving as a guide to a new director of a caisse, the following distinctions are made between a caisse populaire and a chartered bank:

DISTINCTIONS BETWEEN A CAISSE AND A BANK

|                   | BANK                                                                                                                                                  | CAISSE POPULAIRE                                                                                                                                                                                    |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Legislation       | Federal Law                                                                                                                                           | Provincial Law                                                                                                                                                                                      |
| Nature            | profits maximization using better methods to provide the services                                                                                     | fulfill the needs of individuals involved in an association of people and an economic enterprise                                                                                                    |
| Ownership         | the shareholders depending on the number of shares                                                                                                    | the members of the caisse                                                                                                                                                                           |
| Power and Control | <p>the general assembly of the shareholders<br/>- one share, one vote</p> <p>a board of directors run the bank for the shareholders</p>               | <p>the general assembly of the member-owners<br/>- one person, one vote</p> <p>the general assembly delegate part of its responsibilities to a council and two committees</p>                       |
| Outcome           | the profits are distributed to the shareholders proportionately to the number of shares they hold - part of the profits can be reinvested in the bank | the annual operating surplus is distributed among the members in some cases, by increasing the interest rates given on deposit for the year and decreasing the rates charged for loans for the year |

"According to its official ideology and original purpose, the Caisse was to be an institution simply formalizing and channeling the cooperative spirit existing within French Canadian communities. It would put these at the service of that same locality. The profits accrued would remain within the specified locality."<sup>4</sup>

Educating the members on their financial possibilities and developing the incentives to save were other activities in which the caisse, with the support of the local church, participated.

Some contradictions seem to exist today between the original purpose (the ideology of the Caisse populaire) and its actual nature as a financial institution although these contradictions appear to exist mostly in urban areas. The ideology is still present in small villages and rural communities but it has disappeared somewhat in many Caisses populaires located in urban regions.

In the small communities such as Dupuy (population, 1,200) and Ste-Germaine (population, 1,300), both in the Abitibi region, the cooperative spirit is still very strong.

"Nous ressentons les effets de la concurrence que nous fait LaSarre, où il y a quatre banques, mais en général nos membres sont attachés à leur Caisse. J'évalue à 80% la proportion des membres qui n'iront pas ailleurs à cause d'une variation de taux en deçà de 1%."

"We feel the effects of the competition from La Sarre, where there are four banks, but in general our members are loyal to their Caisse. I estimate that about 80% of them would not go elsewhere because of interest rate differential of less than 1%."<sup>5</sup>

They are also playing a very active role in the development of their villages.

Nous voulons que les gens puissent se bâtir, c'est pourquoi notre taux sur les prêts hypothécaires est de 15 1/2%. . . . Il y a deux ans, 14 maisons ont été

bâties, en plus d'un édifice de quatre logements. C'est beaucoup pour un village de 1,300 habitants."

"We want the people to be able to build, that explains why our rate for mortgage loans is 15 1/2% (1981). . . . Two years ago, 14 houses were built, in addition to a small complex of 4 apartments. It is a lot for a village of 1,300 inhabitants."<sup>6</sup>

Contrary to what we can observe in the cities, the participation in rural regions is very strong. Annual assemblies are taken seriously and members still believe they have some influence on the decision-making process. These rural cooperatives are still in line with the philosophy of the caisse when they first appeared, 82 years ago.

There are several factors explaining the departure of many urban caisses from the official ideology. The rapid expansion of the caisses in the cities, to a great extent depersonalized day-to-day transactions. The members could no longer feel that they had any direct influence in the decisions regarding the objectives and policies of their caisses. Consequently, participation declined and the control of the caisses was left mostly to the administrators.

As capital accumulation grew and became an end in itself, the necessity to remain competitive (in relation to other financial institutions) became more important. The caisse invested the new accumulated cash in the central organizations, which in turn was invested in government bonds, banks and commercial institutions. These investments resulted in the flow of local capital outside the community to increase in some ways the profitability of the cooperative.

The necessity to be competitive is also due to the fact that members in the cities are less loyal (if at all) to their caisses than their counterparts in rural regions. If the services and interest rates are not as good as in other

financial institutions, a member will not hesitate to take his business elsewhere. This kind of behaviour compels the directors of the caisses located in the cities to follow closely the banks' interest rates and to offer similar services. It would be very hazardous for the caisses and the administrators to do otherwise.

Both the administrators and the members are responsible for the more "profit-oriented" approach observed in urban areas - the administrators are always looking for a rapid capital accumulation and for more profitable investments, and the members are always seeking high and safe investments in the market regardless of the nature of the financial institution.

On the basis of the application forms for loans, it is often concluded that the Caisse populaire does not differ from a bank as far as loans are concerned.<sup>7</sup>

A comparison between the application forms of a caisse and a bank shows readily that both types of institutions require the same kind of information from the applicant (see Appendix I). The caisse does not ask any question on the "character" and "integrity" of the individual. Eighty years ago these characteristics constituted important factors in the granting of a loan by a caisse populaire.

These findings were not denied by the directors of the caisses interviewed, but they insisted that the loan policies of a caisse still differ in some ways from those of a bank.

For example, a director of a caisse will try to convince the individual eligible for a loan to withdraw his application if he feels that it would not be to the benefit of the individual to borrow these funds. They then argued that a manager of a bank would not take such actions if the applicant is solvent.

The tendency found in many Caisses populaires to move toward a more capitalistic approach is not well received by the MCPED.

"L'un des plus graves dangers qui menace les Caisses actuellement est celui du mercantilisme. Appuyés en cela par une catégorie de sociétaires, certains dirigeants des Caisses sont non seulement préoccupés mais obsédés par le souci de faire des placements rentables et de concurrencer les banques. . . ."

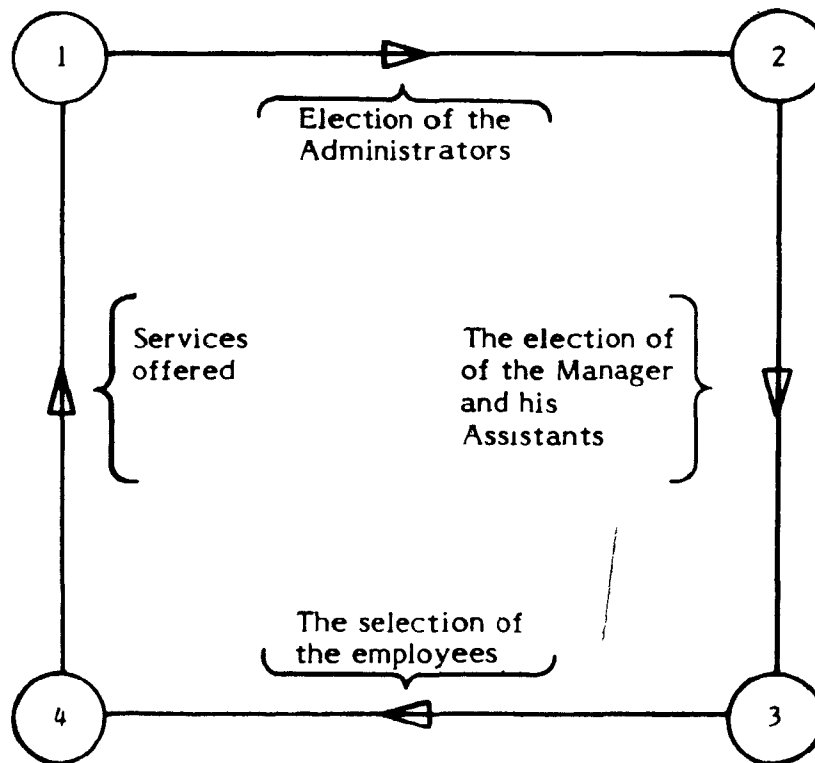
"One of the most serious dangers threatening the Caisses today is mercantilism. Supported by a category of members, some administrators of the Caisses are not only preoccupied but obsessed by profitable investments and the competition with the banks. . . ."<sup>8</sup>

It would be inadmissible to conclude with these observations that a caisse today is operating just like a bank or any other financial institution. Even those closer to a more capitalistic approach still carry some of the basic principles established by the founder of "Le Mouvement Desjardins", Mr. Alphonse Desjardins.

### C. The Administrative Structure of a Caisse Populaire

In a guide published by the movement for the new directors, it is said that the administration of a caisse is assumed by four distinct groups: the members, the administrators on the commission and the two councils, the manager and his assistants, and the employees. Diagrams 1 and 2 describe the responsibilities and duties of each group.

Diagram 1

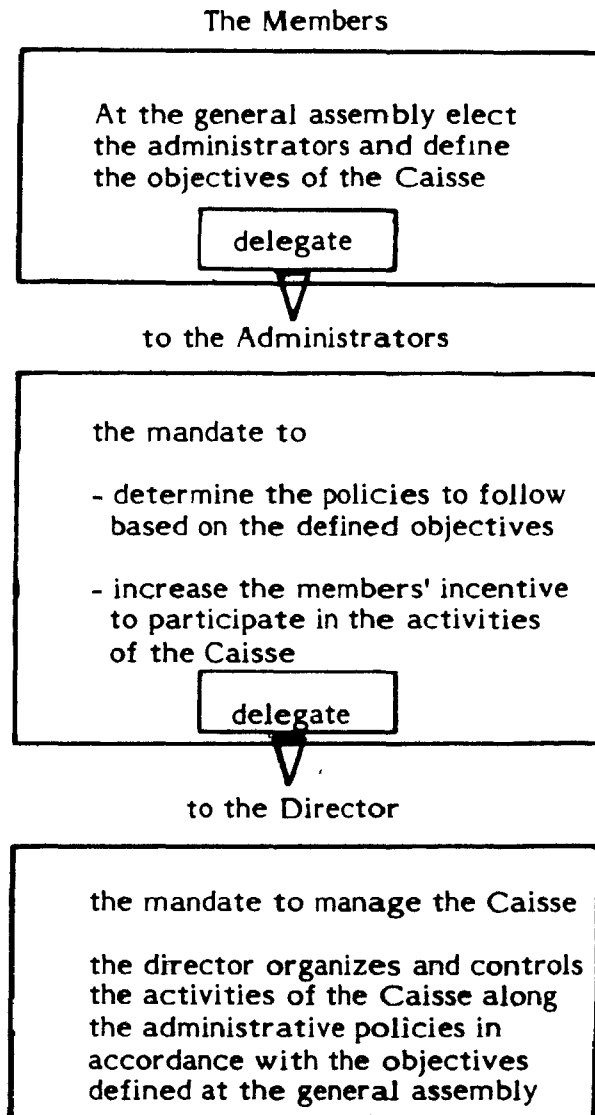


1. The members, at the general assembly, elect the administrators.
2. The administrators nominate the manager (or director) and his assistants.
3. The manager and his assistants select the employees.
4. The employees offer the services to the members.

Source: "Guide pour les nouveaux dirigeants" published by La Confédération des Caisses populaires Desjardins.

Diagram 2

THE MANAGEMENT OF A CAISSE POPULAIRE



Source: "Guide pour les nouveaux dirigeants" published by La  
Confédération des Caisses populaires Desjardins.

#### The Annual General Assembly:

Once a year shareholders meet in a general assembly to elect a certain number of members to the administrative council, the credit committee and the supervisory committee. During the annual meeting, the administrators of the caisse give a report on the last fiscal year completed and suggest to the members, objectives and directions that the caisse should take. Although, legally, the members can control the activities and orientations of their caisse, they very seldom use their rights (especially in the cities). The shareholders usually rely on the administrators, who are, in general, more qualified for these matters of complex financial problems.

#### The Administrative Council:

The administrative council is composed of at least five members, but no more than fifteen. The council assumes the responsibility for the administration of the caisse. Each administrator on the council is elected for three years and can be re-elected at the end of his mandate. The members elected on the board are not remunerated in any way for their services.

#### The Credit Committee:

This committee has the mandate to study loan applications, accept or reject them and to make certain that the loans are fully repaid. In reality, the credit committee authorizes the director of the caisse to make most of the decisions concerning loan applications. The committee is composed of three to five members who are not remunerated directly or indirectly for their services. During their mandate, these administrators, elected at the general assembly for three years, are not eligible for a loan at the caisse.

#### The Supervisory Committee:

This committee is composed of only three members. Its function is to assure that the administrators (the administrative council, the credit committee) and the manager of the caisse are respecting the objectives of the cooperative defined at the general assembly. Since in most cases, during an annual general assembly, the objectives of a caisse are left to the administrators, there is no need for the supervisory committee to monitor rigorously the actions of the administrators.

#### The Manager:

Chosen by the administrative council, the manager (or director), with the aid of his personnel, directs and assumes the responsibility for all the transactions of the caisse.

#### Conclusions on the Administration of a Caisse:

As we have seen (diagram 1-2), official documents published by the Confederation stress the importance of the members in the decision-making process.

"A partir des orientations déterminées par les propriétaires-usagers réunis en assemblée générale et de la planification et du control de celles-ci par les dirigeants, les gestionnaires dirigent, organisent et coordonnent les activités courantes de la caisse populaire."

"Based on the orientatons determined by the members at the general assembly and on the planning and control of them by the administrators, the manager and his assistants direct, organize and coordinate the day-to-day activities of the caisse populaire."<sup>9</sup>

In reality, directions are given by the administrative council, the credit committee and the manager. The control each has over the operations of the cooperative varies from one caisse to another. It is not unusual to observe cases where the administrative council and the credit committee had given most of their duties and responsibilities to the manager. In some caisses, however, especially if financial results of the last fiscal year have not been good, a manager will not be able to act unless he has the approval of the administrators.

Somewhat contrary to what is published by the MCPED about the operating structure of a caisse, the members are rarely active and dominant in the decision-making process - the control of a caisse is often left to the administrators and the director. This phenomena can be more easily observed in the cities than in the rural regions.

D. Services Offered by the Caisses Populaires and their Importance in the Quebec Economy

This section will analyze the importance of some of the services offered by the caisses in the Quebec economy for the last twelve years. The services are the deposit accounts, the residential mortgage loans, the consumers' loans, and the commercial and industrial loans.

I. Deposit Accounts

From the beginning of the MCPED, the members of the caisses were encouraged to deposit their savings at their caisses. As any chartered bank or deposit institution, the Caisses populaires offer to their members different types of deposits - chequing accounts, savings accounts and term deposits. A fourth type of deposit also exists at the Caisses populaires, which is unique to these

institutions and is in the form of shares held by the members of the caisses (see page 14).

At the end of 1980, term deposits, valued at \$4.3 billion, were the most important of the four types of deposit at the Caisses populaires. The savings accounts were second in importance with a total value of \$3.1 billion. Chequing accounts, valued at \$2.8 billion, came third and shares, fourth, with close to \$0.5 billion. The total amount of these four types of deposits - \$10.7 billion - represented more than 89% of the caisses' total liabilities.<sup>10</sup>

The next few pages contain a brief analysis on the evolution of the savings accumulated in Quebec during the last ten years and the important role played by the Caisses populaires Desjardins in relation to other deposit institutions operating in Quebec.

Deposit institutions are firms offering to the public certain specific types of investments - deposits which usually can be withdrawn on demand, on short notice or on a term basis. These institutions in Quebec are the chartered banks, the Quebec savings banks, the Caisses populaires Desjardins, other caisses (Caisses d'entraide économique du Québec, for example) as well as mortgage and trust companies.

In 1970, the value of deposits in chartered banks was estimated at \$5.9 billion, compared with \$2.0 billion for the Caisses populaires. Ten years later, they were estimated at \$21.8 billion for the chartered banks and \$10.7 billion for the caisses which represented respectively 51.4% and 25.3% of the market (as defined in Table 1). The average annual rate of growth over the ten-year period for the chartered banks and the Caisses Desjardins were respectively 14.0% and 18.3% (see Table 2). While the caisses gained 5.2% of the market share, the chartered banks lost 7.4% (see Table 1).

Table 1: Deposits Institutions Operating in Quebec

|                                      | 1970         |              | 1975          |              | 1980          |              |
|--------------------------------------|--------------|--------------|---------------|--------------|---------------|--------------|
|                                      | (\$ Million) | in %         | (\$ Million)  | in %         | (\$ Million)  | in %         |
| Chartered banks*                     | 5,864        | 58.8         | 13,418        | 58.7         | 21,781        | 51.4         |
| Quebec savings banks                 | 539          | 5.4          | 935           | 4.1          | 1,692         | 4.0          |
| Caisses populaires<br>Desjardins     | 2,004        | 20.1         | 4,858         | 21.3         | 10,713**      | 25.3         |
| Other caisses<br>operating in Quebec | 367          | 3.7          | 965           | 4.2          | 2,232         | 5.2          |
| Mortgage and<br>trust companies      | 1,196        | 12.0         | 2,671         | 11.7         | 5,965         | 14.1         |
| <b>Total</b>                         | <b>9,970</b> | <b>100.0</b> | <b>22,847</b> | <b>100.0</b> | <b>42,383</b> | <b>100.0</b> |

\* Excluding deposits in other banks, Acceptances, Debentures and Foreign currencies.

\*\* Including "la Fédération des caisses d'économie du Québec" - its annexation to the movement took place in 1979.

Sources: - Bank of Canada, Bank of Canada Review monthly.  
 - Bureau de la Statistique du Québec, Statistiques trimestrielles des caisses locales.  
 - CCPEDQ  
 - Auguste Roy, Epargne et credit au Québec, juillet 1977.

Table 2: Deposits Institutions Operating in Quebec

|                                      | Increase 1970-1975 |                                      | Increase 1975-1980 |                                      | Increase 1970-1980 |                                      |
|--------------------------------------|--------------------|--------------------------------------|--------------------|--------------------------------------|--------------------|--------------------------------------|
|                                      | (\$ Million)       | average annual<br>rate of growth (%) | (\$ Million)       | average annual<br>rate of growth (%) | (\$ Million)       | average annual<br>rate of growth (%) |
| Chartered banks                      | 7,554              | 18.0%                                | 8,363              | 10.2%                                | 15,917             | 14.0%                                |
| Quebec savings banks                 | 396                | 11.7%                                | 757                | 12.6%                                | 1,153              | 12.1%                                |
| Caisses populaires<br>Desjardins     | 2,854              | 19.4%                                | 5,855              | 17.1%                                | 8,709              | 18.3%                                |
| Other caisses<br>operating in Quebec | 598                | 21.3%                                | 1,267              | 18.3%                                | 1,865              | 19.8%                                |
| Mortgage and<br>trust companies      | 1,475              | 17.4%                                | 3,294              | 17.4%                                | 4,769              | 17.4%                                |
| Total                                | 12,877             | 18.0%                                | 19,536             | 13.2%                                | 32,413             | 15.6%                                |

The strong performance of the Caisses populaires can be explained by a few factors.

An important reason, according to the MCPED, is the aggressive publicity campaigns based on the nationalistic feeling of Quebecers. Publicity themes such as "C'est profitable pour nous, Québécois" were often used in recent years. However, the "Mouvement Desjardins" does not want to be associated with any political party or aspiration.

"Etre nationaliste, dit Alfred Rouleau, ex-président du Mouvement Desjardins, ne signifie pas être souverainiste. C'est vouloir améliorer la situation des Francophones à l'intérieur du pays."

"To be nationalist, says Alfred Rouleau, former president of the 'Mouvement Desjardins', does not mean supporting sovereignty. It is to want some improvements in the status of the Francophones within the country."<sup>11</sup>

Another important factor explaining the strong performance of the caisses is the high quality of their personalized service (relatively to branches of chartered banks). The business hours of the caisses are more convenient for customers than most of the hours of the banks' branches. In general, the number of members per employee is lower in caisses than the number of customers per employee in banks' branches.<sup>12</sup> In most caisses, total annual salaries represent between 2 and 3 per cent of total liabilities of a caisse compared to 1-1 1/2% in most of the branches of the banks.<sup>13</sup>

The acquisitions made by the movement in recent years can explain, in part, the strong growth of the caisses during the last decade. The merger of "Les Caisses d'économie du Québec" with the Caisses populaires resulted in an increase of over \$.5 billion of deposits held by the MCPED.

Another reason is the similarity of the interest rates offered by the caisses and the chartered banks. Table 3 gives an example of the small differences between the rates of the caisses and the bank's rates. The rates of the caisses in Table 3 are the ones suggested by the "Fédération de Montréal et de l'Ouest du Québec" to their members - the caisses affiliated to the federation. Even though each caisse can offer the interest rates it chooses, the majority of them, during the last ten years, offered the rates suggested by their federation.<sup>14</sup>

In recent years, however, the rates offered by banks to depositors were often superior to the rates of the caisses. To counterbalance the increases in operating costs due to those higher interest rates, the banks reduced personnel in their branches - affecting the quality of their services.<sup>15</sup> Although the caisses did not follow closely the rates of the banks, they maintained during the last few years the high quality of their services. The depositors had to decide between good service at the caisse and higher returns on investments at a bank. Whether or not consumers clearly opted for one of the two alternatives cannot be easily determined, although persons interviewed from the "Mouvement Desjardins" feel that consumers, during the last two or three years, preferred higher returns on their investments. To reduce their operating costs while keeping the quality of their services reasonably high, some federations of the movement offer to their caisses new methods to determine the minimal number of employees needed in the caisses. It will, in the near future, give the opportunity to the caisses to offer competitive deposit interest rates to their members without increasing dramatically their operating costs.

Table 3

## Interest rates comparison - Savings account

A - Chartered bank rates

B - Caisses populaires rates

|       | <u>1976</u> |          | <u>1977</u> |          | <u>1978</u> |          | <u>1979</u> |          | <u>1980</u> |          |
|-------|-------------|----------|-------------|----------|-------------|----------|-------------|----------|-------------|----------|
|       | <u>A</u>    | <u>B</u> | <u>A</u>    | <u>B</u> | <u>A</u>    | <u>B</u> | <u>A</u>    | <u>B</u> | <u>A</u>    | <u>B</u> |
| Jan.  | 7.25        | 7.25     | 6.75        | 6.75     | 5.75        | 5.75     | 9.5         | 9.5      | 12.00       | 11       |
| Feb.  | 7.25        | 7.25     | 6.25        | 6.25     | 5.75        | 5.75     | 9.5         | 9.5      | 12.00       | 11       |
| March | 7.75-8.00   | 7.75     | 6.25        | 6.25     | 5.75-6.25   | 5.75     | 9.5         | 9.5      | 12.00       | 12       |
| April | 8.0         | 8.0      | 6.25        | 6.25     | 5.75-6.25   | 5.75     | 9.5         | 9.5      | 12.00       | 12       |
| May   | 8.0         | 8.0      | 6.25        | 6.25     | 6.75        | 6.75     | 9.5         | 9.5      | 13.25       | 13.25    |
| June  | 8.0         | 8.0      | 5.75        | 5.75     | 6.75        | 6.75     | 9.5         | 9.5      | 10.00       | 10.00    |
| July  | 8.0         | 8.0      | 5.75        | 5.75     | 6.75        | 6.75     | 9.5         | 9.5      | 10.00       | 10.00    |
| Aug.  | 8.0         | 8.0      | 5.75        | 5.75     | 7.25        | 7.25     | 10.00       | 10.00    | 9.25        | 9.00     |
| Sept. | 8.0         | 8.0      | 5.75        | 5.75     | 7.25        | 7.25     | 10.25       | 10.00    | 9.25        | 9.00     |
| Oct.  | 8.0         | 8.0      | 5.75        | 5.75     | 7.75        | 7.25     | 10.75       | 10.50    | 10.00       | 9.75     |
| Nov.  | 8.0         | 8.0      | 5.75        | 5.75     | 9.00        | 9.00     | 12.00-12.25 | 11.00    | 10.50       | 10.25    |
| Dec.  | 7.5         | 6.75     | 5.75        | 5.75     | 9.00        | 9.00     | 12.00       | 11.00    | 13.00       | 12.25    |

Sources: Bank of Canada monthly review  
Fédération de Montréal et de l'Ouest du Québec

## 2. Residential Mortgage Loans

A very important activity of the Caisses populaires is the residential mortgage loan. One of the major objectives set up more than eighty years ago by A. Desjardins was to increase the number of residents in Quebec who owned a house. There are some strong resemblances between the mutual saving and loan associations and the Caisses populaires.

"The S & L associations had their origin in the inability of low income families to raise the necessary capital to either build or purchase a home. Groups banded together into an association of members pledging to make a contribution for a share or a combination of shares. As funds accumulated, members in turn would draw on them. . . . It was relatively small and often met in the back of a store or church. . . . The early associations were established to meet a need for financing that had not been recognized by the existing institutions - mainly commercial banks."<sup>16</sup>

Since the beginning of the 70s, the MS&L have been accused of modifying their prime goals in favour of a more profit-oriented approach -- similar accusations were made in Quebec regarding the prime objectives of the Caisses populaires.

In recent years, due to their deep involvement in the mortgage loan business, to the reversal of the interest rate curve - rates vs. time - and to the strong increase in interest rates, many caisses had (some still have) problems similar to those facing the S & L associations in the United States - offering higher interest rates to lenders than the rates charged to borrowers. Those financial problems are now being avoided with the use of matching techniques.<sup>17</sup>

"Matching implies the distribution of the term of the assets in relation to the term of the liabilities in such a way as to reduce the possibility of loss arising from a change in interest rates."<sup>18</sup>

Those difficulties encountered at the end of the '70s, could explain, in part, the unusually high number of caisses with deficits in recent years. For 1981, the weekly newspaper, Finance, estimated that 356 caisses were losing money -- more than 55% of them were affiliated to the Fédération de Montréal et de l'Ouest du Québec.<sup>19</sup>

In 1980, the value of residential mortgage loans outstanding at the caisses represented more than 40% of their total assets. At the end of that year, the value of RML outstanding at the 1,372 Caisses populaires et d'économie Desjardins was estimated at \$5.4 billion, representing 28% of the total market in Quebec (see table 4). For that same period, the value of RML outstanding at the chartered banks operating in Quebec was \$2.9 billion or 15% of the market. The third most important share was held by the trust companies - 11% of the market.

Before the 1970s, chartered banks were not interested in residential loans. In 1970, the value of RML outstanding at the chartered banks was estimated at \$260 million, compared to \$2.9 billion in 1980 - which represents an average annual rate of growth of 27% over that period (see table 5). The pace was significantly lower from 1975 to 1980 - 14.8%. From 1970 to 1980, the average annual rate of growth at the caisses was substantially lower - 23.4% - although more stable over the period (see table 5). For the same period, the trust companies were experiencing an average rate of growth of 20.5%. One important point to notice in table 5 is the diminished importance of life insurance companies in the mortgage loan market - no growth over the ten year period.

Table 4: Residential Mortgage Loans Outstanding in Quebec

|                               | 1970         |       | 1975         |       | 1980         |       |
|-------------------------------|--------------|-------|--------------|-------|--------------|-------|
|                               | (\$ Million) | in %  | (\$ Million) | in %  | (\$ Million) | in %  |
| Caisses populaires Desjardins | 666          | 15.5  | 1,899        | 19.9  | 5,454        | 28.7  |
| Chartered Banks               | 262          | 6.1   | 1,432        | 15.0  | 2,855        | 15.0  |
| Trust Companies               | 316          | 7.3   | 872          | 9.1   | 2,038        | 10.7  |
| Life Insurance Companies      | 1,256        | 29.3  | 1,395        | 14.5  | 1,244        | 6.6   |
| Quebec Savings Banks          | 307          | 7.1   | 515          | 5.4   | 892          | 4.7   |
| Other Caisses                 | 87           | 2.1   | 335          | 3.5   | 468          | 2.5   |
| Other Institutions*           | 1,413        | 32.7  | 3,115        | 32.6  | 6,049        | 31.8  |
| Total                         | 4,307        | 100.0 | 9,563        | 100.0 | 19,000**     | 100.0 |

\* SCHL, SHQ, Caisse de dépôt et placement du Québec. . . .

\*\* Estimated by Mr. Yves Morency, economist at "direction Recherche de la CCPEDQ".

Sources: - Bank of Canada, Bank of Canada Review monthly.  
 - Stat. Canada, Financial institutions.  
 - Bureau de la statistique du Québec, Statistiques financières des caisses d'épargne et de crédit du Québec.  
 - Other institutions, Annual Reports.  
 - Confédération des Caisses populaires et d'économie du Québec.  
 - Auguste Roy, Epargne et crédit au Québec, juillet 1977.

Table 5: Increases in Residential Mortgage Loans Outstanding in Quebec

|                                 | 1970-1975                                         |                                                    | 1975-1980                                         |                                                    | 1970-1980                                        |                                                    |
|---------------------------------|---------------------------------------------------|----------------------------------------------------|---------------------------------------------------|----------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
|                                 | increase during<br>the five years<br>(\$ Million) | average annual<br>rate of growth<br>for the period | increase during<br>the five years<br>(\$ Million) | average annual<br>rate of growth<br>for the period | increase during<br>the ten years<br>(\$ Million) | average annual<br>rate of growth<br>for the period |
| Caisses populaire<br>Desjardins | 1,233                                             | 23.3%                                              | 3,555                                             | 23.5%                                              | 4,788                                            | 23.4%                                              |
| Chartered Banks                 | 1,170                                             | 40.4%                                              | 1,423                                             | 14.8%                                              | 2,593                                            | 27.0%                                              |
| Trust Companies                 | 556                                               | 22.5%                                              | 1,166                                             | 18.5%                                              | 1,722                                            | 20.5%                                              |
| Life Insurance<br>Companies     | 139                                               | 2.1%                                               | -151                                              | -2.3%                                              | -12                                              | 0.0%                                               |
| Quebec Savings Banks            | 208                                               | 10.9%                                              | 377                                               | 11.6%                                              | 585                                              | 11.3%                                              |
| Other Caisse                    | 248                                               | 30.6%                                              | 133                                               | 6.9%                                               | 381                                              | 18.3%                                              |
| Other Institutions              | 1,702                                             | 17.1%                                              | 2,934                                             | 14.2%                                              | 4,636                                            | 15.7%                                              |
| Total                           | 5,256                                             | 17.4%                                              | 9,437                                             | 14.7%                                              | 14,693                                           | 16.0%                                              |

### 3. Consumer Loans

Here again, the caisses are playing an important role in Quebec even though chartered banks control the market with 51.8% of its share in 1980 compared to 23.3% for the Caisses populaires Desjardins during that same period (see table 6).

The highest average annual rate of growth in the value of consumer loans outstanding over the last decade - 22.6% - was experienced by the Quebec savings banks which controlled only 1.8% of the market in 1980. The average growth rates observed at the chartered banks and the caisses populaires for that same period were 19.2% and 20.4% respectively (see table 7). As for the residential mortgage loans, the value of consumer loans outstanding at the caisses increased more steadily than that of the chartered banks. The average rates for the caisses for the first and last five years of the 1970-1980 period, were 20.3% and 20.6% respectively, compared with 23.1% and 14.9% for the chartered banks.

Table 6: Distribution of Consumer Loans Outstanding in Quebec  
(an estimation)

|                                   | 1970         |       | 1975         |       | 1980         |       |
|-----------------------------------|--------------|-------|--------------|-------|--------------|-------|
|                                   | (\$ Million) | in %  | (\$ Million) | in %  | (\$ Million) | in %  |
| Chartered Banks                   | 863          | 28.7  | 2,486        | 42.8  | 4,980        | 51.8  |
| Quebec Savings Banks              | 22           | .7    | 58           | 1.0   | 169          | 1.8   |
| Caisses populaires<br>Desjardings | 348          | 11.6  | 876          | 15.1  | 2,233        | 23.3  |
| Other Caisses                     | 144          | 4.8   | 262          | 4.5   | 287          | 3.0   |
| Other Institutions*               | 1,631        | 54.2  | 2,129        | 36.6  | 1,931        | 20.1  |
| Total                             | 3,008        | 100.0 | 5,811        | 100.0 | 9,600**      | 100.0 |

\* Life insurance companies, lending institutions, department stores, oil companies.

\*\* Estimated by Mr. Yves Morency, economist at "direction Recherche de la CCPEDQ".

Sources: - Bank of Canada, Bank of Canada Review monthly.  
 - Stat. Canada, Crédit à la Consommation, monthly.  
 - Bureau de la statistique du Québec, statistiques trimestrielles.  
 - Confédération des Caisses populaires et d'économie du Québec.  
 - August Roy, Epargne et crédit au Québec, juillet 1977.

Table 7: Increases in Consumer Loans Outstanding in Quebec

|                                 | 1970-1975                                         |                                                    | 1975-1980                                         |                                                    | 1970-1980                                        |                                                    |
|---------------------------------|---------------------------------------------------|----------------------------------------------------|---------------------------------------------------|----------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
|                                 | increase during<br>the five years<br>(\$ Million) | average annual<br>rate of growth<br>for the period | increase during<br>the five years<br>(\$ Million) | average annual<br>rate of growth<br>for the period | increase during<br>the ten years<br>(\$ Million) | average annual<br>rate of growth<br>for the period |
| Chartered Banks                 | 1,623                                             | 23.1%                                              | 2,494                                             | 14.9%                                              | 4,117                                            | 19.2%                                              |
| Quebec Savings Banks            | 36                                                | 21.4%                                              | 111                                               | 23.8%                                              | 147                                              | 22.6%                                              |
| Caisses populaire<br>Desjardins | 528                                               | 20.3%                                              | 1,357                                             | 20.6%                                              | 1,885                                            | 20.4%                                              |
| Other Caisses                   | 118                                               | 12.7%                                              | 25                                                | 1.8%                                               | 143                                              | 7.1%                                               |
| Other Institutions              | 498                                               | 5.5%                                               | -198                                              | -2.0%                                              | 300                                              | 1.7%                                               |
| Total                           | 2,803                                             | 14.1%                                              | 3,789                                             | 10.6%                                              | 6,592                                            | 12.3%                                              |

#### 4. Commercial and industrial loans

Until recently, the caisses had never played a significant role in the commercial and industrial loans business. Since 1975, the participation of the caisses in the development of the commercial and industrial sector increased remarkably.

"Même si les Caisses ne comblent qu'un peu plus de 4% des besoins de financement des entreprises au Québec, la valeur de leurs prêts en cours a progressé à un rythme annuel moyen de 41.5% pendant la période de 1975 à 1980."

"Even if the Caisses fill only 4% of the financing needs of firms in Quebec, the value of their loans outstanding has increased at an average annual rate of 41.5% during the 1975-1980 period."<sup>20</sup>

- 
1. Desjardins to Henry W. Wolff, Oct. 27, 1900, Archives de la Confédération des Caisses populaires et d'économie Desjardins, Québec.
  2. Desjardins, 1912, Archives de la Confédération des Caisses populaire et d'économie Desjarins, Québec.
  3. Fédération de Montréal v. Michel Cousineau, directeur de la Caisse populaire St-Maurice de Duvernay.
  4. "The Caisse Populaire: A French Canadian Economic Institution in Manitoba", by Ohannes Sarkis Balian, University of Manitoba, 1975.
  5. Léonard Robitaille, Directeur, Caisse populaire de Dupuy.
  6. Adrien Drouin, Directeur, Caisse populaire de Ste. Germaine.
  7. Supra note 4.
  8. Revue Notre Dame, 1975, Dossier: Les Caisses Populaires de pop-sac-à vie à Place Desjardins, des Tournants Difficiles.
  9. "Guide pour les Nouveaux Dirigeants", published by MCPED.
  10. "Statistique trimestrielles des Caisses locales par Fédération", Bureau de la statistique du Québec, 13 décembre 1980.

11. Le Devoir, 22 mars 1978.
12. Fédération de Montréal et de l'Ouest du Québec.
13. Ibid.
14. Ibid.
15. Fédération de Montréal et de l'Ouest du Québec.
16. Alfred Nicols, "Management and Control in the Mutual Savings and Loan Association", Lexington Books, 1972.
17. Supra note 12.
18. F. M. Redington, "Review of the Principles of Life - Office Valuations", Prudential Assurance Company, Ltd., April, 1952.
19. Finance, March 22, 1982. 55% - including the Fédération de Montréal des Caisses Desjardins where 20 out of 32 caisses were losing money.
20. Mr. Yves Morency, Economist at the CCPEDQ.

## CHAPTER TWO

### LEVEL TWO — THE FEDERATIONS

#### A. Definition and Role

The federations, known before as "unions régionales" were created not very long after the first few caisses were established. A federation is a cooperative association where the members are the caisses populaires operating in the federation's defined region.

The federations are based on principles similar to those of the caisses - the federations are at the service of the caisses which created them as the caisses populaires are at the service of the members who built them.

These regional associations help the caisses to reach their common objectives. They unite, advise, stimulate and strengthen the caisses populaires by offering them specific services. A federation is run by a board of directors elected at a general assembly by delegates representing the caisses affiliated to the federation. Each caisse has the right to only one vote - given to the delegate. As it is for each caisse, a federation also has a credit committee as well as a supervisory committee. Their mandates are similar to the committees at the level of the caisses. For example, the credit committee of a federation will take over the responsibilities of a caisses' credit committee concerning the demands of important loans.

Every year, each federation will receive contributions from its affiliated caisses. Each caisse will give 1/4 of 1% of its total average assets.

For example, if a caisse has an average total asset of \$1,000,000, it will give \$2,500 to its federation. The majority of these contributions - 60% - goes to the Confederation of the federations for services rendered to them. Another 5% goes to the Confederation to increase security reserves. The rest of the contributions stay within each federation to finance the services offered to the caisses. To sum up, for each dollar received in a federation, \$0.05 goes to the reserves administered by the Confederation, \$0.35 stays within the federation and \$0.60 goes to the Confederation.

The reserves are held for security reasons. If a caisse is in financial difficulties, it can borrow from these funds. At the end of 1980, these funds were estimated at \$4.1 million.

There are several services offered by the federations to the caisses. These services can be categorized in five different groups: administrative, educational, research, human resources and financial. The first four are typical of any head offices or even regional head offices.

The financial services are the most important for the caisses and can, in general, be divided into four divisions: deposit, clearing-house, credit and investment.

Each caisse can deposit its surplus funds at the federation. The division of deposit is also responsible for the purchase and the sale of bonds and short term assets, for the caisses' liquid assets and the provision of cash as well as foreign exchange at the caisses.

A federation also acts as a clearing-house for its affiliated caisses populaires.

The credit division, as explained earlier, authorizes or refuses loans too important to be handled by the credit committee of a caisse.

The last division invests assets, deposited by the caisses at the federation, in government bonds.

#### B. The Eleven Federations

Today there are eleven federations in the "Confédération des Caisses populaires et d'économie Desjardins du Québec" (see table 8). The last one mentioned in table 8 is the newly acquired (November, 1979) "Fédération des caisses d'économie Desjardins du Québec", known previously as "Fédération des Caisses d'économie du Québec" (see table 9). In January, 1982, another institutional change took place - the "Fédération de Montréal des Caisses Desjardins", which until last January was not a member of the Confederation, joined the movement when it merged with the "Fédération des Caisses populaires Desjardins de Montréal et de l'Ouest du Québec" (see table 9).

The most important federation, in terms of assets, is the "Fédération des Caisses populaires Desjardins de Montréal et de l'Ouest du Québec" with over \$4 billion in total assets at the end of its 1980 fiscal year. Then follows the "Fédération des Caisses populaires Desjardins de Québec" and the "Fédération des Caisses populaires Desjardins du Centre du Québec" with \$3 and \$1.2 billion respectively in total assets.

**Table 8**  
**The Federations**  
(12.31.80)

|                                                                                          | Number of<br>Caisses<br>(units) | Total Assets*<br>(\$ Billion) |
|------------------------------------------------------------------------------------------|---------------------------------|-------------------------------|
| Fédération des Caisses populaires<br>Desjardins du Centre du Québec                      | 139                             | 1.2                           |
| Fédération des Caisses populaires<br>Desjardins de Québec                                | 328                             | 3.0                           |
| Fédération des Caisses populaires<br>Desjardins de Montréal et de L'Ouest<br>du Québec** | 345                             | 4.0                           |
| Fédération des Caisses populaires<br>Desjardins de la Péninsule et des Isles             | 44                              | 0.19                          |
| Fédération des Caisses populaires<br>Desjardins de l'Estrie                              | 80                              | 0.51                          |
| Fédération des Caisses populaires<br>Desjardins du Bas-St-Laurent                        | 82                              | 0.37                          |
| Fédération des Caisses populaires<br>Desjardins du Saguenay-Lac-St-Jean                  | 69                              | 0.37                          |
| Fédération des Caisses populaires<br>Desjardins de l'Abitibi                             | 44                              | 0.13                          |
| Fédération des Caisses populaires<br>Desjardins de Richelieu-Yamaska                     | 77                              | 0.95                          |
| Fédération des Caisses populaires<br>Desjardins de Lanaudière                            | 48                              | 0.42                          |
| Fédération des Caisses d'économie***<br>Desjardins du Québec                             | 116                             | 0.34                          |
|                                                                                          | <hr/> 1,372                     | <hr/> 11.6                    |

\* Assets of the caisses affiliated to the Federations.

\*\* Excluding "Fédération de Montréal des Caisses Desjardins".

\*\*\* Do not include the "Ligue des Caisses d'économie du Québec" since its merger with the "Fédération des Caisses d'économie Desjardins du Québec" took place during the month of January, 1981.

Table 9

## Institutional Changes in Recent Years\*

| <u>Before November 1979</u>            | <u>After November 1979</u>                                                                                          | <u>After January 1981</u>                                                                                   | <u>After January 1982</u>                                                                                 |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 10 Federations                         | 11 Federations                                                                                                      | 11 Federations                                                                                              | 11 Federations                                                                                            |
| Fédérations des Caisses populaires     | Fédérations des Caisses populaires                                                                                  | Fédérations des Caisses populaires                                                                          | Fédérations des Caisses populaires                                                                        |
| 1. de Montréal et de l'Ouest du Québec | 1. de Montréal et de l'Ouest du Québec                                                                              | 1. de Montréal et de l'Ouest du Québec                                                                      | 1. <b>de Montréal et de l'Ouest du Québec including the Fédération de Montréal des Caisses Desjardins</b> |
| 2. de Québec                           | 2. de Québec                                                                                                        | 2. de Québec                                                                                                | 2. de Québec                                                                                              |
| 3. du Centre du Québec                 | 3. du Centre du Québec                                                                                              | 3. du Centre du Québec                                                                                      | 3. du Centre du Québec                                                                                    |
| 4. de la Péninsule et des Iles         | 4. de la Péninsule et des Iles                                                                                      | 4. de la Péninsule et des Iles                                                                              | 4. de la Péninsule et des Iles                                                                            |
| 5. de l'Estrie                         | 5. de l'Estrie                                                                                                      | 5. de l'Estrie                                                                                              | 5. de l'Estrie                                                                                            |
| 6. du Bas St-Laurent                   | 6. du Bas St-Laurent                                                                                                | 6. du Bas St-Laurent                                                                                        | 6. du Bas St-Laurent                                                                                      |
| 7. du Saguenay-Lac-St-Jean             | 7. du Saguenay-Lac-St-Jean                                                                                          | 7. du Saguenay-Lac-St-Jean                                                                                  | 7. du Saguenay-Lac-St-Jean                                                                                |
| 8. de l'Abitibi                        | 8. de l'Abitibi                                                                                                     | 8. de l'Abitibi                                                                                             | 8. de l'Abitibi                                                                                           |
| 9. de Richelieu-Yamaska                | 9. de Richelieu-Yamaska                                                                                             | 9. de Richelieu-Yamaska                                                                                     | 9. de Richelieu-Yamaska                                                                                   |
| 10. de Lanaudière                      | 10. de Lanaudière                                                                                                   | 10. de Lanaudière                                                                                           | 10. de Lanaudière                                                                                         |
|                                        | 11. <b>Fédération des Caisses d'économie du Québec, known before as Fédération des Caisses d'économie du Québec</b> | 11. <b>Fédération des Caisses d'économie du Québec, including the Ligue des Caisse d'économie du Québec</b> | 11. Fédération des Caisses d'économie du Québec                                                           |

\* Changes are printed in **dark**.

## CHAPTER THREE

### LEVEL THREE — "LA CONFEDERATION DES CAISSES POPULAIRES ET D'ECONOMIE DESJARDINS"/THE ECONOMIC ACTIVITIES OF THE MCPED IN QUEBEC

#### A. Definition and Role

The Confederation is a cooperative association created in 1932 with the help of Senator Cyrille Vaillancourt. The members of the association are the eleven federations and a few financial institutions - mostly insurance and trust companies.

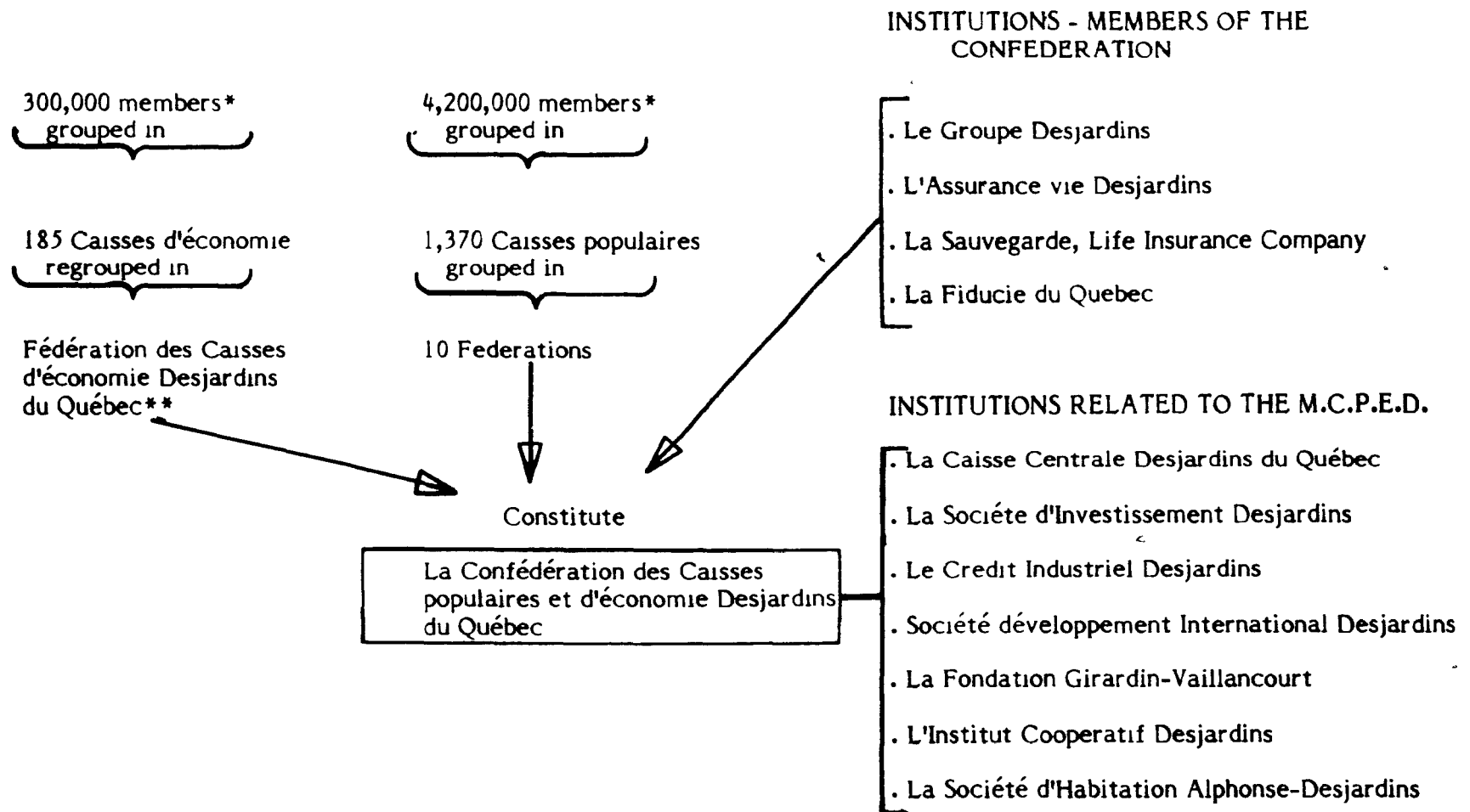
The rôle of the Confederation is to define the common goals of its members, to guide, to advise and to control in some ways, the members in their activities. It must also try to promote the cooperative doctrine wherever it can.

More precisely, the Confederation helps its members with their technical, personnel, administrative and financial problems. Research, publicity and national and international relations are the other areas where the Confederation serves the federations and the institutions of the "Mouvement Desjardins". It is also responsible for all computerized systems in the organization.

The organizational chart on the following page, gives a clear idea of the "Mouvement des Caisses populaires et de l'économie Desjardins du Québec".

The financial institutions such as l'Assurance Vie Desjardins and La Sauvegarde were created or acquired by the caisses and their federations to broaden the categories of services offered by the "Mouvement Desjardins".

# ORGANIZATION CHART OF THE M.C.P.E.D (12.31.80)



\* The actual number of persons affiliated to the caisses is lower than the number of members since one person can be a member of more than one caisse.

\*\* Including the "Ligue des Caisses d'économie du Québec"

For example, the "Credit industriel Desjardins" and the "Société d'investissement Desjardins" were created to answer the financial needs of the small and medium sized firms of Quebec. The "Groupe Desjardins" offers all types of insurance, excluding life insurance. The "Assurance-vie Desjardins" and the "Sauvegarde" provide life insurance. The movement also includes a trust company - "La Fiducie du Québec". The "Société de développement international Desjardins" helps cooperatives located in the third world. The "Société d'habitation Alphonse-Desjardins" promotes cooperative housing projects in Quebec. The "Institut coopératif Desjardins" is a residential centre for adult education.

#### B. The Economic Activities of the MCPED in Quebec

The following pages contain a very brief survey of the economic importance of the "Mouvement Desjardins" as a whole in the different regions of the province.

At the end of 1980, the caisses and the institutions of the movement were employing more than 19,000 workers in Quebec, representing \$313 million in salaries. At the end of that year, total assets of the MCPED were valued at more than \$13 billion. The value of mortgage and consumer loans outstanding was estimated at \$5.7 billion and \$2 billion respectively. The value of commercial and industrial loans outstanding was \$1 billion. The movement was also very active in agricultural and fishing industries - \$0.5 billion in loans outstanding. The \$3.2 billion left were mostly invested in government bonds.

AREA I: Territory Covered by the "Fédération des Caisses populaires  
Desjardins de Montréal et de l'Ouest du Québec"

Living mostly in the urban areas such as Montreal, Hull and Rouyn, the total population of this region was estimated at 3.4 million in 1978, from which more than 1.6 million persons were employed.<sup>1</sup> The average annual income per household in 1979 was \$21,500.

Table 10 illustrates the importance of the caisses and the institutions of the "Mouvement Desjardins" in this area. By the end of 1980, there were close to 1.6 million members<sup>2</sup> in the caisses and institutions with savings of more than \$3.7 billion. The movement was very active in mortgage and consumer loans - \$2.3 billion and \$0.6 billion respectively.

AREA II: Territory Covered by the "Fédération des Caisses populaires  
Desjardins de Québec"

The population and the working force for 1979 were respectively 1.1 million and 480 thousand. The average annual income per household was estimated at \$22,100 for that same year.

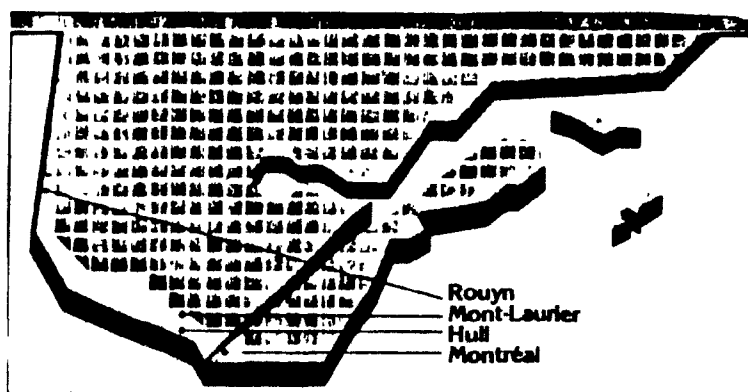
The caisses and the institutions are very active in this part of the province. By the end of 1980, there were close to 1 million members<sup>2</sup> of the movement in the region with savings valued at \$2.7 billion. A large portion of the total assets of the caisses and the institutions operating in Area II is in commercial and industrial loans rather than in residential mortgage loans as observed in Area I (see tables 10 and 11).

Table 10

**ECONOMIC ROLE OF THE MCPED — AREA I**  
(12.31.80)

|                                                                    |                 |
|--------------------------------------------------------------------|-----------------|
| Caisses .....                                                      | 345             |
| Offices from Institutions of the MCPED .....                       | 26              |
| Members .....                                                      | 1,597,934       |
| Employees .....                                                    | 7,324           |
| Aggregate Remuneration of Employees .....                          | \$119.3 million |
| Savings .....                                                      | \$3.7 billion   |
| Consumer Loans Outstanding .....                                   | \$597.6 million |
| Residential Mortgage Loans Outstanding .....                       | \$2.3 billion   |
| Commercial and Industrial Loans Outstanding .....                  | \$398.2 million |
| Loans Outstanding to the Fishing and<br>Agricultural Sectors ..... | \$63.6 million  |

**AREA I**



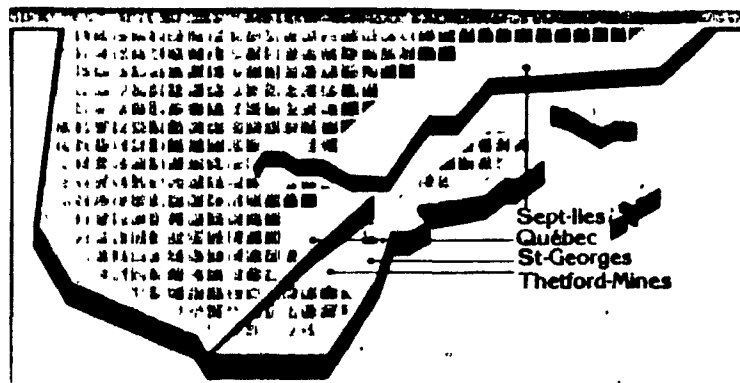
Source: Ma Caisse, Volume 18 - Numero 6, 1981, Published by MCPED

Table 11

**ECONOMIC ROLE OF THE MCPED — AREA II**  
(12.31.80)

|                                                                    |                 |
|--------------------------------------------------------------------|-----------------|
| Caisses .....                                                      | 328             |
| Offices from Institutions of the MCPED .....                       | 10              |
| Members .....                                                      | 995,571         |
| Employees .....                                                    | 3,892           |
| Aggregate Remuneration of Employees .....                          | \$103.2 million |
| Savings .....                                                      | \$2.7 billion   |
| Consumer Loans Outstanding .....                                   | \$500.8 million |
| Residential Mortgage Loans Outstanding .....                       | \$1.4 billion   |
| Commercial and Industrial Loans Outstanding .....                  | \$300.7 million |
| Loans Outstanding to the Fishing and<br>Agricultural Sectors ..... | \$151.4 million |

AREA II



Source: Ma Caisse, Volume 18 - Numero 6, 1981, Published by MCPED

AREA III: Territory Covered by the "Fédération des Caisses populaires  
Desjardins du Centre du Québec"

The population of this region was estimated, for 1980, at 423,000 inhabitants. Close to 75% of them were living in urban areas such as Trois-Rivières, Drummondville and Shawinigan. Less than 40% of the population was in the labor force during the same period. In 1979, the average income per household was lower than those in the first two areas analyzed - \$19,500.

In 1980, the total savings by the 411,585 members<sup>2</sup> at the MCPED were valued at \$1.3 billion. The caisses and institutions of the movement were active in the residential mortgage loan business - the value of the residential mortgage loans outstanding was \$528.8 million for 1980 (see table 12).

Other Areas

The three regions just analyzed are the most important areas in Quebec from an economic point of view. Tables representing the economic role of the MCPED in other parts of Quebec can be found in Appendix II.

Conclusions on the Role of the MCPED in Quebec

A few conclusions can be drawn from the preceding analysis.

The importance of each of the services in a region depends on the specific needs of the region. For example, the caisses and institutions operating in AREA II are more active in the fishing and agricultural sectors than are the caisses and institutions in AREA I. These particular needs are greater in AREA II than in AREA I.

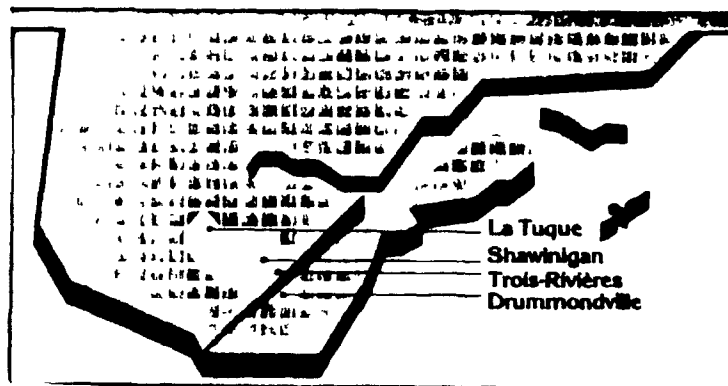
Until recently most of their activities were answering the needs of individuals - deposit accounts, consumer loans and residential mortgage loans.

Table 12

**ECONOMIC ROLE OF THE MCPED — AREA III**  
(12.31.80)

|                                                                    |                 |
|--------------------------------------------------------------------|-----------------|
| Caisses .....                                                      | 139             |
| Offices from Institutions of the MCPED .....                       | 4               |
| Members .....                                                      | 411,585         |
| Employees .....                                                    | 1,800           |
| Aggregate Remuneration of Employees .....                          | \$26.6 million  |
| Savings .....                                                      | \$1.3 billion   |
| Consumer Loans Outstanding .....                                   | \$204.7 million |
| Residential Mortgage Loans Outstanding .....                       | \$28.8 million  |
| Commercial and Industrial Loans Outstanding .....                  | \$120.2 million |
| Loans Outstanding to the Fishing and<br>Agricultural Sectors ..... | \$82.2 million  |

**AREA III**



Source: Ma Caisse, Volume 18 - Numero 6, 1981, Published by MCPED

With the creation of institutions such as "La Société d'investissement Desjardins", "Le Credit industriel Desjardins" and "La Caisse centrale Desjardins du Quebec" the MCPED will certainly increase its role in the commercial and industrial sectors in the 80's. The caisses are now also participating in the commercial and industrial loan business. At the end of 1980, the value of the MCPED's commercial and industrial loans outstanding was estimated at \$1.4 billion - representing 5% of the total needs of the province in this sector.

- 
1. Ma Caisse, Volume 18, Numero 6, 1981, Published by MCPED.
  2. The actual number of persons affiliated to the caisses in Quebec is lower than the number of members since one person can be a member of more than one caisse and this has not been accounted for in the estimates of the number of members.

## SUMMARY

The caisses populaires still follow some of the basic principles established by the founder of the "Mouvement Desjardins". Even those closer to a more capitalistic approach cannot be considered as operating like a chartered bank.

The orientations and activities of a Caisse populaire are, in general, in the hands of the administrators and the director of the caisse.

The services offered to the population by the caisses populaires are of major importance in Quebec.

The eleven federations act mainly as clearing-houses and financial advisers for their affiliated caisses.

The "Mouvement des Caisses populaires et d'économie Desjardins" plays a major role in the Quebec economy.

Until recently most of the activities of the movement were oriented to serve the needs of individuals. With the creation of institutions such as SID and Le Credit Industriel Desjardins, the MCPED will, in the near future, be very active in the commercial and industrial sectors.

**BOOK III**

**ANALYSIS OF THE OPERATING COSTS OF THE CAISSES POPULAIRES**

## INTRODUCTION

This third and last book is an analysis on the operating costs of the Caisses populaires.

In the last 20 years cost accounting in the commercial bank industry has become increasingly popular, particularly in the United States. Several factors explain this phenomenon.

"Declining net profit and return on investment on the one hand and regularly inflated operational costs on the other, in the commercial banking industry, have separately as well as conjointly contributed to stimulating the necessity for knowledge as to the character, impositon and movements of commercial bank costs."<sup>1</sup>

Due to the increasing competition among financial institutions and the growing desire of investors to get the greatest possible return, bank executives have become more interested in cost analysis.

Cost accounting can serve many purposes but it is mostly used to improve internal business efficiency.

"Without cost accounting management can only guess what departments are unprofitable. When a department is shown to be unprofitable, a program of cost control gives management a tool to take corrective measures through either a revision in rate charges or an examination of existing work procedures that may prove to be too costly."<sup>2</sup>

It can help bankers to identify the services which could improve profits by reducing operating costs. A dollar saved through cost control goes directly to profits.

Bank cost studies are also used by regulatory authorities to provide the best possible financial system for the welfare of the community. Cost accounting gives information concerning economies-of-scale in the banking services and provides some answers to questions concerning monopoly and competition in banking.

"Economies-of-scale in banking have implications which extend far beyond an interest in efficiency for its own sake. To the extent that a new bank must achieve a significant share of its product market in order to produce at minimum unit cost, there exists a potential barrier to new entry...the failure to capture (say) 10 or 20 percent of the market will place them at a competitive cost disadvantage."<sup>3</sup>

It is important to stress the fact that cost accounting techniques involve a number of arbitrary decisions notably in the allocation of costs among different services. No method of commercial bank cost analysis can be considered as totally objective. Finally, the methods used depend on the objectives set up.

The main objective of this study is to determine if economies-of-scale exist in the operating costs associated with the most important services offered by the caisses.

The first chapter is a complete description of the approach used to analyze the operating costs of the caisses populaires. Chapter two presents the results of the study - each of the important services is considered separately. The last chapter contains the general conclusions drawn from the cost study and a look at potential markets for the caisses.

## CHAPTER ONE

### THE APPROACH USED

The method used to analyze the costs of the caisses is similar to the approach used by G. J. Benston in the mid-1960s to determine economies-of-scale in American banking operations.

"Rather than attempting to find a single index of output for the whole bank firm, Benston's approach disaggregates bank firms into their component functions of service - demand deposits, time deposits, capital and industrial lending . . . and relates the costs of providing each function or service to a physical measure of output of each function, usually the number of accounts serviced."<sup>4</sup>

The more conventional cost analysis and techniques during the 1960s have used different approaches than the Benston's approach. Most of these were using total assets and loans and investments as measures of output.

Several reasons justify the choice of the "Benstonian" approach here, which is widely accepted and used today, over the others for this cost study. The first reason is the objective of this present analysis which is, as defined earlier, to identify economies-of-scale, if any, in the main services of the caisses. The method for this study gives cost information on the services offered by the caisses, helping to identify which of these services are the most expensive to operate and possibly giving the caisses some guidance to reduce these high costs. A more general approach using total assets and loans and investments as measures of output would not clearly identify the costly services for the caisses

and thus, would not provide enough information to improve the internal business efficiency in the caisses' operations as well as a study using the Benstonian approach would.<sup>5</sup> Another reason is the difficulty to justify total assets and loans and investments as valid or accurate measures of output. Banks and caisses are producing a series of homogeneous services (demand deposits, time deposits, etc.) and each of these should be analyzed separately. The number of deposit accounts and loans processed as a measure of output (used by Benston) rather than the use of dollars of deposits and loans processed, is preferable to represent the output of a caisse.

"The work of a bank consists of transferring funds on demand, holding and investing funds for time depositors, and making loans and investments. The operation costs incurred are a function of the services performed. Since these services are related primarily to the number of deposit accounts and loans processed rather than the dollars loaned, economies-of scale should be measured against this concept of output."<sup>6</sup>

#### Services Analyzed

Four services offered by the caisses populaires were analyzed in this study: demand deposit services; time deposit services; mortgage loans; and personal and business loans. Other services are offered to the members but their importance in the caisses' activities did not justify their analysis.

#### Direct and Indirect Costs

Cost data for each caisse, gathered for the study were divided into two categories, direct annual costs which can be attributed directly to one or a few services, and indirect annual costs such as business promotion and occupancy

expenses, which depend on the overall activity of a caisse and cannot be associated with one or a few services offered by the caisses.

In view of the main objective of this study which is to determine if economies-of-scale exist in the caisses' four main services, only direct costs of demand deposits, time deposits, mortgage loans, and instalment and business loans were analyzed.

Direct costs, mostly payroll and computer costs,<sup>7</sup> represent in average 70 percent of a caisse's total costs (excluding interest paid). Interest costs were excluded from this study since interest rates offered by a caisse are mostly determined by the market and consequently, not influenced by the size of a caisse. A caisse will usually offer the rates recommended by its federation which are based on the rates offered in the market (see Book 2, Chapter one, Section D.I).

The information provided by the participating caisses and the "Fédération de Montréal et de l'Ouest du Québec", rendered possible the estimation, for each caisse, of the direct costs associated with each of the four services analyzed. For example, salaries were allocated to the services directly where the employee worked before for one of the four services and by time-sheet analysis where he worked for more than one of the four services (see Appendix IV).

#### Variables on Which Direct Costs Depend

A list of explanatory variables, the essential determinants of costs related to the caisses' services was prepared for the regression. We shall review in this section these independent variables used in this study.

First, the number of deposit accounts or the number of loans were used as measures of output for the four services analyzed. For example, the number of demand deposit accounts was used as the measure of output for the demand deposit service. The variable used is the arithmetic mean of the number outstanding at the end of the first and last months of the fiscal year.

Since many operational costs are also related to the amount a customer deposits or borrows, the average balance of deposit accounts and loans was included in the list of explanatory variables. This variable is the quotient of the sum of deposits or loans at the end of the first and twelfth months divided by the sum of the number of accounts or loans at the end of the first and twelfth months as shown below:

$$Ab = \frac{Ab1 + Ab2}{N1 + N2}$$

where Ab is the average balance used, Ab1 and Ab2 are the average balance for the first and twelfth months and N1 and N2 are the number of accounts or loans at the end of the first and twelfth months of the fiscal year.

Although the quality of the output has an undisputed effect on costs, this factor was not included as an explanatory variable in this study - the quality was assumed to be the same from one caisse to another since they belong to the same organization and have similar operating structures. Moreover, a quality variable would be extremely difficult to build for these "products".

One explanatory variable, the activity index, was included for the cost analysis of the demand deposit service. The index is derived from the average number of deposits, cheques and transit items, per account over the fiscal year. These three items were weighted using time factors prepared in 1981 by the

"Fédération de Montréal et de l'Ouest du Québec", before they were added together (see below).

$$I = t_1 Nd + t_2 Nc + t_3 Nt$$

where I is the activity index, Nd, Nc and Nt are, respectively, the number of deposits, cheques and transit items per accounts over the year and  $t_1$ ,  $t_2$  and  $t_3$  are the corresponding time factors.

The growth and variability of the number of deposits or loans processed over the last five years were included in the regressions since these factors may affect the costs of the services. We can relate these two factors to the short and long run production function theory. A regression was done for each of the analyzed services in every caisse, to estimate the annual rate of change and the variability, over the last five years, of the number of accounts and loans. In every caisse, for each of the services, the coefficient "M" associated with the year variable "Y" in  $N = C + MY$  (where N is the number of accounts or loans and Y, varying from one to five, represents the year), was estimated through regression to represent the annual rate of change of the number of accounts or loans. The standard error of the regression was chosen for the variability of the output.

By restricting the sample for this study to caisses located in Montreal and regions nearby, there was no need for a wage-rate index and other indexes to compensate for differences in factor prices among observations.

Other explanatory variables were also included in some of the regressions; they shall be reviewed in the relevant subsequent sections of the next chapter.

### Source and Computation of Data Used

Data used for this study were obtained through the participation of the "Fédération de Montréal et de l'Ouest du Québec" as well as the collaboration of more than 40 of its caisses. Access to the information needed was authorized by the "Fédération". The access to the data was the result of two months of efforts during which meetings with senior officials from the "Fédération de Montréal et de l'Ouest du Québec" in Montreal and from the "Confédération" in Lévis have taken place.

Most of the information was extracted from dossiers filed at the Head Office of the "Fédération" in Montreal (see the list of data gathered in Appendix III). Additional information was obtained through questionnaires answered by the caisses (see Appendix IV). A questionnaire was sent to 80 caisses from the federation chosen for the study; over 40 of them were returned. Information gathered for the study covers the 1980-81 fiscal year ending between August and November of 1981. The caisses chosen for the analysis had total assets varying between \$2.9 and \$23.5 million. The following table illustrates the size distribution included in the sample for the regressions:

| Total Assets<br>(\$ million) | <u>Size Distribution</u> |             |              |                       |                 |
|------------------------------|--------------------------|-------------|--------------|-----------------------|-----------------|
|                              | <u>2.9-5</u>             | <u>5-10</u> | <u>10-15</u> | <u>15<sup>+</sup></u> | <u>2.9-23.5</u> |
| Distribution<br>(%)          | 19                       | 52          | 20           | 9                     | 100             |

A cost function for each of the four services analyzed was estimated by the multiple regression analysis, using data on the 40 caisses. A series of tests

(Durbin-Watson and Fisher) were conducted on each of the four regressions to detect and resolve any problem of heteroskedasticity and autocorrelation. Other tests were used to verify if the coefficients estimated in the regressions were significant (Student's one tail test at the .05 level for example)..

At first, direct costs were regressed on the output variables and the other explanatory variables for each of the four services. Presence of the heteroskedasticity was detected in three of the four regressions. All variables were then converted to natural logarithms and then used in the regressions. The transformation of all the variables resulted in the elimination of heteroskedasticity previously found in the regressions. Other reasons also justify the use of the logarithmic transformation in this study.

"First, the use of logarithms... allows the estimated cost curves to be virtually of any theoretically recognized shape... Second, the logarithmic form allows the direct estimation of elasticity from the coefficients of the independent variables."<sup>8</sup>

The latter reason can be explained easily by the following example:

1.  $\ln y = a \ln x$

where a is a constant  
and y and x are the  
variables.

2.  $d(\ln y) = d(a \ln x) = a d(\ln x)$

3.  $\frac{dy}{y} = a \frac{dx}{x}$

4.  $\frac{\frac{dy}{y}}{\frac{dx}{x}} = a$

where a by definition is  
the elasticity

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The latter reason can be explained easily by the following example:

1.  $\ln y = a \ln x$  where  $a$  is a constant  
and  $y$  and  $x$  are the  
variables.

2.  $d(\ln y) = d(a \ln x) = a d(\ln x)$

3.  $\frac{dy}{y} = a \frac{dx}{x}$

4.  $\frac{\frac{dy}{y}}{\frac{dx}{x}} = a$

where  $a$  by definition is  
the elasticity

- 
1. A.K. Gosh, "Cost Accounting in Commercial Banking Industry", p. 7.
  2. Pennsylvania Bankers Association: Bank Management Symposium, 1958; W.J. Boyle, A.K. Gosh, "Cost Accounting in Commercial Banking Industry".
  3. Murray E. Polakoff, "Financial Institutions and Markets", Houghton Mifflin Co., 1970, p. 577.
  4. A.K. Gosh, supra note 1, at p. 116.
  5. A.K. Gosh, supra note 1.
  6. G.J. Benston, "Economies-of-Scale and Marginal Costs in Banking Operations", The National Banking Review, June 1965.
  7. Computer costs include renting costs or depreciation as well as extra charges which are based on the frequency of use.
  8. G.J. Benston, "Economies-of-scale and Marginal Costs in Banking Operations", The National Banking Review, June 1965.

## CHAPTER TWO

### RESULTS OF THE COST STUDY

#### A. Demand Deposits - Direct Operating Costs and Economies-of-Scale

In the fiscal year of 1981, approximately one-third of the total deposits held in the caisses chosen for this study were demand deposits. In terms of the direct operating costs as defined earlier, demand deposit is one of the most expensive services to offer for the caisses. Labour and computer costs are the two major components of direct costs associated with this particular service.

The average number of chequing accounts outstanding (NO) was chosen as the basic measure of output for reasons earlier mentioned. Various statistical tests concluded that the coefficient of NO (.960) estimated in the regression was significant.

The average balance held in demand deposits (VMO) could be an important determinant of the direct costs if extra services are provided in the caisses to larger depositors. Moreover, the caisses may offer free services instead of interest to customers with larger accounts. The coefficient associated with this variable (.485) was found significant.

The annual rate of growth (RCO) and the variability (VAO) in the number of demand deposit accounts should also affect the direct operating costs of this service. For instance, a caisse experiencing rapid growth or important fluctuations in the number of accounts from year-to-year may be more labour intensive (or less capital intensive) than it would have been otherwise. As explained in the previous chapter, these variables were estimated for each caisse

through regressions, using historical data from 1977 to 1981, mainly the number of demand deposit accounts at the end of each of these fiscal years (see chapter one, section entitled "Variables on which direct costs depend"). The rate of growth variable had a standard error that was larger than its coefficient and hence, was excluded from the final cost equation for this service. The coefficient associated with the variability in the number of accounts was found significant.

The number of demand-to-total deposits ratio was considered as an explanatory variable to measure the effects of other activities in a caisse on the direct costs connected to demand deposits. However, this variable was excluded from the final cost equation because its coefficient estimated in the regression was smaller than its standard error.

The activity index derived from the weighted average number, over the fiscal year, of deposits, cheques and transit items per account (see chapter one under "Variables on Which Direct Costs Depend"), was also considered as an independent variable. An activity index had to be developed to eliminate problems of collinearity between the three components of the index when these were included in the regression as three separate explanatory variables. This index variable was rejected however from the equation since its standard error was larger than its coefficient and thus, not significant.

The results of the regression are given in Table 1.

TABLE I  
Demand Deposits - Annual Direct Costs (1981)

| <u>Explanatory Variable *</u>                  | <u>Coefficient</u> | <u>Standard Error</u> |
|------------------------------------------------|--------------------|-----------------------|
| NO (number of accounts)                        | .960               | .063                  |
| VMO (average balance)                          | .485               | .170                  |
| VAO (variability in the<br>number of accounts) | .134               | .058                  |
| C (constant term)                              | -6.040             | 1.234                 |

---

R<sup>2</sup>: .9178

Standard Error of the Regression: .1732

Number of Observations: 32

Final Equation:  $ED = -6.04 + .96 NO + .485 VMO + .134 VAO$

\*All variables are in natural logarithms. Those reported are the significant regression variables.

Demand Deposits and Economies-of-Scale:

The coefficient of the number of accounts estimated in the regression (.960) indicates that small economies-of-scale exist in this service.

A marginal cost per account, the additional cost for a year resulting from a unit change in the number of accounts, was computed from the equation for the minimum and maximum number of accounts in the sample as well as for the geometric mean of the number of accounts (see Table 2 and Chart 1). Other variables were held at their geometric mean values. The geometric mean\* was preferred over the simple arithmetic average because it is a superior measure of what could be called a typical caisse. For example, a number of large caisses in the sample can render the arithmetic average too high and, consequently, be an inadequate representation of a "normal" caisse. The geometric mean eliminates this possible bias.

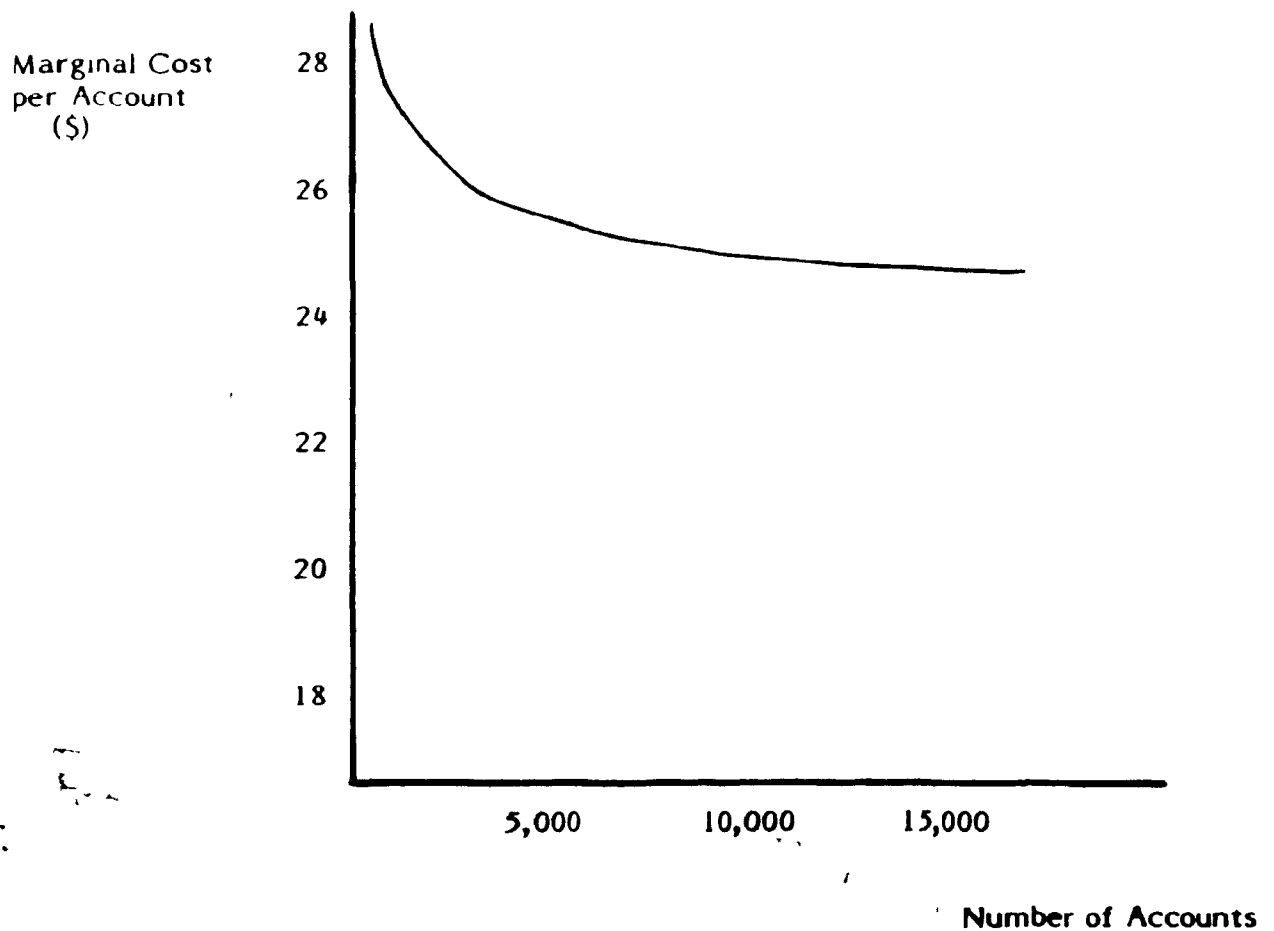
\* The geometric mean is defined as follows:

$$\ln GM = \frac{\ln X_1 + \ln X_2 + \dots + \ln X_n}{N}$$

TABLE 2  
Demand Deposits, Marginal Annual Direct Cost per Account  
(Other Variables Held at Their Geometric Mean Values)

|                 | <u>Number of Accounts</u> | <u>Associated Marginal Cost</u> |
|-----------------|---------------------------|---------------------------------|
| Minimum:        | 1,437                     | \$27.02                         |
| Geometric Mean: | 5,161                     | \$25.48                         |
| Maximum:        | 13,204                    | \$24.81                         |

CHART 1



B. Time Deposits - Direct Operating Costs and Economies-of-Scale

Time deposits are the most important source of funds for caisses included in the sample; on average, two-thirds of the total deposits held in a caisse are time deposits. It is important to mention here, that time deposits include both savings accounts and term deposits. In terms of value, savings accounts in the caisses represent, on average, only a minor share of the total time deposits. As with the demand deposit service, the two main components of the direct costs associated with the time deposit service are the labour and computer costs. Interest paid for time deposits was not included in the direct costs computed for this service. The interest rates offered by the caisses are mostly determined by the market and hence are of no interest in a study of economies-of-scale (see chapter one, "Direct and Indirect Costs").

The average number of accounts (savings and term) outstanding at the end of the first and twelfth month of the fiscal year (NST) was chosen as the principal measure of output for this service. The estimated coefficient (.683) through the regression was significant.

The average balance of accounts (VMST) was also included in the regression to determine if the account activity (the number of deposits and withdrawals per account) is affected by the size of the account and if extra services are provided to larger depositors. The estimated coefficient (.626) was at least twice as large as its standard error and the Student's test (one tail test at the .05 level) concluded that it was significant.

The number of savings-to-total time deposit accounts (RST) was considered as an explanatory variable to test if savings accounts are more expensive for a caisse to operate than term deposit accounts; the savings account activity is believed to be relatively higher. A positive estimated

coefficient would confirm the assumption stated above, while a negative coefficient would indicate that term deposit accounts are relatively more expensive to operate than the savings accounts. The regression coefficient was positive and significant (.687).

The rate of growth and the variability in the number of accounts for the 1977-81 period, RCST and VAST respectively, were both excluded from the final equation (see Table 3); their standard errors,  $.288 \times 10^{-10}$  for RCST and .121 for VAST, were both larger than their respective coefficients ( $-.192 \times 10^{-100}$  for RCST and .087 for VAST).

Another variable was considered as a determinant of the operating direct costs associated to the time deposit service, the average interest rate paid (TIST). This variable is the quotient of the interest paid for time deposits during the fiscal year divided by total time deposits held at the caisse for the year. TIST if significant, would indicate that some caisses might substitute service for interest payments; some of them may prefer to offer higher interest rates instead of good service. The negative and significant coefficient of the average interest rate variable estimated in the regression (-.982) supports the above assumption.

Table 3 summarizes the results of the regression computed for this service.

TABLE 3  
Time Deposits\* - Annual Direct Cost (1981)

| <u>Explanatory Variable**</u>                      | <u>Coefficient</u> | <u>Standard Error</u> |
|----------------------------------------------------|--------------------|-----------------------|
| NST (number of accounts)                           | .683               | .112                  |
| VMST (average balance)                             | .626               | .302                  |
| RST (no. saving-to-total<br>time deposit accounts) | .687               | .469                  |
| TIST (average interest rate<br>offered)            | -.982              | .668                  |
| C (constant term)                                  | -3.674             | 2.842                 |

---

R<sup>2</sup>: .7234

Standard Error of the Regression: .2634

Number of Observations: 31

Final Equation:  $ET = -3.674 + .683 NST + .626 VMST + .687 RST - .982 TIST$

\* Term deposits and savings accounts

\*\* All variables are in natural logarithms. Those reported are the significant regression variables.

Time Deposits and Economies-of-Scale:

Since the variables have been transformed in natural logarithm, the coefficient associated with the number of accounts estimated in the regression, gives directly the cost elasticity; a 100 percent growth in the number of accounts would result in an increase of 68.3 percent in the annual operating direct expenses of the caisses related to this service.

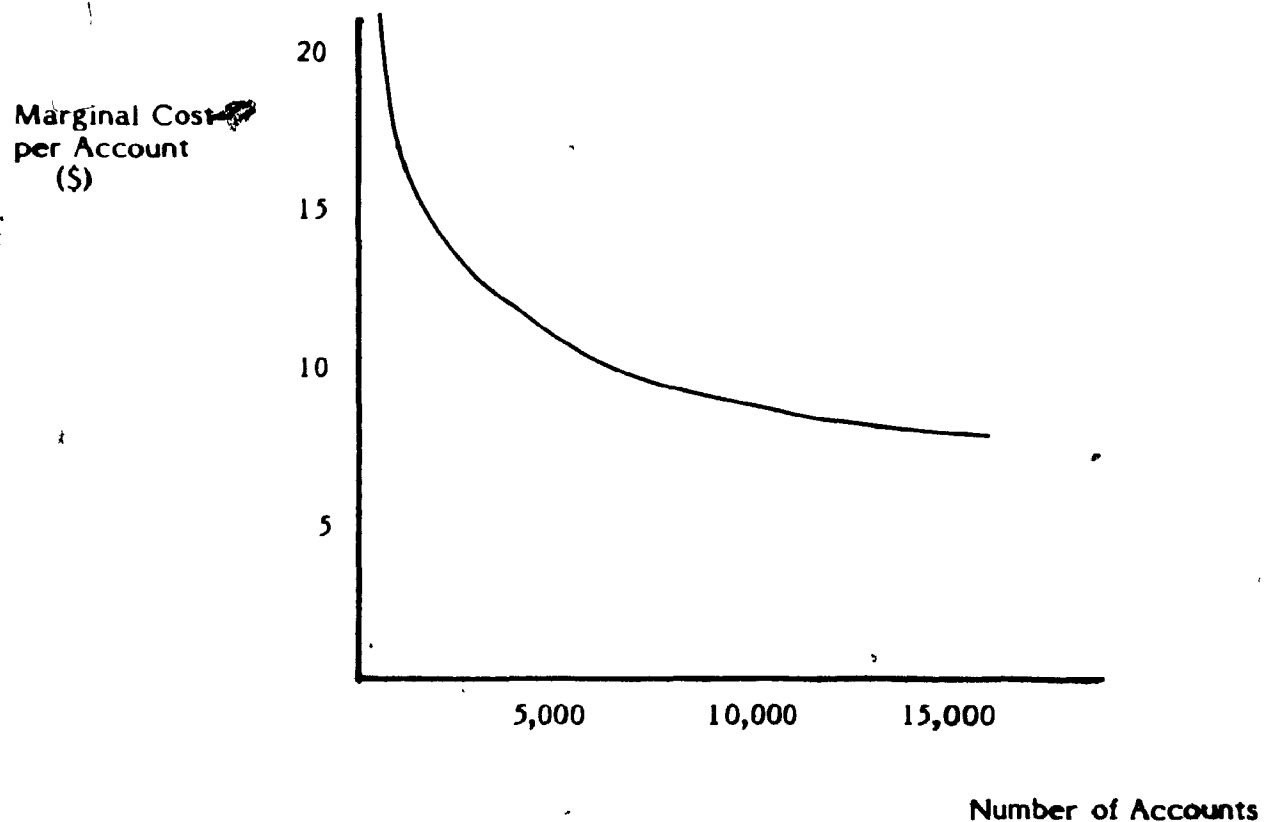
As for the demand deposit service, a marginal direct cost per account was computed for the lowest and highest number of accounts in the sample as well as for the geometric mean. The results are given and illustrated in Table 4 and Chart 2.

**TABLE 4**  
**Time Deposits,\* Marginal Annual Direct Cost per Account**  
**(Other Variables Held at Their Geometric Mean Values)**

|                 | <u>Number of Accounts</u> | <u>Associated Marginal Cost</u> |
|-----------------|---------------------------|---------------------------------|
| Minimum:        | 1,207                     | \$17.13                         |
| Geometric Mean: | 2,929                     | \$12.86                         |
| Maximum:        | 13,307                    | \$ 7.97                         |

\* Time deposits including savings accounts

**CHART 2**



C. Mortgage Loans - Direct Operating Costs and Economies-of-Scale

Mortgage loans in the caisses from the sample represent between 30 and 65 percent of a caisse's total assets for an average of over 45 percent. Direct costs estimated for this service include labour and computer expenses as well as the costs of insuring (life insurance) their borrowers on their mortgage loans.<sup>1</sup>

The activity of a caisse in relation to this service can be divided into two categories; the processing of new loans and the servicing of existing loans. It was assumed for this study that the first category was directly proportional to the second one and consequently, the average number of existing loans for the year (NH) was chosen as the main measure of output for the mortgage loan service. The Student's test concluded that the estimated coefficient for NH was significant.

The average size of the loan (NMH) was also included to determine if more attention, in terms of surveillance, is devoted to larger loans. Insurance costs included in the dependent variable should obviously be affected by the average size of the mortgage loan. A positive and significant coefficient of the average size of loan variable (.4341) confirmed the validity of the assumptions just stated above.

Total assets (TAH) were originally included in the regression to measure inter-departmental economies or diseconomies-of-scale. The total assets variable however, was highly collinear with the number of loans variable (NH). Moreover, the estimated coefficient of the total assets variable was smaller than its standard error (.159 and .259 respectively), thus not significant. The regression was re-computed without the total assets variable; the Student's t

of NH, the number of loans, increased from 3.36 to 12.63 while  $R^2$  was only slightly reduced from .8942 to .8926.

Both the rate of growth (RCH) and the variability (VH) of the output of the mortgage loans were excluded from the final cost equation of this service. The regression coefficient of RCH was smaller than its standard error and the Student's value for VH was not significant even at the .10 level (one-tail test).

The results of the regression are in Table 5.

#### Mortgage Loans and Economies-of-Scale:

Economies-of scale also exist in the mortgage loans service; a doubling of the number of existing loans would increase the direct annual costs by 92.1 percent.

The marginal cost estimates are presented in Table 6 and Chart 3.

**TABLE 5**  
**Mortgage Loans - Annual Direct Costs (1981)**

| <u>Explanatory Variable*</u>        | <u>Coefficient</u> | <u>Standard Error</u> |
|-------------------------------------|--------------------|-----------------------|
| NH (number of loans)                | .921               | .073                  |
| VMH (average value of<br>the loans) | .434               | .221                  |
| C (constant term)                   | -2.654             | .872                  |

---

$R^2$ : .8926

Standard Error of the Regression: .2093

Number of Observations: 30

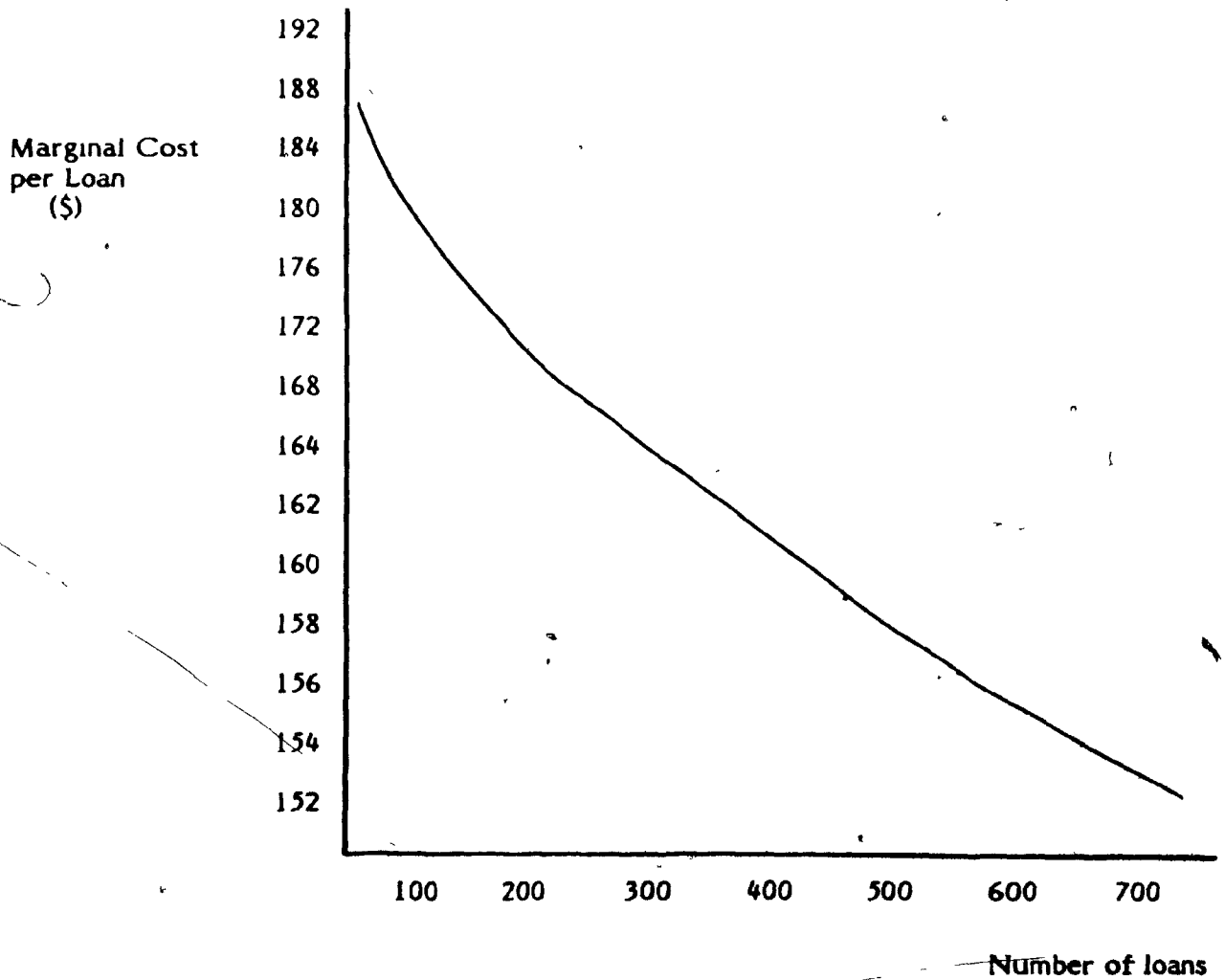
Final Equation:  $EM = -2.654 + .921 NH + .434 VMH$

\*All variables are in natural logarithms. Those reported are the significant regression variables.

**TABLE 6**  
**Mortgage Loans, Marginal Annual Direct Cost per Account**  
**(Other Variables Held at Their Geometric Mean Values)**

|                 | <u>Number of Accounts</u> | <u>Associated Marginal Cost</u> |
|-----------------|---------------------------|---------------------------------|
| Minimum:        | 77                        | \$182.23                        |
| Geometric Mean: | 261                       | \$166.12                        |
| Maximum:        | 701                       | \$153.06                        |

**CHART 3**



D. Personal and Business Loans\* - Direct Operating Costs and Economies-of-Scale

Personal and business loans outstanding at the end of the fiscal year in the caisses sampled account for an average of 18 percent of the caisses' total assets, varying between 9 and 35 percent. Most of these loans, both in terms of number and value, are personal loans. The category of business loans includes loans to farmers, cooperative associations and other individuals or firms. As with the mortgage loans the two activities of the caisses related to personal and business loans are the servicing of existing loans and the processing of new loans. Again, it was assumed that the number of new loans in a year is proportional to the number of existing loans. The cost components included in the direct costs associated to this service are of the same nature as the ones used to estimate the direct costs of the mortgage loans; labour and computer expenses as well as the costs of insuring their borrowers on their loans.<sup>2</sup>

The arithmetic mean of the number of loans outstanding at the end of the first and twelfth months was used as the measure of output for this service (ND). The regression coefficient of ND was more than seven times larger than its standard error (.956 compared to .131) and the Student's test concluded that it was significant.

The average size of loans (VMD) was considered as an explanatory variable to account for more extensive and complete, and thus more costly, credit investigations when large amounts of money are to be loaned. As for the mortgage loans service, the life insurance expenses should also vary with the

\* Called "Reconnaissance de dette" at the caisses.

average size of personal and business loans in a caisse. The regression coefficient was larger than its standard error. The Student's test concluded that the coefficient was significant and accordingly VMD was kept in the final cost equation for this service.

The number of personal-to-total loans (personal and business) was included to determine if business loans are more expensive, requiring more analysis, to operate than the personal loans. The results of the regression indicated that there are no differences between the two categories of loans in terms of operating costs and consequently, the ratio variable was excluded from the cost equation. The result here can be explained by the fact that caisses are not, as of yet, in the processing of highly complex business loans.

The rate of growth (RCD) and the variability (VD) in the number of loans during the 1977-81 period were included but only the latter variable was significant and kept in the equation. It is important to mention that the negative coefficient estimated for VD indicates that caisses experiencing larger fluctuations in the number of loans outstanding operate under lower costs than the ones experiencing small fluctuations, which seems difficult to explain in terms of economic theory.

The average interest rate charged on these loans was tried in the regression to test if more risky loans associated in general with higher yielding are more costly to operate. A caisse may conduct more extensive credit investigations to accept a riskier loan. The variable used is the quotient of total earnings from the loans divided by the average total value of these loans during the year. The regression coefficient was not significant and thus excluded from the final equation.

The complete results are given in Table 7.

**TABLE 7**  
**Personal and Business Loans - Annual Direct Cost (1981)**

| <u>Explanatory Variable *</u>                     | <u>Coefficient</u> | <u>Standard Error</u> |
|---------------------------------------------------|--------------------|-----------------------|
| ND (number of loans processed)                    | .956               | .131                  |
| VMD (Average value of the loans)                  | .452               | .355                  |
| VD (variability in the number of loans processed) | -.135              | .086                  |
| C (constant term)                                 | -.7.220            | 2.726                 |

---

R<sup>2</sup>: .7888

Standard Error of the Regression: .2851

Number of Observations: 30

Final Equation:  $ECB = -7.22 + .956 ND + .452 VMD -.135 VD$

\*All variables are in natural logarithms. Those reported are the significant regression variables.

Personal and Business Loans and Economies-of-Scale

The elasticity of direct costs with respect to the number of loans was estimated at .95 (see the regression coefficient of ND in Table 7); an increase of 100 percent in the number of loans would result in direct costs being 95.6 percent higher than before.

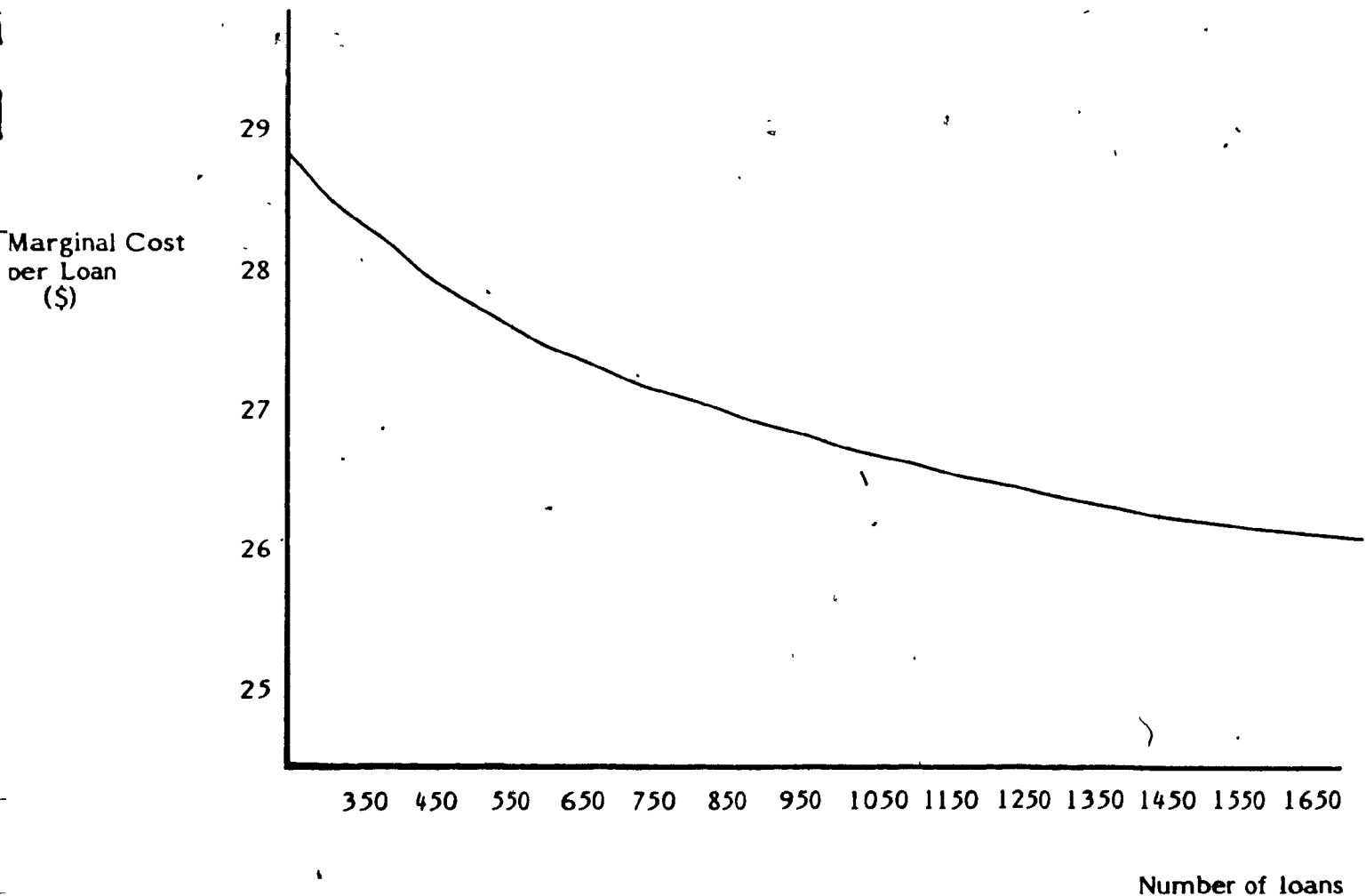
Marginal cost estimates were also computed for three different values in the number of loans and the results are shown in Table 8 and Chart 4.

TABLE 8

Personal and Business Loans, Marginal Annual Direct Cost per Account  
(Other Variables Held at Their Geometric Mean Values)

|                 | <u>Number of Accounts</u> | <u>Associated Marginal Cost</u> |
|-----------------|---------------------------|---------------------------------|
| Minimum:        | 261                       | \$28.74                         |
| Geometric Mean: | 710                       | \$27.22                         |
| Maximum:        | 1,634                     | \$26.24                         |

CHART 4



## SUMMARY

The results of this study indicate that economies-of-scale exist in the direct costs of the four services analyzed although as shown below, they are slight. Large caisses are thus slightly more efficient than small ones in providing these services. The average elasticities associated with the number of accounts or loans were as follows:

|                                       |      |
|---------------------------------------|------|
| Demand deposits . . . . .             | .960 |
| Time deposits . . . . .               | .683 |
| Mortgage loans . . . . .              | .921 |
| Personal and business loans . . . . . | .956 |

The results of the study also demonstrate that direct operating costs are related to the average balance of deposit accounts and loans. For instance, the results seem to indicate that more extensive and complete, and thus more costly, credit investigations are undertaken by the caisses when large amounts of money are to be loans. The average elasticities associated with the average balance of accounts or loans were as follows:

|                                       |      |
|---------------------------------------|------|
| Demand deposits . . . . .             | .485 |
| Time deposits . . . . .               | .626 |
| Mortgage loans . . . . .              | .434 |
| Personal and business loans . . . . . | .452 |

Looking at the results of the regression, it appears that the growth and variability of the number of deposits or loans over the last five years did not have a great impact on the direct costs of the four services analyzed. While the rate of growth was not found significant in any of the four costs equations, the variability variable was significant only in the demand deposits equation and the personal and business loans equation. However, the rate of growth as well as the variability of the number of deposits or loans might in fact, have a more significant impact on operating costs than what this study indicates; the caisses from the sample had similar rates of growth and variability, which reduced the quality of the results of the regressions for those two variables.

A variable to measure inter-departmental economies or diseconomies-of-scale was included in two of the four equations but was found not significant. This tends to indicate that the direct costs of a service are not affected by the other activities of the caisse.

It would be imprudent to conclude from these results that net savings in the total operating cost would result in the long run from a merger between two caisses for example. Indirect costs which represent on average 30 percent of total operating costs (interest paid to the members still excluded) and some services offered by the caisses were not part of this study. However, the results of the present cost analysis should encourage the caisses to conduct other extensive and complementary cost studies using an approach similar to the one used here. Such studies could provide useful information to increase the efficiency of the caisses. Moreover, they could assist the caisses to seize existing and future opportunities in the retail banking market.

An Important Opportunity

As the spread between the cost of funds and what a bank could charge for money, narrowed at the end of the 1970s, banks in the U.S.A. started to develop and experiment with new marketing strategies aimed mostly at the upper end of the retail market. With increasing processing costs, banks are no longer making profits on ordinary customers.<sup>3</sup> As banks are trying to reduce their operating costs and urging their average customers to use the electronic tellers, the vast majority of their clients are getting more and more frustrated as waiting lines in branch banks are getting longer and longer. The story is quite different for their top clients. These favoured customers are being offered a "special" personalized service and seldom will they have to wait in lines like normal clientele. "What the bank customer seems to want more than anything else is a sense of importance, like being recognized by a headwaiter."<sup>4</sup>

There are already some indications that the Canadian banks are adopting similar marketing strategies, which might result in an important mass of unhappy bank customers in this decade. For example, in most of the branches across the country, business clientele has access to a special teller to escape line-ups. Present and future unhappy bank customers in Quebec represent an important and potentially profitable market opportunity for the Caisses populaires. Although the service in the caisses today might not be as personalized as it was sixty years ago, it appears that it is still superior to the quality of the service offered in banks to ordinary clients.<sup>5</sup> This could attract frustrated bank customers to the caisses provided they offer similar interest rates. If the caisses ever decide to seize this opportunity, increasing their efficiency while maintaining the quality of their services will be crucial for the

financial success of this venture. Cost accounting analysis will be essential to increase the caisses' productivity and thus, reduce their operating costs.

Some federations are already conducting cost studies, using approaches different than the one used here, to seek ways to increase the efficiency in their caisses' activities. The results of these and future studies may indicate a need in certain areas to regroup a few caisses into one to face competition and permit future expansions. If such conclusions are drawn, the federations will have a hard time to convince the administrators and the members of the caisses involved in the mergers that they would benefit from such ventures. Since each caisse is autonomous (see Book 2, chapter one), a merger is only possible if all the caisses involved in such a venture agreed to proceed, which is quite different from a merger between two branch banks where a directive from the head office to that effect is sufficient.

The roles, objectives and philosophy will continue to evolve through the 1980s, but whatever main goals the caisses will adopt resulting from these changes, cost studies could be a very useful tool to reach them.

- 
- 1 Insurance costs which are charged to the customers.
  - 2 Insurance costs which are charged to the customers.
  - 3 Paul Nader, Professor of Finance at Rutgers University, Fortune, November 1, 1982.
  - 4 Carl S. Spetzler, Strategic Decisions Group Inc., Fortune, November 1, 1982.
  - 5 Fédération de Montréal et de l'ouest du Québec.

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**APPENDIX I**

LOAN APPLICATION IN A BANK

# Personal Loan Plan Application

REMOVE CARBONS AND TOP STUB AFTER COMPLETING THIS SIDE

District No

PLP Account No

2

Branch Stamp

|                                                                                                     |  |                                                                                                           |  |
|-----------------------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------------------------------------------|--|
| Amount applied for \$                                                                               |  | Purpose                                                                                                   |  |
| Authorized Credit Limit Amount \$                                                                   |  | Expiry Date                                                                                               |  |
| Surname                                                                                             |  | First Name and Initials                                                                                   |  |
| Date of Birth                                                                                       |  | Age                                                                                                       |  |
| Social Insurance Number                                                                             |  | Identification                                                                                            |  |
| Present Address Street                                                                              |  | Municipality                                                                                              |  |
| Postal Code                                                                                         |  | How long?                                                                                                 |  |
| Own                                                                                                 |  | Rent                                                                                                      |  |
| Previous Address Street (if less than 3 years at present address)                                   |  | Municipality                                                                                              |  |
| Postal Code                                                                                         |  | How long?                                                                                                 |  |
| Telephone Numbers                                                                                   |  | Number of Dependents (including spouse)                                                                   |  |
| Home                                                                                                |  | Date of Birth                                                                                             |  |
| Work                                                                                                |  | Loc                                                                                                       |  |
| Applicant's Occupation                                                                              |  | Employer                                                                                                  |  |
| Nature of Business                                                                                  |  | Address of Employer                                                                                       |  |
| Spouse's Occupation                                                                                 |  | Name of Employer                                                                                          |  |
| Extra Income give details                                                                           |  | Total Gross                                                                                               |  |
| Applicant's Previous Occupation and Employer (if less than 3 years with present employer)           |  | Total Net                                                                                                 |  |
| Previous Occupation and Employer (if less than 3 years with present employer)                       |  | Personal References Relatives or friends not living with applicant (Name address relationship/occupation) |  |
| 1)                                                                                                  |  | 2)                                                                                                        |  |
| Residence Information Mortgage Holder or Landlord Address Telephone Maturity Term Rate Balance Pymt |  | A 1st Mtg                                                                                                 |  |
| B 2nd Mtg                                                                                           |  | Lot & Plan No Reg owner Purchase Price Totals (carry to next line)                                        |  |
| Monthly Rent or Mortgage Pymt (P.T.T.)                                                              |  | Year Purchased Period Worth Original Loan Payments Date Last Pymt Balance Rating                          |  |
| Life Insurance Beneficiary Total Amount \$                                                          |  | Automobiles Description Serial Number Financed By Rate                                                    |  |
| Other Assets Description                                                                            |  | Other Obligations & Credit Ref Address Purpose Year Opened                                                |  |
| Charge Cards                                                                                        |  | Limit                                                                                                     |  |
| Bank Accounts Savings a/c No at Transit Credit Overdraft                                            |  | Current or Chequing Account a/c No at                                                                     |  |
| Totals                                                                                              |  |                                                                                                           |  |

# Applicants Authorization

I authorize Bank of Montreal (the Bank) to conduct a personal investigation and by my signature accept as notice in writing of, and authorize the obtaining of any information required related to this application from any source to which the Bank may apply, and each source is authorized to provide the Bank with such information. In addition, I authorize the Bank to disclose at any time in response to direct enquiries from any other lender or credit bureau, any information concerning the Applicants that the Bank considers appropriate, and I agree to indemnify the Bank and save it harmless from any and all claims in damages or otherwise arising from any such disclosure made by the Bank

**Applicable in Province of Quebec only** It is the express wish of the Parties that this agreement and any related documents be drawn up and executed in English. Il est la volonté express des Parties que cette convention et tous les documents s'y rattachant soient rédigés et signés en anglais

If this application for a loan is approved

a) I authorize the Bank 1) to purchase insurance if the loan is under the Bank's Personal Loan Plan or Conditional Sales Contract on the life of the borrower identified as the insured on the certificate of insurance relative to this application from any licensed insurer in an amount not exceeding the amount of the loan and to be on such terms and conditions as may be agreed upon between the Bank and the insurer

2) to charge my account with Payments as they mature and any costs involved in arranging security

b) I acknowledge receipt of the Statement of Disclosure and certificate of life insurance if made under the Personal Loan Plan or Conditional Sales Contract

c) I certify that I have been given the opportunity to become insured under the FirstBank Disability Insurance Plan policy issued to the Bank by Sun Life Assurance Company of Canada and have decided that

- ☐ I do not wish to take advantage of this offer. I understand that I cannot apply for this coverage at a later date on this loan
- ☐ I wish to take advantage of this offer and will complete the appropriate application

Application No. \_\_\_\_\_

☐ The premium will be paid in cash or

☐ Added to the loan

d) I certify that the information on this application form covering my income, assets and liabilities is a true statement of my affairs as at this date and I acknowledge that the Bank in granting this loan and/or issuing a MasterCard card relies upon the accuracy of this statement

|                        |       |
|------------------------|-------|
| Deposit Proceeds to    | _____ |
| Charge Payments to     | _____ |
| Same Account No. _____ |       |

Signature \_\_\_\_\_

LEAVE STUB ATTACHED REVERSE FORMS AND RE INSERT CARBONS SO THAT BACK OF FORMS CAN BE COMPLETED

PART 1

IF MASTERCARD IS REQUESTED FORM MUST BE COMPLETED IN FULL AND PART 2 SIGNED

LOAN APPLICATION IN A CAISSE

C P N° \_\_\_\_\_

**DEMANDE D'EMPRUNT**NUMERO DE  
LA DEMANDE **38684**
☐ RECONNAISSANCE DE DETTE  
☐ HYPOTHEQUE (JOINDRE LE QUESTIONNAIRE CONCERNANT  
 LES PRÊTS SUR IMMEUBLES — FQ-01180-016)

FOLIO \_\_\_\_\_

**IDENTIFICATION**

|                |        |                   |
|----------------|--------|-------------------|
| NOM DE FAMILLE | PRÉNOM | DATE DE NAISSANCE |
|----------------|--------|-------------------|

**RÉSIDENCE**

|                                                                                                                                                                 |                        |             |             |                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------|-------------|----------------------|
| ADRESSE (NO RUE APP.)                                                                                                                                           |                        | VILLE       | CODE POSTAL | DEPUIS               |
| NO DE TÉLÉPHONE                                                                                                                                                 | ADRESSE PRÉCÉDENTE     |             |             | NOMBRE D'ANNÉES      |
| <input type="checkbox"/> PROPRIÉTAIRE<br><input type="checkbox"/> LOCATAIRE<br><input type="checkbox"/> EN CHAMBRE<br><input type="checkbox"/> AVEC SES PARENTS | PROPRIÉTAIRE<br>ACTUEL | NOM ADRESSE |             |                      |
| TEL                                                                                                                                                             |                        |             |             |                      |
| PROPRIÉTAIRE<br>PRÉCÉDENT                                                                                                                                       | NOM ADRESSE            | TEL         |             | LOYER MENSUEL ACTUEL |

**FAMILLE**

|                                      |                                                                   |                                                                       |                    |                                                                                             |                               |
|--------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------------------------|-------------------------------|
| ETAT CIVIL                           | <input type="checkbox"/> MARIÉE<br><input type="checkbox"/> VEUVE | <input type="checkbox"/> SEPARÉE<br><input type="checkbox"/> DIVORCÉE | RÉGIME MATRIMONIAL | <input type="checkbox"/> COMMUNAUTÉ DE BIENS<br><input type="checkbox"/> SOCIÉTÉ D'ALQUÊTES | NOMBRE DE PERSONNES À CHARGER |
| <input type="checkbox"/> CELIBATAIRE |                                                                   |                                                                       |                    |                                                                                             | ENFANTS AUTRES                |
| ÂGE DES ENFANTS                      | ALLIÉS FAMILIALES                                                 | NOM DU CONJOINT (NOM DE FILLE DE L'ÉPOUSE)                            |                    | DATE DE NAISSANCE                                                                           | FOLIO DU CONJOINT             |

**TRAVAIL**

|                              |             |                                                                                            |                      |
|------------------------------|-------------|--------------------------------------------------------------------------------------------|----------------------|
| EMPLOYEUR ACTUEL             | NOM ADRESSE | TEL                                                                                        | DEPUIS               |
| EMPLOYEUR PRÉCÉDENT          | NOM ADRESSE | TEL                                                                                        | NOMBRE D'ANNÉES      |
| FONCTION ACTUELLE            |             | N° D'EMPLOI                                                                                | N° ASSURANCE SOCIALE |
|                              |             | SALAIRE MENSUEL NET                                                                        |                      |
| EMPLOYEUR DU CONJOINT        | NOM ADRESSE | TEL                                                                                        | DEPUIS               |
| FONCTION                     |             | <input type="checkbox"/> EMPLOI PERMANENT<br><input type="checkbox"/> EMPLOI TEMPS PARTIEL | N° ASSURANCE SOCIALE |
|                              |             | SALAIRE MENSUEL NET                                                                        |                      |
| AUTRE EMPLOI DE L'EMPRUNTEUR | DETAILS     |                                                                                            | REVENUS              |

**RÉFÉRENCES (PARENTS OU AMIS NE DEMEURANT PAS AVEC L'EMPRUNTEUR)**

|             |              |      |
|-------------|--------------|------|
| NOM ADRESSE | NO TÉLÉPHONE | LIEN |
| NOM ADRESSE | NO TÉLÉPHONE | LIEN |

**EMPRUNT ET CONDITIONS DU PRÊT**

|                                                                                                                                                                                                                                                                            |                |                                                      |                                                    |                                                                                   |      |                |  |   |              |                   |  |   |                |                     |  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------------------|------|----------------|--|---|--------------|-------------------|--|---|----------------|---------------------|--|
| <input type="checkbox"/> EMPRUNT POUR LA PREMIÈRE FOIS                                                                                                                                                                                                                     |                | <input type="checkbox"/> DEMANDE UN PRÊT ADDITIONNEL |                                                    | <input type="checkbox"/> A DÉJÀ EMPRUNTÉ                                          |      |                |  |   |              |                   |  |   |                |                     |  |
| BUT DE L'EMPRUNT                                                                                                                                                                                                                                                           |                |                                                      |                                                    |                                                                                   |      |                |  |   |              |                   |  |   |                |                     |  |
| <table border="1"> <tr> <td colspan="2">MONTANT REQUIS</td> </tr> <tr> <td>+</td> <td>SOLDE ACTUEL</td> </tr> <tr> <td colspan="2">MONTANT DE CRÉDIT</td> </tr> <tr> <td>+</td> <td>COUT DE CRÉDIT</td> </tr> <tr> <td colspan="2">REMBOURSEMENT TOTAL</td> </tr> </table> |                |                                                      |                                                    |                                                                                   |      | MONTANT REQUIS |  | + | SOLDE ACTUEL | MONTANT DE CRÉDIT |  | + | COUT DE CRÉDIT | REMBOURSEMENT TOTAL |  |
| MONTANT REQUIS                                                                                                                                                                                                                                                             |                |                                                      |                                                    |                                                                                   |      |                |  |   |              |                   |  |   |                |                     |  |
| +                                                                                                                                                                                                                                                                          | SOLDE ACTUEL   |                                                      |                                                    |                                                                                   |      |                |  |   |              |                   |  |   |                |                     |  |
| MONTANT DE CRÉDIT                                                                                                                                                                                                                                                          |                |                                                      |                                                    |                                                                                   |      |                |  |   |              |                   |  |   |                |                     |  |
| +                                                                                                                                                                                                                                                                          | COUT DE CRÉDIT |                                                      |                                                    |                                                                                   |      |                |  |   |              |                   |  |   |                |                     |  |
| REMBOURSEMENT TOTAL                                                                                                                                                                                                                                                        |                |                                                      |                                                    |                                                                                   |      |                |  |   |              |                   |  |   |                |                     |  |
| REMBOURSEMENT DE \$                                                                                                                                                                                                                                                        | FREQUENCE      | 1er REMB LÉ                                          | TAUX INT                                           | PERME                                                                             | MOIS |                |  |   |              |                   |  |   |                |                     |  |
|                                                                                                                                                                                                                                                                            |                |                                                      | 1er PAIEMENT DE L'INTERÊT LÉ                       |                                                                                   |      |                |  |   |              |                   |  |   |                |                     |  |
| GÉNÈRE D'ASSURANCE QUI S'APPLIQUE AU PRÊT                                                                                                                                                                                                                                  |                |                                                      | TAUX ASS                                           | FREQUENCE DU PAIEMENT DE L'INT                                                    |      |                |  |   |              |                   |  |   |                |                     |  |
| VIE <input type="checkbox"/> OUI <input type="checkbox"/> NON<br>INVALIDITÉ <input type="checkbox"/> OUI <input type="checkbox"/> NON<br>INV TOTALE <input type="checkbox"/> OUI <input checked="" type="checkbox"/> NON                                                   |                |                                                      | <input type="checkbox"/> AUCUNE ASSURANCE<br>AUTRE | DATE D'ÉCHÉANCE SI PRÊT À TERME                                                   |      |                |  |   |              |                   |  |   |                |                     |  |
|                                                                                                                                                                                                                                                                            |                |                                                      | TAUX D'INT CHARGÉ                                  | AUTORISATION DE DÉBITER <input type="checkbox"/> OUI <input type="checkbox"/> NON |      |                |  |   |              |                   |  |   |                |                     |  |

**CAUTION OU GARANTIE**

(SI CAUTION INSCRIRE NOM ET ADRESSE ET COMPLÉTER UNE AUTRE DEMANDE D'EMPRUNT)

## AUTOMOBILE

|                  |                                                                            |                                                                      |                                                                 |                       |
|------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------|
| MARQUE ET MODÈLE | ANNÉE                                                                      | PAYÉE ?<br><input type="checkbox"/> OUI <input type="checkbox"/> NON | SOLDE DU                                                        | N° PERMIS DE CONDUIRE |
| REMARQUES        | AUTRE AUTOMOBILE <input type="checkbox"/> OUI <input type="checkbox"/> NON |                                                                      | PAYÉE <input type="checkbox"/> OUI <input type="checkbox"/> NON | DETAILS               |

## AUTRES BIENS (PROPRIÉTÉS ACTIONS OBLIGATIONS PLACEMENTS TERRAINS BATEAUX ETC )

|  |        |
|--|--------|
|  | VALEUR |
|  | VALEUR |
|  | VALEUR |
|  | VALEUR |

## AUTRES RENSEIGNEMENTS

|                                                                                                                           |                                                              |                   |                               |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|-------------------|-------------------------------|
| AUTRE COMPTE DANS CAISSE OU BANQUE                                                                                        | FOLIO                                                        | PRÊT<br>oui   non | AUTRE(S) FOLIO(S) A LA CAISSE |
| NOM                                                                                                                       |                                                              |                   |                               |
| AUTRE COMPTE DANS CAISSE OU BANQUE                                                                                        | FOLIO                                                        | PRÊT<br>oui   non |                               |
| NOM                                                                                                                       |                                                              |                   |                               |
| ÊTES-VOUS ACTUELLEMENT CAUTION<br>(OU AILLEURS) ?                                                                         | <input type="checkbox"/> OUI<br><input type="checkbox"/> NON | DETAILS           |                               |
| ÊTES-VOUS OU AVEZ-VOUS DÉJÀ ÊTÉ<br>SOUS LA LOI DES DÉPÔTS VOLONTAIRES                                                     | <input type="checkbox"/> OUI<br><input type="checkbox"/> NON | DETAILS           |                               |
| AVEZ-VOUS QUELQUES JUGEMENTS<br>ENREGISTRÉS CONTRE VOUS                                                                   | <input type="checkbox"/> OUI<br><input type="checkbox"/> NON | DETAILS           |                               |
| AVEZ-VOUS DÉJÀ FAIT L'USURE DE VOS BIENS OU FAIT<br>UNE PROMESSE D'UN VOS CRÉANCIER EN VERTU DE LA<br>LOI SUR LES FAULTES | <input type="checkbox"/> OUI<br><input type="checkbox"/> NON | DETAILS           |                               |
| LE PRÊT EST-IL SOUÛT A UNE LOI<br>OU RÈGLEMENT GOUVERNEMENTAL ?                                                           | <input type="checkbox"/> OUI<br><input type="checkbox"/> NON | DETAILS           |                               |

## CRÉANCIERS (BANQUE CIE DE FINANCE MAGASIN CARTE DE CRÉDIT ETC )

| NOM ET ADRESSE | DATE OUVRE | MONTANT | REMB MENS | SOLDE | BUT |
|----------------|------------|---------|-----------|-------|-----|
|                |            |         |           |       |     |
|                |            |         |           |       |     |
|                |            |         |           |       |     |
|                |            |         |           |       |     |
|                |            |         |           |       |     |
|                |            |         |           |       |     |
|                |            |         |           |       |     |

## DÉCLARATIONS DE L'EMPRUNTEUR

- 1 - J'autorise la Caisse à se procurer tous les renseignements qu'elle jugera nécessaires concernant la présente demande d'emprunt ou concernant tout renouvellement ou prolongation de tout prêt qui pourra être accordé par suite de la présente demande de toute personne qu'elle jugera appropriée et toute telle personne est autorisée par les présentes à fournir de tels renseignements à la Caisse
- 2 - J'autorise la Caisse à divulguer à tout autre prêteur ou à toute agence ou bureau de crédit qui lui en feront la demande tous les renseignements qu'elle jugera appropriés concernant tout prêt qu'elle pourra m'accorder
- 3 - J'autorise la Caisse à prendre une assurance sur ma vie auprès d'une société d'assurance du choix de la Caisse pour la durée de tout prêt qu'elle pourra m'accorder pour toute somme n'excédant pas le montant de tout tel prêt ou de tout solde d'icelui et à toutes autres conditions que la Caisse pourra juger appropriées la Caisse devant être la seule propriétaire et bénéficiaire de toute telle assurance
- 4 - Je certifie par les présentes que les renseignements consignés sur cette demande d'emprunt sont strictement exacts et complets et je sais que la Caisse se basera sur ces renseignements pour accorder l'emprunt que je sollicite

# BUDGET MENSUEL (SOMMAIRE)

## REVENUS (NETS)

SALAIRE  
SALAIRE (ÉPOUSE)  
AUTRE TRAVAIL  
AUTRE REVENU

## DÉPENSES

LOYER HYPOTHEQUE  
ELECTRICITE  
TELEPHONE  
CHAUFFAGE  
TAXES  
ASSURANCES  
NOURRITURE  
VÊTEMENTS  
LOISIRS  
DÉP PERS  
AUTO  
ASS AUTO  
AUTRES DÉP  
REMB DETTES

MONTANT DISPONIBLE

MENSUALITÉ DU PRÊT

# VÉRIFICATION ET ENQUÊTE DE CRÉDIT

## PROPRIÉTAIRE ACTUEL

M

☐ NOM ☐ ADRESSE ☐ LOYER ☐ ANNÉES DE RESIDENCE  
HABITUDE DE PAIEMENT ☐ BON ☐ LENT  
AUTRES DÉTAILS

## PROPRIÉTAIRE PRÉCÉDENT

M

☐ ADRESSE ☐ ANNÉES DE RESIDENCE  
HABITUDE DE PAIEMENT ☐ BON ☐ LENT  
AUTRES DÉTAILS

## EMPLOYEUR ACTUEL

M

☐ FONCTION ☐ ANNÉES DE SERVICE ☐ SALAIRE  
EMPLOI ☐ PERMANENT ☐ PROVISOIRE  
AUTRES DÉTAILS

## EMPLOYEUR PRÉCÉDENT

M

☐ DURÉE DE L'EMPLOI  
RAISON DU DÉPART  
AUTRES DÉTAILS

# VÉRIFICATION DES CRÉANCIERS

| OUVERTURE | MONTANT | VERSEMENT | SOLDE | DERNIER PAIEMENT | PERSONNE CONTACTÉE | APPRECIATION ET REMARQUES |
|-----------|---------|-----------|-------|------------------|--------------------|---------------------------|
|           |         |           |       |                  |                    |                           |
|           |         |           |       |                  |                    |                           |
|           |         |           |       |                  |                    |                           |
|           |         |           |       |                  |                    |                           |
|           |         |           |       |                  |                    |                           |
|           |         |           |       |                  |                    |                           |
|           |         |           |       |                  |                    |                           |
|           |         |           |       |                  |                    |                           |

BUREAU DE CRÉDIT: TÉL.:

☐ VERBAL ☐ ÉCRIT (CI JOINT)

**VÉRIFICATIONS A LA CAISSE**

EOP FOLIO  
DATE OUVERTURE  
SOLDE MOYEN  
SOLDE ACTUEL  
CHEQUES SANS  
PROVISION

ES/ET  
SOLDE MOYEN

PRÊTS VOIR FO 1180 050 (320247)

PER  
PEL  
AUTRES FOLIOS

**AUTRES VÉRIFICATIONS (CAISSES ET BANQUES)**

ANALYSE DE LA GARANTIE

REMARQUES ET RECOMMANDATIONS DU GERANT OU DU GERANT ADJOINT PRÊTS

SIGNATURE

**PROCÈS-VERBAL DE LA COMMISSION DE CRÉDIT**

Demande présentée à la commission de crédit par

La Caisse populaire de

Les membres présents soussignés, formant quorum, décident unanimement d'accorder ☐ de refuser ☐ de reconsidérer ☐  
la présente demande aux conditions précédemment énumérées ou aux conditions suivantes et, autorisent la ou les personnes  
préalablement désignées par le Conseil d'administration à signer tout document pour donner effet aux présentes

Et nous, commissaires de crédit, avons signé

date du procès-verbal

signature de secrétaire gérant

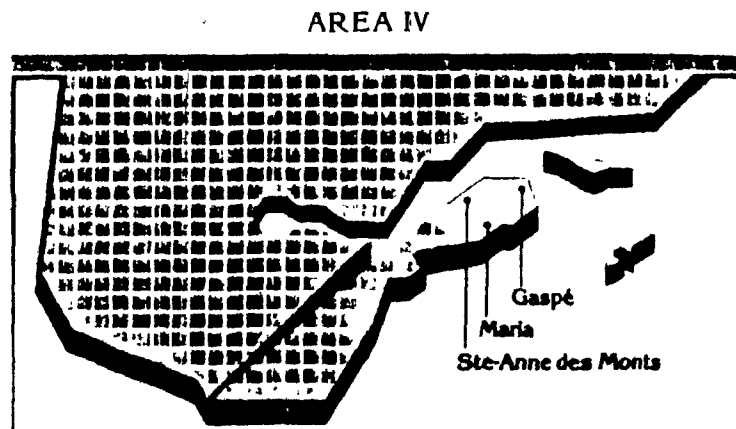
autorisation de l'union régionale

date

**APPENDIX II**

**ECONOMIC ROLE OF THE MCPED — AREA IV\***  
(12.31.80)

|                                                                    |                 |
|--------------------------------------------------------------------|-----------------|
| Caisses .....                                                      | 44              |
| Offices from Institutions of the MCPED .....                       | 0               |
| Members .....                                                      | 79,153          |
| Employees .....                                                    | 319             |
| Aggregate Remuneration of Employees .....                          | \$53 million    |
| Savings .....                                                      | \$172.1 million |
| Consumer Loans Outstanding .....                                   | \$61.4 million  |
| Residential Mortgage Loans Outstanding .....                       | \$90.3 million  |
| Commercial and Industrial Loans Outstanding .....                  | \$33.3 million  |
| Loans Outstanding to the Fishing and<br>Agricultural Sectors ..... | \$6.1 million   |



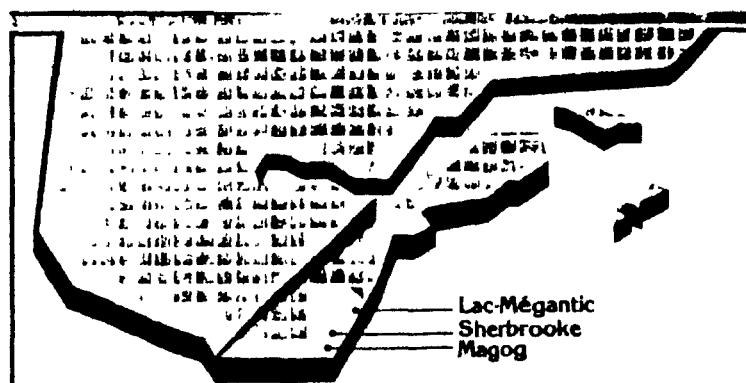
\*AREA IV: Territory covered by the "Fédération des Caisses populaires Desjardins de la Péninsule et des Îles".

Source: Ma Caisse, Volume 18 - Numero 6, 1981, Published by MCPED

# ECONOMIC ROLE OF THE MCPED — AREA V\* (12.31.80)

|                                                                    |                 |
|--------------------------------------------------------------------|-----------------|
| Caisses .....                                                      | 80              |
| Offices from Institutions of the MCPED .....                       | 4               |
| Members .....                                                      | 184,749         |
| Employees .....                                                    | 733             |
| Aggregate Remuneration of Employees .....                          | \$10.9 million  |
| Savings .....                                                      | \$452.3 million |
| Consumer Loans Outstanding .....                                   | \$85.6 million  |
| Residential Mortgage Loans Outstanding .....                       | \$258.9 million |
| Commercial and Industrial Loans Outstanding .....                  | \$42.2 million  |
| Loans Outstanding to the Fishing and<br>Agricultural Sectors ..... | \$42.6 million  |

## AREA V

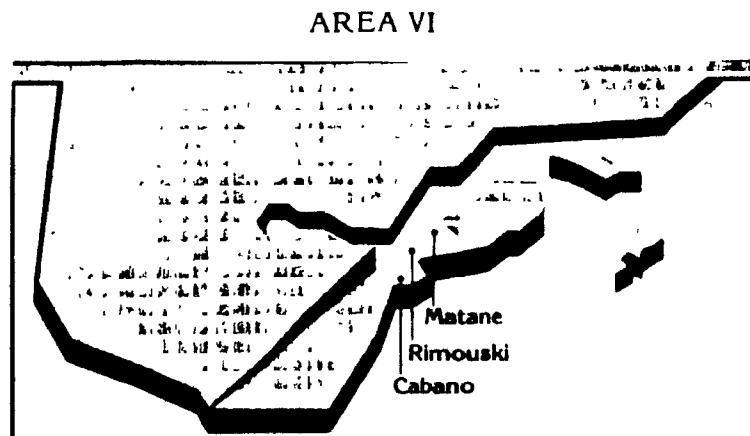


\* AREA V: Territory covered by the "Fédération des Caisses populaires Desjardins de l'Estrie".

Source: Ma Caisse, Volume 18 - Numéro 6, 1981, Published by MCPED

**ECONOMIC ROLE OF THE MCPED — AREA VI\***  
(12.31.80)

|                                                                    |                 |
|--------------------------------------------------------------------|-----------------|
| Caisses .....                                                      | 83              |
| Offices from Institutions of the MCPED .....                       | 3               |
| Members .....                                                      | 158,143         |
| Employees .....                                                    | 571             |
| Aggregate Remuneration of Employees .....                          | \$8.9 million   |
| Savings .....                                                      | \$339.8 million |
| Consumer Loans Outstanding .....                                   | \$74.4 million  |
| Residential Mortgage Loans Outstanding .....                       | \$150.8 million |
| Commercial and Industrial Loans Outstanding .....                  | \$49.4 million  |
| Loans Outstanding to the Fishing and<br>Agricultural Sectors ..... | \$18.8 million  |



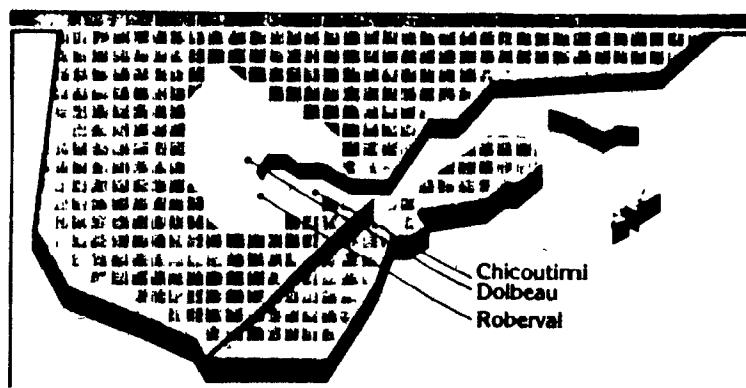
\*AREA VI: Territory covered by the "Fédération des Caisses populaires Desjardins du Bas Saint-Laurent".

Source: Ma Caisse, Volume 18 - Numero 6, 1981, Published by MCPED.

# **ECONOMIC ROLE OF THE MCPED — AREA VII\*** (12.31.80)

|                                                                    |                 |
|--------------------------------------------------------------------|-----------------|
| Caisses .....                                                      | 69              |
| Offices from Institutions of the MCPED .....                       | 4               |
| Members .....                                                      | 186,781         |
| Employees .....                                                    | 706             |
| Aggregate Remuneration of Employees .....                          | \$11.6 million  |
| Savings .....                                                      | \$348.4 million |
| Consumer Loans Outstanding .....                                   | \$106.1 million |
| Residential Mortgage Loans Outstanding .....                       | \$184.9 million |
| Commercial and Industrial Loans Outstanding .....                  | \$30.8 million  |
| Loans Outstanding to the Fishing and<br>Agricultural Sectors ..... | \$15.2 million  |

**AREA VII**

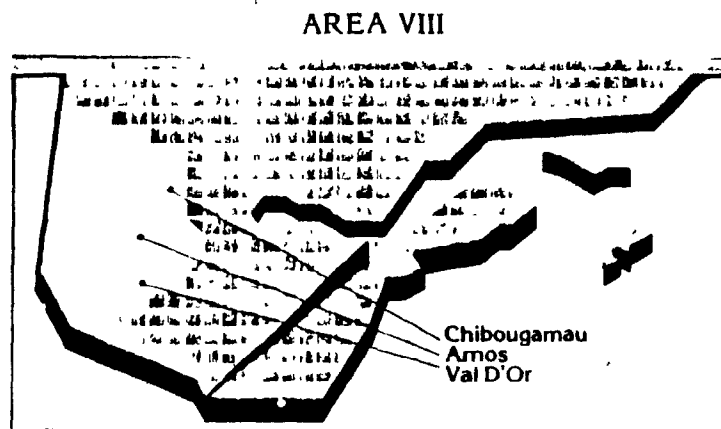


**\*AREA VII:** Territory covered by the "Fédération des Caisses populaires Desjardins du Saguenay-Lac-Saint-Jean".

Source: Ma Caisse, Volume 18 - Numéro 6, 1981, Published by MCPED

**ECONOMIC ROLE OF THE MCPED — AREA VIII\***  
(12.31.80)

|                                                                    |                 |
|--------------------------------------------------------------------|-----------------|
| Caisses .....                                                      | 44              |
| Offices from Institutions of the MCPED .....                       | 0               |
| Members .....                                                      | 66,654          |
| Employees .....                                                    | 243             |
| Aggregate Remuneration of Employees .....                          | \$3.3 million   |
| Savings .....                                                      | \$127.0 million |
| Consumer Loans Outstanding .....                                   | \$33.5 million  |
| Residential Mortgage Loans Outstanding .....                       | \$73.5 million  |
| Commercial and Industrial Loans Outstanding .....                  | \$12.5 million  |
| Loans Outstanding to the Fishing and<br>Agricultural Sectors ..... | \$6.4 million   |



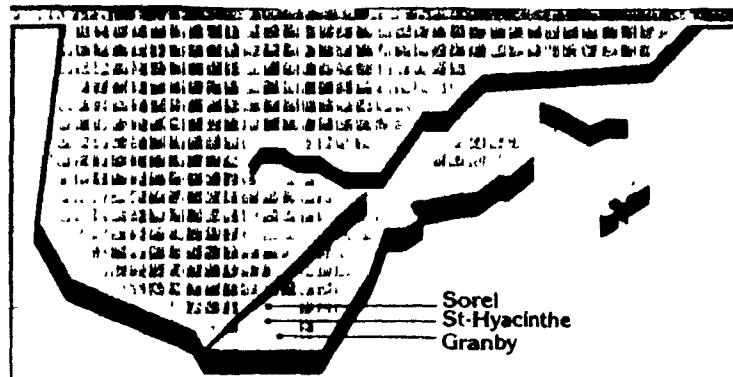
\*AREA VIII: Territory covered by the "Fédération des Caisses populaires Desjardins de l'Abitibi".

Source: Ma Caisse, Volume 18 - Numéro 6, 1981, Published by MCPED

# ECONOMIC ROLE OF THE MCPED — AREA IX\* (12.31.80)

|                                                                    |                 |
|--------------------------------------------------------------------|-----------------|
| Caisses .....                                                      | 77              |
| Offices from Institutions of the MCPED .....                       | 0               |
| Members .....                                                      | 261,433         |
| Employees .....                                                    | 980             |
| Aggregate Remuneration of Employees .....                          | \$14.5 million  |
| Savings .....                                                      | \$864.6 million |
| Consumer Loans Outstanding .....                                   | \$134.0 million |
| Residential Mortgage Loans Outstanding .....                       | \$453.5 million |
| Commercial and Industrial Loans Outstanding .....                  | \$80.8 million  |
| Loans Outstanding to the Fishing and<br>Agricultural Sectors ..... | \$106.9 million |

## AREA IX



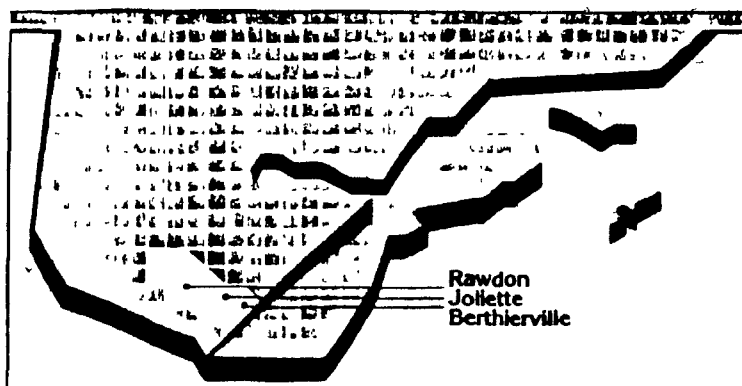
\* AREA IX: Territory covered by the "Fédération des Caisses populaires Desjardins de Richelieu-Yamaska".

Source: Ma Caisse, Volume 18 - Numero 6, 1981, Published by MCPED

# ECONOMIC ROLE OF THE MCPED — AREA X\* (12.31.80)

|                                                                    |                 |
|--------------------------------------------------------------------|-----------------|
| Caisses .....                                                      | 48              |
| Offices from Institutions of the MCPED .....                       | 0               |
| Members .....                                                      | 141,406         |
| Employees .....                                                    | 533             |
| Aggregate Remuneration of Employees .....                          | \$8.7 million   |
| Savings .....                                                      | \$391.9 million |
| Consumer Loans Outstanding .....                                   | \$63.3 million  |
| Residential Mortgage Loans Outstanding .....                       | \$193.5 million |
| Commercial and Industrial Loans Outstanding .....                  | \$48.9 million  |
| Loans Outstanding to the Fishing and<br>Agricultural Sectors ..... | \$32.3 million  |

AREA X



\*AREA X: Territory covered by the "Fédération des Caisses populaires Desjardins de Lanaudière".

Source: Ma Caisse, Volume 18 - Numero 6, 1981, Published by MCPED

**APPENDIX III**

Nom de la Caisse : \_\_\_\_\_

No \_\_\_\_\_

Adresse : \_\_\_\_\_

Tél. : \_\_\_\_\_

Nom du directeur : \_\_\_\_\_

Information d'ordre général :

Utilisez les résultats de la dernière année fiscale se terminant avant le 31 août 1981.

1. Actif total de la caisse (\$) : \_\_\_\_\_
2. Total des dépenses administratives (\$) : \_\_\_\_\_
3. Total des dépenses : \_\_\_\_\_
4. Nombre total de comptes- ordinaire -stable-à terme: \_\_\_\_\_
5. Nombre de dépôts effectués durant l'année : \_\_\_\_\_
6. Nombre de retraits effectués durant l'année : \_\_\_\_\_
7. Nombre de transferts effectués durant l'année : \_\_\_\_\_

Information sur l'épargne ordinaire :

1. Nombre de comptes à épargne ordinaire :
  1. Au début de l'année fiscale : \_\_\_\_\_
  2. A la fin de l'année fiscale : \_\_\_\_\_
2. Volume total des comptes à épargne ordinaire (\$)
  1. Au début de l'année fiscale: \_\_\_\_\_
  2. A la fin de l'année fiscale: \_\_\_\_\_
3. Nombre de comptes à épargne ordinaire à la fin de chaque année, pour les cinq (5) dernières années fiscales:  
1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_ 4. \_\_\_\_\_ 5. \_\_\_\_\_
4. Nombre de fermetures : \_\_\_\_\_
5. Nombre d'ouvertures : \_\_\_\_\_

Information sur l'épargne à terme et stable :

1. Nombre de comptes à épargne stable et à terme :

1. Au début de l'année fiscale : \_\_\_\_\_
2. A la fin de l'année fiscale : \_\_\_\_\_

2. Volume total des comptes à épargne stable et à terme (\$) :

1. Au début de l'année fiscale : \_\_\_\_\_
2. A la fin de l'année fiscale : \_\_\_\_\_

3. Nombre de comptes à épargne stable : \_\_\_\_\_ à termes :

1. Au début de l'année fiscale : \_\_\_\_\_
2. A la fin de l'année fiscale : \_\_\_\_\_

4. Dépenses pour l'année en intérêt attribuable aux services de l'épargne à terme et stable (\$) : \_\_\_\_\_

5. Nombre de comptes à épargne stable et à terme à la fin de chaque année, pour les cinq (5) dernières années fiscales:

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_ 4. \_\_\_\_\_ 5. \_\_\_\_\_

6. Nombre de fermetures : \_\_\_\_\_

7. Nombre d'ouvertures : \_\_\_\_\_

Information sur les prêts hypothécaires

1. Nombre de prêts hypothécaires en vigueur :

1. Au début de l'année fiscale : \_\_\_\_\_
2. A la fin de l'année fiscale : \_\_\_\_\_

2. Volume total des prêts hypothécaires (\$) :

1. Au début de l'année fiscale : \_\_\_\_\_
2. A la fin de l'année fiscale : \_\_\_\_\_

3. Nombre de prêts hypothécaires en vigueur à la fin de chaque année pour les cinq (5) dernières années fiscales :

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_ 4. \_\_\_\_\_ 5. \_\_\_\_\_

4. Nombre de fermetures : \_\_\_\_\_

5. Nombre d'ouvertures : \_\_\_\_\_

Information sur les reconnaissances de dette :

Rec. de dette = Prêts commerciaux - prêts personnels.

1. Nombre de R.D. en vigueur :

1. Au début de l'année fiscale : \_\_\_\_\_

2. A la fin de l'année fiscale : \_\_\_\_\_

2. Volume total des prêts commerciaux et personnels (\$) :

1. Au début de l'année fiscale : \_\_\_\_\_

2. A la fin de l'année fiscale : \_\_\_\_\_

3. Revenus pour l'année provenant des intérêts reçus des prêts commerciaux et personnels : \_\_\_\_\_

4. Nombre de prêts commerciaux en vigueur :

1. Au début de l'année fiscale : \_\_\_\_\_

2. A la fin de l'année fiscale : \_\_\_\_\_

5. Nombre de R.D. en vigueur à la fin de chacune des cinq (5) dernières années fiscales :

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_ 4. \_\_\_\_\_ 5. \_\_\_\_\_

6. Nombre de fermetures : \_\_\_\_\_

7. Nombre d'ouvertures : \_\_\_\_\_

Dépenses-informatique

Dépenses

|                                                             | Dépenses (\$) |
|-------------------------------------------------------------|---------------|
| Traitement des données (SIC)<br>(51 06 50)                  |               |
| Amortissement de l'équipement<br>informatique<br>(51 12 30) |               |
| Charges inter-caisses<br>(51 14 40)                         |               |
| Entr et loc de l'équipement<br>informatique<br>(51 11 30)   |               |

Revenus

Revenus du service inter-caisses .  
(43.30 50) \_\_\_\_\_

Dépenses-employés, cadres, adjoints, aux prêts

Dépenses

Coûts (\$)

- 1 Salaires (cadres, adjoints aux prêts, employés)  
(51.01.10 + 51.01 20 + 51.01.30) \_\_\_\_\_
- 2 Avantages marginaux (cadres, adjoints aux prêts,  
employés)  
(51 02 10 + 51 02 20 + 51.02.30) \_\_\_\_\_
- 3 Bien-être des employés  
(51.16.30) \_\_\_\_\_
4. Total  
(1 + 2 + 3) \_\_\_\_\_

Dépenses-assurance-vie

|                                        | Dépenses (\$) |
|----------------------------------------|---------------|
| Epargne ordinaire<br>(51.03 20)        |               |
| Reconnaissances de dette<br>(51.04 10) |               |
| Prêts hypothécaires<br>(51 04 20)      |               |
| Epargne stable<br>(51 03.30/50/ )      |               |

Dépenses-frais juridiques et pertes

|                                            | Dépenses (\$) |
|--------------------------------------------|---------------|
| Sur reconnaissances de dette<br>(51.17.10) |               |
| Sur prêts hypothécaires<br>(51 17.20)      |               |

Dépenses intérêts sur les dépôts

|                                       | Dépenses-intérêts (\$) |
|---------------------------------------|------------------------|
| Epargne avec opérations<br>(53.10.10) |                        |
| Epargne stable<br>(53.10.20)          |                        |
| Epargne à terme<br>(53.10.30)         |                        |

**APPENDIX IV**

## QUESTIONNAIRE

NOM DE LA CAISSE : \_\_\_\_\_

NOM DU DIRECTEUR : \_\_\_\_\_

No TEL. : \_\_\_\_\_

Directive :

Utilisez les résultats de la dernière année fiscale se terminant avant  
le 1er janvier 1982

### SECTION I

Complétez :

Année fiscale utilisée :

Débutant le \_\_\_\_\_  
                                 jour      mois      année

Se terminant le \_\_\_\_\_  
                                 jour      mois      année

Nombre de membres (folios) affiliés à la caisse au  
début de l'année fiscale

\_\_\_\_\_

Nombre de membres (folios) affiliés à la fin de l'an-  
née fiscale

\_\_\_\_\_

Nombre de comptes courants :

au début de l'année fiscale

\_\_\_\_\_

à la fin de l'année fiscale

\_\_\_\_\_

### SECTION II

Personnel :

Complétez :

|                                                                        | Réguliers<br>(à temps plein) | Réguliers<br>(à temps partiel) |
|------------------------------------------------------------------------|------------------------------|--------------------------------|
| Nombre d'employés, cadres,<br>adjoints aux prêts rémunérés             |                              |                                |
| Nombre d'heures de travail<br>par semaine, par employé<br>(en moyenne) |                              |                                |

Répartition du personnel rémunéré :

Complétez :

|                                     | Nombre de personnes<br>travaillant à titre de |
|-------------------------------------|-----------------------------------------------|
| Directeur de<br>la caisse           | 1                                             |
| Directeur-adjoint                   |                                               |
| Comptable                           |                                               |
| Secrétaire                          |                                               |
| Agent épargne/<br>prêts             |                                               |
| Agent épargne                       |                                               |
| Agent prêts                         |                                               |
| Commis de<br>perception             |                                               |
| Commis senior                       |                                               |
| Caissière*<br>(à temps plein)       |                                               |
| Caissière<br>(à temps partiel)      |                                               |
| Autres (précisez)<br>1-<br>2-<br>3- |                                               |

\* Incluant commis-caissière et première caissière.

SECTION III

Dans cette partie, il s'agit d'analyser l'emploi du temps des employés de la caisse; répartir le temps de travail des employés parmi les cinq (5) plus importants services offerts aux membres.

EXEMPLE vous montrant la façon de répondre aux cinq prochaines questions:

Prenons la question I.

Supposons qu'une caissière accorde 90% de son temps de travail au service de l'épargne ordinaire, que le directeur de la caisse lui, n'accorde que 5% de son temps à ce service, et que tous les autres employés ne travaillent pas sur ce service.

Voici comment il aurait fallu répondre à la question I:

- I. Fournir le pourcentage (%) du temps de travail consacré au service de l'épargne ordinaire des personnes occupant les postes suivants :

|                                       | <u>Réponse</u> |
|---------------------------------------|----------------|
| 1 - Directeur .....                   | 5%             |
| 2 - directeur-adjoint .....           | 0%             |
| 3 - comptable .....                   | 0%             |
| 4 - secrétaire .....                  | 0%             |
| 5 - agent épargne/prêts .....         | 0%             |
| 6 - agent épargne .....               | 0%             |
| 7 - commis senior .....               | 0%             |
| 8 - une caissier(e) .....             | 90%            |
| 9 - autre (précisez) : <u>X</u> ..... | 0%             |

A VOTRE AVIS:

- I. Fournir le pourcentage (%) du temps de travail consacré au service de l'épargne ordinaire des personnes occupant les postes suivants:

|                             | <u>Réponse</u> |
|-----------------------------|----------------|
| 1 - directeur .....         | _____ %        |
| 2 - directeur-adjoint ..... | _____ %        |
| 3 - comptable .....         | _____ %        |
| 4 - secrétaire .....        | _____ %        |

- 5 - agent épargne/prêts ..... %  
6 - agent épargne ..... %  
7 - commis senior ..... %  
8 - caissier(e) ..... %  
9 - autre (précisez) : \_\_\_\_\_ %

II. Fournir le pourcentage (%) du temps de travail consacré au service de l'épargne stable des personnes occupant les postes suivants:

Réponse

- 1 - directeur ..... %  
2 - directeur adjoint ..... %  
3 - comptable ..... %  
4 - secrétaire ..... %  
5 - agent épargne/prêts ..... %  
6 - agent épargne ..... %  
7 - commis senior ..... %  
8 - caissier(e) ..... %  
9 - autre (précisez) : \_\_\_\_\_ %

III. Fournir le pourcentage (%) du temps de travail consacré au service de l'épargne à terme des personnes occupant les postes suivants:

Réponse

- 1 - directeur ..... %  
2 - directeur-adjoint ..... %  
3 - comptable ..... %  
4 - secrétaire ..... %  
5 - agent épargne/prêts ..... %  
6 - agent épargne ..... %  
7 - commis senior ..... %  
8 - autre (précisez) : \_\_\_\_\_ %

IV. Fournir le pourcentage (%) du temps de travail consacré au service des prêts hypothécaires des personnes occupant les postes suivants:

Réponse

- 1 - directeur ..... %  
2 - directeur-adjoint ..... %  
3 - comptable ..... %  
4 - secrétaire ..... %

- |                                    |         |
|------------------------------------|---------|
| 5 - agent épargne/prêts .....      | _____ % |
| 6 - agent prêts .....              | _____ % |
| 7 - commis senior .....            | _____ % |
| 8 - commis de perception .....     | _____ % |
| 9 - autre (précisez) : _____ ..... | _____ % |

V. Fournir le pourcentage (%) du temps de travail consacré au service des reconnaissances de dette (comm. et pers.) des personnes occupant les postes suivants:

- |                                   | <u>Réponse</u> |
|-----------------------------------|----------------|
| 1 - directeur .....               | _____ %        |
| 2 - directeur-adjoint .....       | _____ %        |
| 3 - comptable .....               | _____ %        |
| 4 - secrétaire .....              | _____ %        |
| 5 - agent épargne/prêts .....     | _____ %        |
| 6 - agent prêts .....             | _____ %        |
| 7 - commis senior .....           | _____ %        |
| 8 - commis de perception .....    | _____ %        |
| 9 - autre (précisez): _____ ..... | _____ %        |

Note. Dans le cas où il n'existe aucune personne (dans votre caisse) occupant l'un de ces postes, veuillez inscrire "X" au lieu d'un pourcentage à l'endroit correspondant.

SECTION IV

UTILISATION DU SERVICE INTER-CAISSE

Il s'agit de répartir l'utilisation du service inter-caisse entre les services de l'épargne ordinaire et l'épargne stable.

|                   | Répartition des<br>transactions du<br>S I C (en %) |   |
|-------------------|----------------------------------------------------|---|
| Epargne ordinaire | _____                                              | % |
| Epargne stable    | _____                                              | % |
| Total             | _____ 100                                          | % |

**APPENDIX V**