

Lending a hand: help banks in the Netherlands, 1848–1898

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Households and small businesses are often confronted with funding gaps due to small-scale lending problems. Whereas existing research focused primarily on how rural areas addressed such problems, this paper determines what contributed to the success of urban help banks in the Netherlands (1848–1898). It considers how help banks' lending mechanism, corporate governance mechanism, and historical circumstances lowered operating costs. The latter was crucial and depended on elites with philanthropic and practical considerations, who housed, staffed, and funded help banks at modest costs. This mix provides guidance to small-scale lenders, including microcredit institutions, to address funding gaps and tailor their services.

1. Introduction

Introduced in the Netherlands in the late 1840s on the model of the Irish loan funds, help banks (*hulpbanken*) provided small-scale loans that were repaid through weekly installments and secured through co-signers (Hollis and Sweetman 1998a, 1998b, 2001, 2004; Hollis 2001; Goodspeed 2007, 2016, 2018; McLaughlin 2009, 2013; McLaughlin and Pecchenino 2019; De Vicq and van Bochove 2023). They were founded in dozens of towns across the country and reached out to thousands of households and small business owners who might otherwise have struggled to gain access to credit through commercial banks (Peeters 2022; Gelderblom et al. 2023; De Vicq forthcoming), pawnshops (Carbonell-Esteller 2012; Pastureau and Blancheton 2014; Carboni and Fornasari 2019; McLaughlin and Pecchenino 2022), or social networks (Johnson 1985; O'Connell 2009). Help banks were not only successful in realizing their social objective of making Dutch credit markets more inclusive; their financial margin, operating self-sufficiency, and return on assets also made them financially sustainable (see section 2 and the online appendix). While present-day small-scale lenders, such as microcredit institutions, often struggle with this balancing act (Engels 2009; Mersland and Strøm 2010; Armendáriz and Szafarz 2011; Hermes and Lensink 2011), some help banks stayed in business for over a century. Exploring what made help banks so successful is thus worth researching, the more so because there exists consensus that the challenges faced and solutions tried by the historical small-scale lending institutions are similar to those of present-day ones. Not drawing lessons about the historical parallels would, in the words of Hollis and Sweetman (1998a, p. 1888), even be “inappropriate”.

By analyzing what drove the success of help banks, this paper not only contributes to the limited historical literature on these once important but now almost entirely overlooked institutions.¹ It also contributes to the vast body of literature on funding gaps, the perennial problem of funding small-scale lending. This literature argues that traditional financial intermediaries like commercial banks often shy away from providing credit to households and small businesses because they make less revenue on smaller than on larger loans. This is so because they encounter more adverse selection and moral hazard problems, and thus higher screening and monitoring costs, as borrowers are relatively opaque and frequently lack collateral (Pauly 1968; Ross 1996; Cressy 2012; Peeters 2021). The paper more specifically adds to the literature that analyzes the functioning of the small-scale credit institutions that emerged during the nineteenth and twentieth centuries and tried to mitigate funding gaps (Banerjee et al. 1994; Hollis and Sweetman 1998a; Beck and Demirguc-Kunt 2006; De Vicq and van Bochove 2023).²

In the wake of the highly influential research by Guinnane and his co-authors, this latter literature has primarily focused on rural credit cooperatives. This is understandable, as even today rural credit cooperatives—or Raiffeisen banks—are still one of the most enduring and prevalent forms of organized small-scale lending in the world (Colvin 2017; Colvin and McLaughlin 2014; Ghatak and Guinnane 1999; Guinnane 1994, 2001, 2011, pp. 91–92; Wadhvani 2016, pp. 192–193). Urban credit institutions, such as Schulze-Delitzsch credit cooperatives and co-signatory lending institutions, have received much less scholarly attention.³ This is unfortunate because while rapidly growing numbers of people lived in towns during the nineteenth and twentieth centuries (Buringh 2021), it hence remains unclear what made the new credit arrangements they relied on a success. As help banks mainly operated in urban areas, a case study of them will improve our understanding of urban institutions' success.

This paper demonstrates that help banks were well aware of the problems associated with small-scale lending and found ways of dealing with lending costs that the literature has also identified as being important. First, it shows that help banks put a lending mechanism in place that enabled them to alleviate the effects of adverse selection and moral hazard when dealing with its loan applicants and borrowers. Contrary to other small-scale lenders, help bank loans were repaid through weekly installments and secured by co-signers (alone) (Banerjee et al. 1994; De Vicq and van Bochove 2023). Second, it argues that help banks had corporate governance mechanisms that allowed those who funded help banks to solve the agency problems with those who managed them. As help banks were funded by issuing shares, however, this involved a different group in corporate governance than at other small-scale lending institutions: shareholders instead of depositors (Fama and Jensen 1983; Schleifer and Vishny 1997).⁴ Third, it emphasizes the impact historical circumstances had on operating costs; help banks benefitted from specific circumstances that provided a window

¹ This literature covers only part of this paper's research period (Fokker 1872, 1873, 1875; Van der Heim 1854), focuses on one help bank but not the country as a whole (Jacobs 2005; Rotering 2010; Smit 2018; Van Bochove and de Vicq 2022), or addresses help banks as part of a larger narrative and hence did not have the opportunity to provide an in-depth analysis (Deneweth et al. 2014).

² Wadhvani (2016, pp. 192–193) provides a definition and literature review of small-scale credit institutions.

³ Colvin (2018) and De Vicq (forthcoming) discuss credit cooperatives (or unions) and their successors, the SME banks (the Dutch equivalent of the Schulze-Delitzsch credit cooperatives). De Vicq and van Bochove (2023) treat the origins, functioning, and impact of co-signatory lending institutions.

⁴ Case studies include De Vicq (2022) and Hickson and Turner (2005). See Hollis and Sweetman (1998b, 2001) and McLaughlin (2009) for the corporate governance of the Irish loan funds.

of opportunity not available in other times and places. The non-economic reasons of Dutch elites meant they were not only willing to work in cheap premises and on a voluntary basis, but also to accept relatively low dividend payments. We deem these non-economic, context-dependent reasons to be a crucial factor in explaining the relative success of help banks (Hollis and Sweetman 1998a; Lemerrier and Zalc 2012; Colvin and McLaughlin 2014; Hoffman et al. 2015, 2019).

Rich quantitative and qualitative sources are available that allow us to explore these three success factors of the Dutch help banks. The paper uses national statistics on all help banks as well as information on individual help banks—retrieved from annual reports, ledgers, and newspapers—to lay bare the development of this historically important but now all but forgotten institution at the macro as well as micro level. Although some help banks remained in business after World War 2, this paper focuses on the period 1848–1898: this period not only represents help banks' heyday, but the data for this period are also of better quality than those for later years.⁵

The paper proceeds as follows. Section 2 introduces the help banks and provides measures of their lending operations to demonstrate their socio-economic impact and success in broadening access to credit. Next, section 3 focuses on help banks' lending mechanism and how it helped to keep losses due to defaulting borrowers to a minimum. Section 4 analyzes help banks' corporate governance and how it aligned the interests of financiers and directors. Section 5 takes the debate further by emphasizing the particular historical circumstances that contributed to help banks' success in lowering operating costs. Section 6 recapitulates the findings of this paper: that the combination of a good lending mechanism, sound corporate governance, and reliance on local support to keep operating costs in check are key to understanding why help banks played such an important role in making nineteenth-century credit markets in the Netherlands more inclusive. It also makes a more general contribution as the history of help banks serves as an interesting case to better understand the problems of small-scale lending, while also suggesting possible solutions to address the perennial problem of funding gaps in financial markets.

2. Loans and borrowers of the help banks

Scientific philanthropy—also known as scientific charity—was an international movement with roots dating back to the late eighteenth century. It applied ideas from science to philanthropy and attempted to more efficiently fight poverty with the guiding idea of helping the poor help themselves (Ziliak 2004). This movement thrived in Dutch society with a rich history of much older collective action institutions such as guilds and mutual insurances, and played a central role in the introduction of help banks in the Netherlands (Van Leeuwen 1993, 1994, 2012). Its proponents aimed to better Dutch society and often belonged to societies dedicated to realizing that purpose: the *Maatschappij tot Nut van 't Algemeen* and

⁵ The national statistics included other financial institutions, such as SME banks, from 1898 onwards and during the Interbellum (detailed) data publishing ceased due to budget constraints. See Cohen (1934, pp. 192–3), Fruin (1938, p. 725); *Statistiek der Spaar- en Leenbanken, over het jaar 1919/1920*. That help banks experienced their heyday during our research period was contributed to by the lack of competition in their specific market segment. First, changes on the demand side (including those caused by industrialization) and supply side enabled alternative urban credit providers to step in only during the early twentieth century (De Vicq and van Bochove 2023, pp. 106–7; Peeters 2021). Second, rural credit cooperatives were introduced relatively late and hence started drawing away rural clients at some help banks from the late 1890s only (see footnote 45).

the *Nederlandsche Maatschappij der bevordering van Nijverheid* (Bierens de Haan 1952; Egging 2019; Lans 2002; Mijnhardt and Wichers 1984). Local chapters of these societies took all kinds of initiatives to revitalize economy and society in the Netherlands. This included the establishment of savings banks across the country (Dankers et al. 2001) as well as supplying loans that would tally with the needs and possibilities of the poor. The philanthropists preferred interest-bearing loans over charity as they saw them as commercial transactions that enabled borrowers to make productive investments and did not involve the shame associated with charity. Willem Hendrik Suringar, a famous Dutch scientific philanthropist, knew the answer to how these loans could be supplied best. Through his German friend and correspondent N.H. Julius, Suringar became aware of an article by French social reformer Lucien Deboutteville in the French journal *Annales de la Charité* of 1847. Through this article Suringar learned about the benefits of the Irish loan funds and he subsequently proposed statutes for a Dutch equivalent and lobbied for its introduction in the Netherlands (Deboutteville 1848; Egging 2019, pp. 136, 176–81, 349; *Over het stelsel van hulpbanken; Suringar 1847; Suringar Junior 1847*).

After the first help bank was established in Middelburg in 1848 other towns followed suit (see figure 1) with help banks being established in Haarlem (North Holland), Zwolle (Overijssel), The Hague (South Holland), Leeuwarden (Friesland), Utrecht (Utrecht), and Arnhem (Gelderland). Consequently, already by the early 1850s, there was a help bank present in or near many of the provincial capitals. By 1860, there was a help bank in 15 out of the 50 largest towns and in 1895 this had increased to 27 out of 50. Help banks also increasingly appeared in more rural areas such as Gieten (Drenthe) and Workum (Friesland), which both had less than 4000 inhabitants (Boonstra 2016). The case of the help bank of Middelburg (18,467 inhabitants in 1895), the only help bank on the island of Walcheren, is just one of the examples that shows that the geographic coverage was even more finely meshed than suggested by these general figures. During the 1890s this help bank provided close to 30 percent of its loans to inhabitants of surrounding towns and villages, most of which were located within a ten kilometer radius: Vlissingen (16,393 inhabitants in 1895), Arnemuiden (2164), Westkapelle (1885), Serooskerke (1231), Domburg (1055), Nieuw en Sint Joosland (1048), Vrouwenpolder (919), Zoutelande (664), Ritthem (639), and Sint Laurens (638).⁶ The rising number of help banks and lending practices as in Middelburg ensured that households and small business owners in a growing part of the Netherlands could access the credit provided by a local or nearby help bank.

Help bank borrowers were households and small business owners—males and females (Van Bochove and de Vicq 2022)—mostly excluded from borrowing at commercial banks who used their loans to engage in productive activities, often by creating or expanding their economic activities. Help banks' annual reports and loan registers reveal that the most recurring types of clients were small merchants and shopkeepers (e.g. grocers, fishmongers, and butchers), small manufacturers (e.g. carpenters, tailors, and shoemakers), and farmers. There were some regional differences, however. In more rural areas such as Deventer, Nijmegen, and Zwolle, farmers and agricultural workers were more common, whereas in more urban areas such as Haarlem, Utrecht, and The Hague, small merchants, shopkeepers, and manufacturers

⁶ *Middelburgsche courant*, 7 February 1895, 16 February 1897, 14 February 1899; Boonstra (2016). *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1874, p. 8; 1897, p. 4; 1898, p. 4; and *Provinciale Overijsselsche en Zwolsche courant*, 6 April 1867 demonstrate that the help banks in Haarlem and Zwolle respectively also provided loans to borrowers from nearby communities.

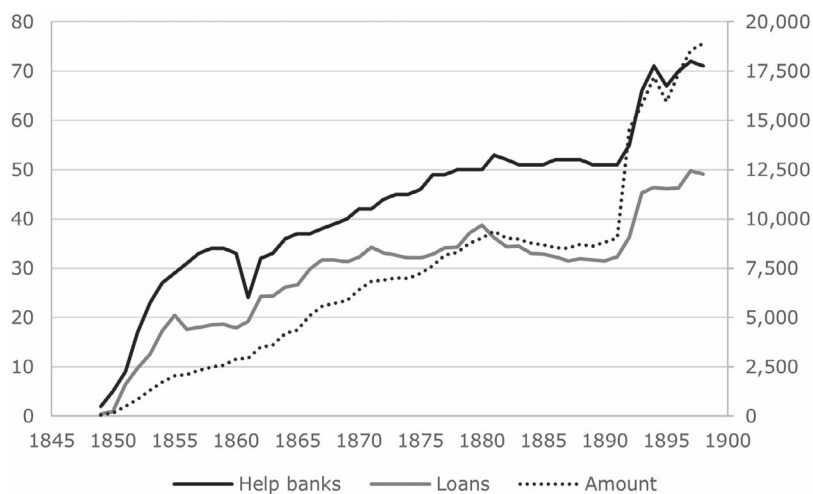


Figure 1. The number of help banks (left axis) and the number and amount (x100 guilders) of help bank loans (right axis), 1849–1898. Source: 1849–1860: *Onze hulpbanken*. 1861–1865: *Verslag over de verrichtingen aangaande het Armbestuur* 1861, pp. 1683–4; 1862, pp. 958–9; 1863, pp. 1621–2; 1864, pp. 1658–9; 1865, pp. 1269–71. 1866–1869: *Verslag over de verrichtingen aangaande het Armbestuur* 1870 appendices 36a, 36b. 1870–1898: *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1898*, pp. 234–5. Note: (i) The sources for the period 1861–1865 give information on the number of borrowers and the number of loans. The latter was used when available and the former was used to estimate the number of loans based on the median ratio of borrowers to loans at help banks for which both types of information were available. (ii) The drop in the number of help banks in 1861 is caused by a change in source type and because the source for 1861 did not yet contain all help banks. See *Verslag over de verrichtingen aangaande het Armbestuur* 1862, p. 958. (iii) As some towns had more than one help bank, the number of towns with a help bank was smaller than the figure might suggest.

constituted the majority of help banks' clientele.⁷ Loans were used for a wide variety of purposes, including the purchase of basic machinery (e.g. sewing equipment), fuel (e.g. coal and peat), raw materials which could be used to create manufactured goods (e.g. cloth and leather), or even final goods which could be sold at a profit. Sometimes loans were used to purchase shop goods in bulk (e.g. fruit and vegetables) and in rare occasions even to pay for rent arrears, study debt, and bail.⁸ The large variety of applications indicates that loans did

⁷ For Deventer (1859, 1860), see *Nederlandsche Maatschappij, Tijdschrift* 1859, pp. 185–8; 1861, pp. 29–31. For Haarlem (1896), see *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1896, pp. 4–8. For Nijmegen, see all annual reports of the Nijmegen help bank available for the period 1862–1898 and data collected from the loan registers in Regionaal Archief Nijmegen (=RAN), Nijmeegse Hulpbank 1862–1966 (entry number 894 = Hulpbank), inv.nrs. 2 (1882), 4 (1889), 5 (1895). For The Hague (1894), see *Verslag van het bestuur der hulpbank te 's-Gravenhage* 1894, pp. 9–11. For Utrecht (1853), see *Jacobs* (2005, p. 52). For Zwolle (1854, 1859–1865), see *Verslag van de gedeputeerde staten aan de staten der provincie Overijssel omtrent den toestand der provincie* 1855, pp. 177–81; 1863, pp. 186–9; 1864, pp. 594–6; 1865, pp. 389–91; 1866, pp. 475–9.

⁸ This is based on data collected from the loan registers in RAN, Hulpbank, inv.nrs. 1 (1871, 1873), 2 (1882), 3 (1885), 4 (1889), 5 (1895).

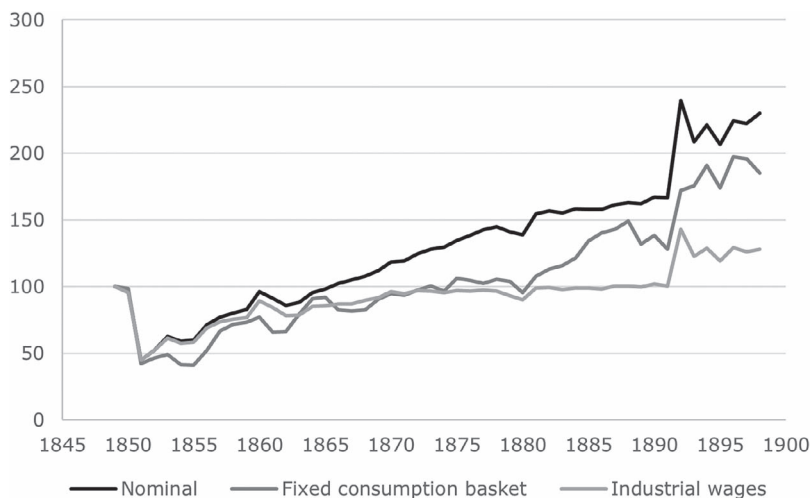


Figure 2. *The nominal and real (corrected by the price of a fixed consumption basket and by industrial wages) size of help bank loans, 1849–1898 (1849 = 100). Source: See figure 1; van Riel (2018, pp. 701–2, 706–7).*

not only serve a “productive” (i.e. increase profits), but also a “savings” (i.e. discounts on the purchase in bulk), and even an “insurance” (i.e. consumption smoothing) purpose.

In parallel to the aforementioned geographical expansion of help banks, the overall number of loans issued annually also grew. Briskly at first, soaring from a mere 98 in 1849 to over 5000 by the mid-1850s. It subsequently hovered between 4500 and 6000 until the late 1860s. From the early 1870s it then incessantly increased to over 12,000 by 1898, for a total value of nearly 1.9 million guilders (see figure 1).⁹ The size of the average help bank loan also increased over time, a process that was driven by rising prices and wages—which offset part of the observed nominal increase—and increasing maximum loan sizes (see figure 2). The latter were usually specified in help banks’ statutes—in 1862 it was 100 guilders in Nijmegen, for instance—and rose over time to not only keep track with increasing prices and wages but also to broaden access to credit. In 1898 the most common maximum loan sizes were 200 and 300 guilders and around 80 percent of help banks had a maximum loan size of 500 guilders or less.¹⁰ Most loan applicants did not ask for loans of these maximum sizes, however, and average loans consequently remained much smaller. They were around 65 guilders in 1849 and 1850, then dropped to between 35 and 40 guilders during the early 1850s, and increased to around 85 guilders by the early 1870s. In the subsequent two decades, the average loan size continued to grow steadily and reached 110 guilders by the early 1890s after which it increased to 140 to 150 guilders.

This did not mean, however, that help banks’ smallest loans—often just five or ten guilders—disappeared from the lending menu. The frequency distributions of loan sizes in the national statistics already demonstrate this well, but miss detail and do not allow for

⁹ The changing number of help banks in figure 1 complicates an analysis of the dynamics behind help bank lending. Analysis at the level of an individual help bank—such as in Van Bochove and de Vicq (2022)—helps overcome this.

¹⁰ *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) article 6; *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1898*, pp. 226–9.

further calculations as loans are grouped in buckets (e.g. *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1898* pp. 226–9). The underlying annual reports of individual help banks provide precise breakdowns of loan sizes, however. In Haarlem, Nijmegen, and The Hague, for instance, loans of 200 guilders or more were granted more frequently over time and came to represent 20, 20–25, and 40–45 percent of the number of loans respectively. Nevertheless, loans of 100 guilders or less did not fall below shares of 60–70, 60–70, and 40–50 percent and loans of 50 guilders or less not even below 25–35, 30–40, and 10–20 percent (see figure 3).¹¹ Help banks thus clearly remained committed to providing the full spectrum of loan sizes specified in their statutes, including relatively small loan sizes.

Help banks discounted their interest charges of about three to five percent upfront. As loans were repaid through weekly installments this meant that annualized percentage rates were in the order of six to ten percent and could be lower still when borrowers received an interest rate reduction (see section 3).¹² While this was high in comparison to the “regular” credit market, it was less than the rates often charged by other small-scale lenders such as pawnshops. Annualized percentage rates thus provide another measure for the success of help banks in small-scale lending. Help banks’ very modest write-offs do so as well: the national statistics for the period 1866–1898 reveal that a mere 0.09 percent of the sums provided had to be written off.¹³ To help put the relative success of help banks into perspective, we rely on financial sustainability indicators which are used to measure the success of present-day microcredit institutions: their financial margin, operating self-sufficiency, and return on assets (Mersland and Strøm 2014). Clear definitions and a more detailed discussion of how we calculated these measures are provided in the online appendix. For the period 1866–1898 help banks scored median values of 49.8, 130.5, and 2.7 respectively whereas data collected by Mersland for a set of more than 500 microcredit institutions demonstrate median values of 79.2, 114.0, and 3.2 respectively during the period 1998–2009. These figures tell us that help banks scored lower on their financial margin and return on assets, but higher on operating self-sufficiency. Considering the idiosyncrasies of the different time periods in which help banks and microcredit institutions operated, it is difficult to draw too many conclusions from this comparison. What is important for the purpose of this paper, though, is that it was predominantly the low operating costs of help banks that enabled them to realize a higher degree of operating self-sufficiency than modern microcredit institution. These values are what made the long life spans of help banks possible: few disappeared during the current research period and some, such as in Haarlem and Utrecht, continued their operations until

¹¹ For Nijmegen, see all annual reports of the Nijmegen help bank available for the period 1862–1898 and RAN, Hulpbank, inv.nrs. 2 (1882), 4 (1889), 5 (1895). For The Hague, see: *Verslag van het bestuur der hulpbank te 3-Gravenhage* 1900, pp. 10–1. For Haarlem, see *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1858, 1863, 1868, 1873, 1878, 1883, 1888, 1893, 1898.

¹² These data come from the national statistics for the 1880s and 1890s: *Statistiek der philanthropische spaar- en leenbanken in Nederland, over 1880–1882* pp. 284–301; *Statistiek der philanthropische spaar- en leenbanken in Nederland, over 1883–1885*, pp. 158–65; *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1893*, pp. 63–6; *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1895*, pp. 68–71; *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1898*, pp. 209–13.

¹³ This somewhat underestimates write-offs, however, as the national statistics’ time series reported these data for fewer help banks than for sums provided. A check of the underlying data for the year 1898 revealed that correcting for this only produced tiny differences: 0.04 versus 0.07 percent. *Statistiek der philanthropische spaar- en leenbanken in Nederland, over 1883–1885*, p. 172; *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1898*, pp. 209–13, 219–23, 234–5; *Verslag over de verrigtingen aangaande het Armbestuur in het Koninkrijk der Nederlanden 1870* appendix 36.

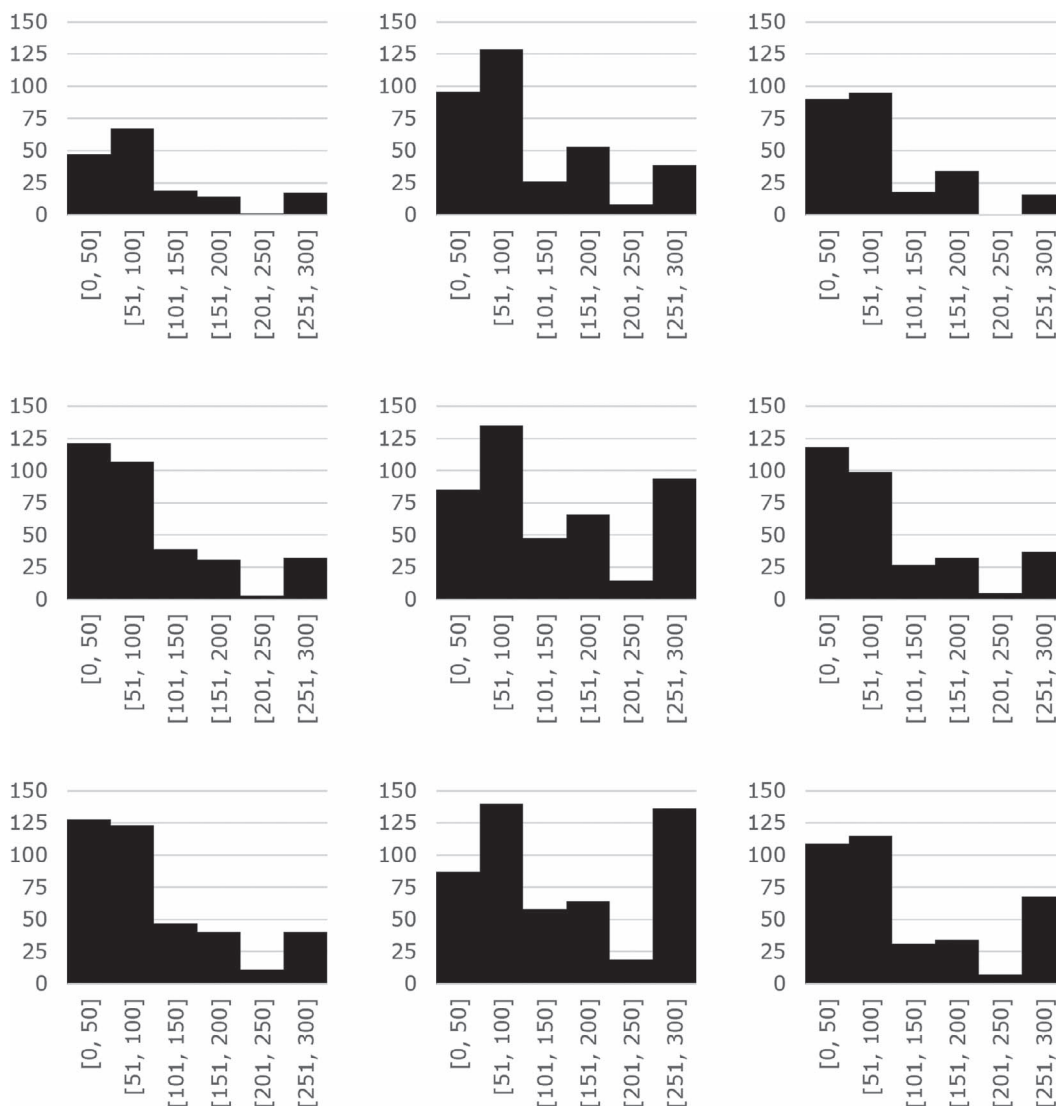


Figure 3. Frequency distribution of loan sizes at the help banks of Nijmegen (left), The Hague (middle), and Haarlem (right) in the years 1865 (top), 1875 (middle), and 1885 (bottom). Source: *Verslag van de werking en den staat der hulpbank te Nijmegen 1865, 1875, 1885*; *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank 1865, 1875, 1885*; *Verslag van het bestuur der hulpbank te's-Gravenhage 1865, 1875, 1885*.

well after World War 2.¹⁴ This does raise the question of how help banks exactly succeeded

¹⁴ The inventory of Noord-Hollands Archief, Haarlemsche Hulpbank te Haarlem (entry number 3706) shows that the Haarlem help bank closed in 1977. Also see *NRC Handelsblad*, 28 June 1977, 29 July 1977. The Utrecht help bank closed in 1999 (Jacobs 2005).

in aligning social and financial performance. The following sections will analyze how the help banks accomplished this.

3. Help banks' lending mechanism

Attracting the wrong type of borrowers (adverse selection) and borrowers reneging on their promises (moral hazard) are the classic problems lenders face. If not adequately addressed, the risk of losing money reduces lenders' willingness to lend. Any successful small-scale lender will thus have to find solutions to solve adverse selection and moral hazard problems and several have been tried over time. The group lending programs of microcredit institutions, for instance, often rely on knowledge and sanctions within social networks to weed out bad borrowers and to keep repayment rates high (Postelnicu et al. 2014). The rural credit cooperatives founded during the nineteenth century used co-signers and joint liability of all cooperative members to achieve the same result. The mostly urban co-signatory lending institutions, of which the help banks were one example, counted on co-signers only but also carefully tallied their loans to borrowers' capabilities (Deneweth et al. 2014).¹⁵

Rich primary and secondary sources show that in the case of the help banks, loan applicants were required to name two co-signers, male or female, who became jointly and severally liable for repayment of the loan.¹⁶ Applicants' ability to name co-signers distinguished them from applicants who could not do so. As only the more creditworthy loan applicants would be able to mobilize the help of co-signers with a positive net worth—who could lose money when they co-signed thoughtlessly¹⁷—this provided a powerful assortative matching mechanism for help banks to separate desired from undesired loan applicants. Having skin in the game also gave a co-signer an incentive to monitor a borrower and motivate him to stick to his obligation to the help bank. As long as help banks carefully screened loan applicants (to weed out unfitting and fraudulent applications) and co-signers (to establish their positive net worth and relationship to the loan applicant), co-signed lending was a good way of curbing losses on loans (De Vicq and van Bochove 2023).

The process of screening was set in motion when someone applied for a loan.¹⁸ Help bank directors interviewed him about his creditworthiness and the productive character of his loan purpose. Help bank directors relied on a list of questions for this and they subsequently visited the applicant's home or (work)shop and asked around about the applicant and co-signers. The public may have shared useful information because of the social status of their interlocutors, because the latter—as compared to for-profit bankers—did not gain personally from this information, or simply because as a current or future borrower one felt obliged to collaborate.

¹⁵ De Vicq and van Bochove (2023) provides a more theoretically inspired discussion of the lending mechanisms of co-signatory lending institutions and credit cooperatives.

¹⁶ Help bank statutes did not forbid women to co-sign loans. For an example of a female co-signer, see: RAN, Hulpbank, inv.nr. 6 (loan 463, 17 November 1896). In 1896 a co-signer at the Zutphen help bank unsuccessfully fought the several liability clause in court. See *Algemeen Handelsblad*, 14 March 1896; *Arnhemse courant*, 17 June 1896, 11 July 1896.

¹⁷ Sources from Nijmegen reveal that nearly all proposed co-signers knew loan applicants personally and show that for some co-signers this provided reasons for refusing to co-sign. See RAN, Hulpbank, inv.nr. 21; *Verslag van de werking en den staat der hulpbank te Nijmegen* 1881, p. 6.

¹⁸ Only in exceptional cases were loans provided directly to an applicant in great hurry, but this only happened when the directors knew the applicant and the co-signers well. The normal course of events, however, was to collect "soft" information. Note that "soft" information also played an important role in the lending of early banks (Lamoreaux 1994; Barnes and Newton 2018).

In Haarlem, the help bank for some time obtained free access to the mortgage register when investigating the quality of co-signers. The insights of the interview and investigation were compared to the help bank's statutes, which required productive loan purposes and could exclude people who had a certain occupation (i.e. barkeeper or liquor seller) or marital status (i.e. newlyweds were believed to be more likely to establish companies imprudently), were illiterate, received poor relief, or had a poor reputation.¹⁹ A register with all loan applications made in Nijmegen during the period 1882–1886 includes these reasons for refusing loans as well, but also lists that applicants requested sums too large for the stated purpose (which could still result in a smaller loan) or provided false information (RAN, Hulpbank, inv.nr. 21; Van Bochove and de Vicq 2022).

The latter also occurred elsewhere and was not always detected. An extensive search in newspaper repository *Delpher* yielded cases in which loan applicants had forged the signatures of their “co-signers” at the help banks of Delft, Dordrecht, Hallum, Leiden, Middelburg (2x), and Zierikzee. While this demonstrates that not every single investigation was carried out carefully, it also implies that the number of such cases was actually small. That few loan applicants attempted it may have had to do with the honesty of loan applicants, the fact that help banks would cut off future loans, and that judges imposed severe sentences: several months in prison plus a fine of 50 guilders or more in the cases above.²⁰

During help banks' early stages relatively high refusal rates were not uncommon; help banks did thus not prefer fast growth over selecting solid loans. Three things were likely responsible for the initially high refusal rates. First, the fact that help banks may have had thinner equity buffers during their initial stages (see section 5 below, for instance). Second, the fact that the new help banks may have attracted unsuitable loan applicants uncertain about what type of borrower would be judged suitable. Third, the fact that help banks' directors still had relatively little knowledge about loan applicants and co-signers and experience with gathering relevant information about them. The latter may explain why the help bank in Haarlem informally decided to prefer return borrowers over new ones (*Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1855, p. 7). Once both issues were resolved, however, refusal rates decreased and data for 63 help banks show that in 1898 refusal rates ranged between 0 percent and 38.2 percent with median and weighted average refusal rates at 4.8 and 9.4 percent respectively (*Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1898* pp. 209–13.). It should be realized, however, that help banks could not relax their screening of return borrowers. Annual reports show, for instance, that they sometimes

¹⁹ See Buckley (1996, 1997) for the importance of knowledge of local social and economic structures in modern small-scale lending. Van der Heim (1854, pp. 55–71); Jacobs (2005, pp. 38, 126); *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) articles 1–5; *Reglement van orde of huishoudelijk reglement voor het bestuur der hulpbank te Nijmegen* (1865) article 27; *Reglement voor de hulpbank te Nijmegen* (1867) articles 2–5; *Reglement voor de hulpbank te Nijmegen* (1892) articles 2–5; *Verslag van de werking en den staat der hulpbank te Nijmegen* 1862 p. 4; *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1856, p. 5; 1858, p. 5; 1861, p. 4; 1862, p. 8; 1863, pp. 6–7; 1864, p. 5; 1865, p. 7; 1866, p. 8; 1867, p. 8; 1886, pp. 6–7.

²⁰ *Delpher* can be accessed through <https://www.delpher.nl> and was consulted on 28 September 2021. *Dagblad van Zuidholland en 's Gravenhage*, 30 April 1864; *Middelburgsche courant*, 27 June 1869; *Delftsche courant*, 26 and 28 June 1874; *Het vaderland*, 9 February 1875; *Provinciale Noordbrabantsche en 's Hertogenbossche courant*, 13 April 1875; *Dagblad van Zuidholland en 's Gravenhage*, 7 and 14 September 1877; *De Maasbode*, 9 September 1877; *Leeuwarder courant*, 2 April 1883; *Haagsche courant*, 20 December 1895. Also see *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1855 (pp. 12–3) for an example in Haarlem.

unjustly claimed to be still running the same business as during previous loan applications (*Verslag van de werking en den staat der hulpbank te Nijmegen* 1871 p. 7, 1875 p. 4, 1876 pp. 6–7).

In addition to the above, help banks tried to restrict loan losses by providing loan conditions that matched well with borrowers' capabilities: loans were hence modest in size (see section 2) and repaid through frequent installments. Loan terms—40 to 52 weeks were used at most help banks in 1898—were long enough to be meaningful to borrowers but short enough to restrict idiosyncratic risks for help banks (*Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1898* pp. 226–9.). Weekly installments, moreover, closely matched the cash flows of borrowers and hence increased the likelihood of repayment along with realistic and manageable loan sizes. Sticking to the weekly installments was encouraged through a system of carrot and stick. The carrot took the form of an interest rate reduction when a loan was repaid ahead of time and fines for overdue installments—in Nijmegen in 1862: 0.25 to 0.50 percent of the loan sum for the first missed installment and one percent for the second—represented the stick. Continued access to help bank credit, or a (temporary) denial of future loan applications, functioned as both carrot and stick. These were not empty threats: annual reports discussed the future refusal of delinquent borrowers and some loan applications were rejected because of imperfect repayment records. Accurate bookkeeping made sure that not a single lapse was missed and enabled help banks to intervene at the earliest sight of repayment troubles. The annual reports of the Haarlem help bank even credited the practice of contacting co-signers sooner than before for a decrease in fine revenues. Witness the many examples of return customers in help bank ledgers, borrowers had to take the payment of their installments seriously.²¹

While the combination of these various lending techniques did not always prove watertight, it did provide impressive results with respect to averting losses on loans. The national statistics for the period 1866–1898 show that help banks received little in fines for overdue installments (0.09 percent of sums provided) and had very modest write-offs (see section 2).²² That the latter figure could be this low was obviously caused by the fact that help banks could resort to co-signers for getting part of the installments paid. This, however, involved a remarkably low figure: only 2.14 percent of the value of all installments in 1898 was paid by co-signers.²³ Help banks did thus not shy away from turning to the co-signers when necessary and newspaper reports and the Haarlem annual reports show that this could even include pursuing them in court.²⁴ That this was not often required is illustrated well by the fact that the Nijmegen help bank reported in its 1881 annual report that it was forced to sue co-signers for the very first

²¹ Deneweth *et al.* (2014, pp. 96–9); Geesink (1855, pp. 38–9); Van der Heim (1854, pp. 41–54, 70–72); Jacobs (2005, pp. 38–9); RAN, Hulpbank, inv.nrs. 1–15; *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) article 9; *Verslag van de werking en den staat der hulpbank te Nijmegen* 1881, p. 6; *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1895, p. 8; 1896, pp. 8–9.

²² This somewhat underestimates fines for overdue installments, however, as the national statistics' time series reported these data for fewer help banks than for sums provided. A check of the underlying data for the year 1898 revealed that correcting for this only produced tiny differences: 0.04 versus 0.06 percent.

²³ *Statistiek der philanthropische spaar- en leenbanken in Nederland, over 1883–1885* p. 172; *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1898*, pp. 209–13, 219–23, 234–5; *Verslag over de verrigtingen aangaande het Armbestuur in het Koninkrijk der Nederlanden* 1870 appendix 36.

²⁴ *Algemeen Handelsblad*, 14 March 1896; *Arnhemsche courant*, 17 June 1896, 11 July 1896; *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1861, p. 6; 1896, p. 6. *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1862, pp. 7–8; 1892, p. 8 provide examples where co-signers were facilitated (by accepting a second mortgage) or not pursued (because admitted to a mental hospital).

time; that is, after providing around 5500 loans since its foundation in 1862 (*Verslag van de werking en den staat der hulpbank te Nijmegen* 1881, pp. 3, 6).

Although help banks' lending mechanism thus worked very well to minimize loan losses, it should be realized that the diversification of loan portfolios also contributed to this albeit in a more minor way. By providing many small loans, to many (different types of) borrowers with varying loan purposes, and spread over the year, help banks reduced the overall impact of defaulting borrowers. More importantly, however, it should be realized that relying on trust could also have its downsides. This is illustrated well by a case from Zutphen in 1894, where a co-signer—who had been held liable for half the remaining debt of a defaulting borrower—knocked out two of said borrower's teeth during a scuffle when it became clear that this borrower had repaid the other co-signer but not him. It is not clear how common such excesses were and there are also examples of borrowers who peacefully repaid co-signers (*Zutphensche courant*, 30 June 1894; *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1860, p. 5.), but it helps remind us that co-signing gone wrong could put the relationships between borrowers and co-signers under severe stress.

4. Help banks' corporate governance mechanism

While their lending mechanism enabled help banks to successfully address (potential) problems with borrowers, they also had to make sure the interests of their financiers (i.e. the principal) and directors (i.e. the agent) were aligned. Shirking, entrenching, investing in undesirable projects, and outright theft could all negatively influence the performance of help banks, after all. How did financiers of help banks ensure directors behaved prudently and paid dividends? The literature suggests that good corporate governance mechanisms, ranging from incentive contracts to legal protection, were needed for this (Coase 1937; Jensen and Meckling 1976; Clark 1985; Schleifer and Vishny 1997; Bebchuk et al. 2009; Mallin 2016).

At first glance, help banks may not seem to have had many of such mechanisms in place to address principal-agent problems. There were no incentive contracts as help bank directors mostly worked on an unremunerated basis (see section 5). As directors appear to have held few assets themselves, the effect of skin in the game must also have been minimal. Evidence about the first group of Nijmegen directors shows, for instance, that the seven directors collectively owned 13 of the 101 shares (2x one share, 4x two shares, 1x three shares). With their denominations of 50 or 100 guilders, shares—even multiple ones—will typically have made up only a minor portion of shareholders' overall assets. As such, it could not have been an effective mechanism to eschew excessive risk taking as it was for some other financial institutions operating at the time. Considering the overall distribution of shares at the Nijmegen help bank (44x one share, 19x two shares, 3x three shares, 2x five shares), moreover, there is no evidence for concentrated ownership either. Concentrated ownership is another well-documented corporate governance mechanism that gives large shareholders incentives to monitor directors and use their voting rights to intervene when necessary.²⁵

A closer analysis demonstrates, though, that small and large shareholders alike could count on far-reaching legal protection to shield themselves from (potential) managerial abuse and self-dealings. Legal protection matters as it ensures the voices and interests of small and large

²⁵ On shares, see: RAN, Hulpbank, inv.nr. 28; *Verslag van de werking en den staat der hulpbank te Nijmegen* 1862 p. 7; Van der Heim (1854), pp. 29–30. On corporate governance, in particular the impact of “skin in the game”, see: Acheson et al. (2010); Acheson and Turner (2006); Calomiris and Carlson (2016); Hickson et al. (2005); Koudijs et al. (2021); Mitchener and Richardson (2013); Schleifer and Vishny (1997); Turner (2014).

shareholders alike are heard and taken into consideration. It is clear that in the Netherlands more generally, and at the help banks more specifically, the legal interests of both groups were well protected. The Netherlands were characterized by a high-quality legal system that protected property rights and offered easy access to the courts. The help banks, or the societies they belonged to, were embedded in this legal system and fell under the law that regulated societies (*Vereenigingswet*) from 1855. This law allowed societies that served an immaterial purpose, did not disrupt public order, and had members and statutes to operate as a legal entity (*Nederlandsche Staatscourant*, 16 May 1855; van Tielhof n.d.). The statutes and bylaws (*huishoudelijk reglement*) of help banks—which were often based on the blueprints provided by W.H. Suringar and H.J. van der Heim, early proponents of the help banks²⁶—provided clear regulations and procedures for keeping directors of help banks in check. Statutes and their revisions were published by the help banks themselves and had to be included in the official state newspaper, the *Nederlandsche Staatscourant*. The *Vereenigingswet* hence provided a layer of legal clarity and transparency that benefited the corporate governance of help banks.

The statutes stipulated that shareholders—who could be male as well as female (Van Bochove and de Vicq 2022)—could vote on electing directors and other important matters at annual shareholder meetings. As help banks were local institutions—they did not have branches elsewhere—and shares were held locally (see section 5), attending these meetings did not involve prohibitive costs; something that favored the involvement of small shareholders. Statutes also prescribed the number of directors, their terms, and eligibility for re-election. All shareholders could be selected to the board and at some help banks this even applied to outsiders, but only as long as shareholders formed a majority within the board. When it came to the day-to-day operations of help banks, which included the procedures during opening hours and how treasurers should keep the books, these were carefully described in the statutes and bylaws and directors could not unilaterally implement changes. Again, the annual shareholder meeting was the place where directors and shareholders could put proposals on the agenda.²⁷

The statutes also contained articles about the handling of help bank funds and about how the treasurer and other directors had to report about that. First, directors were not allowed to co-sign loans and this constrained their ability to direct help bank funds to bad loan applicants.²⁸ Second, surplus funds—help banks' capital reserves and funds not currently

²⁶ *Verslag van de werking en den staat der hulpbank te Nijmegen* 1862 (pp. 2–3) shows that the model of Van der Heim (1854) was followed in Nijmegen. *Rapport*, p. 38 claimed that this was common practice at other help banks as well and added several models for more advanced reporting.

²⁷ Jacobs (2005, pp. 37–40); *Reglement voor de hulpbank te 's Gravenhage* (c.1851) articles 17–19, 21; *Reglement voor de hulpbank te Middelburg* (1852) articles 16–17; *Reglement voor de hulpbank te Gorinchem* (1854) articles 23–25, 27; *Reglement voor de hulpbank te Leeuwarden* (1854) articles 23–26; *Reglement voor de hulpbank te Utrecht* (1854) articles 19–22 (published in Jacobs 2005, pp. 126–9); *Reglement voor de hulpbank, opgericht door het departement Deventer der Nederlandsche Maatschappij ter Bevordering van Nijverheid* (1857) articles 9–10; *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) articles 16–18, 22; *Reglement van orde of huishoudelijk reglement voor het bestuur der hulpbank te Nijmegen* (1865); *Reglement voor de hulpbank van het departement Holwerd, der maatschappij Tot Nut van 't Algemeen* (1873) article 11; *Reglementen voor het departement Middelburg der Maatschappij tot Nut van 't Algemeen—Reglement voor de Hulpbank* (1875) articles 14–15; *Reglement voor de hulpbank te Nijmegen* (1892) article 16.

²⁸ *Reglement voor de hulpbank te 's Gravenhage* (c.1851) article 5; *Reglement voor de hulpbank te Gorinchem* (1854) article 5; *Reglement voor de hulpbank te Utrecht* (1854) article 7 (published in Jacobs 2005, pp. 126–9); *Reglement voor de hulpbank, opgericht door het departement Deventer der Nederlandsche Maatschappij ter Bevordering van Nijverheid* (1857) article 40; *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) article 5; *Reglement voor de hulpbank van het departement Holwerd, der maatschappij Tot Nut van 't Algemeen* (1873) article 3.

lent out—were to be profitably invested (e.g. in repos, public debt, mortgages, savings banks deposits) or to be used for share repurchases and paying dividends (see section 5).²⁹ This, and help banks' continuous lending, meant that little cash laid idle at most help banks. In Nijmegen, the end of year amount usually was below 1000 guilders. In 1898 this also held for over three-quarters of the other help banks in the Netherlands that reported detailed information on assets.³⁰ Third, when losses exceeded a certain amount, the board had to propose the liquidation of the help bank. As clear procedures were set for distributing funds—including spending some of it on charity—the opportunities for misappropriating funds were limited.³¹ Fourth, a financial statement had to be published, checked, and discussed at a shareholder meeting each year.³² That help banks had access to each other's annual reports and that information from these reports was published in local newspapers, annual reports of the Chambers of Commerce³³, reports by two of the umbrella organizations of some of the societies that had founded help banks (i.e. *Bijdragen tot bevordering van de kennis en den bloei der Maatschappij tot Nut van 't Algemeen* and *Jaarboek der Maatschappij tot Nut van 't Algemeen*), and statistical accounts of the government and Central Bureau of Statistics further enhanced transparency.³⁴ The availability of such information made it easier to assess a help bank's performance and detect possible malfeasances early on.

²⁹ *Reglement voor de hulpbank te 's Gravenhage* (c.1851) articles 14, 16; *Reglement voor de hulpbank te Middelburg* (1852) article 15; *Reglement voor de hulpbank te Gorinchem* (1854) article 22; *Reglement voor de hulpbank te Leeuwarden* (1854) article 21; *Reglement voor de hulpbank te Utrecht* (1854) article 18 (published in Jacobs 2005, pp. 126–9); *Reglement voor de hulpbank, opgericht door het departement Deventer der Nederlandsche Maatschappij ter Bevordering van Nijverheid* (1857) articles 28–29; *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) article 14; *Reglement voor de hulpbank te Nijmegen* (1867) article 14. Also see the annual report of Haarlem: *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1856, p. 5; 1865, pp. 4, 8.

³⁰ Some of these other help banks also held securities, but including these meant that still more than half of them did not have over 1000 guilders of assets at hand. Based on the annual reports of the Nijmegen help bank and *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1898*, pp. 214–8. At the Deventer help bank all assets were stored in a box with two different locks, making theft even more difficult. See *Reglement voor de hulpbank, opgericht door het departement Deventer der Nederlandsche Maatschappij ter Bevordering van Nijverheid* (1857) article 20.

³¹ *Reglement voor de hulpbank te 's Gravenhage* (c.1851) article 22; *Reglement voor de hulpbank te Middelburg* (1852) article 14; *Reglement voor de hulpbank te Gorinchem* (1854) articles 18–19, 29; *Reglement voor de hulpbank te Leeuwarden* (1854) articles 27–28; *Reglement voor de hulpbank te Utrecht* (1854) article 24 (published in Jacobs 2005, pp. 126–9); *Reglement voor de hulpbank, opgericht door het departement Deventer der Nederlandsche Maatschappij ter Bevordering van Nijverheid* (1857) article 34; *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) article 25; *Reglement voor de hulpbank te Nijmegen* (1867) article 23; *Reglementen voor het departement Middelburg der Maatschappij tot Nut van 't Algemeen—Reglement voor de Hulpbank* (1875) article 17; *Reglement voor de hulpbank te Nijmegen* (1892) article 23.

³² *Reglement voor de hulpbank te 's Gravenhage* (c.1851) article 20; *Reglement voor de hulpbank te Middelburg* (1852) article 18; *Reglement voor de hulpbank te Leeuwarden* (1854) article 25; *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) articles 19–20; *Reglement voor de hulpbank van het departement Holwerd, der maatschappij Tot Nut van 't Algemeen* (1873) article 16; *Reglement voor de hulpbank te Gorinchem* (1854) articles 25–26; *Reglement voor de hulpbank, opgericht door het departement Deventer der Nederlandsche Maatschappij ter Bevordering van Nijverheid* (1857) articles 3, 15–16.

³³ For Kampen, see: *Verslag van de Kamer van Koophandel & Fabrieken te Kampen omtrent den toestand van den Handel, de Fabrieken, Nijverheid en de Scheepvaart in de Gemeente*. For Nijmegen, see: *Verslag van den toestand van Nijverheid, Handel en Scheepvaart van de Kamer van Koophandel en Fabrieken te Nijmegen*; *Verslag van de Kamer van Koophandel en Fabrieken te Nijmegen*.

³⁴ See the various *Statistiek* publications in the list of primary sources.

Even though the foregoing may have reduced opportunities, it did not rule out malfeasances. Most help banks nevertheless did not deem it necessary to ask treasurers and other directors to post security (*Reglement voor de hulpbank te Middelburg* 1852, article 16). Perhaps reputation, net wealth, and substantial (jail) sentences sufficed to explain why an extensive search of newspaper repository *Delpher* suggests that incidents occurred infrequently. The latter only yielded four cases: in Groningen and Leiden the messenger had stolen 1700 and almost 2500 guilders respectively and in Alkmaar and Koog-Zaandijk (where the help bank also was a savings bank) the treasurer was responsible for deficits of 1600 and 10,000 guilders respectively.³⁵ While especially the latter amount was considerable, the available evidence does suggest this was a rare occurrence. Furthermore, although it cannot be precluded that other cases may have gone unreported, this seems implausible given the long life spans of help banks.

Overall, the findings presented in this section suggest that help bank financiers may have been more concerned about controlling borrowers than directors. Good legal protection contributed much to this. There is also reason to believe that shareholders did not worry about agency problems because of the philanthropic nature of the help banks. Directors could be counted upon to have the best interest of the help bank in mind and even in the case of mishaps, financiers did not stand to lose much. The following section will explore the consequences of the philanthropic nature of help banks in more detail.

5. The impact of historical circumstances on operating costs

Even though lending and corporate governance mechanisms mattered a lot, there are also clear indications that the particular historical circumstances in which help banks operated, provided time and place specific opportunities for reducing operating costs. As operating costs weigh relatively heavily on small loans, lowering them is of great concern to any small-scale lender. Essential in the case of the help banks was the fact that local elites with the right knowledge and skills managed, funded, and housed them at no or only modest costs.³⁶ Identifying what motivated this behavior at the individual level is of course difficult, but Van Leeuwen's extensive work on charity in preindustrial Europe provides a good inventory of what likely was at play. Those inspired by scientific philanthropy were interested in bettering the lives of the poor, something that could involve moralistic notes of civilizing and disciplining them. Safeguarding public order and stabilizing the existing social order also drove elites, as did enhancing social status, gaining administrative experience, and obtaining salvation (Américi 2002; Van Leeuwen 1992, 1993, 1994).

³⁵ *Delpher* (consulted on 28 September 2021). For Alkmaar, see: *Algemeen Handelsblad*, 18 April 1896; *Het nieuws van den dag*, 20 April 1896. For Groningen, see: *Dagblad van Zuidholland en 's Gravenhage*, 4 December 1891; *Nieuwe Veendammer courant*, 5 December 1891; *Nieuwsblad van het Noorden*, 7 October and 4 December 1891; *Opregte Steenwijker courant*, 12 October 1891; *Provinciale Drentsche en Asser courant*, 5 October and 4 December 1891; *Rotterdamsch nieuwsblad*, 5 December 1891. For Koog-Zaandijk, see: *De Standaard*, 25 December 1883; *Het nieuws van den dag*, 25 December 1883; *De Tijd*, 28 December 1883; *Provinciale Noordbrabantsche en 's Hertogenbossche courant*, 29 December 1883. For Leiden, see: *Middelburgsche courant*, 20 May 1895; *Leeuwarder courant*, 21 May 1895; *Dagblad van Zuidholland en 's Gravenhage*, 21 October 1895. For Leiden, *Leidsch dagblad*, 10 and 15 May, 9 July 1895 were located through <https://leiden.courant.nu/> (consulted on 28 September 2021).

³⁶ Note that this also applied to many other types of co-signatory lending institutions and that part of it applied to the rural credit cooperatives as well (De Vicq and van Bochove 2023; Guinnane 2001, p. 368; Guinnane and Henriksen 1998, pp. 36–7). For modern small-scale lenders, see Ali *et al.* (2016).

Especially the first number of arguments resonate in the early help bank sources. Van der Heim, the help bank advocate, spoke of poverty as “that terrible evil of society” but also noted that “the laboring class all too often lacks order and regularity” and “the poor must learn to take care for themselves”.³⁷ Dutch economist B.W.A.E. Sloet tot Oldhuis, who wrote the introduction to the text in which Suringar introduced the help banks to the Netherlands, pragmatically observed that, lest the situation of the poor be improved, “[t]he ever increasing number of those, who do not own property will, from generation upon generation, become more dangerous to the property of the others in society.”³⁸ This unease was not unwarranted as the group of unemployed and low-income households with no or few savings had grown in size since the late eighteenth century. Elsewhere in Europe, moreover, failed harvests, industrial unemployment, and calls for political reform had led to turmoil and revolutions in 1848. While a new constitution relieved political tension in the Netherlands, it did not better the lives of the poor (Berger and Spoerer 2001; Smits et al. 2000; Van Zanden and van Riel 2004).

Whether Dutch elites were motivated by multiple or just one of the above arguments, their involvement helped reduce housing, staffing, and funding costs of help banks. This section discusses the reduction of each of these costs in more detail.

5.1 *Housing costs*

Whereas regular banks were typically based in respectable premises, help banks’ type of lending and the practical mentality of their founders made that help banks could easily do without prestigious and expensive offices. Unlike municipal pawnshops, which provided many emergency loans that required daily and long opening hours, help banks provided fewer and more predictable productive loans for which limited but regular opening hours sufficed. Van der Heim’s model statutes accordingly recommended help banks to open only once a week (Van der Heim 1854, p. 79).

Statutes of the help banks in Gorinchem, Holwerd, Nijmegen, and Utrecht illustrate that this suggestion was adhered to and that help banks indeed economized on housing costs.³⁹ While stable opening hours and premises would be beneficial for attracting loan applicants, help banks need not own their premises: renting or using it for free once a week would do just as well. Not surprisingly, this is exactly what help banks in places like Gorinchem, Haarlem, Leeuwarden, Nijmegen, The Hague, Utrecht, and Zwolle did.⁴⁰ The practice must

³⁷ “[...] dat vreesselijk kwaad der maatschappij [...]”; “Orde en regelmaat ontbreken maar al te dikwijls bij den arbeidenden stand [...]”; “[...] de behoeftige moet leeren voor zich zelve te zorgen [...]”. Van der Heim (1854, pp. 1, 4–5, 46).

³⁸ “De steeds toenemende getalmeerderheid van hen, die geen eigendom bezitten, zal voor den eigendom van het ander gedeelte der maatschappij van geslacht tot geslacht gevaarlijker worden.” *Over het stelsel van hulpbanken*, p. 359.

³⁹ *Reglement voor de hulpbank te Gorinchem* (1854) article 28; *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) article 23; *Reglement van orde of huishoudelijk reglement voor het bestuur der hulpbank te Nijmegen* (1865) article 24; *Reglement voor de hulpbank te Nijmegen* (1867) article 22; *Reglement voor de hulpbank van het departement Holwerd, der maatschappij Tot Nut van ’t Algemeen* (1873) article 13; *Reglement voor de hulpbank te Nijmegen* (1892) article 22; Jacobs (2005, p. 37).

⁴⁰ Jacobs (2005, pp. 25–6); *Reglement voor de hulpbank te Gorinchem* (1854) article 28; *Reglement voor de hulpbank te Leeuwarden* (1854) article 22; *Verslag van de gedeputeerde staten aan de staten der provincie Overijssel omtrent den toestand der provincie* 1854 p. 180; *Verslag van het bestuur der hulpbank te 3-Gravenhage* 1856, p. 2; *Verslag omtrent den toestand der hulpbank te Leeuwarden* 1856, p. 11; *Verslag omtrent de werking en den staat der hulpbank, gevestigd*

have been common throughout the Netherlands, however. The national statistics show that almost none of the help banks that provided detailed information on their assets in 1893 (1 of 58) and 1898 (2 of 69) owned real estate and it is not even clear whether this real estate was merely an investment of surplus funds or whether it was used as the help bank's premises. The help bank in The Hague, which reluctantly purchased a building when it could not find a suitable location to rent, is an example of the latter. While the building was purchased with retained earnings, the help bank mimicked renting—and freed up capital for lending—by taking out a mortgage on the building (*Verslag van het bestuur der hulpbank te 's-Gravenhage* 1885, p. 3.).

Modest housing requirements thus remained a help bank feature during the half-century analyzed here and help bank directors did not seek to enhance their personal status by pursuing a detrimental housing policy. As a consequence, housing costs' contribution to overall operating costs remained modest.

5.2 Staffing costs

The mix of philanthropic and more mundane arguments discussed above also made local elites willing to staff help banks on an unremunerated basis. This volunteerism was included in some of the earliest help bank statutes and was also propagated by the early advocates of help banks, for instance in the blueprints of help bank statutes proposed by Van der Heim in 1854. An analysis of the statutes of help banks founded after the publication of this book reveals that many institutions took the advice of Van der Heim at heart, explicitly stating that their directors would work on an unremunerated basis. Nonetheless, neither Van der Heim nor some of the help bank statutes precluded future financial compensation for directors when the situation might require so.⁴¹

Indeed, while voluntary labor sufficed in the first decade or so, the subsequent growth of the number of loans issued by help banks tested the limits of this charitable model. In large and medium-sized towns across the Netherlands, help bank directors found themselves handling hundreds of loan applications. In 1855—only the fourth calendar year of its operations—the Utrecht help bank, for instance, provided over 400 loans. During the 1860s the average number of annual loans at this help bank stayed at about this level (402 loans) and then decreased somewhat during the 1870s (362 loans) (Jacobs 2005, p. 130). During the early 1880s, around 15 banks provided 200 or more loans per year and about half of these provided more than 300 loans each year (*Statistiek der philanthropische spaar- en leenbanken in Nederland, over 1880–1882* pp. 284–301, 304–9; *Statistiek der philanthropische spaar- en leenbanken in Nederland, over 1883–1885* pp. 142–65). That this brisk lending necessitated a shift from unremunerated to remunerated labor at some help banks can, unfortunately, not be detailed

te Leeuwarden 1857, p. 9; *Verslag omtrent de hulpbank, gevestigd te Leeuwarden* 1858, p. 7; *Verslag van de werking en den staat der hulpbank te Nijmegen* 1862, pp. 2–3; 1884, pp. 6–7; *Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1885, p. 7.

⁴¹ Van der Heim (1854, pp. 70, 77–8); *Over het stelsel van hulpbanken*, p. 374; Suringar 1847, p. 4. *Reglement voor de hulpbank te 's Gravenhage* (c.1851) article 17; *Reglement voor de hulpbank te Middelburg* (1852) article 16; *Reglement voor de hulpbank te Gorinchem* (1854) article 23; *Reglement voor de hulpbank te Leeuwarden* (1854) articles 22–23; *Reglement voor de hulpbank te Utrecht* (1854) article 19 (published in Jacobs 2005, pp. 126–9); *Reglement voor de hulpbank, opgericht door het departement Deventer der Nederlandsche Maatschappij ter Bevordering van Nijverheid* (1857) article 11; *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) article 15; *Reglement voor de hulpbank van het departement Holwerd, der maatschappij Tot Nut van 't Algemeen* (1873) article 12.

through the national statistics, quantitatively (as they grouped staffing and other costs under administrative costs) nor qualitatively (as they provided no accounts of events at individual help banks). Sources on the level of individual help banks, such as the one in Nijmegen, can shed more light on the transition however. The annual reports of this help bank show that the local elites who had founded and staffed it were overwhelmed by the demand for its loans. While founded in 1862, the 1863 annual report already commented that “the good expectations about our institution were not only confirmed, but were even surpassed by far”. The 1872 annual report reiterated this surprise: “we did not anticipate the fact that the operations of the help bank would become this extensive”.⁴²

The Nijmegen help bank, which had appointed fewer directors than the help banks of Haarlem and The Hague, responded in two ways. It increased the number of its directors from seven to eight in 1879 and from eight to nine in 1892. But while the chairman and all regular directors continued to perform their duties on an unremunerated basis, this did not hold for the treasurer and secretary. Although it initially only needed the paid services of a messenger (*bode*), it thus started paying its part-time treasurer 50 guilders in 1867. Just one year later, and taking the great expansion of his employment into account, the treasurer’s salary was increased to 75 guilders. Further raises followed in 1872 (100 guilders) and 1878 (300 guilders), and in 1893 the help bank also started paying its secretary (100 guilders). While absolute staffing costs thus increased, relative staffing costs (i.e. per guilder lent) remained remarkably modest. The eightfold increase in the salary paid to the treasurer and secretary between 1867 (50 guilders) and 1898 (400 guilders)—fivefold if the messenger, whose wage had risen from 50 to 100 guilders during this period, were to be included too—did not translate into an equally large increase in relative staffing costs. The latter were about 0.50 percent once the help bank started paying the treasurer and ranged between 0.75 and 1.00 percent during the last quarter of the nineteenth century.⁴³

That the growing scale of lending initiated a gradual shift from unremunerated to remunerated labor at some help banks was probably inevitable. That this shift was always partial—most directors continued their efforts without compensation—shows that the involvement of local elites largely retained its philanthropic character and hence contributed to keeping operating costs low.

5.3 *Funding costs*

The third way in which local elites helped lower help banks’ operating costs was by accepting a relatively modest compensation for the funding they provided.⁴⁴ As help banks were funded through shares, unlike their Irish ancestors who relied on deposits, this came down

⁴² *Verslag van de werking en den staat der hulpbank te Nijmegen* 1863 p. 1: “[...] dat de goede verwachtingen welke wij van onze instelling koesterden, niet alleen bevestigd, maar zelfs verre overtroffen zijn.” *Verslag van de werking en den staat der hulpbank te Nijmegen* 1872 p. 7: “[...] hadden wij toch de mogelijkheid niet voorzien dat de werkring van de Hulpbank zulk eene uitgebreidheid zoude verkrijgen [...]”

⁴³ Based on all annual reports of the Nijmegen help bank and all annual reports of the Nijmegen Chamber of Commerce (*Verslag van den toestand van Nijverheid, Handel en Scheepvaart van de Kamer van Koophandel en Fabrieken te Nijmegen* and *Verslag van de Kamer van Koophandel en Fabrieken te Nijmegen*) available for the period 1862–1898 and in particular *Verslag van de werking en den staat der hulpbank te Nijmegen* 1868 pp. 6–7, 1878 p. 6, 1879 p. 6.

⁴⁴ For socially responsible/impact investors accepting lower yields nowadays, see Barber *et al.* (2021) and Riedl and Smeets (2017).

to a limiting of dividend payments.⁴⁵ There existed statutory and non-statutory models for realizing this.

The first model relied on help banks' statutes to restrict the distribution of profits to shareholders by capping dividends at fairly low maximum rates. Help banks that provided interest-free loans did not pay dividends at all and interest-charging help banks often refrained from this during the first years of their existence as well. A review of statutes for the year 1854 shows that the help banks of Haarlem, Harlingen, Leeuwarden, and Middelburg did not pay dividends at that time; a practice joined by the Holwerd help bank in 1873. The help banks of Alkmaar, Dordrecht, Gorinchem, and The Hague had capped dividends at 2.5 percent, the help bank of Zwolle at three percent, and the help bank of Utrecht at 3.5 percent. In 1857, Deventer capped dividends at three percent and shareholders who waived dividend payments altogether would receive the honorary title of "protector of the help bank" ("Beschermer der Hulpbank").⁴⁶ The Nijmegen help bank paid no dividends during the first five years of its existence and then capped dividends at four percent throughout the period under review here. Data for the 1880s show that help banks that paid no dividends still existed and that dividends ranging between 2.5 and five percent—and especially four percent—were most common at help banks that paid dividends. Some help banks had slightly increased their dividend percentages over the decades (*Statistiek der philanthropische spaar- en leenbanken in Nederland, over 1880–1882* pp. 82–3, 284–301; *Statistiek der philanthropische spaar- en leenbanken in Nederland, over 1883–1885* pp. 158–63). While dividend rates thus differed and could change over time, they always remained modest and never became comparable to those of four major commercial banks and were actually much closer to the yield on the Dutch public debt (see figure 4).

Depending on how help banks set the interest rates they received from borrowers and the maximum dividends they paid to their shareholders, there existed room for building up retained earnings. Retained earnings enabled help banks to expand their lending operations with less, or perhaps even without, additional issuing of equity and/or debt. Contemporaries were well aware of this beneficial effect of capping dividends. Already in 1854, Van der Heim stressed that help banks should not be seen as lucrative investment ("lucrative geldbelegging") because capped dividends were essential for allowing help banks to expand lending by increasing retained earnings, something the data show actually happened (*Van der Heim 1854*, pp. 29–40; *Over het stelsel van hulpbanken*; *Suringar 1847*; *Suringar Junior 1847*). The national statistics also reflect that the (nominal) average retained earnings per help bank increased: from zero during the late 1840s to around 2100 guilders during the late 1860s. The amount then gradually increased to just over 4000 guilders by the early

⁴⁵ Note that because of this difference in funding, two different groups were formally involved in corporate governance: depositors in Ireland and shareholders in the Netherlands. It remains to be seen, though, whether this made any practical difference on the actual people involved at each of these two small-scale lenders. Also note that co-signatory lending institutions thus thrived in Ireland and the Netherlands whereas rural credit cooperatives only did so in the Netherlands. Rural borrowers did belong to the clienteles of Dutch help banks, however, but seem to have preferred rural credit cooperatives once these were established locally (*Colvin and McLaughlin 2014*; *Van Bochove and de Vicq 2022*).

⁴⁶ *Van der Heim (1854, pp. 39–40, 76)*; *Reglement voor de hulpbank te Gorinchem (1854) article 17*; *Reglement voor de hulpbank te Utrecht (1854) article 15* (published in *Jacobs 2005*, pp. 126–9); *Reglement voor de hulpbank, opgericht door het departement Deventer der Nederlandsche Maatschappij ter Bevordering van Nijverheid (1857) article 31*; *Reglement voor de hulpbank van het departement Holwerd, der maatschappij Tot Nut van 't Algemeen (1873) article 9*. *De Vicq and van Bochove (2023)* shows that another co-signatory lending institution, the American Hebrew Free Loan Societies, capped dividends at zero percent.

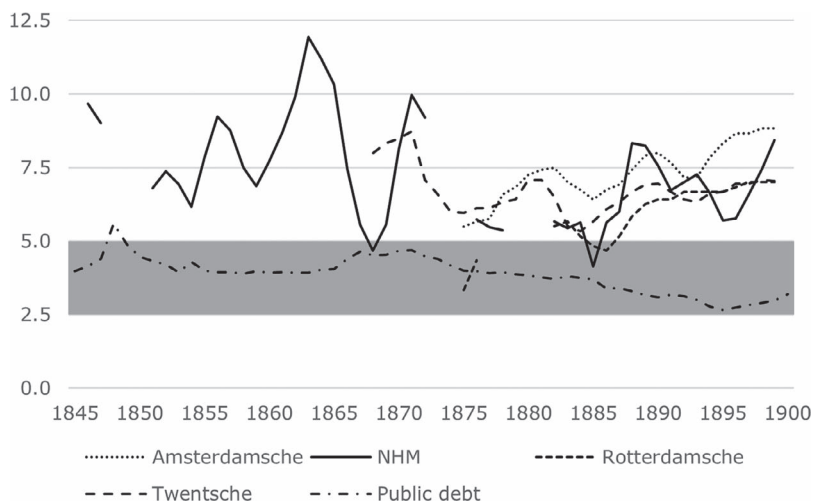


Figure 4. Dividends paid by four major commercial banks (*Amsterdamsche Bank*, *Nederlandsche Handel-Maatschappij*, *Rotterdamsche Bank*, *Twentsche Bank*; all centered three-year moving averages) and the yield on Dutch public debt (*Nieuwe Werkelijke Schuld*) compared to the range of dividends paid by help banks (in gray), 1845–1900. Source: De Graaf (2012, pp. 532–3, 536), van Riel (2018, pp. 706–7), De Vicq (2022).

1890s before slightly decreasing to around 3800 guilders during the later 1890s. While these amounts may seem modest, they represented an essential part of help banks' total funding (i.e. retained earnings plus all shares and IOUs issued by help banks). By the late 1860s, retained earnings already represented around 25 percent of total funding and then ranged between 30 and 35 percent from the early 1870s to the early 1890s. In terms of additional lending, retained earnings equaled some 1000 average loans at the national level during the late 1860s and this figure steadily increased to about 2000 average loans by the early 1890s.⁴⁷

Figure 5 documents how this could work out at the level of an individual help bank, in this case the one in Nijmegen. With a share capital of around 5000 guilders this help bank expanded working capital when necessary by issuing IOUs to its directors as well as to organizations (including the local savings bank) that felt related to the social mission of the help bank.⁴⁸ The relative importance of such outside funding became less

⁴⁷ The national statistics have two caveats. First, the fact that part of the annual increase of total retained earnings (on average 6921 guilders during the period 1866–1898) consisted of donations (on average 1821 guilders during the years 1866–1880, 1885, 1893, 1895, and 1898). See *Verslag over de verrichtingen aangaande het Armbestuur 1870* appendices 36a, 36b; *Jaarcijfers over 1882 en vorige jaren* p. 151; *Statistiek der philanthropische spaar- en leenbanken in Nederland, over 1883–1885* p. 170; *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1893* p. 67; *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1895* p. 77; *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1898* pp. 232, 234–5. Second, the fact that the time series reported detailed financial statements for fewer help banks than for lending operations. Average retained earnings are thus somewhat underestimated. A check of the underlying data for the year 1898 reduced the number of help banks from 71 to 63 and increased average retained earnings from 4048 to 4562 guilders. *Verslag over de verrichtingen aangaande het Armbestuur 1870* appendices 36a, 36b; *Statistiek der Spaar- en Leenbanken in Nederland, over het jaar 1898*, pp. 214–8, 234–5.

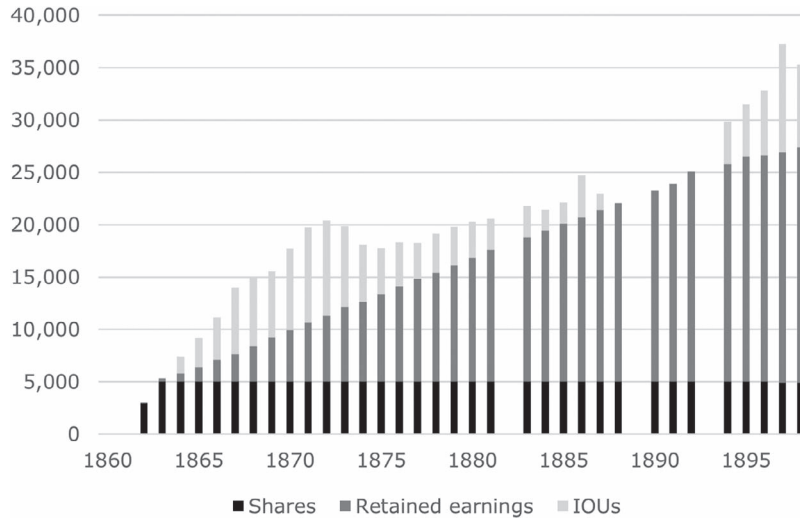


Figure 5. Sources of funding of the Nijmegen help bank, 1862–1898 (in guilders). Source: All annual reports of the Nijmegen help bank and all annual reports of the Nijmegen Chamber of Commerce (*Verslag van den toestand van Nijverheid, Handel en Scheepvaart van de Kamer van Koophandel en Fabrieken te Nijmegen* and *Verslag van de Kamer van Koophandel en Fabrieken te Nijmegen*) available for the period 1862–1898.

important over time, however, as the sum of retained earnings increased. Other help banks, such as the one in The Hague, also relied on issuing debt but issued additional equity as well.⁴⁹

The second model did not use help banks’ statutes to curb dividend payments to shareholders, but kept these payments modest by charging borrowers relatively low interest rates. Such help banks did not build up retained earnings and this meant that the expansion of lending operations always required the issuing of additional equity and/or debt. The Haarlem help bank is a good example of this practice: it started operations in 1850 with equity of 4350 guilders, increased that over a dozen times, and finally reported equity of 35,000 guilders in 1898. During the 1890s, and in anticipation of raising new equity, the help bank also borrowed substantial sums at the Haarlemsche Bankvereniging, a local bank.⁵⁰

During the period 1855–1898—data for the year 1872 are missing—this help bank paid an average dividend of 5.2 percent.⁵¹ This was at the upper end of what help banks that capped their dividends paid, but still below what commercial banks paid their shareholders. The

⁴⁸ Based on all annual reports of the Nijmegen help bank and all annual reports of the Nijmegen Chamber of Commerce (*Verslag van den toestand van Nijverheid, Handel en Scheepvaart van de Kamer van Koophandel en Fabrieken te Nijmegen* and *Verslag van de Kamer van Koophandel en Fabrieken te Nijmegen*) available for the period 1862–1898.

⁴⁹ Based on all annual reports of the The Hague help bank available for the period 1853–1898.

⁵⁰ Based on all annual reports of the Haarlem help bank available for the period 1855–1898; *Opregte Haarlemsche Courant*, 21 September 1850.

⁵¹ Based on all annual reports of the Haarlem help bank available for the period 1855–1898; *Opregte Haarlemsche Courant*, 1 April 1881.

founders and financiers of the Haarlem help bank did plan on keeping dividend payments relatively low, however, and this becomes clear when taking a more in-depth look at the annual reports. Their intent helps explain the adding of an explanatory, almost apologetic, footnote to the balance sheet when paying a dividend of 7.1 percent in 1861: the highest dividend so far and, as it turned out, the highest during the whole period researched here (*Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1861, p. 8). The intent was also visible in 1888, when the board of directors proposed to lower the interest rate the help bank charged to borrowers. This proposal was unanimously accepted and the directors praised the philanthropic spirit of the shareholders, as the lowering of interest rates also meant they would receive lower dividends (*Verslag van den toestand en de werkzaamheden der Haarlemsche Hulpbank* 1888, p. 7). The effect on dividends was indeed significant: in the ten years before the reduction (1879–1888) average and median dividends were 5.88 and 5.90 percent respectively, but in the ten years after the reduction (1889–1898) they fell to 3.99 and 3.90 percent respectively.⁵²

Whether dividends were statutory capped or not, help banks clearly paid below-market dividends. One might wonder why, in a developed financial market as in the Netherlands, profit-seeking investors did not simply purchase a block of shares on the secondary market to undo the dividend policy through the shareholder meetings. Several reasons existed for why help bank shares held little appeal to purely commercially oriented investors. First, the very small denomination of help bank shares—usually 50 or 100 guilders—made them unappealing components of investment portfolios. Second, the small number of shares typically issued by each help bank combined with the buy-to-hold strategy of shareholders and the transfer of shares through inheritances made that liquid secondary markets for the shares of individual help bank never developed.⁵³ At no point were help bank shares listed among the regularly-traded funds at the Amsterdam Exchange and the newspapers included in newspaper repository *Delpher* only rarely reported their inclusion in securities auctions.⁵⁴ The example of broker Julius Oppenheim from Groningen is illustrative of how thin secondary markets for help bank shares actually were. Oppenheim regularly advertised in *Algemeen Handelsblad* for over half a year, from 24 April until 7 December 1890, to sell a 100 guilder share of the Groningen help bank. Still unsuccessful, he finally seems to have

⁵² Based on all annual reports of the Haarlem help bank available for the period 1879–1898; *Opregte Haarlemsche Courant*, 1 April 1881.

⁵³ This is based on the transfer history recorded on six help bank shares: shares 48 and 49 (January 1855), 247 (May 1861), 333 (March 1866), 608 (1 July 1898) of the Haarlem help bank and share 5 (December 1853) of the Dordrecht help bank. Shares 48, 49, 247, 608: <https://www.oudeandelen-online.nl/?411,haarlemsche-hulpbank>; <https://ilibriana.wordpress.com/2011/12/27/uitgelezen-vondsten-in-boeken-deel-6-2003/>. Shares 5 and 333: private collection Van Bochove.

⁵⁴ *Delpher* (consulted on 28 September 2021). Delft: 85 percent in 1889 (*De Maasbode*, 22 December 1889) and 43.25 percent in 1895 (*De Maasbode*, 10 September 1895); Gouda: 68 percent in 1885 (*Het nieuws van den dag*, 11 June 1885; *Opregte Haarlemsche courant*, 17 June 1885); Hoorn: 90 and 95 percent in 1877 (*Hoornsche courant*, 11 February 1877) and 91 percent in 1883 (*Hoornsche courant*, 23 December 1883); The Hague: 98 percent in 1889 (*Algemeen Handelsblad*, 30 October 1889; *Haagsche courant*, 31 October 1889; *Het vaderland*, 31 October 1889) and 85 percent in 1898 (*Dagblad van Zuidholland en 's Gravenhage*, 15 and 20 January 1898); Zwolle: 86 percent in 1883 (*Provinciale Overijsselsche en Zwolsche courant*, 9 and 11 May 1883). Only a 2.5 percent share of the Assen help bank was found to have traded above par at 123.1 and 128 percent in 1883 (*De Amsterdammer*, 3 May 1883). Help bank shares traded below par because “the market” demanded yields that were higher than what help banks paid.

changed strategy as he henceforth offered two 50 guilder shares.⁵⁵ Third, the voting principles employed by help banks gave large shareholders no or very limited additional say in the operations of a help bank. In The Hague (1851), Leeuwarden (1854), and Utrecht (1854) no additional rights could be obtained, in Nijmegen (1862) shareholders with five or more shares were given only one additional vote, and in Gorinchem (1854) shareholders could obtain a maximum of just three votes.⁵⁶

Help banks were thus meant to be ruled by a group of likeminded individuals who would not “abuse” their majority power to make undesirable changes to the statutes and dividend policies. The case of Haarlem illustrated that this also applied decades after the help bank was founded and where dividends were not even capped in the statutes. Help banks hence operated in an equilibrium that enabled them to mobilize sufficient and relatively cheap funding by issuing shares—not much was needed anyway because premises were rented and not purchased—and prevented them from falling victim to market pressure to maximize profits and dividend payouts. The philanthropic spirit of help bank founders and financiers thus resulted in modest housing, staffing, and funding costs and this enabled help banks to successfully lend to households and small business owners in the Netherlands.

6. Conclusion

This paper analyzed the Dutch help banks from their advent during the late 1840s until their apex in the late 1890s and asked how their success should be explained. Sections 3, 4, and 5 hence set out to identify help banks’ lending mechanism, their corporate governance mechanism, and the impact historical circumstances had on operating costs. It was established that lending techniques, which included the use of co-signers and weekly installments, kept borrowers in check. As a consequence, repayment rates were high and revenues from fines low. At the other end of the spectrum, corporate governance mechanisms were designed well to ensure that help bank directors acted in the interest of help bank financiers. It was suggested, however, that in these philanthropically inspired organizations, corporate governance was not primarily needed to motivate directors.

While lending and corporate governance mechanisms matter especially to small-scale lenders that are threading the fine line between survival and demise, this did not fundamen-

⁵⁵ That sellers were willing to depart from help bank shares below par while shares were often putable at par was probably caused by the fact that shares were not putable throughout the year and that the auctioned securities typically came from estates that sellers wanted to dispose of swiftly. With the modest face values of help bank shares, the monetary gains of waiting to exercise the putability of shares probably did not weigh up against the convenience of selling swiftly at a single auction. On the putability of shares, see: Van der Heim (1854, pp. 37–8, 77); *Reglement voor de hulpbank te ’s Gravenhage* (c.1851) article 15; *Reglement voor de hulpbank te Leeuwarden* (1854) article 17; *Reglement voor de hulpbank te Utrecht* (1854) article 14 (published in Jacobs 2005, pp. 126–9); *Reglement voor de hulpbank, opgericht door het departement Deventer der Nederlandsche Maatschappij ter Bevordering van Nijverheid* (1857) article 32; *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) article 13; *Reglement voor de hulpbank van het departement Holwerd, der maatschappij Tot Nut van ’t Algemeen* (1873) article 9. Shares were not putable in Middelburg and Gorinchem. See *Reglement voor de hulpbank te Middelburg* (1852) article 14; *Reglement voor de hulpbank te Gorinchem* (1854) articles 18, 21. On estates at securities auctions, see: van Bochove et al. (2021).

⁵⁶ Van der Heim (1854, p. 78); *Reglement voor de hulpbank te ’s Gravenhage* (c.1851) article 21; *Reglement voor de hulpbank te Gorinchem* (1854) article 27; *Reglement voor de hulpbank te Leeuwarden* (1854) article 25; *Reglement voor de hulpbank te Utrecht* (1854) article 23 (published in Jacobs 2005, pp. 126–9); *Reglement voor de hulpbank op te rigten door het Departement Nijmegen der Nederlandsche Maatschappij ter bevordering van Nijverheid* (1862) article 22.

tally set help banks apart from other providers of (small-scale) loans. More important was how a combination of philanthropic and practical considerations moved elites to house, staff, and fund local help banks at modest costs. By foregoing fancy premises, providing volunteer labor and organizational skills, and requiring less than market-conform dividends, these local elites vitally contributed to the organization, profitability, retained earnings, and expansion of help banks.

It is precisely the involvement of local elites that differentiates help banks from present-day microcredit institutions which often rely on financiers and staff without local roots and with insufficient awareness of local social and economic structures. While outside donors may be enticed to fund microcredit institutions and other “impact investments” at below-market rates, the absence of a local staff could negatively influence the application of a help bank-like lending mechanism as it would be more difficult to effectively collect the information necessary to screen loan applicants and co-signers. Furthermore, the physical and social distance between donors and directors will undoubtedly make corporate governance more important than was the case at the help banks. While one lesson to draw from the help bank case thus is that it may be beneficial to involve adequately trained local elites in local small-scale credit institutions, expecting that help banks can be replicated easily might be too simple. The help bank case also demonstrated, after all, that it took particular historical circumstances for local elites to get moving.

Future avenues for research of course also remain. On the supply side, on which this paper focused, it would be interesting to know more about the personal relationships between borrowers and co-signers and those between directors and shareholders that sustained the lending and corporate governance mechanisms of help banks. On the demand side, more insight on the impact of help bank credit would be welcome.

Data availability

The data and methods underlying this article are available in the article and in its online supplementary material.

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Supplementary material

[Supplementary material](#) is available at *European Review of Economic History* online.

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