

Building Societies help in nation's growth

Certain forms of businesses are as a rule merely taken for granted. This usually is the case only after they have become absorbed into the way of life of the people. It is a sign of the extent to which Buildings Societies have become a part of the country's life, that no one asks questions about them except for specific business purposes.

The significance of this is especially appreciated when one recalls that these institutions are "mutual" in nature, that is, as opposed to being everyday business enterprises. The aim of ordinary businesses is straight financial gain. In the Building Society the financial aim is tempered by social considerations. The whole surplus on operations in business is treated as profits and accrues to the owners of capital.

In the Building Society, interest is paid on capital and the excess passes to the shareholders. More precisely, after all expenses are met and all charges for interest to shareholders and depositor, as well as provisioning for income tax and depreciation have been allowed, what remains is divided between the shareholders and the Reserve Fund of the society.

Service to community

The society therefore is a form which cannot strictly be classified as a commercial concern. Rather, it provides a service to the community though this does not preclude it from adopting sound business practices. The real virtue of the Building Society lies in its creation of opportunities for thrift for wise investment, and for the acquisition of property.

If one looks for a basic principle behind the operation of these institutions it surely must be that the man who owns his own home makes a better citizen than the person who has no stake in the community. It is potentially therefore among the most powerful of the agents making for the cultural and economic progress of the country. It is also one of the few agents that can really help to provide a stabilizing influence on society.

Sole survivor

The first Building Society was founded as far back as 1864—some 98 years ago. The special period of activity in the formation of these societies—the heroic age of the Jamaica Building Society movement—was during the administrations of Sir William Grant and Sir Anthony Musgrave, 1874-1883. There still are in existence a half dozen societies that were registered before 1900.

The oldest is the Jamaica Permanent Building Society. Founded in 1878 it will, on November 27 have spanned 84 years bearing the distinction of being the only survivor among those that were registered in the "heroic age".

The Brown's Town Benefit Building Society and the Hanover Benefit Building Society—both established in 1893, the St. James Benefit Building Society in the following year, the St. Thomas Mutual Building Society—1897, and the Victoria Mutual Building Society—1883 are, nearly all a full generation younger.

In liquidation

Three societies date back to the period between 1900 and World War I—the St. Ann Benefit Building Society, 1901, the Westmoreland Benefit Building Society, 1907; and the Trelawny Benefit Building Society, 1911. Only one—the St. Mary Benefit Building Society (1915)—can lay claim to being established during the first World War. The Middlesex Building Society was founded in the relatively prosperous conditions of 1923, while the Clarendon Benefit Building Society and the Central Jamaica Building Society (1931 and 1932) were virtually spawned by the depression.

There are five which were founded in the shadow of World War II. Two of these—the Metropolitan Building Society, 1959 and the St. Catherine Mutual Building Society, 1940—are now in liquidation. The Surrey Mutual Building Society, 1940; the Progressive Mutual Building Society, 1941; and the Northern United Building Society, 1941 have had better fortunes.

Forms association

To the post-war period belong the Farmers and General Mutual Building Society and the Jamaica National Building Society, both 1952; the Manchester Mutual Building Society 1953 and the Allied Building Society, 1959.

By 1959 the whole movement had achieved such internal strength of purpose and increased awareness of the needs of the Jamaican Community that it sought a national

identity. A Building Societies' Association was formed to promote further interest in the movement and to encourage further co-operation among the societies themselves.

What is more, the national association has among its objectives the aims of advocating and promoting such legislative, economic and financial measures and reforms as may be conducive to further growth of the movement, and to ensuring its stability.

With seven member societies the national association covers 31,000 shareholders with 13,000 depositors, serving a total of borrowers was stated to be approximately 5,000. The full scope of the Building Society movement is not precisely known, but there are 26 registered Building Societies with investing members estimated at 70,000, borrowing members estimated at 8,000 and handling assets of some £7 million in small savings.

Have none

It is estimated that the national association comprises some 80 per cent of Building Societies' assets, having among its membership the four largest societies in the island. The largest of these—the Victoria Mutual has assets well in excess of one million pounds.

The pattern from the earliest times was to establish the society in the parish capital close to the centre of parochial affairs. This was very probably influenced by the fact that the whole movement in the main owed its origin to a spirit of co-operation in a dominantly agricultural community rather than to urban pressures. Excepting for two, all the societies that date back prior to 1938 were established either in parish capitals or in rural towns.

It may be of some significance that Portland does not have a Building Society, neither has St. Elizabeth; while parishes like St. Mary, St. Ann, St. James and Manchester each have two. It may well be that there was some relationship between the pattern of farming, size of farms and land tenure systems on the one hand, as against the forces that induced the establishment of organizations of this kind. While it is to be expected that Kingston would develop to be the main focus of activity because of its advantages as a financial centre, it is very certain that the savings habit in Building Societies had in the past been closely linked with farming success; and that

the growth of the Building Societies had been dependent on farming prosperity.

Increasing financial pressures intensifying the need to mobilize internal savings and to depend more on our own resources, have provided the stimulus for the growth of the movement. The societies have developed out of the phase of self-help in isolated communities to becoming a supplement to the existing financial institutions of the island.

More and more, however, have come to do business with clients who were not shareholders. In addition, the nature of the activities has been gradually changing; as it adapts itself to new situations induced by growing urban pressures and housing needs. More recently and especially since 1939, the emphasis has been on establishing societies in centres of population densities, so that of the five that emerged on the outbreak of the war three were placed in Kingston, one in Spanish Town, and the other in Montego Bay. Similarly in the post-war period, of the societies established three have been located in Kingston.

New role

It is also of some interest to notice that in the early phases of the movement the Building Societies had a more liberal function than is the case today; then, they could build homes and sell, lease or rent them. But since 1897 their functions have been becoming more strictly financial, centering round the provision of facilities which enable their clients either to build or to purchase their homes. This change in part reflects the facilities that are increasingly demanded of them.

There is no doubt whatever that the Building Societies have been gearing themselves to the performance of the new role. They are in many respects already well suited for the mobilization of small savings. By providing to individuals an easy method of saving, they can encourage thrift among people in the middle and lower income brackets who otherwise would have had less inducements to save, and who would have been greater difficulty in finding channels for their savings.

By encouraging the habit of voluntary thrift they can generate an accumulation of capital by individuals, and this in turn can grow to become a national habit that could persist even in largely forgotten, it still in situations where the inci-

dence of personal taxation and living costs are high relative to personal incomes.

On the other side, the man who borrows from a Building Society, to purchase his own home, puts aside steadily and almost unconsciously throughout the year by his monthly mortgage instalments, money on capital account. At the end he has a substantial capital asset in his house. In many cases the habit of saving thus inculcated continues for the benefit not only of the individual but in the aggregate for the nation.

The positive view which the Building Societies have taken of their new role has been crystallizing slowly. The first big step was the raising of the ten year mortgage limit and the adoption of a twenty-year limit. This facility is not as old as we may like to think it dates back only to 1953. The next step was to participate in planned housing projects, and though the success with the Trench Town housing scheme in the early 1950's serves as an example of one way in which a business organization of this type can assist Government development projects.

It should be borne in mind that these two steps were taken at a time when our financial institutions were not as develop-

ed as they are today. It was at a time when the ratio of mortgage to cost price of the asset was lower than the ratio now obtainable under housing schemes.

Special arrangements had to be devised to meet the new situations, so that the Building Societies could extend mortgages that cover 85 per cent of the cost price of the unit with land. One type of arrangement was where the Government gave a guarantee for the excess of the mortgage loan over 85 per cent of the cost price of the unit. Another type was to arrange for an insurance company to carry mortgage indemnity coverage.

With the existence of the new financial institutions we now have, the need for such special arrangements is largely obviated. Participation of the Building Societies in the country's growth will however increase as need for its facilities will rise with the population pressures on our urban communities. And whatever the circumstances, their field of activity constitutes a form of investment which remains very safe for real estate in Jamaica is to the individual a form of social security investment. It is too, for the leader, the best type of security for loan.

Wanted: 20 new houses every day

Jamaica, like all the other countries, faces a long pursuit in trying to catch up with housing needs.

Past Poverty has left a legacy of substandard and dilapidated housing, and overcrowding. Rural housing is bad enough but the most serious conditions are in parts of Kingston.

The problem is caused by the high rate of population increase—there are over 170 more Jamaicans every day. This means that the island needs about 20 new houses every day if things are not to get worse.

In the Corporate Area the problem is exaggerated by the movement in of people from the country parts, so that the rise in population is over twice that in the rest of the island. In the next 10 years the population of the area will probably rise from about 400,000 by about half that is to 600,000. To house this increase at the density of the Harbour View scheme would require about two such schemes covering about 400 acres, every year!

This would keep pace with new needs, but what of existing deficiencies? To reduce overcrowding and to house squatters in Kingston alone require housing for about 100,000 people, and perhaps the same amount to replace substandard buildings.

New sites will have to be found if overcrowded areas are to be cleared, for it is not practicable to rebuild at the present down-town densities of 200 to 700 persons per acre, particularly if proper provision is made for schools, etc.

So it is clear that the pursuit of adequate housing is an uphill one!

Jamaica's Housing Programme is designed to provide assistance to various groups—income groups, social groups, farm groups etc. In urban areas low income groups are assisted by the Government Housing Scheme and more recently, Urban Redevelopment has begun in Trench Town involving the re-housing of squatters.

The middle and higher income groups are assisted by Mortgage Insurance, Government Guarantees and special schemes under the Housing Act. Low income groups in the Agricultural field are assisted by the Farm Housing Scheme, while various occupational groups and individuals in rural communities are assisted by both the Owner-Occupier Scheme and the Government Housing Scheme.

Further particulars of the above mentioned schemes are as follows:—

THE GOVERNMENT HOUSING SCHEME

The object of this scheme is to assist those families of low income who are able or very nearly able to pay for the houses they need, but who must have deposits and monthly instalments below those demanded under current commercial house-financing terms.

The scheme is intended to improve housing conditions in areas where:

- (a) There is overcrowding in existing houses;
 - (b) The land has too many houses erected on it;
 - (c) Sanitation and water supplies need to be improved.
- (2) INDIGENT HOUSING SCHEME: The indigent Housing Scheme was devised to provide housing assistance to indigent or aged persons who are unable from their resources to meet the financial requirements of other Housing Schemes. Assistance granted them under this scheme may be for the purpose of erecting a dwelling or improving or repairing an existing dwelling.
- (3) FARM HOUSING SCHEME: The object of this scheme is to assist farmers who are in need of houses to provide for themselves through Self-Help with inexpensive but well constructed housing units.

OWNER-OCCUPIER HOUSING SCHEME

The object of this scheme is to assist persons who reside in rural communities and who own land free from any encumbrance to obtain a loan to erect, add to or repair a house on the land.

MORTGAGE INSURANCE AND GOVERNMENT GUARANTEE

These are Schemes devised to assist prospective home owners to secure mortgage money by a Guarantee from the Government that the loan funds will be repaid if the borrower defaults in his repayments. Jamaica has been able to make some progress in achieving better homes for its people (£8.6 million spent on housing in 1960) but much more must be done in the years ahead. Adequate community planning, assembly and servicing of land, development of technical skill, marshalling of financial resources—all these things must be undertaken with driving determination. When this is done, and if population increase does not overwhelm the possibility of providing sufficient houses, Jamaica will begin to feel the true benefit and impact of a well housed people.

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