

## ***Congregatio denariorum* at the beginnings of the formation of the Greek banking system**

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### **Introduction**

In the basic economic substructures of the new Greek state, the banking organization is of particular importance. However, the wider frame is supplemented by the foundation, the operation and finally the replacement or the final disruption of a series of “special” banks and outstanding financier organisms, of which the operation was an invention and continuity of evolution of many centuries that either it transplanted, or it adopted patterns of western countries more familiarized with relevant processes.

### **The Institution of Monti**

The existence of Monte di Pietá (hereafter MdP), an innovative institution into the economic and credit reality where its starting point is placed on the 15th century is referred at the same time at the basic principles of Christian Ethics. Additionally, when morality becomes more secular is referred to the urban conception of social life. Exceeding the practice of all those who cured for centuries the needs for credit (mainly money-exchangers and tradesmen), the new institution with the unfolding of its institutional operation transforms the metaphysical *faith* of the Christian culture into the *faith* of a daily economic life<sup>1</sup>. The Monti di Pietá were diachronically financier institutions that achieved to combine with the most excellent way even from the era of their foundation<sup>2</sup> their simultaneous and harmonious multileveled operation as pawnshops, banks and funds of deposits<sup>3</sup>.

The character of MdP remained for the economic history sui generis, as it tried to harmonize the credit into the urban economic frame with extraordinary way and to harmonize the idea of application of a nonprofit<sup>4</sup> economic practice for the confrontation of the

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<sup>1</sup> T. P. McLAUGHLIN, «The teaching of the canonist on usury (XII, XIII, XV cent.)», *Medieval Studies*, 1939-40, v. 1, pp. 110-111.

<sup>2</sup> G. BARBIERI, «Origine ed evoluzione storica dei Monti di Pietá in Italia», *Economia e Credito*, v. 3, 1961, p. 463.

<sup>3</sup> C. TAVERNARI, *Monti di Pietá in Italia*, L. Parma, Bologna, 1915, pp. 12-43 and P. Prodi, «La nascita dei monti di pietá: Tra solidarismo cristiano e logica del profitto», *Quaderni del Monte*, 3, 1984, pp. 5-12.

<sup>4</sup> G. GUIDICINI, E. MORO, «La legge 4 Maggio 1898 e il suo Regolamento», *Rassegna dei Monti di Pietá italiani*, 1909, v. 4, p. 46. A. FANELLI, *Considerazioni sulla legge delle Opere Pie in riguardo dei Monti di Pietá*, Leucci, Livorno, 1891, pp. 26-35.

phenomenon of poverty with effectiveness, through conditions of transparency and tradeoff stability<sup>5</sup>.

The operation of MdP is consisted of the direct granting of loan with guarantee the pledging of securities, that aimed at the cover of direct biotic needs and it constituted a renewing firstbanking institution in a period where the currency began to include always more important role in markets<sup>6</sup>, contributing in that way to the consolidation of the monetary capitalism in European space<sup>7</sup>.

### **The Monti di Pietá of Greek Territory**

The institution of Monti di Pietá transplanted from the West into the Greek regions which were under Venetian domination at the 17th century. In 1613 was founded the first well-known MdP of the Greek territory in Chandaka of Crete, aiming at the elimination of usury and at the alleviation of the poor people. Later on, it also followed the foundation of another MdP in Rethimno at the end of the 16th century. In a short time-period, the institution expanded also at the islands of Ionian Sea. A first case in which such type of institution was created in 1630 was that of Corfu and little later, in 1670 the expansion was continued with the foundation of MdP in Zante, much later in Cephalonia and in 1677 in Ithaca.

The foundation of MdP in the city of Chandaka and later in Rethimno is enlisted to the wider system of the economic and social policy of Venice and it follows the dominated economic ideas and the terms of operation of the corresponding institutions of Italy, aiming at the control and the cracking down of usurious activities of the third economy that were practiced from private individuals, tradesmen and professionals.

The time interval that followed its foundation showed that the founding objectives were not achieved in the measures and the extent that the constitutive provisions were determined. Simultaneously with its pledging operation, the institution also developed banking operations, presenting acute functional problems that were connected with the historical and social reality of Crete, but also with phenomena of misconduct and innate weaknesses so that not to correspond completely to the laws of free market as well as to the practices of competition.

The corresponding institution of Rethimno was founded with initiative of the Rector Sagredo and it followed the Italian patterns of operation from the corresponding institutions. The loss of its constitutive frame of operation creates serious problems in the shaping of a complete picture. The total of the saved information is supported only in the indications of revisory provisions that aimed at the regulation of problems and certain individual archival testimonies from which it is exported information on phenomena of dysfunction<sup>8</sup>.

For the corresponding institutions in the Ionian space is rescued information for MdP of Zante, mainly however for that of Corfu.

The foundation of MdP in Zante was decided by the maximum administration of acquisitions of the East with the decree of the 23<sup>rd</sup>/11/1670, in the frames of the effort for the cracking down of usury and the restriction of practice of “prosticchi” which oppressed the more inferior social classes of the island. Both the lawful frame and its internal operation were ensured by a series of supplementary decrees. It is remarkable that MdP previously served

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<sup>5</sup> A. De MADDALENA, «Uomini e monete preindustriali: personaggi in cera d' autore», *Rivista Storica Italiana*, v. 87, 1975, pp. 234-235 and V. Meneghin, *I Monti di Pietá in Italia dal 1462 al 1562*, Vicenza, 1986.

<sup>6</sup> I. CAPECCHI, L. GAI, *Il Monte della Pietá a Pistoia e le sue origini*, Firenze, 1976, p. 147.

<sup>7</sup> C. DESYLLAS, *To Monte di Pietá tes kerkyras kai e estorike kai oeconomike semassea toy gia ten kerkyraeke koinonia*, [The Monte di Pietá of Corfu and its historic and economic significance for the society of Corfu] Corfu, 2003, v. 1, pp. 25-55.

<sup>8</sup> A. PAPADIA – LALA, *To Monte di Pietá tou Chandaka*, [The Monte di Pietá of Chandacas] Athens, 1987, pp.159-165.

innumerable generations of the residents of Zante either by granting low rated loans or at the same time by passing through a series of adventures (abuses, bankruptcies etc.). It finally ceased their operation after 1953 without developing the provided possibility of incorporation in some other banking institution of relevant character. It is significant that with its operation contributed to the configuration of the market interest in low levels.

However, beyond the granting of small consuming loans, its presence was considered essential as with that way it could encourage the growth of small investment activities. Its foundation had one more aspect. By that time, it contributed to the rational administration of functioning financier institutions for further compression of cost banking. It also lent pawns on securities at an interest level of 4% as well as guarantee. The estimation and the recording of the actions became through special processes. These processes ensured at an important degree the transparency and the harmonious operation from the side of the specialized personnel that served to various positions and it emanated exclusively from the local society of the island<sup>9</sup>.

Particularly, with the decree of the 28<sup>th</sup>/5/1887 was declared a municipal self-supporting charitable shop that was managed on the basis of the existing regulation of operation of 1834<sup>10</sup> and with the law 3905/1929 the pawnshop was incorporated in the *Autonomous Organization of Rural Faith of Corfu*<sup>11</sup>.

The foundation of Greek pawnshop<sup>12</sup> of the state was realized with Law 5834/1933 and functioned initially as autonomous organization with the name *Popular Faith*<sup>13</sup>, financed by the Postal Savings-bank. For a short-time later, it incorporated into the service of discounts and pensions, while from 1938 the pawnshop devolved to Postal Savings-bank<sup>14</sup>.

### From MdP's to Singular Funds

At the end of the 19th century, all the kinds of 'Economically and Credit Funds of Mutualism' had solidified their existence and their operation in the bigger part of Europe, U.S.A. as well as the countries of Latin America. They were institutions of non speculative character that aimed at the service of direct consuming needs for the working and low social classes<sup>15</sup>. At the initial stages, a voluntary contribution led to the creation of founding capital that was developed for the confrontation of consuming needs because of the loss of work, illness, old age, death or another relevant incident<sup>16</sup>.

In Greece, the saving conscience came later in comparison to the corresponding European countries<sup>17</sup>. The same period in Cyprus is realized the foundation of the savings-bank "Nicosia", a direct ancestor of Cyprus Bank. Its foundation was realized from an insightful and progressive team of Cypriote members of the "Cypriot Association" with leader Ioannis Ch. Oikonomidi, an important economic and social factor of the island during 1899. The period

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<sup>9</sup> D. ITHAKISSIOS, «E exelixe tou thesmou ton proton pistotikon idrimaton – Monti di Pietá ste messaionike evropé kai e metafytése tous sto choro tes dytikés ellados kata ton XVII aiona», [The evolution of first-financial institutions- Monti di Pietá in the Medieval Europe and their transplantation in the area of Western Greece during XVII cent.] *Archeion Oeconomikes Istorias*, v. 1, 1990, pp. 65-130.

<sup>10</sup> L(ibrary of ) G(reek) P(arlliament), *Official Gazette*, 142/1887, p. 509.

<sup>11</sup> LGP, *OG*, 55/1929, p. 550.

<sup>12</sup> A. KYRKILITSES, *Ai Trapeze aen Elladi*, [The Banks in Greece] Athens, 1934· K. KOSTES- B. TSOKOPOULOS, *E trapezes sten ellada, 1898-1928*, [The Banks in Greece, 1898-1928] EET, Athens, 1988.

<sup>13</sup> LGP, *OG*, 307<sup>A</sup>, p. 1-5.

<sup>14</sup> Constitutive Act of Pawnshops, *Low*, N. 5834/1933, pp.1-7.

<sup>15</sup> F. M. EDEN, *The State of the poor*, London, 1997, pp. 605-607.

<sup>16</sup> L. LUZZATTI, *Liberta economica ed ingerenza governativa*, «Giornale degli Economisti», 5/1876, v. 3, p. 122.

<sup>17</sup> K. VAMVAS, «Peri tamiefterion kai tachidromikon tamiefterion», [About Savings Banks and Postal Savings Banks] Parnassos, 1880.

in which it was founded was particularly difficult, but also full of challenges. The three centuries of Ottoman balance had limited to the minimum each type of economic activity.

In the English colonialist regime, the Cypriote population had invested many hopes for the betterment of the conditions of its existence. It is fact that there was a more intense improvement for the Cypriote economy. However, it began to be shown at the dawn of the 20<sup>th</sup> century, as a new generation of intellectual persons, tradesmen and persons of money began to place the bases of the economic life of the place. The structure of the savings-bank had big success as it was accessible to the poor people, but also to the entirety of the citizens. The payments were weekly and were determined to one shilling per week and when the deposits supplemented a sum of five shillings, they could be changed to a share.

With seat next to the Commercial Club, in the commercial and economic heart of the capital, the saving institution began its operation in 24/1/1899. Its initial capital constituted by the weekly payments of the savers. The savings-bank had five-year duration and its operation was renewed every five years. The big majority of 2.000 shareholders constituted artisans, shop-assistants, tradesmen, workers and housewives. The system of transformation of weekly deposits into shares encouraged the saving and the institution had large impact. The shareholders could pledge their shares for refunding of loans with preferential interest-rate.

In March of 1909 was decided its denomination in “Cyprus Bank” and in December of 1912 was recognized officially as anonymous company according to the Ottoman Commercial Code that was in effect then in Cyprus. The weekly saving system which was used by the popular classes continued to operate till the end of the decade of 1940. However, from 1930 the bank functioned as company of limited responsibility acquiring thus a more solid base<sup>18</sup>.

In the Greek territory, almost the only familiarization of residents with the idea and the practice of saving was the obligatory saving that was imposed from the legislative frame, expression of which was the attendance of various categories of employees in various sharing or superannuation funds. These funds which contributed to the configuration of saving were:

The fund for the “Pensions of State”. Its capital had been created by the retaining of a percentage that had been fixed via law and amounted in 7,5% monthly from the wages and it provided the possibility to receive proportional pension after the completion of twenty year old service to the employees of the state. According to the assessments, in 1904 from these reservations the state had assembled a sum of 6.463.536 drachmas that were distributed to 8.000 pensioners.

The “Sharing Fund of Political Employees”, functioned from 1868 with obligatory attendance of the political employees. In 1900, the fund had 2.124 shareholders with deposits of the amount of 246.902 drachmas.

The “Naval Superannuation Fund”. It is an organic fund of the Ministry of Marine that accepted the deposits of seamen, deckhands, officers and non-commissioned officers of Royal Navy with the obligation to provide for them pensions and aids according to what fixed the relative legislation. Indicatively, it is recorded that in 1902 the fund distributed a sum of 1.200.000 drachmas in 6.500 pensioners.

The “Fund of Retired Officers of Royal Navy”, provided annually 55.800 drachmas in 62 pensioners. His revenues were products of an imposed contribution of 10 drachmas to each officer of Royal Navy.

The “Fund of Widowers and Orphans for Officers of Royal Navy” that had been recommended for the alleviation of families of the officers of navy that had fallen victims of clashes or accidents, granted annually pensions of an amount of 87.000 Drs in 110 families of orphans.

Finally, his “Sharing Fund at Ground of Army” pensioned off 796 retired soldiers with 834.250 drachmas.

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<sup>18</sup> [www.bankofcyprus.com/newsshow.aspx?id=135](http://www.bankofcyprus.com/newsshow.aspx?id=135)(last access, 23/11/2012).

The saving landscape supplemented by the operation of banks that maintained deposit accounts where in 1904 the total of which amounted at about 2.000.000 Drs. Important part from the void of operation of the Savings-bank substituted as possible the National Bank which from 1845 accepted also popular deposits. According to the terms, each depositor could proceed in deposit from 10 until 300 Drs with the presupposition the first deposit not to be smaller than 50 Drs and the total of deposits for each individual not to exceed 1.000 Drs, while on the other hand, the bearing interest of deposits amounted up to 4% annually.

At the second half of the 19th century in the region of Galata was shaped a team of Greek capitalist tradesmen who began to specialize in banking works creating a singular banking network through which it trafficked in big part of the capital in all Ottoman Empire. This banking network served the big credit needs of the Ottoman Empire that in 1850, was turned into foreign lending. The Greek bankers were changed into preferential lenders very soon in the field of short-term lending that it was proven particularly lucrative. The basic mechanism of profitability was the difference between the European interest-rates of lending and those that debited in Treasury.

In the decades between 1860-1870, a large part of the enterprising revenues conveyed into the banking tasks aiming at short-term speculative movements. The positive regulation of the Ottoman debt in 1881 signaled the reduction of activity of Greek bankers, excluding them from a source of high profitability. The solution that was sought was the differentiation in their investment portfolios. At the end of 1890, the sharing banks that had been created by Greek bankers ceased their operation after the completion of the time interval that it predicted by their statute. Some of these bankers continued their previous commercial and enterprising activities, while some other created a form of new bank that was supported from an organized network of branch-offices that functioned under a central administration. In this category belonged the banks that were created at the end of the 19th century and at the beginning of the 20<sup>th</sup> century, as the "Athens Bank", the "East Bank" and the "Mitilini Bank" that acquired big success by financing the Ottoman trade<sup>19</sup>.

The contribution of the "Athens Bank" in the reality of Greek banking was multifaceted. Its foundation as bank of deposits will constitute an important innovation for the Greek banking data, and at the same time in stubbornness of the theoretical principles of the bank of deposits will inaugurate relations with the industry. Its character was so much cosmopolitan because of the founders and the executives, as also because of the geographical dissemination of its work. However, its big opening in the space of the Foreign Hellenism, but also in the international space in general will become after 1904 when it will begin its collaboration with the bank "Union Parisienne"<sup>20</sup>. In 1906, two years later, "Athens Bank" will absorb the "Bank of Industrial Trust" in which participated the French capital. The golden period of bank did not last so much as there were resulted important damages from the works of exchange and from the prevailing instability of bill exchange. Afterwards immediately, befell the big economic crisis in Egypt, where had been marked a big opening of the bank with direct result to be judged necessary in 1913 the intervention of the Public Prosecutor. The period of return and rearrangement will begin with the presence of Tzon Liaskou in its administration, a descendant of bankers of Galata<sup>21</sup>.

### **Saving and Savings - Banks**

Side by side with the banks functioned also officially two peculiar savings-banks which had been established by taking into consideration the regulation of operation of popular

<sup>19</sup> C. EXERTZOGLU, «Romeoe trapezites sten Pole», *To Oecoumenico Patriarcheio kai e Oeconomia tou Genous*, [Rums Bankers in Istanbul. The Ecumenical Patriarchate and the Rum economy] Athens, 2007, p. 125-134.

<sup>20</sup> *Oeconomike Ellas* [Economic Greece], 26-6-1904, pp. 399-400.

<sup>21</sup> K. KOSTES, B. TSOKOPOULOS, *Idem*, pp. 51-52.

banks. These savings-banks were: the Popular Savings-bank “Saint Konstantinos” in Patra and the “Savings-bank of Laurels” that functioned from Messiniako Association. Particularly at the beginnings of 1904, both these two savings-banks presented limited number of works. However, there were exceptionally auspicious prospects of their growth because of their virtuous administration.

The “Popular Savings-bank” called “Saint Konstantinos” was created in 1893 from 201 shareholders who represented total sums of 787 shares. The capital of savings-bank was 70.000 Drs and their disposal to the shareholders would become with interest 6%, when the required sum for them did not exceed the  $\frac{3}{4}$  of their deposits, while if it happened to exceed this sum, then the interest amounted to 8%.

The shareholder who with the value of his deposits supplemented the value of one or two shares, or he paid in advance its whole value which was 108 Drs received interest 4% and with the expiry of three-year period received the dividend that it corresponded to each share. In general terms, it was also proportional the regulation of operation of Savings-bank of “Laurels” from the Association of Messinia<sup>22</sup>.

The Cretan State, this transient small state that was interfered between the Ottoman sovereignty and the integration of Crete in Greece, was the government owned formation that allocated the first completed form of Savings-bank. The savings-bank of Crete was founded in the 10/12/1900 with the law 265, “about postal savings-bank”, which was published in the 16/12/1900 with the consent of Prince Georgios and four ministers of Cretan State: R.M. Koumoundourou, Constantinos Foupms, Eleftherios Venizelos and Nikolaos Giamalaki<sup>23</sup>.

Its foundation in Crete can be included also in the frames of the local economic life and the familiarization with the banking activities. An important point of reference was the previous creation of “Cretan Bank” in 1899 from the Cretan State which had become pole of the economic and political life of the island. The Cretan Bank which constituted a product of collaboration of the “National Bank” and Hambros, coming from English bankers and being of Danish origin had editorial privilege and published the official currency of Cretan State, the drachma. Simultaneously, it contributed substantially to the planning and the beginning of large public work and the financing of various services of the state, so that to be organized faster and effectively. It transported substantially in the Cretan Autonomous State, the model of organization and operation of the biggest Greek bank, “National Bank”.

One of the services, which in later time would play an important role to the support of operation of the Savings-bank was also the service of Posts, as it was an exemplarily organized service that functioned with effectiveness, speed and consequence in exceptionally unfavorable conditions. The postal service from 1900 at law and from 1902 in practical level included also the transaction of works of the “Postal Savings-bank”.

The official service of the works of the savings-bank was realized the 1st /4/1902 with the publication of the first deposit booklet in the name of High Commissioner, that is to say Prince Georgios. This is a symbolic action that declared the particular importance that gave the Authorities of the state to this constitutional institution.

The decree according to which the Savings-bank was founded substantially had crystallized the previous European experience for the corresponding institutions. In the 24/3/1901, its regulatory frame of operation was supplemented with the issue of “Regulation of detail and order”. Its network of services began in 1902 with 20 offices covering the biggest possible part of the urban web of the island. After this first basic consolidation at the years 1907 and 1908 was presented a small development with two more branch-offices, while

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<sup>22</sup> S. LOMVERDOS, *Apotamiefse kai tamiefteria*, [Savings and Savings-Bank] Athens, 1904, pp. 2-6.

<sup>23</sup> LGP, *Official Journal of Cretan State*, v. 1, no. 70, 10/12/1900.

during the last years of the Cretan State the Savings-bank functioned in 26 from 34 postal offices.

In 1902, a special regulation service of rural distributors was issued by the Address of Posts, so that their work to be facilitated. Beyond the distribution of correspondence had been developed also for the realization and ratification of undertaking actions or deposit at home for all Cretan people. The founding law of Savings-bank determined with big precision a series of factors that were related with its operation. The limit of deposits was from 1 up to 2000 Drs.. Basic report is realized in relation to the interest, which amounts in the 3,5% for deposits up to the sum of the 2000 drachmas, while for sums bigger than this the deposits were interest-free. The lending fluctuation was found in direct dependence on relative for the case constitutional provisions. It converted into capital once a year (31 December) and thus it incorporated into the capital and it paid interest, while the fractions of drachma did not yield interest<sup>24</sup>.

In order to be ensured its operation in connection with the fluid available, the undertaking of deposits became with notice, while in order somebody to proceed in undertaking from his deposit account should have a time interval of at least fifteen days from the realization of the deposit<sup>25</sup>. If some account remained inactive for above fifteen years, then the money that contained was lapsed to the profit of Savings-bank. Special provisions were in effect for the undertaking of donations or sums from wills, bequests etc. <sup>26</sup>. Concerning the deposits, each individual had the right to keep only an account. However, it existed also the possibility of keeping an account from minors, from collective deposits of schools, associations of mutual help and charitable institutions.

An interesting form of deposit was also the realized deposit "via stamps". The depositor bought and stuck stamps of 5 or 10 cents. When he supplemented the sum of one drachma, it presented the bulletin and it credited the drachma in booklet<sup>27</sup>. The pawning of booklets was not feasible, while for the sums until 500 Drs were covered by the provisions of everlasting deposits. The covering of functional expenses stems from the difference of interest that it gave to his depositors and to the interest that it received, while the first years because of the difficult economic situation and the problems the Public Fund undertook to cover the expenses.

For the guarantee of regular and harmonious operation had been fixed a Supervisory Council that arranged the annual budget, it supervised and checked the total of held works, the way of payment of the employees, as well as the determined limits for keeping reserve fund. The Supervisory Council was constituted by the Director of Posts, by the Director of General Accounts department, by the Juridical Adviser of Superior Administration of Finances and by the Director of Beneficial Fund<sup>28</sup>. The total of employees received percentages at the end of each annual use that it was determined depending on the observed amounts of deposit booklets<sup>29</sup>, while it was predicted the reception of small percentages from the directors of schools and those in general that they contributed to the growth of the institution of the Savings-bank.

Within an unfavorable frame in a new state on the one hand with limited substructures and on the other hand the generalized economic narrowness, the Postal Savings-bank of Cretan State met also further obstacles which were related to the absence of saving conscience and the cultivation of the idea. The years between 1905 and 1909 existed critically for its operation at which, according to the balance-sheets was observed dangerous reduction

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<sup>24</sup> *Idem, art., 5.*

<sup>25</sup> *Idem, art., 7.*

<sup>26</sup> *Idem, art., 9.*

<sup>27</sup> *Idem, art., 12.*

<sup>28</sup> *Idem, art., 16.*

<sup>29</sup> *Idem, art., 19.*

of the deposits with what this involves by following the fluctuations of the fragile economy of the island.

Its successful operation was based on the overshooting of crises with the creation of the reserve funds of its capital that it was found to be deposited for safety in “Crete Bank”. In order to be comprehended better the size of this chapter, it is reported that in 1903 the total sum of expenses of Cretan State was 230.000 Drs. for public works, while at the same time the Savings-bank maintained deposits of 340.000 Drs.. It had also published 10.000 booklets that in proportion with the population corresponded roughly to one notebook per thirty residents. By its turnover, it is realized that after the small rise of the years between 1905-1912, it is taken off with the incorporation of Crete in Greece. For first time in Crete and with the same constitutive law concerning the “Postal Savings-bank” were created also school Savings-banks, of which the operation was supported by the Postal Savings-bank of Crete.

The most completed and recorded expression of school saving existed at the school association of the Municipal School of “Saint Athanassios” of the province of Kissamou that it was founded by the schoolteacher Dimitrios Georgila and his students aiming at the necessary supply for the operation of school materials and their resale in higher prices by saving up the profit that resulted. By taking into consideration the good operation of the school, it reinforced the poorer students and founded a series of small enterprises (e.g. barbershop). Its organization was a typical one distinguished for its rational management and it mainly followed the directives of ministry for the school savings-banks and mainly for the way with which the related accountant books were kept<sup>30</sup>. When the Cretan Savings-bank was enlisted to the Greek state, the saving conscience was still weak. The integration of new financier institutions, including also those of the regions of the district as “Ioniki Bank”, they contributed to the first phase of configuration of modern banking system and at the same time they promoted the specialization and the distribution of services and products. The “Athens bank” that founded in 1893 presents a particular growth after 1900 and it encourages the powerful presence of the French capital after 1903. From 1904, the “East Bank” constitutes the product of collaboration of the “National bank” with the German capital. Both the “Popular bank” from 1905 and the “Commercial bank” from 1907 constitute dynamic enterprises that alter the banking landscape at a large extent. Among them, the “Popular bank” with the participation and the support of the “National bank” are addressed mainly to the popular and suburban layers. The bank was directed to the creation of a profile of popular savings-bank. This effort constitutes an organized movement of cultivation of saving logic and practice in the Greek state with basic inspirator and representative Dionysios Lomberdo, who was then executive of the “National Bank” and his brother Spyridonas Lomberdo who was also executive of the “National bank” and “Popular bank”.

The “Popular bank” from the 19th century had limited beam of action, mainly in Athens where it established the issuing of small loans on pledge. The first discussions concerning the creation of Savings-bank begin with the government of Kyriakouli Mauromichali that had been established by the Military Association of 1909 and it worked out and published a month before the arrival of El. Venizelos, the law GYMS’/1909 about Postal Savings-bank. However, the law remained inactive because of the lack of the executive decree as well as because of the political developments (double elections, Revisory Parliament, Balkan wars). The question comes back in 1914 by taking as granted the incorporation of Macedonia, Continent, Aegean and Crete from the first minister of the “Ministry of Transport” Dim. Diamantidi, who in his official speech in the Parliament announced in advance the activation of the law for the creation of the Savings-bank. With law 945 in the 14/12/1914 the law 1909 was modified and it was created the Postal Savings-bank. In a season where the country faced intense problem

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<sup>30</sup> Postal Administration of Cretan State, *Instructions for School Savings*, Chanea, 1902, pp. 2-6.

of budgetary deficit because of the military expenses, the interest was also turned to the direction of activation of private deposits.

Apart from the concerns of the commercial banks for its creation, which Athan. Typaldos Mpasias expressed in the parliament, the operation of Postal Savings bank began the 1<sup>st</sup> /5/1915 and it was in some way the continuation of Cretan Savings-bank, of which the operation was finished in 1914 transporting the pecuniary availables in Athens. The exercise of its administration had been assigned to a special Supervisory Council with institutional representation, which had been determined by the founding law, but its composition changed in subsequent time intervals with legislative modifications.

In the competences of the Council belonged the writing of the budget of expenses, the decision for the placements of the capital, the consultations for the wage and the approval of expenses or the proposal of measures for the improvement of its operation. At his long course of its adjustment with the modern credit institutions, but also for its transformation in singular banking institution, its legal character from private was changed into public, providing for him with this way new prospects proving factually that a public service can be productive and profitable<sup>31</sup>.

After the first decade of operation, the results did not appear particularly spectacular. In this, contributed the more general political and economic conditions, while at the same time serious facts as the national division, the exclusion of 1917 and the destruction of Minor Asia had intervened. However, in the economic field the most negative factor was the obligatory lending of the state in 1922 that was imposed at the expense of the citizens. These factors contributed so that the more generalized saving effort not to involve also proportional results<sup>32</sup>. Thus, the deposit in the Savings-banks had reached to offer the smaller output than any other form of capitalization. However, despite the perseverance of the predicaments with the inflation as the prevailing one and the increase of the cost of life, Postal Savings bank with the good management of the capital that it assembled from small amounts of deposits and which consisted on their investment in national securities, in 1919 accomplished to increase its rate of interest from 3,5% to 5%, enough higher in relation to the banks in which the rate of interest reached to 4%. A direct result of this rational management was the doubling of the deposits that it continued up to 1924. This year with deposits that amounted to 65.000.000 Drs. is presented equal to the big banks of the era.

However, an indication of marginal turning-point that provided for it a particular impulse was the large number of refugees after the destruction of Minor Asia, when it began to participate in productive activities, while it is not ignored neither the commercial ingenious, or the progressive spirit and mainly not their advanced economic conscience for the season and for the conditions. Before this favorable economic situation had been preceded the big crisis that led a lot of banks of small size to bankruptcy because of the competition, but also because of the more general economic situation. It is really remarkable that from the 50 banks that functioned in 1918 and with the crisis of 1929 was led to bankruptcy 15 of them. The same year was founded the "Syndicate of Banks" in an effort of reorganization of the banking system. On the one hand, these developments and on the other hand the intense interest of the government of Venizelos for the financing of industry that provided impulse in special forms of accumulation of deposits, as those of Postal Savings bank and the "Fund of Deposits" that had been founded in 1919. By including also the application of the system of guarantees for deposits that the state provided, the socio-economic crises overcame and the confidence of the public towards the banking institutions was restored.

The comparative advantage of Postal Savings bank in relation to the banks is located in its operation into the frames of Postal Service. The postal offices had developed an

<sup>31</sup> Ministry of Communications, *Postal Savings Bank*, Athens, 1915, pp. 6-21.

<sup>32</sup> D. NICOLOPOULOS, *Relazione sulle Casse di Risparmio in Grecia*, Milano, 1924.

exceptionally wide network of 1.187 offices in a proportion of 5.300 residents per office. The length of the postal network amounted to 13.122 kilometers and 6.843 miles of barren line. From the total of these offices, 600 served the total of the operations of Postal Savings bank<sup>33</sup>.

## Conclusions

The Greek banking institutions of special character supplement -in various time periods in which they function- both Greek financing and credit system. The development of Greek banking system coincides with the era of international liberalism. However, this is characterized by the lack of governmental interest and concrete economic policy particularly in the sector of crediting<sup>34</sup>.

The explanation of the multilateral growth of the banking system has three important factors as basic starting points of reference. The first one is the disruption of getting away saved capital to abroad via the foreign capital, as well as the growth of confidence towards the national currency. The second one is related immediately with the surge of capital from abroad and it is congenial to the creation of a more general climate of confidence and stability. The third reason is connected with the output of deposits and invested capital, while the interest-rates in Greece were much higher related to the equivalents from abroad.

The asset of these financier institutions through the provision of financing services is shaped almost exclusively in pecuniary form. Nevertheless, their effective and diachronically successful operation along with the more general economic objectives depend on their effective management with the guarantee of which they could correspond to the needs and the requirements of society. Their fundamental role is referred to the coverage of final needs of money-lenders and borrowers, having positive contribution to the economic growth with the encouragement of saving and the disposal of a large variety of financing tools. Besides these, the transactions of banking intermediation promoted the specialization in their activities that contributed to the increase of productivity.

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<sup>33</sup> Deltion TTT 1931, *Ministry of Communications, Dep. Of Postal Savings Banks*.

<sup>34</sup> D. PATRINOS, *Chrima, trapezes kai chrimatopistoteke politike*, [Money, banks and financial policy] Papazissis, Athens, 1999, p. 202.

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