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### **MUTUAL CREDIT SOCIETIES OF NADDNIEPER UKRAINE IN THE CREDIT SYSTEM OF THE RUSSIAN EMPIRE (SECOND HALF OF 19th — EARLY 20th CENTURY)**

**Abstract.** The problem of attracting financial resources for the growth of small and medium-sized businesses was and remains relevant at all stages of the market economy development, which actualizes market research in the historical context. The article provides a historical retrospective to the problem of the mutual credit societies (MCS) creation and activity in 9 Ukrainian governorates, that were part of the Russian Empire in the second half of the 19th — early 20th centuries.

The present paper makes attempt to examine the mechanisms and structure of lending, which was carried out by MCS in general. The objective is to establish the state of MCS' development in the Ukrainian governorates. The paper also identifies the role of MCS in the lending system that had developed in the second half of the 19th — early 20th centuries in the Russian Empire.

It was used several scientific methods which includes an interdisciplinary approach and are characteristic of research in the economic history field. Various historical sources like published statistical data and archival documents and materials were used.

The study has found that the establishment and activity of MCS were focused on providing short-term loans to small and medium-sized businesses, that has been operating in governmental and provincial uyezd towns and cities where the banking system was poorly developed. It was carried out the analysis of development dynamic of quantitative and qualitative indicators of MCS activity. It was determined that the MCS share in the credit system of the Russian Empire constituted 5% in 1914. The study has found that rate of the MCS creating practice was influenced by many factors, which were mainly associated with unsuccessful financial reforms, belated legal regulation and weak episodic state support. The change in the structure of the credit-deposit and other operations provided by MCS has been processed. The range of banking services provided by MCS to their members and other clients was investigated.

It has been proved the value of the historical experience of MCS crediting and the possibilities of its use to provide financial support for the development of domestic business are outlined.

**Keywords:** Russian Empire, credit, crediting, loan, bank, mutual credit societies (MCS), banking system.

**JEL Classification** B17, N24

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## ТОВАРИСТВА ВЗАЄМНОГО КРЕДИТУ НАДДНІПРЯНСЬКОЇ УКРАЇНИ У КРЕДИТНІЙ СИСТЕМІ РОСІЙСЬКОЇ ІМПЕРІЇ (ДРУГА ПОЛОВИНА ХІХ — ПОЧАТКУ ХХ СТОЛІТТЯ)

**Анотація.** Проблема залучення фінансових ресурсів для розвитку малого і середнього підприємництва була і залишається актуальною на всіх етапах розвитку ринкової економіки, що актуалізує дослідження фінансового ринку в історичному контексті. Здійснено історичну ретроспективу проблеми створення і діяльності товариств взаємного кредиту (ТВК) у дев'яти українських губерніях, які входили до складу Російської імперії у період другої половини ХІХ — початку ХХ століття.

Мета статті — дослідити механізм і структуру кредитування, яке здійснювалося ТВК у цілому в імперії; встановити стан розвитку ТВК в українських губерніях; визначитися зі значенням ТВК у системі кредитування, яка склалася у другій половині ХІХ — на початку ХХ століття в Російській імперії.

Використано низку спеціальних наукових методів, характерних для досліджень у галузі економічної історії, які містять міждисциплінарний підхід. Використовувалися різноманітні історичні джерела: опубліковані статистичні дані та архівні документи і матеріали.

Дослідженням встановлено, що створення і діяльність ТВК була зорієнтована на забезпечення короткотерміновими кредитами малого і середнього підприємництва, яке здійснювало свою діяльність у губернських і провінційних повітових містах і містечках, де була слабо розвинена банківська система. Здійснено аналіз динаміки розвитку кількісних та якісних показників діяльності ТВК. Визначено, що частка ТВК у кредитній системі Російської імперії 1914 року становила 5 %. Дослідженням встановлено, що на темпи поширення практики створення ТВК впливало багато факторів, які здебільшого були пов'язані з невдалими фінансовими реформами, запізним правовим регулюванням і слабкою епізодичною державною підтримкою. Розглянуто зміну структури позичкових, вкладних та інших операцій, які здійснювали ТВК. Досліджено спектр банківських послуг, які надавали ТВК своїм членам та іншим клієнтам.

Доведено цінність історичного досвіду кредитування ТВК та окреслено можливості його використання для фінансового забезпечення розвитку вітчизняного підприємництва.

**Ключові слова:** Російська імперія, кредит, кредитування, позика, банк, товариства взаємного кредиту (ТВК), банківська система.

Формул: 0; рис.: 8; табл.: 1; бібл.: 35.

**Introduction.** The problem of attracting financial resources for the development of small and medium-sized businesses was and remains relevant at all stages of the market economy development, which actualizes market research in a historical context. The current legal framework in Ukraine requires further improvement for the activities of such credit institutions, considering both modern world and historical experience. The evolution of mutual lending, which significantly influenced the development of small and medium-sized businesses in the second half of the 19th — early 20th centuries, has been considered using the example of the creation and activities of mutual credit societies, which were established in Naddnieper Ukraine after a series of reforms initiated by Alexander II. The results of the study can be used as a historical experience, which has practical

importance for stimulating the development of mutual credit in various forms in modern Ukraine and abroad. Also, the results of our study can be used for teaching courses in Economic History, History of Economic Thought, Money and Credit and other disciplines related to credit theory and the history of finance.

**Analysis of recent research and problem statement.** The problem of the emergence and functioning of mutual credit societies (hereinafter MCS) in the Russian Empire in the second half of the 19th — early 20th centuries was considered by the number of scientists as an effective and convenient form of lending. For example, A. Zotova [1] has been carried out a historiographic analysis of works and sources regarding creation and activities of mutual credit societies in the Russian Empire in 1860—1918, she noted that «the history of mutual credit societies in pre-revolutionary history has hardly been studied». It was A. Zotova [2] who investigated the activities of the first Saint-Petersburg's MCS.

Individual historical research studies of the activities of mutual credit societies in the Russian Empire were carried out by the Belarusian scientist Ju. Gruzickij [3; 4], who were analysing the nature of the operations, carried out by the MCS, proposed to classify them as urban public banks. He separately investigated the activities of the Minsk MCS and concluded that «the significant size of its own capital and borrowed capital allowed it to respond promptly to the market conditions, providing financial resources to broad strata of the petty and middle bourgeoisie» [3, p. 51].

The Russian researcher Ye. Vasilyeva [5] highlighted the fact that the activities of these credit institutions were constantly interfered and monitored by government institutions.

In a joint article by T. Kattsina, L. Marinenko, N. Pashinina and E. Vakulina [6], Russian MCS were considered during the years of economic recovery (1909—1913), and it was noted that during this period societies achieved the most dynamic development in the overall structure the credit system of the Russian Empire.

Modern Russian researchers have carried out a number of descriptive studies devoted to the history of MCS' activities (second half of the 19th — early 20th centuries), these studies were concerned separate Russian governorates of the Russian Empire, namely: T. Fedina [7] studied the Kuban region, Ya. Vasil'ev [8; 9] analysed the Novgorod Governorate, T. Kattsina and L. Marinenko [10] described Siberia, E. Ganzhov [11] investigated the Kursk Governorate and S. Chirkin [12] researched the Vyatka Governorate.

As for domestic studies of the MCS' activities on the territory of the Ukrainian governorates of the Russian Empire, that was, only a few works. In the monograph edited by S. Tykhenko [13], which highlights the role of MCS in lending to small and medium-sized burghers, merchants and peasants in Sumy region (Kharkiv Governorate), it was highlighted their charitable activities. In the monograph of V. Kolomijceva [14] the attention was paid to the MCS of the Taurida Governorate, which, according to the researcher, had the status of «private banking institutions».

All the above-mentioned works of the modern researchers have mainly descriptive character regarding the general procedure for establishing, management, membership, defining of statutory objectives and goals of MCS, without defining their role in the overall credit system of the Russian Empire.

The present paper makes attempt to examine the mechanisms and structure of lending, which was carried out by MCS in general. The objective is to establish the state of MCS' development in the Ukrainian governorates. The paper also identifies the role of MCS in the lending system that had developed in the second half of the 19th — early 20th centuries in the Russian Empire.

**Methodology and research methods.** When writing the article, a few special scientific methods, which contain an interdisciplinary approach, that is typical for research in the field of economic history were used, they are: diachronic (periodization), retrospective, historical-genetic, historical-system, historical-typological, historical-comparative, methods of historical economic analysis, economic research methods.

A methodological problem is the presence of gaps or the absence of the necessary studied indicators in the process of studying various aspects of economic history, which complicates analytical work [15]. In order to fully reproduce economic processes, digital materials are extracted from various historical sources, what explains a significant number of used sources and literature.

**Research results.** Assessing the MCS in the Russian Empire, it is important to determine the demand for this form of lending in society and its effectiveness for economic entities. Indeed, the then MCS were focused on medium and small representatives of the commercial and industrial class, landowners, farmers, small artisans, and others. They had a constant need to replenishment of turnover means but did not have sufficient resources to provide loans in joint-stock commercial banks. At the same time, more and more wealthy and reputable entrepreneurs (well-known merchants and industrialists) joined membership in order to obtain mobile short-term loans. And, consequently, the Governor of the State Bank E. Lamansky [16] initiated the dissemination of the French and Belgian experience in the activities of MCS to the Ministry of Finance. The main purpose of MCS' creation was the granting of loans on favourable terms to the members of society, as well as to provide them with certain banking services for serving loan operations. The main principle of the MCS' activity was the mechanism of mutual guarantee for the members of society within the amount of the loan opened to the member, which was ten times higher than its membership fee. The organization charter of the first MCS was approved in the city of Saint Petersburg in April 1863 [17], the society began its activities in March 1864. Two years later, the statute of the first mutual credit society in Ukraine was adopted in Kharkiv on May 24th, 1866, the organization began its activities on September 29th, 1866 [18], it became the second in order of creation in the Empire. To join the society, applicants should have written appropriate applications in which they indicated the amount of the desired loan and the conditions for its security. Both movable and immovable property and securities were used as collateral (pledge) of the loan. So, the Kharkiv MCS gave short-term commercial loans to its members for an amount of at least 100 rubles for a period of up to 6 months, in accordance with the charter. The funds of the society were provided on credit for trade and industrial enterprises at the expense of term deposits, as well as obligations to state and commercial banks. The circulating assets of the mutual credit society were formed from the contributions of the members of the society and amounted to 10% of the loan proceeds. At the same time, the right to secede from society with the subsequent return of this contribution was retained, but not earlier than 9 months after joining the company. MCS are obliged to publish final balances every six months in the local press.

The profit of the Kharkiv MCS were distributed among the members of the society according to their participation in the total capital of the society. In addition, 15% of the company's net profit went to the maintenance of the board members of the company, who elected the chairman of the board. The board members were elected from the members of the society at a general meeting for three years, without limiting further 3-year terms [18]. Taking into consideration the weak development of the banking system in the Russian Empire (in 1870 only 9 joint-stock commercial banks operated for short-term loans, 4 of them in Ukraine) [19] and the implementation of complex financial reforms of the 60's (including tax and monetary 1862—1863) [20], there was no activity in the MCS' establishment until 1870 inclusive. There were established only 2 MCS in the Empire in 1867, including 1 in Ukraine (in the city of Odessa). In 1868, an additional 3 MCS were founded, including in Ukraine 1 (in the city of Kyiv). Four MCS were established in 1869, in Ukraine they were not created. It was created 6 MCS in 1870, including 1 in Ukraine (MCS of Sales Representatives in the city of Kharkiv) (*Fig. 1*).

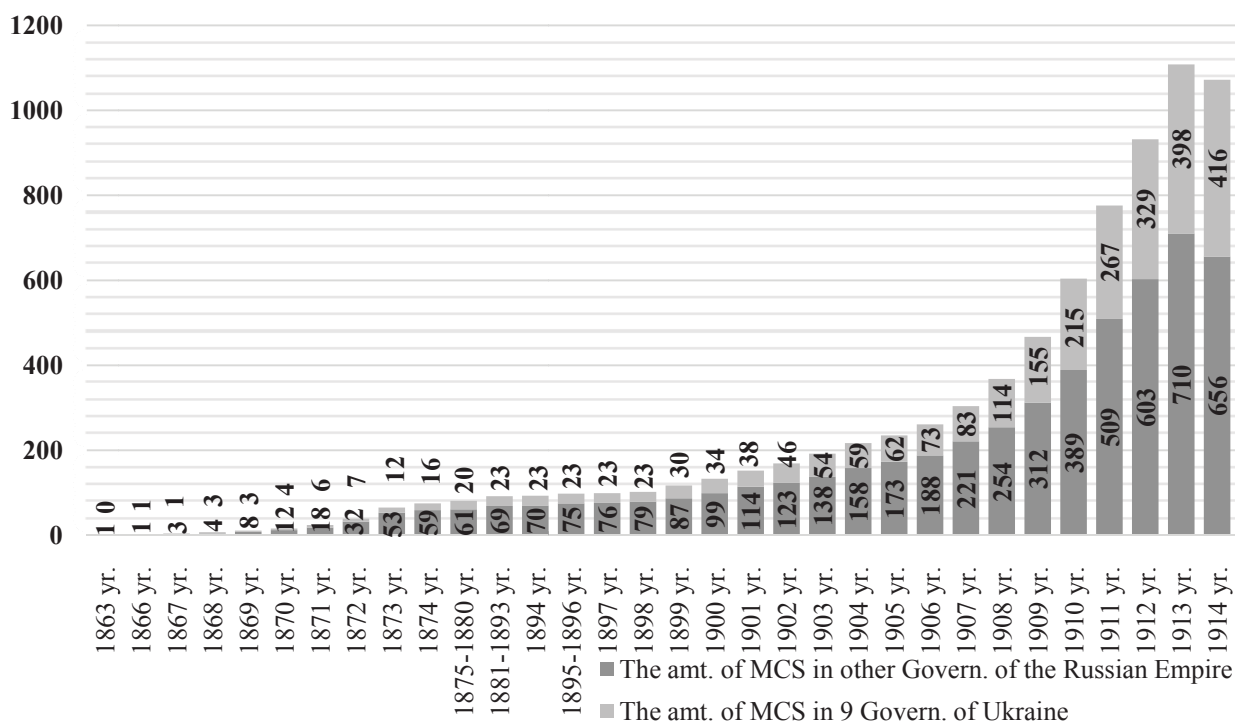


Fig. 1. The changes in the amount of MCS in the Russian Empire between 1863—1914

Source: it was compiled and calculated according to statistical reporting data [19, p. 440—441; 23, p. 1—42; 24, p. 13—27].

At the same time, the privileged «Society for Mutual Land Credit» (hereinafter SMLC) was created in 1866, it was founded by 38 well-known and titled landowners. The main purpose of this land MCS was to attract credit funds from foreign banks secured by «land ownership» on the terms of mutual guarantee [21]. However, lending in foreign currency carried its own risks. The fall in the exchange rate of the Russian assignation in 1877 led to the decline of this credit society. Even though the imperial government undertook partial coverage of the losses incurred as a result of inflation, the society was never able to fully restore its activities. The affairs and obligations of the SMLC were transferred to the Noble Land Bank, created in 1885. On this occasion P. Migulin noted: «The Mutual Credit Society, created with the help of foreign capitalists, sold its mortgages in gold currency with the obligation to pay a special premium (25%) upon repayment. This society ruined a significant number of our landowners, especially after the fall in the rate of the credit ruble» [22, p. 103].

Constitutive activation in the banking sector began in the 70s of the XIX century in connection with the increase in foreign capital flows (about 50 joint-stock short-term credit banks were created by 1871—1873). It was reflected in the gradual increase in activity and in the establishment of the MCS. There were additionally created 8 MCS in the empire in 1871, including 2 in Ukraine (the Second Kharkiv, Poltava and Yalta's MCS). In 1872, were created 15 MCS in the empire, including 2 in Ukraine (Mykolaiv and MCS of Izyum Uyezd Zemstvo) Also, it was created 26 additional MCS throughout the empire in 1873, incl. 5 in Ukraine (there were: MCS of Sumy Uyezd Zemstvo, MCS of Yekaterinoslav Governorates Zemstvo, MCS of Romny Uyezd Zemstvo, Kherson MCS and Simferopol MCS), etc. (Table).

In general, it was provided amount of 106.8 thousand rub. during the first decade of MCS' activity in the empire from 1864 to 1873. A total net profit, which was received from the amount of loans on current accounts against pledged consisted 168.3 thousand rub. The loans were provided for securities in the amount of 45.2 thousand rub. (with solo bills) and 313.2 thousand rub. without bills. The bills with two signatures were accounted for the amount of 186 465 for 4 633.4 thousand rub. [19, p. 464—465].

Table  
The main indicators of the activities of individual mutual credit societies in the Naddnieper Ukraine 1872—1873 yr., thous. rub.

Indicators	Kharkiv (est. 1866)		+/-	Odesa (est. 1867)		+/-	Kyiv (est. 1868)		+/-	Kharkiv of Sales Representativ (est. 1870)		+/-	The Second Kharkiv (est. 1871)		+/-	Poltava (est. 1871)		+/-
	1872	1873		1872	1873		1872	1873		1872	1873		1872	1873		1872	1873	
Membership	2 038	1 892	-146	1 422	1 157	-265	924	1 023	+99	246	303	+57	383	441	+58	568	1 214	+646
Collateral security capital	6 811	5 513	-1298	4 126	5 044	+918	3 144	3 297	+153	14	149	+135	703	806	+103	338	1 628	+1 290
Circulating assets	681	551	-130	412	503	+91	349	362	+13	19	25	+6	70	79	+9	34	177	+143
Bills with two signatures	2 726	5 077	+2351	3 160	5 008	+1848	1 784	2 518	+734	371	1 013	+642	626	702	+76	1 093	3 427	+2 334
Loans on the pledge of security papers	332	2 131	+1799	156	525	+369	1 096	1 663	+567	1480	3 421	+1941	120	1 102	+982	116	1 565	+1 449
Loans on the pledge of movable and immovable property	170	450	+280	2 622	751	-1871	n.a.	n.a.	n.a.	285	492	+207	0	0	0	96	0	-96
Total amount of loans issued per year	10 357	7 208	-3 149	6 060	5 533	-527	2 880	n.a.	n.a.	2142	4 941	+2 799	814	2 196	+1 382	1 209	4 992	+3 783
Income	74	-	-74	48	84	+36	100	135	+35	16	57	+14	3	4	+1	12	94	+82

Source: Author's own calculations [19, p. 442—463].

The adoption in 1872 of the Law «On the Application of Private Credit Institutions», which regulated the legal status of the MCS and approved the model charter, can be considered as positive stimulation the MCS' creation. It was recommended to take as a basis the statutes of the Penza, Novocherkassk and the Second Kharkiv Mutual Credit Society dated May 21, 1871 and the Warsaw one dated November 10, 1871, which were further approved directly by the Minister of Finance [25, p. 757—759]. This law focuses on the fact that one person can participate in the membership of only one MCS. In addition, the Ministry of Finance was instructed to approve a unified form of a balance sheet. A little later, the Consolidated Statute of MCS was developed [26].

MCS actually carried out operations that did not differ in any way from banking ones, which were carried out by joint-stock banks, with the difference that some of them were carried out only for members of the society (negotiation of a bill, granting loans to members of the society for a period not exceeding 6 months on security of government stocks, wares, trade documents, precious metals, gold assignments mined in private mines at a price of no more than 90% of the metal exchange price, opening a loan for, on-call account and other). Another part of the operations was carried out for unauthorized persons (current account opening, collection of payments, money transmission, taking on deposits time deposits and call deposit in the amount of at least 50 rub., discounting of interest-bearing securities, coupons, tickets for fixed term deposit, purchase and sales of securities, granting loans against promissory notes secured by pledge of agricultural estates, insurance against circulations of ticket redemption of domestic loans with winnings, re-discounting by society the bill discounted in other credit institutions and the repawning of interest bearing securities accepted in pawn from clients with their consent, etc.) [27, p. 32—55].

Analysing the main indicators of the activity of the first (created in 1866—1871) Ukrainian MCS in 1872—1873 concerning Kharkiv, Odessa, Kyiv, Second Kharkiv and Poltava MCS, we observe the growth most of the basic indicators (only Kharkiv MCS reduced its number of members to 146 in 1873, respectively, it happened the decrease the indicators of collateral security capital, circulating assets and the total amount of issued loans, it was no net profit received). During 1872—1873, all the mentioned MCS received profits, except for Kharkiv [19, p. 442—463], what is shown in Fig. 1.

A banking crisis occurred in the Empire in 1875, what affected the activities and the pace of MCS' creation. Eleven MCS were created between 1875 and 1881 in total, three of which were in the Ukrainian governorates. Some companies went bankrupt, and some resorted to abuse and misconduct with financial implications. Therefore, the Ministry of Finance prohibited the creation of new MCS for the period from 1883 to 1894. And starting from 1883, the Ministry of Finance entrusted «to issue short-term loans to agricultural societies and peasant societies, even if they were not members of the mutual credit society» [28, p. 864] to those MCS that continued functioning. The increased lending to MCS by the State Bank of the Russian Empire took place in 1883—1885 (Fig. 2).

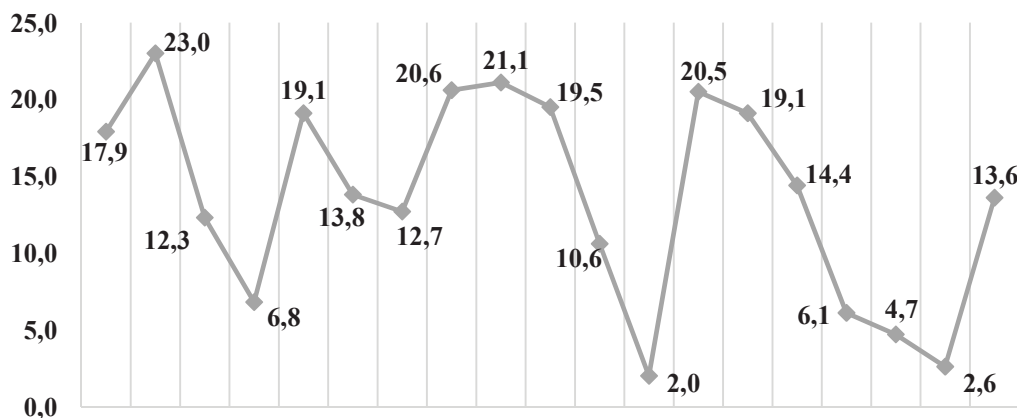


Fig. 2. Dynamics of lending to MCS by the State Bank of the Russian Empire, 1876—1894, million rub.

Source: [29, p. 367].

Another monetary reform of 1895—1897, which established gold monometallism and its echoes until 1899, also did not contribute to the establishment of MCS. During the period 1895 to 1898, only 9 such societies were additionally created throughout the empire. In the Ukrainian provinces, MCS were not created from 1882 until 1898 (see Fig. 1). During this period, the activities of existing companies were in a state of stagnation. Of the 102 MCS that existed as of January 1, 1899, 58 had insignificant nominal capital — from 10 thousand rub. up to 100 thousand rub., 36 companies — from 100 thousand rub. up to 500 thousand rub., 3 companies — from 500 thousand rub. up to 1 million rub., in 5 companies — the fixed capital exceeded 1 million rub. [30].

The gradual shifts in the increasing the number of MCS began in 1900. As of January 1, there were 1108 MCS in the whole Empire (of which 398 societies, or 36% of the total number in the empire, were operating in the Ukrainian governorates, including: in the Kherson Governorate — 67 societies, in Podolia — 60, in Kyiv — 50, in Yekaterinoslav — 46, in Taurida — 42, in Volhynian — 43, in Poltava — 35, in Chernihiv — 31 and Kharkiv — 25) (Fig. 3). The number of members involved in the MCS was 634,355 people, of which 243,490 members were from the Ukrainian governorates (38.4% of the total number in the empire) as of January 1, 1914. The most numerous were Odessa MCS of Kherson Governorate (established in 1868) had 5,420 members; Kharkiv trade and industrial MCS (established in 1902) had 4,925 members; Hadiach MCS of Poltava governorate (established in 1902) had 4430 members; Poltava MCS (founded in 1871) had 4,102 members; Simferopol MCS of the Taurida Governorate (founded in 1873) had 3,113 members; Kyiv MCS (established in 1868) had 2,389 members. The smallest MCS in the Ukrainian governorates can be considered such as Klintsy Commercial and Industrial MCS of Chernihiv Governorate, which numbered only 65 people, Povolotsk MCS of Kyiv Governorate had 99 members, and other. Multiple MCS were established in large cities, for example, 9 MCS operated in Kyiv, 7 MCS were in Odesa and Kharkiv, 5 MCS were in Yekaterinoslav, and 2 MCS were established in Kamianets-Podilskyi [24, p. 13—27].

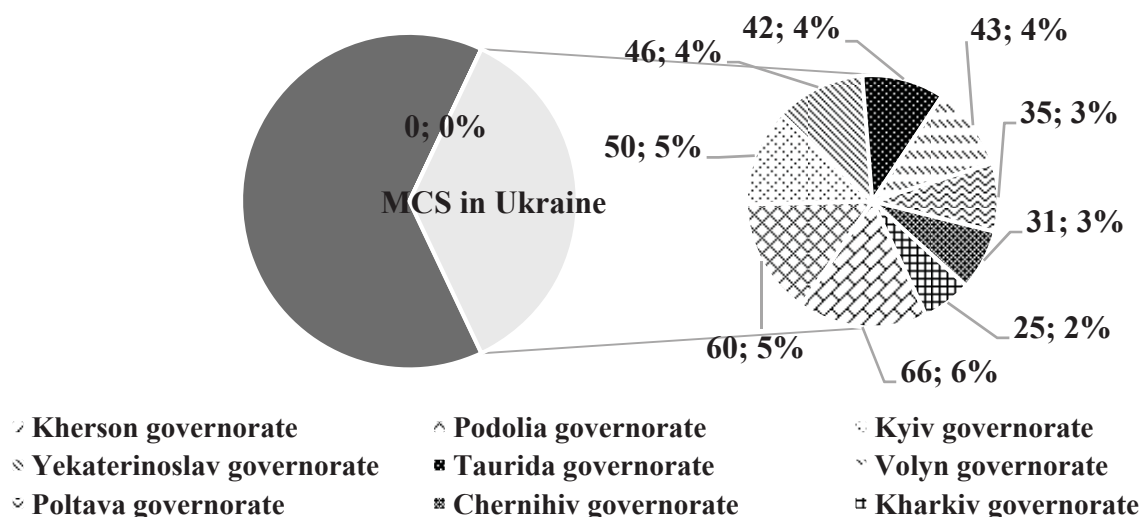
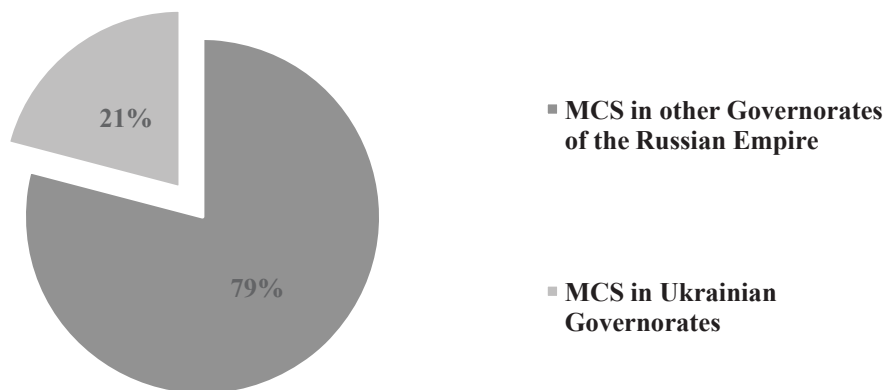


Fig. 3. The share of Ukrainian MCS in the total number of the Russian Empire, 1914

Source: Authors' own calculations [31, p. 6; 24, p. 13—27].

The final balance also tended to grow and in quantitative terms amounted to 1 059.7 thousand rub. on January 1, 1914 (of which 221.7 thousand rub. [31, p. 6] consisted income from MCS of Ukrainian governorates, which was 20.9% of the imperial indicator) (Fig. 4).

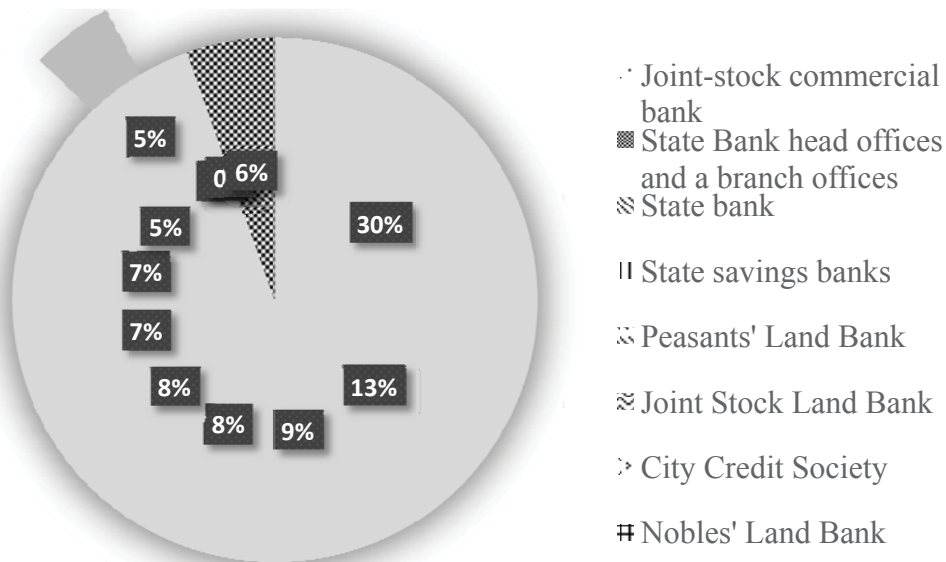




**Fig. 4. The share of Ukrainian MCS in the total MCS' balance amount in the Russian Empire, 1914, %**

Source: Authors' own calculations [31, p. 6].

The share of MCS in the credit system of the entire Russian Empire in 1914 reached 5% (Fig. 5).



**Fig. 5. Share of MCS in the credit system of the Russian Empire, 1914, %**

Source: Authors' own calculations [31, p. 6].

As for the loans, they were provided both term and perpetual loan. Term loans were provided on security of tradable investments, ware (including documents on them), precious metals and items made thereof, hard assets, and other. Perpetual loan is call loan, what means they were short-term loans and perpetual loans, that are provided to the borrower from a specially opened current account on the pledge of security papers (in this case, from 1911—1914, on the pledge except of security papers were taken promissory notes, liquid goods with documents on them, hard assets and other), the repayment of which was to be carried out at the first call of the bank. Over the period from 1895 to 1914, there has been a change in the structure of lending (Fig. 6). If there were 40% of term loans and 60% were perpetual loan (call loan) in 1895, then gradually the situation changed, and it were provided only 12% of term loans and perpetual loans reached 88% in 1914.

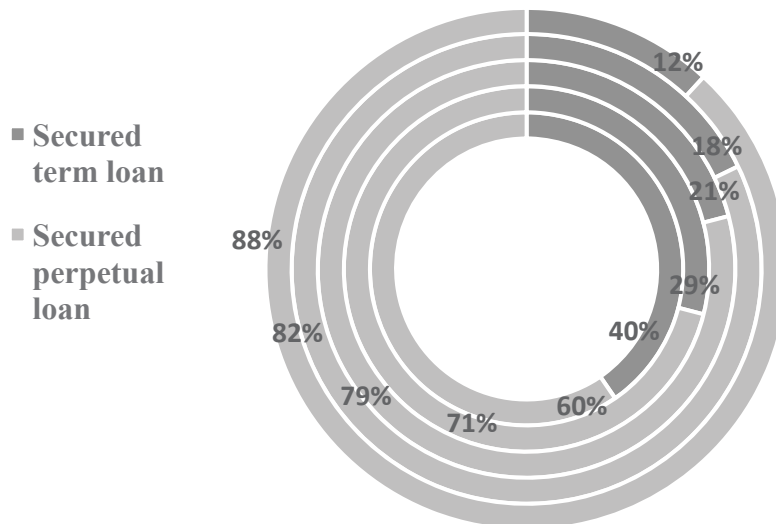


Fig. 6. Structure of MCS' loans, 1895, 1900, 1905, 1910, 1914, %

Source: Authors' own calculations [23, p. 1—42].

The MCS stopped granting loans secured by hard assets since 1908. Against the backdrop of increasing the number of mutual credit societies and the number of attracted members for the period from 1895 to 1914, there was a natural dynamic of an increase in the amount of loans granted from 52.2 thousand rub. in 1895 to 234.6 thousand rub. in 1914 (+182.4 thousand rub. or increased at 4.5 times), accordingly, the amount of deposits was increased (excluding the amounts on current accounts) from 59.8 thousand rub. in 1895 to 268.1 thousand rub. in 1914 (+208.3 thousand rub. or at 4.5 times). The structure of deposit balances changed accordingly (Fig. 7).

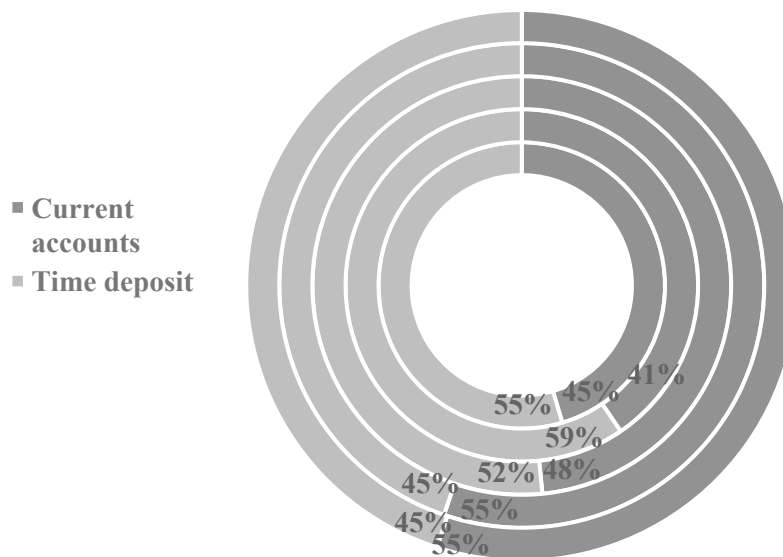


Fig. 7. Structure of balances by MCS' deposits, 1895, 1900, 1905, 1910, 1914, %

Source: Authors' own calculations [23, p. 1—42].

In general, considering the indicators of the ratio of the total amount of deposit balances (as of January 1, excluding the amount of balances on current accounts) and the amount of loans provided, we observe a positive dynamic of their differences for all years (1895—1914). This indicates the loans security of societies members by their deposits, even without taking into account the balances of amounts on current accounts (Fig. 8).

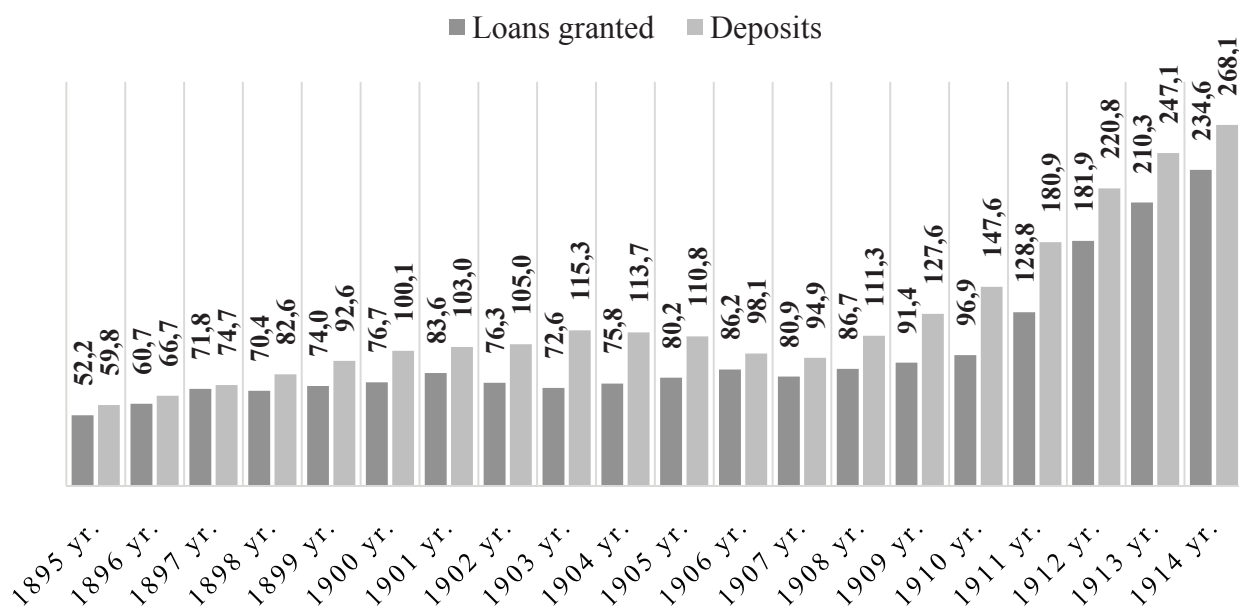


Fig. 8. Balances on loans and deposits of MCS operating in the Russian Empire as of January 1, 1895—1914, thousand rub.

Source: Authors' own calculations [23, p. 1—42].

However, it did not contain the constant growth of indebtedness for individual MCS to private commercial banks (total for MCS of the entire empire as of 1913, the debt amounted to 128 million rub.) and the State Bank (as of 1913, the debt amounted to 31 million rub.) [32, p. 283]. Of course, the financial capabilities of MCS varied. There was a significant increase in the number of MCS, starting in 1907 due to the creation of small uyezd and zemstvo's MCS, where fixed assets ranged from 10 thousand rub. up to 100 thousand rub., which forced them to turn to commercial banks for additional lending. However, more powerful MCS could not apply for loans at all, either to the State Bank or to other commercial banks, they even placed temporary free funds on the deposits of these banks. The Central Bank of Mutual Credit Societies was created in 1909, which initially united the efforts of 144 MCS, in order to balance the situation in the system of MCS' activities (24.4% of the total number of 467 MCS), and in 1912 its membership consisted of 650 societies (69, 7% of 932 MCS).

**Discussions.** The historical experience of lending to small and medium-sized businesses in the time of economic upheavals in the Russian Empire in the second half of the 19th — early 20th centuries is increasingly becoming the subject of research by modern scientists. Several issues remain debatable:

1) in the number of studies [3—5; 14; 33], MCS are referred to «private banking institutions» or to «urban public banks» or «banks in the form of mutual credit societies». Whereas the imperial legislation singled out MCS as a separate organizational and legal form of private credit institutions along with joint-stock commercial banks, urban credit companies with mutual responsibility of borrowers, joint stock land banks and land banks based on mutual guarantee, collateral societies (pawnshops) [25];

2) none of the studies consider the problems of participation of MCS in the control of cash circulation, inter alia, currency exchange transactions and the identification and withdrawal of counterfeit monetary units and securities from the money circulation, because the latter, as noted by the number of researchers, was quite common in large cities of Naddnieper Ukraine [34; 35].

**Conclusion.** The Government of the Russian Empire had to take measures to create a new credit system for the successful development of capitalist relations after the reform of 1861. The imperial banking system was in an unstable state of formation and was focused on serving the wealthy class; the development of productive forces was gaining momentum in the middle-class sector. For these reasons, the government proposed to disseminate the European experience of self-

organization of interested persons in mutual credit societies on the terms of mutual guarantee of the members of the society, at the same time they were founders and borrowers on preferential terms. Since the creation of the first MCS in the Russian Empire (1863), this form of lending began to gather speed only in 1899. During the period 1866—1898, only 23 MCS were created in the Ukrainian provinces, and in 1914 there were already 416 of them, which was 36% of the total number in the empire. The share of MCS in the credit system of the Russian Empire in 1914 reached 5%. The rate of spread of the MCS' organization was influenced by many factors, which were mainly associated with unsuccessful financial reforms, belated legal regulation, and weak episodic state support. The change in the structure of loan deposit and other operations carried out by MCS was due to the response to minimizing risks or accelerating capital turnover. Whereas MCS carried out a wide range of banking services, some of which were provided not only to members of society, but most researchers identify them with banking institutions.

Considering that the creation and activity of MCS were focused on providing short-term loans to small and medium-sized businesses, which operated in large governorate and provincial uyezd city and towns where the banking system was poorly developed, we can assume that they played a significant role in the development of credit relations and contributed to the development of the regional economy, especially in the Ukrainian governorates.

The historical experience of MCS' activities can be successfully used in modern conditions of lending for the development of small and medium-sized businesses, in expanding crowdfunding forms of financing entrepreneurship, especially the development of crowdfunding, which involves online lending by individuals to other individuals or companies, through specially created platforms.

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