

**MICRO-CREDIT AND THE MAKING OF QUEBEC
NATIONALISM: ROLE OF THE DESJARDINS
MOVEMENT**

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DECLARATION

I declare that the thesis entitled “**MICRO-CREDIT AND THE MAKING OF QUEBEC NATIONALISM: ROLE OF THE DESJARDINS MOVEMENT**” submitted by me for the award of the degree of **Doctor of Philosophy** of Jawaharlal Nehru University is my own work. The thesis has not been submitted previously for any other degree of this University and any other university.

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CERTIFICATE

We recommend that this thesis be placed before the examiners for evaluation.

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Supervisor

TO
My Teachers and Professors

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PhD, it represents as the zenith of academic activities for most of the people whereas for some, it also becomes the beginning point to enter into the academic world. At one stage, I was getting nervous whether I would be able to finish off my work up to the satisfaction of my teacher and examiners, one friend told me that it was the time for me to do the mistakes because this was really like my nursery in the field of academics. According to him, if I do not do the mistakes how would I learn? I owe this friend Mr. Pramod for showing me a way in the academics beyond PhD.

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List of Abbreviations

AIMS	Assessing the Impacts of Microenterprise Services
AVD	Assurance-Vie Desjardins
CCA	Canadian Cooperative Association
CECI	Centre d'Étude de Coopération Internationale
CGAP	Consultative Group to Assist the Poor
CFLI	Canada Funds for Local Initiative
CIDA	Canada's International Agency for Development
CSR	Corporate Social Responsibility
DID	Développement International Desjardins
FINCA	Foundation for International Community Assistance
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
MCS	Microcredit Summit
MFI	Micro-Finance Institutions
MIX	Microfinance Information Exchange
NABARD	National Bank for Agriculture and Rural Development
NGOs	Non-Governmental Organisations
RFIs	Regulated Finance Institutions
SACP	Société d'Assurances des Caisses Populaires

SEWA	Self Employed Women's Association
SGF	Société Générale de Financement du Québec
SHGs	Self-Help Groups
SIDBI	Small Industrial Development Bank of India
SOCODEVI	Société de Coopération pour le Développement International
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNMDGs	United Nations Millennium Development Goals
USAID	United States Agency for International Development
WB	World Bank
WWB	Women's World Banking
WHO	World Health Organization

INTRODUCTION

INTRODUCTION

Statement of the Theme

The relationship between micro-credit movements and evolution of nationalism is an unlikely one. Social scientists therefore have paid no or, at best, little attention to the subject thus far. This is not to deny the existence of extensive literature that has gone into describing and analysing the underlying economic causes of the rise of varied nationalist movements in different countries and social settings. Quebec nationalism has also been studied for very long from the economic or political economy perspectives. However, it is only in recent years that scholarly writings are beginning to highlight the place and role of micro-credit movements in the evolution, shape and orientation of Quebec nationalism in the twentieth century.

The conquest of the French-dominated la Nouvelle-France—the territories more or less comprising present day Quebec—by the British colonial forces in 1759 marked the beginning of a tense, and as yet unresolved, political relationship between the French-speaking colonised people and the British colonial empire in what today is called Canada. The Treaty of Paris of 1763 declaring la Nouvelle-France as a British colony, set in motion a series of constitutional and political arrangements by colonial British authorities, recognising and de-recognising at different times the distinct legal status and cultural rights of the French-speaking subject population. Broadly speaking, these constitutional-political arrangements, enacted by British parliament, addressed themselves to retaining or replacing the prevailing status and role of Catholic religion including the role of Church in civil matters, retention or rejection of French civil and criminal legal system, and the status of French culture including importantly the status of French language in what had become the British dominion.

The year 1759 has never been forgotten by the French Canadians; so much so that *je me souviens* ('I remember') is the slogan emblazoned even today on every automobile registered in Quebec. The point here is that the conquest gave birth to a kind of national

consciousness among the French-Canadians which over the decades and centuries has undergone various transformations in terms of its character and dimension. The protection and preservation of economic and cultural norms on the lines of Catholicism was the main focus for the Francophones before 1950s whereas, to the contrary, the nationalism also leaned towards liberalism in its political aspirations as it accepted the authority of British Crown in Canada, defended its legitimacy and preached obedience.

On the whole, for more than one hundred years that preceded the decade of 1960s, the nationalism for French Canadians more or less pursued the conservative nationalistic ideology of Maurice Duplessis which reflected a traditional and rural vision of Quebec; and “Nation” was defined essentially in religious and linguistic terms supporting the maintenance of the so-to-say “sacred” traditions. Agriculture and social conservatism were seen as the means of protecting Quebec culture against the damaging influences of the Anglo-Saxon world, thus justifying a constant struggle against the industrialisation and urbanisation of Francophone Canada. Admittedly, the protagonists of such nationalism were the family-based large landholdings, the Catholic Church and the conservative nationalist intellectuals and merchants.

In a sense, Quebec nationalism entered the twentieth century only in 1960s. The so-called Quiet Revolution, which unnoticeably brought a series of social-political changes and which was broadly influenced by certain socialistic precepts, put an end to earlier forms of nationalism in the 1960s. There emerged, still broadly speaking, a social-democratic form of nationalism which proposed a revised definition of Quebec Nation based on the themes of democracy, statism and modernity. The nationalist ideology of Quiet Revolution was essentially articulated around the necessity for Quebec Francophone society to have recourse to state tools to promote their interests and collective identity. The state was viewed as an important instrument of emancipation for the French-Canadian nation. The state was to take control of economic and social development of Quebec that sought to confer a new status on French Canadians who had been relegated to the inferior echelons in a society where they still comprised a majority. Though having divergent notions emanating out over the future role of Quebec in

Canada, two major ideas emerged out of Quebec nationalism: 'complete rebuilding of Canadian federalism' and 'idea of sovereignty and economic association with the rest of Canada'. The Liberal Party and Union Nationale favoured a recasting of federalism while the Parti Québécois (PQ), by bringing together the more nationalist elements of society, recommended instead the route to Quebec's accession via Sovereignty. Jean Lesage-led government of Liberal Party (1960 and 1962) liked to present Quebec as the "political expression of French Canada". He opted for multiple interventions by the state in all spheres of Quebec society. He saw provincial autonomy as a means of political, economic and social restoration of the French-Canadian people. Daniel Johnson of Union Nationale party won the elections of 1966 and his government envisaged the concept of dual-nationalism in Canada. Johnson's nationalism thus marked an important change from a definition essentially based on ethnicity; Quebec nationalism was redefined now on grounds of territoriality and Johnson was for the renewal of the terms of equality of the two 'founding peoples'. The hesitant idea of two-nations of Johnson was clearly adopted by René Lévesque of Parti Québécois. He recommended 'sovereignty-association' which he judged as the appropriate step for the two majorities to best ensure the necessary conditions for economic stability and to maintain an economic, monetary and customs union. Apart from active interventions by state in all spheres of Quebec, the nationalist character of state intervention was most visible in the area of the economy. The state had a determined goal to counter the economic dominance of the Anglophones by allocating resources in favour of Francophones. In order to improve the representation of French Canadians in the upper echelons of the entrepreneurial hierarchy, Quebec state intervened to enlarge the economic base of existing French-Canadian business and to create Francophone business in areas where it had nil presence. The naissance of 'Quebec Business Nationalism' was seen through with the state strategies of creation of public enterprises in the key sectors and to-and-fro support for business firms owned by French Canadians.

Having broadly delineated the historical trajectory of nationalism in Quebec, the question as to what is the relationship between nationalism and micro-credit movements remains to be answered.

‘Money Serving People’! The vision of micro-credit initiatives envisages money as a means not to exploit rather to work for the well-being of the ordinary people. The 20th century adopted the micro-credit institutions and programmes as a way to eliminate the hunger and poverty by economically empowering the masses with negligible sources of living through productive utilization of their own small savings. The concept of micro-credit refers to the provision of wide range of financial services to the poor so as to enable them to increase their incomes, build assets and reduce their vulnerability, and live a more independent and dignified life. The foremost priorities of all micro-credit programmes are to inculcate the habit of savings, provide finances for the capacity building, and improve the basic standards of living of the poor and dependent masses.

The contemporary idea of micro-credit fulfilling varied economic, social and cultural needs of the poor and resourceless had originated first in Quebec in the year 1900. In that particular year, the cooperative credit movement of Quebec, led by the Desjardins movement, emerged to not only help the poor and needy Francophones, but it also brought the prestige of being pioneer in the cooperative movements in North America. The Desjardins movement, an umbrella nomenclature of ensemble of Caisses Populaires (‘People’s Cash’), is the name of micro-credit institution which was started by Alphonse Desjardins. Desjardins had started itself as a small entity in the small town of Lévis (Caisse Populaire de Lévis) with a sum of C\$ 26 and 132 members on 6 December 1900. The evolution of Desjardins has paralleled with the economic resurgence of Quebec; and today Desjardins Group is the largest integrated cooperative financial group in Canada with overall assets of C\$152 billion and 5.8 million members. It comprises a large network of financial services cooperatives, and some twenty subsidiary companies in life and general insurance, securities, brokerage, venture capital and asset management.

The absence and often refusal of chartered banks to provide financial services would produce a pattern with similar economic and social consequences for the poor Francophone masses: entrapment into debts owed to private local moneylenders at usurious interest rates; surrendering and their resultant loss of agricultural lands and properties; migration out of Quebec to other provinces where Francophones would find

themselves at the bottom of economic and social pyramid; and despise for and eventual loss of their French culture including French language—some times in the life-span of first generation itself. Besides, the economic deprivation and marginalisation shall reinforce hurt nationalist sensibilities in Quebec and kept nationalism confined to the narrow, conservative Francophone elite.

In starting a micro-credit self-financing scheme, Alphonse Desjardins was redeeming self-esteem and self-help value among the Francophones. He had also assessed that banks controlled by Anglophones were taking away the savings of by poor Francophones by lending huge sums to the emerging Anglophone enterprises. He wanted to establish an institution of and for Francophones where French Money could be for French. 'Masters in our own Home' was the ideal worth pursuing. Caisses Populaires were also for the purpose of checking immigration from Quebec; and, as critics call, the movement was for the protection of old social order of Quebec society and its Catholic identity. Briefly, in other words, Alphonse Desjardins started the micro-credit cooperative movement to re-store the economic and social order of Catholic and French glory in Quebec; to set the platform for the economic resurgence of Canadian Francophones; to create a class of Francophone entrepreneurs; and, most importantly, to ensure the economic betterment of poor masses of Quebec. The micro-credit initiative energised the pride in French Canadian values; taught lessons in savings and micro-entrepreneurship to the people under penury; provided them need-oriented productive loans and thus helped in ameliorating their economic life by capacity-building at individual and community levels. Caisses Populaires had further impacts on the culture and society of Francophone Canadians. It educated the society to live within their means; implemented the ideals of equality among members by providing the concept of one-vote one-share irrespective of amount of investment; somewhat demented the rich-poor divide among the Francophones (ethnic identity has overrode class divisions within Quebec nationalism as successive Quebec governments have enacted some of the most dignifying labour laws); and, early in the twentieth century, ushered in some meaningful advancements in terms of women's empowerment. Over time and through the decades, the Caisses also became a way to distinguish from the Anglophones; as Anglophone residential/work areas came to be

easily recognised by the absence of a Caisse branch. Over the decades, Caisses Populaires have also developed trans-national reach and implications; they have gone beyond the territory of Quebec and many Caisses were set up in Francophone localities in other provinces of Canada and in US too.

The point here is, and that is the thrust of the proposed study, that the Desjardins movement's journey to become a giant financial agglomerate has paralleled and intertwined with the social and economic boom of Quebec. Several stages in the evolution and functions of Desjardins and its linkages with Quebec nationalism are discernible:

- (i) In the pre-Second World War period, Desjardins were entrusted with the mission to create a sum of capital under French-Canadian control and to decentralise the flow of credit in order to contribute to local development and for regeneration of a rural and agrarian society. As a self-help and self-empowerment ethnic or national movement, Desjardins impressed upon the ethics of frugality, modest living, pursuit of modern education and entrepreneurship, and neighbourhood and community care and living.
- (ii) During and in the aftermath of Second World War, Canadian economy experienced a long boom and the proverbially famous Canadian welfare state emerged. With boom, there emerged the incentives and culture of consumerism in the whole Canada and Quebec was no exception to it. Significantly, the spread of consumerist culture was also, to an extent, in tune with the evolving provincial capitalism and ethnic entrepreneurship in Quebec when Desjardins began promoting inclination of Quebecers towards consumerism. In simple words, Desjardins opted for consumer and personal lending so as to, and essentially to, save the poor Francophones from the exploitation by other financial institutions who would charge high interest rates on loans to purchase consumer goods.

- (iii) More or less in the period ending the Second World War and beginning of the decade of 1960s, the Desjardins also expanded and diversified its area of operations; and global strategies also became part of their agenda with local and provincial issues. Desjardins created and acquired various companies and enterprises in the field of insurance, brokerage, mutual funds, trusts and holding companies. The Quiet Revolution assigned the Desjardins Movement to be a partner of Quebec government in their vision of 'economic reconquest' of Quebec. It became a strategic ally of Quebec government in the creation of SGF (Société Générale de Financement du Québec), a joint-venture state-run company of finance and investment, to create and develop big Quebec enterprises in strategic areas. It kept on acquiring major companies to ensure the augmentation of Francophone capital share in Quebec. Their involvement in Quebec nationalist ventures reached at the peak when the government of René Lévesque invited the Desjardins to participate in the first Economic Summit of Quebec in 1977. In simple words, with the Quiet Revolution of the 1960s, Desjardins came to the forefront with the mission to create a robust 'ethnic capitalism' in Quebec—a capitalism that is statist, has successfully overridden class antagonism, is democratic socialist in character and one which has allowed Quebec nationalism to become civic, plural and inter-cultural (as against being ethnic, exclusivist and, so-to-say, multicultural). It is this intermeshing of the 'ethnic-finance' and nationalism that possibly also explains, may be only partially, the peaceful parliamentary path that Quebec nationalism has taken.

Specification of Case Studies: Why Desjardins and Micro-Credit

Quebec Nationalism has been a much researched topic and plenty works have been done on the subject but most of the works on Quebec Nationalism is focused on the cultural and political aspects. Quebec Nationalism through economic considerations shall be very important part of studies on Quebec nationalist tendencies. It was denial in adoption of

latest mode of production and technology further conjugated with non-adoption of modern and professional method of teaching which led to the economic backwardness of Quebecers in 19th century. Loss or non-creation of economic value of French language was mainly responsible for rapidly diluting and immigrating Francophone population from Canada.

Ethnic or community financing has always been the need and reason behind creation of many of the financial institutions. Need for an own representative financial institution of the community has always been associated with all national movements. Desjardins Movement was launched not only to support the poor Francophones in Quebec but it was further created with the aim of creating a French Capital under the own control of Francophones. Within few years in operation, it became the symbol of Quebec nationalism and further Desjardins Movement was recognised as the proud symbol of emancipation of Quebec. Desjardins Movement thus represent an important area of studies from economic perspective of Quebec Nationalism.

Desjardins Group had been founded on the principles of cooperatives. Today the same principles enshrined the micro-credit and micro-finance sector which has become the latest global trend. Desjardins group with its international arm, Développement International Desjardins, has been a globally well-recognised name in the field of micro-credit and micro-finance. The current fashion for micro-finance shall turn most of the co-operative institutions in its arm.

Scope, Orientation and Limitations of the Study:

The proposed study would delineate the origin, evolution, trajectories and functions of the Desjardins movement and relate it to the evolving patterns of Quebec nationalism. To amplify, the proposed study would focus on (i) Canada's French minority in Quebec developing a nationalist discourse and the place and value of Desjardins in the development of Quebec nationalist perspectives. (ii) Focussing more on the era of Quiet Revolution, the study would delve and examine growth and patterns of a statist

nationalism in Quebec nationalism; and (iii) the use of provincial state apparatus to strengthen the economic and political status of Quebec within the Canadian federation. (iv) Aspects of ethnicity and class including their mutual overlap, to the detriment of class antagonism, in Quebec nationalism would be examined specifically in terms of the role and functions performed by the grass-roots level micro-credit movements importantly the Desjardin movement. (v) The study would analyze Quebec's economic resurgence; creation of Quebec capital and entrepreneurship during 20th century; and role of Desjardins in making Quebec nationalism a popular, grass-roots level nationalism. (vi) The study will also undertake detailed analyses of Quebec nationalist struggles within Canadian federalism and its ability to re-negotiate the bases of Canadian federalism and Canadian state's sovereignty over Quebec. Quebec's successful response to the federal challenge about Quebec's economic dependency over federal resources will also be highlighted. The role of Movement Desjardins to ensure the 'economic re-conquest' of Quebec with the means of micro-credit programmes would be the principal focus all through the proposed study.

Micro-credit movements and schemes have come to occupy an important place in the study of globalisation and state; the imperatives of 'inclusive growth' strategy and in the context of democracy building and reforms so as to establish inclusive and just polities. The role of microcredit-cum-cooperative movement such as the Desjardins movement in shaping the idea of Quebec nation and the trajectories of Quebec nationalism besides the nature of Quebec capitalism bear relevance to cases where a political and economic premium is being put on the efficacy of micro-credit as a tool of economic development, social justice and an inclusive egalitarian democracy.

Research Questions

The key research questions that the present study seeks to examine are:

1. How do the micro-credit institutions and programmes help the underprivileged people to break the vicious cycle of poverty and indebtedness?

2. What are the contributions of Canada and Quebec in promotion of micro-finance activities across the globe?
3. How Desjardins movement has helped shape Quebec nationalism along statist, social-democratic (welfare) capitalist lines?
4. How did the Desjardins Movement help to create a class of Francophones in Canada who were no more dependent of English capital to ensure the economic growth of Quebec?
5. What are the forms and phases that Quebec nationalism has gone through?
6. How do the Quebec Nationalists fighting for the maintenance of their nationalistic aspirations after the defeat of referendums for sovereignty?
7. Has Desjardins movement been shifting from being a grass-roots micro-credit movement with a social-democratic orientation towards becoming a corporate enterprise that is orienting Quebec nationalism towards a market economy?
8. Whether electoral and political defeats in the 1990s and the North Americanisation of Quebec economy are consolidating the Francophone economic identity at the expense of the nationalist political objectives of sovereignty and independence?

Research Methodology

The proposed study is eclectic in its approaches. Admittedly, it was necessary to take a political economy approach in understanding the genesis and trajectory of Quebec nationalism, particularly during the twentieth century.

In addition, theoretical and empirical studies on micro-credit have been used to develop analysis in the second chapter. A comparative study approach has helped in analysing the efficacy or otherwise of micro-credit in diverse countries that are seeking to build inclusive democratic societies. The websites of UN, UNDP, World Bank, CGAP, Microcredit Summit and International Year of Microcredit, 2005 have extensively been used to draw interferences of micro-credit objectives and programmes.

For chapters on Desjardin movement, the data and source material listed on the website of the Desjardin movement, along with available materials at SICI have been used

primarily. Other sources of data including Statistics Canada and those available on Quebec government websites has been extensively used to verify compare and substantiate the main hypotheses of the study. The data has been compiled and evaluated to test the various hypotheses establishing inter-linkages between micro-credit and political and economic dynamics of Quebec nationalism.

Primary and secondary source material available both in English and French languages has been used to build the analyses in the proposed work.

Chapter Plan

The present study has been divided into six chapters. The first Chapter of the study deals with the broad view of micro-credit and micro-finance movement in the world. The chapter examines the concept and origin of micro-credit and micro-finance. It further highlights the role of various leading micro-credit institutions in promotion of micro-finance activities to end the poverty and relative suffering from the planet. It also delineates the international diplomacy and strategy to promote micro-finance activities in the remotest areas. The chapter, grounded in theoretical understandings, thus makes the premises for investing the discourses on challenges, limitations and future potentials of micro-credit and micro-finance industry.

The second chapter of the present study is devoted to analysing the role of Canada and Quebec in promotion of micro-credit and micro-finance activities in the world. Canada has a very strong network of cooperatives domestically which does not allow micro-credit sector to properly flourish with other associated reasons. This chapter highlights the role played by governmental and non-governmental institutions of Canada and Quebec in promotion and support of micro-finance activities in the developing countries. This chapter also describes the important micro-finance institutions of Canada. Quebec has been leading the cooperative and micro-credit activities in and outside Canada. Role of Quebec in promotion of cooperative movement has also been separately dealt. This chapter further analyses the current challenges in the growth of micro-credit sector in Canada with future role of micro-credit sector in Canada.

Third chapter presents a historical analysis of Quebec nationalism highlighting various phases in its evolution. The chapter starts with the description of various forms of nationalism and current scholarly debate over the subject. The chapter further analyses the Quebec history in historical perspective. The Chapter also examines the patterns of economic decline and development in Quebec as well as various significant political developments that shaped the status of Quebec within the dominion of Canada. It also delineates the various phases and stages of Quebec nationalism. Quiet Revolution and its impact over Quebec Nationalism have also been examined based on the available materials and internet sources. The present chapter further underlines the decline of Quebec political nationalism in view of repeated defeat of referendums and an era of economic reforms and liberalisation.

Based on the available primary and secondary source material, the study shall describes in details the nature of the voluntary movement, capital formation and augmentation as a part of Desjardins' Caisses Populaires, its contribution to skill development and entrepreneurship, and the birth of a class of petty-bourgeoisie in Quebec. This fourth chapter includes the chronology of events strengthening the Desjardins Movement to create the platform to be a giant financial organisation before 1945. In particular, the focus shall be on the rise of small enterprise and a white-collar educated petty-bourgeois class among the Quebecers in the 1950s and the 1960s.

The recognition of imminent role of State as a result of Quiet Revolution and the new strength and grandeur of Desjardins have evidently complemented each other in shaping a statist, social-democratic and pluri-class nationalism in Quebec after the 1960s. The fifth chapter analyses the role of Quebec State in the formation of a Quebec entrepreneurial class, and its leadership of the nationalist movement in the 1980s and the 1990s. The role of the Desjardins movement in the rise of big enterprises in Quebec has also been examined. This chapter has also covered the current corporate role and contribution of the Desjardins towards building of private enterprise in Quebec and its advocacy of free trade with US. The decline of Political Nationalism at Quebec after the defeats of referendum over sovereignty gave way to the Business Nationalism to take over. The business community is always for the integration and inclusion with larger

market. Desjardins which grew with the Francophones' nationalistic aspirations have also a larger global presence. Desjardins has now the challenge to meet its financial challenges and obligations for the existence as well as the nationalistic aspirations of independent Quebec.

The last and sixth chapter will be of Summary and Conclusion where the future challenges, constraints and potentials of Desjardins Movement as well as Quebec Nationalism has been analysed. It also makes a relook of entire associations and connections between the ideals of Quebec Nationalism and Desjardins Movement through the principles and vehicles of micro-credit and cooperatives.

CHAPTER I

CHAPTER I

MICRO-CREDIT: THEORETICAL APPROACHES AND EMPIRICAL EVIDENCES

“The International Year of Microcredit 2005 underscores the importance of Microfinance as an integral part of our collective effort to meet the Millennium Development Goals. Sustainable access to Microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain healthcare, and empowering people to make their choices that best serve their needs. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives.”

UN Secretary-General Kofi Annan, 29 December 2003, UN General Assembly, following the adoption of 2005 as International Year of Micro-credit.

Micro-credit is a financial service of small quantity provided by financial institutions to the poor. These financial services may include savings, credit, insurance, leasing, money transfer, etc. Micro-credit is a financial innovation which originated in developing countries where it has successfully enabled extremely impoverished people to engage in self-employment projects that allow them to generate income, build wealth and exit from poverty. Micro-credit is the extension of very small loans to the entrepreneurs and to others living in poverty that are generally not considered bankable. These people lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. By offering financial services to these unbanked people, MFIs helps poor borrowers to organise better life, food, shelter, health care and education for their families. Micro-credit is thus a tool for socio-economic development of millions of poor across the world.¹

¹ Salehuddin Ahmed, “Microcredit and Poverty: New Realities and Strategic Issues” in Salehuddin Ahmed and M.A. Hakim (eds.), *Attacking Poverty with Microcredit*, (Dhaka: The University Press Limited, 2004), p.1.

The late 1990s witnessed the concepts of micro-credit and micro-finance gaining prominence at the global stage as a tool for economic development and poverty alleviation. The world community accepted the effectiveness of micro-credit in eradicating the poverty from planet. It refers to the financial services to poor and unbanked population letting them come out of poverty and raise their standards of living. This is not a simple provision of providing some donations or subsidies to the people with low means of income but it has multi-faceted approaches which begin with the provision of basic financial services like saving and lending facilities to those who are out of normal banking ambit, but in the core, it strives to ameliorate the standards of living of the poor by bringing him out of poverty, raising his educational and nutritional intake level, improving his health and hygiene conditions, supporting him during tough conditions like sickness, accident, death, unemployment, etc. It works for the economic development and capacity building of those who are most vulnerable to adverse economic circumstances.

The present study tries to integrate the concept of micro-credit (the latest improvised form of cooperative system) with the ideas and evolution of Quebec Nationalism through a unifying chord 'the Desjardins Movement'. Generally, the ideas of nationalism and concept of economics and finance find separate stream of studies, but every ethnic and national movement require a financial backbone to support their activities. This is the reason that the origin of ethnic and community financial institutions start coming into operations along with the evolution of ethnic and national movement. All national movement, sans exception, tries to create a strong economic and financial infrastructure of their community. It can be abbreviated as "the way to freedom and recognition goes through the platform of strong indigenous economic establishments".

Although Canada has a very limited history and role in micro-credit sector at the domestic level, it has played a very instrumental role in promoting the international micro-credit and micro-finance activities. Though micro-credit sector denies co-operative system being part of their 'poverty elimination' movement, it owes the cooperative system for its concept and principles. Canada has a strong co-operative presence, in fact, it has the highest rate of penetration of cooperative activities in the world. Quebec has

been on the forefront of cooperative and micro-credit activities in Canada, being the leader and pioneer of such activities in North America. In this first chapter, it has been attempted to present a synopsis of global micro-credit and micro-finance activities. In the first section of this chapter, the concept and origin of micro-credit has been elaborated. Further, a brief description of global micro-finance activities, institutions, programmes and partners has been done as empirical evidences of this rapidly global recognition gaining instrument to fight poverty. In the next section, the global strategies to eliminate poverty from the world have been discussed. Finally, an attempt has been made to analyse the present and future challenges, emerging trends and future potentials of the global micro-credit and micro-finance activities. The Canadian and Quebec micro-credit and co-operative institutions and programmes have been analysed in the next chapter.

Concept of Micro-Credit and Micro-Finance

Micro-credit is defined as provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards.² The terms 'Micro-credit' and 'Micro-finance' are used quite interchangeably although the meanings of both are quite distinct. As per the United Nations' definition³:

"Microfinance encompasses the management of small amounts of money through a range of products, and a system of intermediary functions that circulates money in an economy. Microfinance is small in value amounts targeted at low incomes clients. It includes loans, savings, insurance, transfer services and other financial products and services. Providers of microfinance include non-government organizations (NGOs), self-help groups, cooperatives, credit unions, commercial and state banks, insurance and credit card companies, wire services, post offices, and other points of sale.

Microcredit is a small amount of money made available to a client by a bank or other institution. Good microcredit tailors the terms, pricing, criteria, evaluation and

²Reserve Bank of India (2008), *RBI Master Circular on Microcredit*, Mumbai.

³United Nations (2003), *Building Inclusive Financial Sectors to Achieve the Millennium Development Goals*", UNCDF Concept Paper published on the occasion of declaration of 2005 as Year of Microcredit, New York, P. 21.

distribution to provide greater access to clients, mitigate risk and offer long-term services. Microcredit can be offered to an individual or through a group guarantee model. Often referred to as “the fuel of private sector development”, Microcredit does not create economic potential; it does, however, give people the means to invest in their human and productive capital more profitably and according to their own priorities. Microcredit is a critical element of the broader range of financial tools for poor and low-income people, referred to as Micro-finance”.

ACCIÓN⁴ elaborates this distinction in a more comprehensible manner. Micro-finance is defined as the practice of providing financial services – such as loans as low as \$ 100, savings and insurance – to very poor families, to help them grow tiny businesses or engage in other productive economic activities. This process enables the working poor to become more self-sufficient and in turn, improves the lives of family members, communities and whole societies. According to the definition of ACCIÓN, micro-finance used to be known only as “micro-credit,” or just the part of financial services that refers to loans which came to prominence in 1980s referring the formal and secure financial services to empower the poor. Micro-credit is offered to a micro-entrepreneur by a bank, micro-finance institutions, or other institutions often without any collateral in form of group lending⁵ or individual lending.

Over the period, the micro-finance industry recognised that the poor who lack access to traditional formal financial services required a variety of financial products to meet their needs, not just micro-credit. So micro-credit evolved into micro-finance. Micro-finance includes a broader range of services, such as loans, savings, insurance and transfer services (remittances) targeted at low-income clients. A variety of institutions can provide these services, including NGOs, credit unions, cooperatives, private commercial

⁴ Acción International, “Definition of Microcredit and Microfinance”, [Online: web] Accessed 15 May 2011, URL:<http://www.Accion.org/page.aspx?pid=1648/>.

⁵ Group lending, also known as solidarity group lending or village banking, is a mechanism that allows a number of individuals to gain access to micro-credit by providing collateral or guaranteeing a loan through a group repayment pledge. The incentive to repay is based upon peer pressure; if one person in the group defaults, other group members makes up the payment amount. Individual lending focuses on providing Micro-credit to one client and does not require other people to provide collateral or guarantee a loan.

banks, non-bank financial institutions (some that have transformed from NGOs into regulated institutions) and parts of state-owned banks.⁶

In brief, we may conclude the micro-finance as a broader concept incorporating various aspects of financial empowerment of population at the edge whereas micro-credit an important component of it forming just lending part of it.

Evolution of Micro-credit and Micro-finance

Though the basic concept of improving the standards of living of poor through financial means remains in practice since 15th century in one or another form, it gained prominence during the 1990s with a series of efforts and recognitions at the international level marking it as a significant tool to meet the challenges towards an equitable and inclusive multi-dimensional development of the entire population. The major events in the series of establishing micro-credit programmes at the global level as the hope to end the poverty and poverty driven human misery can be listed as, ‘Microcredit Summit at Washington D.C. (1997)’, ‘UN International Year of Microcredit, 2005’, ‘First United Nations Decade for the Eradication of Poverty (1997-2006)’, ‘Global Microcredit Summit, Halifax, Canada (2006)’ ‘Noble Peace Prize to Muhammad Yunus and his Grameen Bank, 2006’ and ‘UN pronouncement of microcredit and microfinance programmes to achieve its’ Millennium Development Goals’. Today micro-credit and micro-finance have become the main theme of all the developmental agendas of national governments and international bodies. It forms the important part of the policies linked with human welfare and development, employment generation, health and literacy programmes, poverty alleviation, etc of the various layers of governance. The planned Global Microcredit Summit in November, 2011 at Valladolid, Spain may be another milestone in the field of global effort to tame the menace of poverty and related sufferings.

Access to financial services has been an essential ingredient for entire population. The formal financials sectors extend their services to the people with credible network and collateral whereas poor are left unserved. Poor households thus have largely had to rely

⁶ Ibid.

upon informal financial providers such as local moneylenders. These informal groups were less for financial support but more for exploitation. Their usurious practices and high interest rates often used to push the borrowers in the vicious cycle of life-time indebtedness or in losing his all lands and properties to moneylenders. The inhuman system of slavery was one of the by-products of absence of a just economic and financial order. To end the plight of such section of population, religious and other civil society organisations and governments in both developed and developing countries have long sought to broaden access to formal financial services for poor and low-income people. Interest-less borrowing and lending, as sanctioned in Islamic religious traditions, can be counted as one of the practices to support the people with little means of subsistence. As early as in the 15th century, Italian monks set up financial operations to counter usurious practices of moneylenders.⁷ Moreover, the economic history of Europe contains numerous examples of efforts to extend financial services to underserved populations. Two that emerged in Central Europe were municipal savings banks, beginning in the 18th century, and savings and credit cooperatives based on self-help principle, as first organised by Herman Schulze-Delitzsch and Friedrich Raiffeisen in the middle of the 19th century. Both demonstrated that access to finance for the poor could be perfectly compatible with cost-covering, sustainable operations. As local public financial intermediaries, municipal savings banks were committed to the welfare of the local population by allowing poor people to save and accumulate financial assets with them. Saving banks offered an alternative to the usurers there in poorer areas in Germany in the 1860s and 1870s, where daily interest rates of 2 per cent or yearly interest rates of 700 per cent were not uncommon. Raiffeisen's credit unions were member-owned unit banks where cooperative and volunteer means were regarded as the tool to ensure the individual and community development. There are some interesting parallels between the Raiffeisen Credit Associations and present-day Microfinance.⁸ Raiffeisen's Caisses and similar

⁷ United Nations Department of Economic and Social Affairs (DESA) and the United Nations Capital Development Fund (UNCDF), *Blue Book*, UN Report as a follow-up to the International Conference on Financing for Development (18-22 March, 2002) and as part of the activities within the framework of the International Year of Microcredit (2005), May, 2006, pp. 7-8.

⁸ Ibid, p. 8.

European cooperative societies inspired Alphonse Desjardins to pioneer the first credit union, “Caisse Populaire” in the continent of North America on the principles of savings for better future, productive lending, capacity building, democracy, economic and social development, etc. for the poor Francophones of Canada. The micro-finance and the micro-credit programmes of late 20th century are even considered as a replica to the Raiffeisen Model which had also inspired earlier the model of cooperative credit societies.

By the 19th century, a strategy emerged to overcome cost disadvantages of serving poorer customers through scale economies available to national operators. Postal systems and postal financial services became major providers of savings and payments services since the 19th century in Europe, in Japan and elsewhere. Government-owned banks in Asia, Africa and Latin America also extended financial services to underserved populations, and government-run credit programmes, such as agricultural finance for farmers, were created as part of sectoral development programmes. As has been the case with many government run economic operations, these were more effective in some countries and for some periods of time than others. Important initiatives also took place outside the government sector, as in community based savings and credit societies and mutual savings banks in Europe and America, which in some ways can be seen as precursors of the modern micro-finance movement.⁹

Though micro-credit programmes got global recognition in 1990s, it came into existence during 1970s as a measure to fill the gap left uncovered by formal financial sectors including existing cooperative societies. It started as a small step in form of individual humanitarian efforts in some of the developing countries in the different parts of the world to offer some financial support such as loan to the least privileged section of the population. Micro-credit as a poverty eradication strategy was institutionalized in these countries without any formal financial, institutional or governmental support. Some independent experiments such as ACCIÓN International by Joseph Blatchford in Brazil in 1970s, SEWA Bank in India by Ela Bhatt in 1974, Grameen Bank Project by

⁹ Ibid, p. 7-8.

Mohammad Yunus in Bangladesh in 1976, launching of Women's World Banking in 1979 and FINCA's implementation of village banking in the 1980s are considered as the pioneer events in promotion of micro-credit practices.¹⁰ Important works were also pioneered by nongovernmental institutions (NGOs) and commercial banks such as Bank Rakyat Indonesia microbanking (Unit Desa) 15, K-Rep (Kenya), and Podem/Banco Sol (Bolivia). Each of these organisations demonstrated different, innovative ways to open up formal financial sectors to the poor.¹¹ Their contributions of these institutions are imminent in the development of this field and it requires separate elaboration of their roles and activities.

UN's Fourth Conference on Women, Beijing (1995) assigned the important task to global community to ensure the empowerment and upliftment of women living at the inferior echelon across the nation and society. Economic and financial incapacity of women in particular was seen as the principal reason behind their backwardness. The world focused their aspirations to micro-credit institutions which were already in the process of empowering those with negligible means. Suddenly micro-credit programmes were linked with all development agendas at national and international level. RESULTS, a leading micro-finance institution, was assigned by United Nations in 1995 to organise a global summit on micro-credit. Important players in the field of micro-finance also assembled together to formulate a targeted quantifiable agenda as future course of action. First Microcredit Summit was held in 1997 at Washington D.C. This Summit fixed a target of providing credit and financial services to 100 million poorest families. The micro-credit agendas were linked with UN's target of reducing poverty and working for the improvement of health and living standards of 1.3 billion people living below \$1 a day income. The World Bank also extended its' partnership with micro-credit programmes to achieve the vision of a world free from hunger and poverty. Micro-finance was no more an exclusive domain but now it was incorporated as an integral part

¹⁰ Susan Davis, Vinod Khosla and Brooke Weddle Ricalde (2006), *Taking Summit of the Microcredit Summit Campaign, What Worked and What Didn't Work 1997-2006? What is Needed 2007-2015?*, pp. 14-15, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

¹¹ Ibid.

of all the human development and poverty alleviation policies and programmes of governments and multilateral institutions. Special courses on micro-finance were designed and incorporated in various professional and university courses. Incident of high repayment on extended loan translating in significant profit and the concept of social corporate policies brought big commercial financial enterprises like Citi Bank, ING, Deutsche Bank, ICICI, etc into the field of micro-finance. The micro-credit sector destined to serve the people with no or low means started getting further attention as a new centre of profit attracting more and more players to the field. Dealing with poor was no more a matter of philanthropy or high risk but a new area of untapped entrepreneurial potentials transforming into high profit.

Empirical Evidences: Micro-Credit and Micro-Finance Movements

Success of a movement largely depends on the contributions from multiple sections whether big or small. Even a little effort creates the difference towards the achievement of collective goals. Micro-credit movement which started in form of individual efforts to eradicate poverty from their local community at a very small scale today has reached at a vast stage. Successive negligence of financial institutions, local community, governments in providing the needful financial support to the least privileged led the movement to find a place in the list of principal priorities of global institutions like UNO, World Bank, IMF, etc. When the national governments remained failed to bring the unbanked population under their financial inclusion programmes, the international agencies took the responsibility to allow basic financial services to all without any discrimination and again when local or national financial institutions viz. banks, cooperative societies were failed to render the desired services, national governments or apex government institutions, for example RBI in India, created special bodies, like NABARD, SIDBI, to allow the benefits of financial services to the population at edge. These institutions are further supported by banks and cooperative institutions, non-governmental organisations (NGOs), donor agencies, Self-Help Groups (SHGs), volunteers, etc. But still, there are some special players or contributors of any big movement who especially design the

movement and its plan of action, who play the key role in launching the programme and accompanying the movement to grow, who allow others to offer partnership, in fact, they are the partners of thick and thin and they need special mention and elaboration for their distinguished contributions:

I. Grameen Bank and Muhammad Yunus

“Many of us see the millions of impoverished people in the world as a seemingly unsolvable ‘problem’. However, we should see them as the world’s largest untapped source of entrepreneurs and consumers” _____ Muhammad Yunus

In 1974, Muhammad Yunus, then a professor of economics in Bangladesh, was moved by the plight of people of his countries facing famine and flood. Hungry people en mass caused him the remorse of sitting comfortably, teaching economics and not doing anything to address the problem of starving population, “what good were all my complex theories when people were dying of starvation on the sidewalks and porches across from my lecture hall?”¹² Yunus left the campus and went to Jobra, a village in Chittagong of Bangladesh, to learn a new method of banking for the poor. That is where he tried the idea of tiny loans for self-employment of the poor, and thus, the idea of micro-credit was born. He launched an action research project as Grameen Project in 1976 to examine the possibility of designing a credit delivery system to provide banking services targeted at the rural poor. He began his journey by providing a total of US\$ 27 to 42 people and since then has been spearheading the micro-credit movement across the world. Success at Jobra led to the extension of project in neighbouring villages of Chittagong district during 1976-1979. The project was further extended to Tangail district in 1979 with the sponsorship of the Central Bank of Bangladesh and support of the nationalised commercial banks. Further successes brought further expansion and acceptance of Grameen Project. Recognising the distinguished contribution of Grameen Project, Government of Bangladesh transformed the Grameen Bank Project into an independent Grameen Bank by government legislation in 1983. Today Grameen Bank is owned by the

¹² Vinod Kothari and Neha Gupta, *Microcredit in India, Overview of Regulatory Scenario*, p. 2, [Online: web] Accessed 11 June 2011.

rural poor whom it serves. Borrowers of Grameen own 90% of its shares, while the remaining 10% is owned by the government.¹³

Grameen Credit incorporates some specific features which places it as a distinct institution in promoting the concept of credit to people without any network:

- It promotes credit as a human right. Muhammad Yunus believes that every person has the right to credit to improve his/her livelihood. Once this right is established, the entitlement to other rights becomes easier. It empowers the poor to break the vicious cycle of poverty by opening the door for self-employment and generation of income. For women, self-employment makes even more sense because it allows them to work out of their homes and earn a better living.¹⁴
- Its mission is to help the poor families to help themselves to overcome poverty. It is targeted to the poor, particularly poor women. 97% of total borrowers are women.
- Grameen Credit is not based on any collateral or legally enforceable contracts. It is based on “trust”, and not on legal procedures and system. It thus also rejects the concept of conventional banking of extending credit to person with some network by bringing the population, till out of conventional banking ambit, under the umbrella of financial services exclusively and distinctively designed for them.
- It is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption.
- It provides service at the door-step of the poor based on the principle that the people should not go to the bank, bank should go to the people.
- Sustainability and proximity to commercial rate are the specific features of interest rates of Grameen Credit. It is provided at the rate which is quite close to

¹³ Grameen Bank (2011), “History of Grameen Bank”, [Online: web] Accessed 11 June, 2011, URL: www.grameen-info.org/.

¹⁴ H.I.Latifee (2006), “The Future of Microfinance: Visioning the Who, What, When, Where, Why and How of Microfinance Expansion of over the next 10 years”, Paper presented at *Microcredit Summit Campaign Phase II*, Halifax, p. 2.

the existing interest rates of banks, but low interest rate does not mean forgetting the goal of long term sustainability of the institution. Symmetry of both the aspects is finally arrived in fixing the interest rate.

Grameen Credit gives high priority on building social capital. It gives special emphasis on the formation of human capital and concern for protecting environment. It monitors children's education, provides scholarships and student loans for higher education. For formation of human capital it makes efforts to bring technology, like mobile phones, solar power, and promote mechanical power to replace manual power.

Grameen Credit is based on the premise that the poor have skills which remain unutilised or under-utilised. It is definitely not the lack of skills which make poor people poor. Grameen believes that the poverty is not created by the poor, it is created by the institutions and policies which surround them. In order to eliminate poverty, all we need to do is to make appropriate changes in the institutions and policies, and/or create new ones. Grameen believes that charity is not an answer to poverty. It only helps poverty to continue. It creates dependency and takes away individual's initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty. Grameen brought credit to the poor, women, illiterates and the people who did not know how to invest money and earn an income. Grameen created a methodology and an institution around the financial needs of the poor, and created access to credit on reasonable term enabling the poor to build on their existing skill to earn a better income in each cycle of loans.¹⁵

Grameen Bank has a very high success ratio. It has disbursed a total of USD 10.52 as loan to 8.36 million borrowers and it has already received USD 9.32 billion as repayment of loan (97.26% of loan repayment). Grameen's scheme has benefitted the women exclusively. Out of total borrowers, 97 per cent are women. Grameen has also proved that

¹⁵ Grameen Bank (2011), "History of Grameen Bank", [Online: web] Accessed 11 June, 2011, URL: www.grameen-info.org/.

micro-finance is not a loss making business, it has continuously registered profit (except 1983, 1991 & 1992) and has been declaring very high dividends (highest 100% in 2006) to its' investors. Grameen Kalyan is an exclusive body to carry out Grameen's mandate to undertake social advance activities among the Grameen borrowers, such as education, health, technology, etc. Grameen Project has really helped poor to come out of poverty as 68 per cent of Grameen borrowers' families have crossed the poverty line.¹⁶ The most appreciated programme of Grameen Bank was the introduction of "Struggling Members Programme" exclusively for the beggars in 2002. It offered them interest and regulation free long term loans. 19,623 beggars have left begging and making a living as door-to-door Grameen salespersons.

Muhammad Yunus also played instrumental role in promoting the concept and vision of micro-finance in the whole world. He was the key person in organising the Global Microcredit Summits and declaration of UN International Year of Microcredit, 2005. Recognising the special role of Muhammad Yunus and his Grameen Network in removal of poverty and ensuring the basic means of livelihood to global citizen, Nobel Peace Prize, 2006 was accorded to Grameen Bank and Muhammad Yunus.

II. ACCIÓN and Joseph Blatchford

With the slogan, "Helping Millions Help Themselves", ACCIÓN International has established itself as one of the premier micro-finance organisations of the world, with a network that spans Latin America, Africa, Asia and the United States. It is the earliest example of setting of a distinct type of financial model against the causes of poverty in the world. For over five decades in operations, it has innovated several models and products catering to the needs of poor.¹⁷

ACCIÓN International was founded in 1961 by Joseph Blatchford to address the

¹⁶ Ibid.

¹⁷ Acciñ International (2011), "History of Acciñ International", [Online: web] Accessed 9 June, 2011, URL: www.accion.org/.

desperate poverty in Latin American cities. While on his goodwill tennis tour of 30 Latin American cities, he got haunted by the images of Latin America's urban poor in crowded shantytowns across the region. Determined to help, he with his friends raised \$90,000 from private companies to start a new kind of organisation, a community development effort designed to help the poor help themselves.

In 1961, Blatchford and 30 volunteers launched "ACCIÓN" and started working from Venezuela. They started working closely with local residents to identify the most pressing community needs. Volunteers and residents together installed electricity and sewer lines, started training and nutrition programmes, and built schools and community centres.¹⁸ Over the next ten years, ACCIÓN started programmes in three more countries: Brazil, Peru and Columbia and contributed \$9 million and 1000 volunteers in some of the poorest communities of Latin America.

By the early 1970s, ACCIÓN's leader realised that their efforts were not translating into the reduction of urban poverty due to lack of economic opportunity to the urban poor. Urban poor and immigrants were facing the hardships due to unemployment and absence of social safety net. In absence of adequate employment opportunities, poor were left with no option but to establish their own small business venture with borrowed money from local moneylenders at very high and usurious interest rates and they used to often get trapped in lifelong vicious cycle of indebtedness. In 1973, ACCIÓN in Recife, Brazil noticed the prevalence of these informal lending practices and they designed to offer small loans to these small-scale entrepreneurs in order to lift them out of poverty. They coined the term "microenterprise" and began issuing small loans. The United Nations called the ACCIÓN's Recife Programme as the launching of micro-credit practices. The experiment in Recife was a success. Within four years, ACCIÓN had provided 885 loans, helping to create or stabilise 1,386 new jobs¹⁹ had found a way to generate new wealth for the working poor of Latin America and thus set the example before the world to how

¹⁸ Ibid.

¹⁹ Ibid.

make our planet free from poverty.

Over the next decade, ACCIÓN helped start micro-finance programmes in 14 countries in Latin America. ACCIÓN and its partners developed a lending method that met the distinct needs of microenterprises. Small, short-term loans built confidence and a credit record. With a loan repayment rate of 97 per cent, ACCIÓN's clients soon shattered the myth that the poor were bad credit risks. Given access to affordable capital, they could and would improve their lives. ACCIÓN launched a new loan guarantee fund, the Bridge Fund, to connect their clients with the local banking sector by guaranteeing their loans from banks. It helped to increase their client base manifold.

In order to provide much larger pool of capital to their clients, ACCIÓN helped created BancoSol, the first commercial bank in the world dedicated solely to microenterprise, in Bolivia in 1992.²⁰ The clients of BancoSol are typically market vendors, sandal makers and seamstresses. Yet today, BancoSol offers its 143,000 active borrowers a range of financial services including saving accounts, credit cards and housing loans – products that previously were only available to Bolivia's upper classes. In 1994, ACCIÓN helped BancoSol sell certificates of deposit (CD) in the US financial market. For the first time, the world's premier financial institutions invested in microenterprise, not out of charity, but because it was a good business. ACCIÓN USA (ACCIÓN's subsidiary in the United States) provides 75 per cent of microloan services in the United States and is the largest network of micro-finance providers in the country.²¹

Today ACCIÓN with its' global outreach and presence offers a ray of hope across the world to the underprivileged micro-entrepreneurs and small business owners facing a specific set of significant barriers to accessing business financing: no credit history, damaged credit or needing a loan that is too small for a bank to make. These are the

²⁰ Ibid.

²¹ Ibid.

people that ACCIÓN aims to help so that they too could work their way up the economic ladder, with dignity and pride. In addition, ACCIÓN has been pursuing new projects like creation of critical strategic reserve, the development of new products and technologies, increased staff recruitment and training, the launch of new initiatives around the world and investment in less-matured MFIs to bring micro-finance to even more of the world's entrepreneurial poor. ACCIÓN established the "Center for Financial Inclusion" in 2008 – an 'action tank' focused on advancing the commercial model of micro-finance while upholding the interests and needs of poor clients worldwide. ACCIÓN's present goal is to build micro-finance institutions that are committed to generating both social and financial value.²²

III. FINCA's Village Banking Model and John Hatch

Working with farmers in Bolivia in 1984, John Hatch conceived a small loan programme that put the poor in charge. The programme allowed them to obtain loans without collateral and at affordable interest rates and it gave groups of neighbours the power to collectively disburse, invest and collect loan capacity as they see fit. John called these programmes "Village Banking". His first pilot programme was proved enormously successful as four weeks after its launch, the programme served 14,000 families with loans worth \$630,000 demonstrating a tremendous demand for working capital among the rural poor.²³

John Hatch created FINCA, the Foundation for International Community Assistance, in 1985. Further while opening a Village Banking Programme in El Salvador, FINCA focused for the first time on providing credit to low-income women involved in commerce and petty trade. The benefits of this experiment were visible for the children of these women in form of better nutrition, health and education. Village Banks became

²² Ibid.

²³ FINCA (2011), "History of FINCA", [Online: web] Accessed 11 June, 2011, URL: <http://www.finca.org/>.

local points for grassroots community development. Buoyed by that success, FINCA established new Village Banking programmes in Mexico, Honduras, Guatemala and Haiti in 1989. In 1990s, FINCA entered Africa, the continent most affected by severe poverty, by establishing a Village Banking Programme in Uganda. It also entered, during same years, Eurasia in the balkanized countries of former Soviet Union by opening a Village Banking Programme in Kyrgyzstan. Despite all difficult conditions, FINCA succeeded in stimulating the economy of these regions at the grassroots.

John Hatch was the proposer to target 200 million poor families (later finalised as 100 million target) to bring them out of poverty in a definite timeframe through a joint global programme and strategy. His ideas were realised with the hosting of Microcredit Summit in 1997 (FINCA co-sponsored the Summit) and the world community were agreed to bring 100 million poor families beyond poverty line by 2005.

FINCA took a series of initiatives and innovations to offer diverse range of products to its clients. It first set the example that the micro-finance institutions could also be profitable and sustainable. FINCA established the Village Bank Capital Fund in 1997 to offer guarantees against borrowed commercial capital by its' poor clients. It also became the first micro-credit institution providing working capital loans to its' sans-collateral clients. In 2009, FINCA partnered with Deutsche Bank to introduce FINCA Microfinance Fund B.V., the first ever single micro-finance network deal. The fund was 100 percent over subscribed and brought a new pool of investors to the micro-finance industry. In addition, it also undertook several social task to render services to humanity against natural catastrophe, epidemics, HIV/AIDS, etc. in the most underdeveloped regions of the world.

At present FINCA renders its' services to 800,000 people in 21 countries. It equally envisages, in line with determination to achieve 8 UN Millennium Development Goals, to open Village Banking Programmes in 10 countries most in need, to build 100,000 Village

Banks in the World's most destitute neighbourhoods and to reach one million of the world's working poor with financial services they could not otherwise obtain.²⁴

IV. RESULTS and Sam Daley-Harris

With FINCA and Grameen Bank, RESULTS is considered as one of the principal founders of Microcredit Summit and these three organisations informally formed the global Anti-Poverty Coalition. RESULTS was founded as a tool of ending hunger by Sam Daley-Harris in 1980. It is an all volunteer international grassroots citizen's advocacy organisation with headquarter in Washington D.C. and branches in six other countries. Its purpose is to create the political will to end hunger and severe poverty and to empower individuals to have breakthroughs in exercising their personal and political power.

Sam Daley-Harris had learned about the possibility of ending hunger from The Hunger Project, an organisation that was founded in 1977 to "make the end of the persistence of hunger by the end of the century an idea whose time has come". He wrote a book, *Reclaiming Our Democracy*, on the issue of hunger and his works and experiences on the subject of ending hunger. In 1980, after helping to organise an event called The Los Angeles World Hunger Event, Sam Daley-Harris created RESULTS with the original purpose of "creating the political will to end hunger". This purpose came from the Hunger Project's focus on raising people's consciousness that hunger could be ended except that the political will was lacking. Hunger Project source materials at the time referred to reports by the Presidential Commission on Hunger and the National Academy of Sciences World Food and Nutrition Study which made the point that, while there were enough resources to feed everyone on the planet, what was lacking was the political will.²⁵

²⁴ Ibid.

²⁵ Bob Sample (2006), "How RESULTS Activists collaborated with Microcredit Leaders and High Government Officials to Build the Microfinance Movement", Paper presented to the *Global Microcredit Summit, 2006*: Halifax, pp. 15-17.

RESULTS worked as a volunteer organisation on the front of ending hunger until October 1984, when Sam moved to Washington, D.C. It came into prominence for its distinguished role in creation of Child Survival Fund by the US Government and for its promotion of Global Primary Health Care Initiative. In 1990, RESULTS worked with UNICEF to publicise the World Summit for Children. RESULTS organised over 1500 candlelight vigils which were attended by over one million people. The resulting worldwide media coverage helped the World Summit Children to be the largest gathering of Heads of State in history at that time.

International Fund for Agricultural Development (IFAD) became the ally that first introduced RESULTS to micro-credit. RESULTS entered the field of micro-credit in 1985 after the meeting of Sam with John Hatch and, later in 1986, with Muhammad Yunus. He soon realised that the poverty was the main reason behind hunger and other human development issues and he found micro-credit and micro-finance was the best available option to end hunger and poverty from the world. Since then, a small grassroots citizens' lobbying organisation, RESULTS, has been changing the direction of the political winds for over 25 years. It has played two key roles: (a) Building the micro-finance movement, in collaboration with key micro-credit leaders and champions in Congress and Parliaments around the world, and (b) Keeping the focus of the movement on serving the very poor and getting them out of poverty. Since 1985, RESULTS has played a major role in every stage of development of the micro-finance field. Its lobbying has brought over US \$2 billion in U.S. foreign aid into the field. In collaboration with its allies in the Anti-Poverty Coalition, RESULTS held a Microcredit Summit in 1997 that launched the micro-finance movement which now includes over 2,000 organisations and over 110 million borrowers. The legislation, passed on the efforts of RESULTS in 2004, created the requirement that cost-effective poverty measurement tools be developed to ensure that the millions of very poor people are reached and brought out of poverty.²⁶

Together, the three leaders of RESULTS, Grameen and FINCA created an informal Anti-

²⁶ Ibid.

Poverty coalition that has built the micro-finance movement into the leading poverty-alleviation movement in the world today. All three institutions worked together on the passage of RESULTS' first big bill, The Self-Sufficiency for the Poor Act of 1987. They have all been articulate spokespersons for the Micro-finance movement in the media, at academic forums, and at conferences over the years. The Anti-Poverty Coalition played the major role in the formation of CGAP at the World Bank. They together were the architects of Microcredit Summit, 1997 as the UN assigned the sole responsibility of creating a Microcredit Summit to RESULTS Educational Fund under the chairmanship of Sam Daley-Harris. In addition, they were also instrumental in the passage of Microenterprise for Self-Reliance Act in 2000, Amendments to the Microenterprise for Self-Reliance Act in 2003 and Microenterprise Results and Accountability Act, 2004.

After Microcredit Summit, RESULTS created a special multi-year project, called the Microcredit Summit Campaign, headed by Sam Daley-Harris, with a 59-page Declaration and Plan of Action to track the implementation of the Summit's goal and to encourage the field to continue to focus on reaching the very poor. Under his leadership, MCS Campaign has worked out a "credit plus" programmes that include education, health education, basic healthcare, and sometimes other social services which can be instrumental in achieving the MDGs.²⁷ Harris also stated about the new challenge for RESULTS to increase the pressure on the World Bank to fulfil its mandate to reduce poverty by increasing its support of poverty reducing programmes in very poor countries. RESULTS is also concerned about the growing trends of commercialisation in micro-finance field which creates the high possibility of 'mission drift' from this 'rush to commercialise' the micro-finance field from poverty reduction to profit generation and the challenge for RESULTS is to keep MFIs reminding about their special role in poverty elimination.

²⁷ Ibid, p.73.

V. SEWA and Ela Bhatt

Self Employed Women's Association (SEWA) was founded by Ela Bhatt in 1972 as a registered trade union supporting working women in "development" and "struggle" activities. SEWA Bank, a sister institution, was created in 1974 as one of the earliest micro-credit institutions to offer savings and lending products and other financial services to poor women entrepreneurs. SEWA's main goals are to organise women workers in informal sector (currently 94% of total women workforce in India in informal and unorganised sector) for full employment which strives for such employment where workers obtain work security, food security and social security (at least healthcare, child care and shelter). SEWA organises women to ensure that every family obtains full employment. SEWA has been supporting its members in capacity building and in developing their own economic organisations. It aims that women should be autonomous and self-reliant, individually and collectively, both economically and in terms of their decision-making ability. Ela Bhatt was awarded with prestigious Raman Magsaysay Award in 1977 and it brought international reputation to SEWA.²⁸

VI. Women's World Banking (WWB)

Women's World Banking is a non-profit micro-finance organisation that works globally to economically empower poor women and their families. WWB works to ensure that micro-finance institutions are providing services tailored to the needs of women that are affordable, convenient and sustainable. It has a strong network of 39 micro-finance institutions spread over 27 countries with 24 million clients (80% of total borrowers are women). The mission of the Women's World Banking global network is to expand the economic assets, participation and power of low-income women and their households by helping them access to financial services, knowledge and markets. "Poverty alleviation through the economic empowerment of women" is the principal motto of the

²⁸ SEWA Bank (2011), "History of SEWA and SEWA Bank", [Online: web] Accessed 11 June, 2011, URL: <http://www.sewa.org/> and URL: <http://www.sewabank.org/>.

organisation. WWB designs financial products and services that fulfil women's needs while demonstrating the sustainability and social impact of serving women. By investing in women, it aims to produce a multiplier effect on the well-being of their households and communities. By designing tailored products and using marketing and delivery techniques, not currently used in micro-finance, WWB envisages to give women not only access to financial services, but also control over their assets.²⁹

Ela Bhatt from India, Ester Ocloo from Ghana and Michaela Walsh from the US met at the 1975 World Conference on Women in Mexico City and agreed to form an organisation to increase women's access to credit. Walsh took the charge, founded WWB in 1979 and guided it from 1979 to 1990 as its President. She led her institution to grow as a mentor and premier international organisation guiding its affiliates MFIs to ensure the access of credit facilities to all the women in need. Today Women's World Banking is the only micro-finance network with an explicit focus on women. WWB with its network of 39 local micro-finance organisations advocates for the benefits of micro-finance and for the need to serve women, conduct research and share best practices.

The initial motivation for micro-finance was, to a great extent, gender neutral. The pioneering micro-finance institutions sought to provide credit to poor entrepreneurs who had no assets to pledge as collateral and, consequently, were denied access to capital by the formal banking sector. It quickly emerged, however, that women entrepreneurs invested the profits from their businesses in ways that would have a longer-lasting, more profound impact on the lives of their families and communities. The women entrepreneur as the gateway to household stability became a fundamental premise of the micro-finance business model and the success of micro-finance as a poverty alleviation tool. Women's World Banking was started in 1979 with a simple but far-reaching plan: help women around the globe to become full participants in the economy of their countries. Thirty years later, it has proudly stayed true to this guiding vision while also establishing

²⁹ WWB (2011), "About Women's World Banking", [Online: web] Accessed 11 June, 2011, URL: <http://www.swwb.org/>.

Women's World Banking as the pre-eminent international voice for women in micro-finance. WWB is also the only micro-finance network explicitly focused on gender diversity and leadership in the micro-finance industry and, in 2009, it launched the Centre for Microfinance Leadership to help network members maintain and enhance gender diversity. WWB also provides institution-strengthening services to support micro-finance institution, including leadership development, gender diversity initiatives, and financial training and support.³⁰

VII. Consultative Group to Assist the Poor (CGAP)

The Consultative Group to Assist the Poor (CGAP) is a consortium of 33 public and private development agencies working together to expand access to financial services for the poor in developing countries. It is an independent policy and research centre dedicated to advancing financial access for the world's poor. CGAP was created in 1995 by these aid agencies and industry leaders under the aegis of World Bank to help create permanent financial services for the poor on a large scale, often referred to as micro-finance. CGAP is headquartered at Washington D.C. and it comes under the supervision of Vice-President of World Bank but it works as an autonomous, independent body. It has an annual budget of US \$10 million. It has its own governance structure, with a board that includes practitioners and leaders from outside the donor community as well as member representation.³¹

CGAP was originally launched as the "Consultative Group to Assist the Poorest". It is now called the "Consultative Group to Assist the Poor". CGAP serves four groups of clients: development agencies; financial institutions including MFIs; government policymakers and regulators; and other service providers, viz. auditors and rating agencies. CGAP provides specialised services – advisory services, training, research and development, consensus building on standards, and information dissemination. The Consultative Group (CG) is the membership and governance body of CGAP. The CG has

³⁰ Ibid.

³¹ CGAP (2011), "About CGAP", [Online: web] Accessed 13 June, 2011, URL: <http://www.cgap.org/>.

representatives from all of CGAP's member donors such as multilateral agencies, bilateral agencies (development agency and/or ministry), and private foundations.³² CGAP has developed eleven key principles of micro-finance which were endorsed by the 31 donors of CGAP and further endorsed by Group of Eight (G-8) leaders.³³

The Microfinance Gateway, a project of CGAP, (www.microfinancegateway.org) is a comprehensive online resource for the global microfinance community. It includes research and publications, original articles, and organisation and consultant profiles, as well as micro-finance related news items, announcements, events, and job opportunities. The Microfinance Gateway works with partner organisations in France/Luxembourg (GRET and ADA), Egypt (Sanabel Network), and Costa Rica (INCAE) to host French, Arabic and Spanish affiliate language sites. The Microfinance Gateway is a project of CGAP, but it provides a platform for a diverse range of voices within the Micro-finance industry.³⁴

VIII. Microfinance Information Exchange (MIX)

The Microfinance Information Exchange (MIX)³⁵ is the premier source for micro-finance data and analysis. It was incorporated in 2002 by the leading micro-finance Institutions (MFIs) on the behest of Microcredit Summit Campaign, a global body promoting the micro-finance activities. MIX is a non-profit organisation headquartered in Washington, DC with regional offices in Azerbaijan, India, Morocco and Peru. The mission of MIX is to promote micro-finance transparency through integrated performance information on micro-finance institutions, investors, networks and service providers associated with the

³² Wikipedia (2011), "About CGAP", [Online: web] Accessed 13 June, 2011, URL: <http://en.wikipedia.org/>.

³³ CGAP (2011), "Principles of CGAP", [Online: web] Accessed 13 June, 2011, URL: <http://www.cgap.org/keyprinciples.html>.

³⁴ Wikipedia (2011), "About CGAP", [Online: web] Accessed 13 June, 2011, URL: <http://en.wikipedia.org/>.

³⁵ MIX (2011), "About Microfinance Information Exchange", [Online: web] Accessed 13 June, 2011, URL: <http://www.themix.org/>.

industry. MIX is a nodal agency providing objective data and analysis with the goal of strengthening the micro-finance sector.

MIX collects and validates financial, operational, product, client and social performance data from MFIs in all regions of the developing world, standardising the data for comparability. This information is made available on MIX Market³⁶, a global, web-based, micro-finance information platform, which features operational, financial, and social performance information covering more than 1,900 MFIs and 92 million borrowers as well as information about funders, networks and service providers. Other than MIX Market, Micro Banking Bulletin (MBB) and MIX Microfinance World are two important arms of MIX providing the most important and reliable information of micro-finance activities through regular publications.

These are the principal institutions promoting the micro-finance activities and allowing the access to financial services to poor across the world. In addition, today there are over 2000 micro-credit and micro-finance institutions reporting to MIX and other thousands unregistered small micro-finance institutions working in the field. UN has been leading the global campaign to spread the micro-credit movement to the remotest corner of the world with the support of CGAP, World Bank, etc.

International Diplomacy of Micro-Credit Promotions

I. Microcredit Summits

“This summit is about setting the stage to unleash human creativity and endeavour of the poor. This summit is to guarantee every poor person the chance to undertake responsibility to establish his and her own human dignity. This summit is to celebrate the success of millions of determined women who transformed their lives from extreme poverty to dignified self-sufficiency through entering into micro-credit programmes. We believe that poverty does not belong to a civilized human society. It belongs to museums. This summit is about creating a process which will send poverty to the museum. Only

³⁶ MIX Market (2011), “About MIX Market”, [Online: web] Accessed 13 June, 2011, URL: <http://www.mixmarket.org/>.

sixty-five years after the 12 second flight of the Wright brothers, man went to the moon. Fifty-five years³⁷ after this summit, we'll also go to our moon. We'll create a poverty-free world."

(Excerpts from a speech made by Muhammad Yunus of the Grameen Bank to the Microcredit Summit Opening Plenary in Washington, D.C., February 2, 1997).³⁸

In 1997, a dozen heads of state and royalty joined almost 3,000 participants from 137 countries meeting in Washington, D.C. for the world's first Microcredit Summit. During the Summit, all agreed on a common objective reaching 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the end of 2005.³⁹

Poor women's effective use of micro-credit was central to the building of a global micro-finance field which jumped from individual and narrow perspectives to reach global and broader strategies. In 1995, the United Nations organised a series of summits and conferences involving the heads of states, government representatives and civil society participants to develop action plans to solve the problems of the most vulnerable, the unemployed, and the socially excluded.⁴⁰ One of these conferences was the UN Fourth Conference on Women in Beijing to address the lingering widespread inequalities,

³⁷ In some texts it is mentioned as "55 years" whereas in some references as "65 years", but web site of Grameen mentions it as "Fifty-Five Years".

³⁸ Mohammad Yunus (1997), "Speech of Muhammad Yunus at the at Microcredit Summit", Washington D.C., [Online: web] Accessed 13 June, 2011, URL: <http://www.grameen-info.org/mcredit/speech2.html/>.

³⁹ Susan Davis, Vinod Khosla and Brooke Weddle Ricalde (2006), *Taking Summit of the Microcredit Summit Campaign, What Worked and What Didn't Work 1997-2006? What is Needed 2007-2015?*, pp. 15-16, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

⁴⁰ The World Summit on Social Development was held in March 1995 in Copenhagen after holding three preparatory committee meetings ('prep coms') and the United Nations' 50th Anniversary Summit was held in New York in October 1995. Both were record-setting gatherings of heads of state exceeded only in 2000 at the UN Millennium Summit. The UN Fourth World Conference on Women in Beijing brought together an estimated 50,000 people, mostly women from across the globe, including 189 governments, and 5,000 representatives from 2,100 non-governmental organizations (International Institute for Sustainable Development, 2000) seen in Susan Davis, Vinod Khosla and Brooke Weddle Ricalde (2006), *Taking Summit of the Micro-credit Summit Campaign, What Worked and What Didn't Work 1997-2006? What is Needed 2007-2015?*, pp. 16-17, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

poverty, oppression, violence and discrimination with the women as central theme. The Conference highlighted the women's role in the labour market, particularly the informal and unorganised market, and caused the increased international attention to address the grave issue. Although the role of female labour in developing countries had been slowly changing since the 1970s, the idea of the female 'entrepreneur' was relatively new and growing quickly. Micro-credit – which several MFIs had already shown to be an effective strategy to support poor, self-employed working women – started to receive increased interest and consideration in international development debates.⁴¹

Seeing momentum for women and micro-finance build around the UN Beijing Conference but with no clearly quantifiable objectives yet to be set, FINCA founder John Hatch wrote a new concept paper in 1994 about holding a micro-credit summit 'gathering' that would endorse a global goal of reaching 200 million of the world's poorest people with micro-credit. Hatch, shared his concept paper with Sam Daley-Harris, President of RESULTS who further collaborated with Grameen Bank founder Muhammad Yunus. All together embraced the goal, but reducing it to a more achievable target of 100 million families.⁴²

In order to further extend their aim, Daley-Harris organised the first prep com of the Microcredit Summit Campaign in November 1995 with more than 100 participating to begin drafting an action plan.⁴³ The Organising Committee accepted the goal of reaching 100 million families as given. Three central themes – focus on women, the poorest and developing financial self-sufficient institutions to deliver credit and other business and financial services – were incorporated. The MCS (Microcredit Summit) added a fourth core theme – achieving impact – at its second prep com in November 1996. There was also an attempt to change the name from 'microcredit' to 'microfinance', but noting the

⁴¹ Ibid.

⁴² Ibid, pp. 17-18.

⁴³ John Hatch's original 6-page paper, which was based on the 200 million goal was used as a first draft for what would eventually become the 50+ page MCS Declaration and Plan of Action.

significance of 'loan for productive purposes' in whole agenda, it was left as it was originally, 'Microcredit'. The MCS also clarified what it meant to reach the 'poorest families' and adopted the definition adopted by the Consultative Group to Assist the Poorest (CGAP), defined as "the poor as those people living below the poverty line established by each country, and the poorest as those people in the bottom fifty percent of that group".⁴⁴

a) First Microcredit Summit, Washington D.C. (1997)

After three rounds of meetings for the preparation of Microcredit Summit, the MCS Campaign hosted the First Microcredit Summit at Washington D.C. in February, 1997. The Summit committed to ensure access to financial services to the 100 million poorest families by 2005 with the main aim to target the women, the poorest and to create a financial infrastructure on the lines of micro-finance principles.

The Summit was proved as a pivotal event for the field, helping to form a basis for collective action that would eventually become the backbone of the micro-finance movement. The watershed gathering was widely cited as a landmark event in the history of micro-finance and immediate changes were felt in the years to follow throughout the world. More specifically, the Summit came to represent the convergence of three instrumental factors in the emergence and development of social movements: mobilising structures (by strengthening the networks of organisations and individuals in the field), political opportunities (by generating unprecedented international exposure), and framing processes (by giving the field a goal to rally around).⁴⁵

⁴⁴ Susan Davis, Vinod Khosla and Brooke Weddle Ricalde (2006), *Taking Summit of the Microcredit Summit Campaign, What Worked and What Didn't Work 1997-2006? What is Needed 2007-2015?*, pp. 17-21, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

⁴⁵ Susan Davis, Vinod Khosla and Brooke Weddle Ricalde (2006), *Taking Summit of the Microcredit Summit Campaign, What Worked and What Didn't Work 1997-2006? What is Needed 2007-2015?*, pp. 17-23, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

With a global movement galvanised, the MCS Campaign increased the post-Summit momentum by working to legitimise and institutionalise micro-finance and, more specifically, the Campaign's goals. Several organisations and institutions also got involved with the impact assessment; for example, the United States Agency for International Development (USAID) began implementing its well-known Assessing the Impacts of Microenterprise Services (AIMS) Project launched in 1995. The MCS Campaign, despite the fact that it was a citizen-led process, not an intergovernmental one, also benefited from the involvement of the UN and its member states during and after the 1997 Summit. Furthermore, the UN also took several significant steps to promote the scopes of micro-credit. In December 1997, the UN General Assembly passed resolution 52/194 on the role of micro-credit in the eradication of poverty and, in 1998, it also passed resolution 53/197 declaring 2005 the International Year of Microcredit. The UN Year of Microcredit, 2005 was successful in raising greater awareness to a wider spectrum of public and private sector actors about the need for inclusive financial services.⁴⁶ The Year was also extremely important to the MCS Campaign, and vice versa, because the UN formally recognised that access to micro-credit and micro-finance can contribute to achieving the goals and targets of major United Nations Millennium Declarations, and "in particular the targets relating to poverty eradication, gender equality, and the empowerment of women."⁴⁷ The objectives of the Year further helped to legitimise the MCS Campaign by the global institutions. The Campaign had not only convinced many that micro-credit is a materially important strategy – if not the most

⁴⁶ The final report on the UN Year can be found online at http://www.unCDF.org/english/microfinance/documents_and_reports/thematic_papers/yom2005/ and information from the Year's final meeting in November 2005, "Forum to Build Inclusive Financial Sectors," can be found at http://www.yearofmicrocredit.org/pages/getinvolved/getinvolved_forum2005.asp.

⁴⁷ Citation taken from Resolution 58/221, Programme of Action for the International Year of Microcredit, 2005, which was adopted December 2003. Full text of resolution on <http://daccessdds.un.org/doc/UNDOC/GEN/N03/507/78/PDF/N0350778.pdf?OpenElement>

important one to alleviate poverty, then possibly among the most scalable strategies – but had also institutionalised progress toward its 100 million goal.⁴⁸

b) Microcredit Summit Campaign : Phase II Goals

The contribution of Microcredit Summit Campaign in allowing access of financial services to poor entrepreneurs was quite impressive. From a mere 7.6 million poorest families under coverage in 1997, the Microcredit Summit reported an outreach of more than 92 million clients by December 31, 2004 which was quite near to achieving the original goal of 100 million. This figure of 92 million includes 66.6 million families who were among the poorest clients. Of the over 92 million people reached by the end of 2004, 81.5 million were in Asia, 7 million in Africa and 3.8 million in Latin America and the Caribbean. The number of MFIs reporting the MCS Campaign increased from 618 in 1997 to 3164 in 2004.⁴⁹ With this impressive growth performance and expectation to reach the target of covering 100 million families on time by 2005, the Campaign reformulated its' strategy and target to bring more people under its programme on the lines of the UN Millennium Development Goals.

The Global Microcredit Summit, 2006 was held from November 12-15, 2006 in Halifax, Nova Scotia, Canada. More than 2000 delegates from over 110 countries participated at the event, assessing progress made toward the Campaign's goal of reaching 100 million of the world's poorest by the end of 2005, and launching the second phase of the Microcredit Summit Campaign with two new goals for 2015:

Goal 1: Working to reach 175 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and

⁴⁸ Susan Davis, Vinod Khosla and Brooke Weddle Ricalde (2006), *Taking Summit of the Microcredit Summit Campaign, What Worked and What Didn't Work 1997-2006? What is Needed 2007-2015?*, p. 26, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

⁴⁹ H.I.Latifee (2006), "The Future of Micro-finance: Visioning the Who, What, When, Where, Why and How of Micro-finance Expansion of over the next 10 years", Paper presented at *Microcredit Summit Campaign Phase II*, Halifax, pp. 3-4.

business services, and

Goal 2: Working to ensure that 100 million of the world's poorest families rise above the US\$1 a day poverty threshold, adjusted for purchasing power parity (PPP), between 1990 and 2015.⁵⁰

(With an average of five in a family, these two initiatives would affect 875 million family members and 500 million people would have risen above \$1 a day nearly completing the Millennium Development Goals on having absolute poverty).

Microcredit Summit Campaign was now tasked with twin challenges, first reducing the poverty as per its own agenda and second achieving seven of the eight Millennium Development Goals⁵¹ through direct and indirect participation as economic upliftment of an individual is the key of improving one's other aspects of living standards. In addition, it has had to cope with increasing global interests in the field of micro-finance. The goals were further re-defined to the tune of inflationary trends on the behest of World Bank study in 2008:

- The threshold for defining extreme poverty was set at US \$ 1.25 a day PPP.⁵²

⁵⁰ Sajjad Zohir (2010), "Number of Micro-credit Clients crossing the US \$1.25 a day threshold during 1990-2008, Estimates from a nationwide survey in Bangladesh", Paper prepared for the *Microcredit Summit Campaign, November, 2011 at Valladolid, Spain*, Dhaka: Microcredit Summit, p.7.

⁵¹ The UN Summit on the MDGs (2000) concluded with the adoption of a global action plan to achieve the eight anti-poverty goals by their 2015 target date and the announcement of major new commitments for women's and children's health and other initiatives against poverty, hunger and disease: (i) Eradicate extreme poverty and hunger, (ii) Achieve universal primary education, (iii) Promote gender equality and empower women, (iv) Reduce child mortality rates, (v) Improve maternal health, (vi) combat HIV/AIDS, malaria, and other diseases, (vii) Ensure environmental sustainability, (viii) Develop a global partnership for development. For further details <http://www.un.org/millenniumgoals/>.

⁵² Even though the Microcredit Summit of 2005 had set the threshold of US\$ 1.08 a day PPP, general increases in commodity prices in the years that followed led some of the global players, including the World Bank and the Asian Development Bank, to revisit the threshold issue. With updated information on country level poverty lines and updated PPP, the measure of "International extreme poverty line" was also updated. Accordingly, the Micro-credit Summit Campaign chose the new threshold. All references to the threshold in this report are at purchasing power parity (PPP) and per person per day. Excerpt from Sajjad Zohir (2010), "Number of Micro-credit Clients crossing the US \$1.25 a day threshold during 1990-2008, Estimates from a nationwide survey in Bangladesh", Paper prepared for the *Microcredit Summit Campaign, November, 2011 at Valladolid, Spain*, Dhaka: Microcredit Summit, pp.10-12.

- Micro-credit clients are defined to include all ‘ever borrowers’, that is, any person who had borrowed at least once from Micro-finance institutions.
- Micro-credit clients are individuals, but most measures on poverty status refer to households – thus, the study addresses mobility across a threshold at the household level. If a member (or more) of a household had ever been a client of an MCI between 1990 and 2008, that household is considered as an ‘ever borrower’ household.
- At the entry point, a borrower household may have been below or above the threshold. Some of the ‘extreme poor’ may have crossed the threshold, while a segment of the ‘non-extreme poor’ may have slipped below the threshold. It was agreed that we estimate the net number of people crossing the threshold.

Thus, the objective of the was rephrased as follows:

*“ to estimate the net number of people in ever borrower households (Micro-credit clients) who crossed the threshold corresponding to ‘US \$ 1.25 a day per person’ as of the end 2008, when compared with their status during the time of the first micro-credit loan received by any member of the household”.*⁵³

The key challenge for the MCS Campaign in the years ahead is to keep a global focus in the micro-finance industry on measurably reducing absolute poverty in view of increasing trends of commercialisation in the field with ‘profit’ as a strong motive of entry of banks and other financial institutions. The Campaign participants need to keep vigil over the entry of new entrants whose presence may dilute the concept of poverty reduction from MFIs to profitability. They verbally claim promoting client level sustainability but the orientation of bankers and other professionals is generally focused on profits and financial performance at the intermediary level and this focus may come to dominate the field. Further, the Campaign needs to promote the increasing efficiencies that get pass on to the customer in terms of lower interest rates, rather than only maximizing returns to shareholders and investors. While greater market-based investment is clearly needed to adequately provide the capital required to meet market demand by the

⁵³ Ibid, pp. 12-13.

bottom of the economic hierarchy, this tension and the implied trade-offs need to be acknowledged and continuously discussed.⁵⁴

The proposed Microcredit summit at Valladolid, Spain in November, 2011 may be proved as another milestone in the field of Micro-finance. The summit is designed to be held on the theme of, 'Reach the Poorest', 'Empower Women', 'Build Financial Self-Sufficiency' and 'Ensure Social Impact'.⁵⁵

II. International Year of Microcredit, 2005

Building inclusive financial sectors improves people's lives, in particular those of the poor. A small loan, a savings account or an insurance policy can make a great difference to a low-income family. They enable people to invest in better nutrition, housing, health and education for their children. They ease the strain of coping with difficult times caused by crop failures, illness or death. They help people plan for the future.

In many developing countries, small-scale enterprises and micro-entrepreneurs face severe financing constraints. But with access to finance, they can participate fully in the economic life of their societies, create employment for themselves and others and realize their full potential. Where such businesses are given opportunities to develop, countries will have a better chance to flourish. Indeed, the importance of access to financial services was recognized by world leaders in the outcome document adopted at the 2005 World Summit. The designation of 2005 as the International Year of Micro-credit has also helped to raise global awareness of the pivotal role that more inclusive finance can play in achieving the Millennium Development Goals.⁵⁶

The United Nations General Assembly adopted 2005 as the International Year of Microcredit to "address the constraints that exclude people from full participation in the financial sector." At the World Summit at the United Nations in September 2005, Heads

⁵⁴ Susan Davis, Vinod Khosla and Brooke Weddle Ricalde (2006), *Taking Summit of the Micro-credit Summit Campaign, What Worked and What Didn't Work 1997-2006? What is Needed 2007-2015?*, p. 58, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

⁵⁵ Microcredit Summit Campaign (2011), "Microcredit Summit, Valladolid, Spain, November, 2011", [Online: web] Accessed 13 June 2011, URL: <http://www.microcreditsummit.org/>.

⁵⁶ Foreword by Kofi Annan, UN Secretary General, BLUE BOOK, UN Report, a joint product of the United Nations Department of Economic and Social Affairs (DESA) and the United Nations Capital Development Fund (UNCDF), as a follow-up to the International Conference on Financing for Development (18-22 March, 2002) and as part of the activities within the framework of the International Year of Micro-credit (2005), May, 2006, Foreword, p. III.

of State and Government recognized “the need for access to financial services, in particular for the poor, including through micro-finance and micro-credit.” The Monterrey Consensus that Heads of State and Government adopted at the International Conference on Financing for Development in 2002 explicitly recognized that “Micro-finance and credit for micro-, small and medium enterprises...as well as national savings schemes are important for enhancing the social and economic impact of the financial sector.” They further recommended that “development banks, commercial banks and other financial institutions, whether independently or in cooperation, can be effective instruments for facilitating access to finance, including equity financing, for such enterprises....”⁵⁷

The UN resolution to proclaim 2005 as the International Year of Microcredit was taken in 1998 with the aim to recognise the micro-credit’s contribution to poverty alleviation. Following the success of Microcredit Summit at Washington D.C. in 1997, the UN General Assembly passed resolution 52/194 on the role of micro-credit in the eradication of poverty and, in 1998, it also passed resolution 53/197 declaring 2005 the International Year of Microcredit.⁵⁸

In December, 2003, Member States approved the Secretary General’s Draft Programme of Action (A/58/179) and invited the United Nations Capital Development Fund (UNCDF) and the United Nations Department of Economic and Social Affairs (UNDESA) to become joint coordinators for the Year. In the Programme of Action for the International Year of Microcredit, the UN General Assembly recognised, “the need to facilitate the access of people living in poverty, especially women, to micro-credit and

⁵⁷ Ibid, p. Iv, preface.

⁵⁸ Both resolution 52/194 and 53/197 were introduced by Ambassador Anwarul Chowdhury, who was at the time representing Bangladesh. He had participated in the Micro-credit Summit in November 1997 and was instrumental in securing the participation of Bangladesh’s Prime Minister, H.E. Sheikh Hasina. He consulted with Muhammad Yunus and Sam Daley-Harris on the idea and strategy for both UN resolutions, resulting in the decision to designate 2005, the last year of the Campaign, as the International Year of Micro-credit. Both UN resolutions make specific reference to the Micro-credit Summit Campaign and its goal. The UN had also declared 1997-2006 as the first United Nations Decade for the Eradication of Poverty. Ambassador Chowdhury also arranged to have all the Summit documents translated into all six UN languages.

micro-finance to enable them to undertake microenterprises so as to generate self-employment and contribute to empowerment.” It moreover emphasised that the observance of the UN Year will “provide a significant opportunity to raise awareness of the importance of micro-credit and micro-finance in the eradication of poverty, to share good practices and to further enhance financial sector developments that support sustainable pro-poor financial services in all countries” and invited “Member States, relevant organisations of the UN system, non-governmental organisations, the private sector, and civil society to collaborate in preparation for the observance of the Year and to raise public awareness and knowledge about micro-credit and micro-finance”.⁵⁹

The UN prepared to observe the Year in 2005, with UNCDF serving as its secretariat, by forming an International Advisory Council and agreeing on objectives. In contrast to the MCS Campaign, it did not include any quantity driven goals. Instead, the UN established the following goals in 2004 that would be implemented according to member state and national committee priorities: (1) assess and promote the contribution of micro-finance and micro-credit to the Millennium Development Goals; (2) increase public awareness and understanding of micro-finance and micro-credit as vital parts of the development equation; (3) promote inclusive financial sectors; (4) support sustainable access to financial services; and (5) encourage innovation and new partnerships by promoting and supporting strategic partnerships to build and expand the outreach and successes of micro-credit and micro-finance.⁶⁰

⁵⁹ Citation is taken from Resolution 58/221, Programme of Action for the International Year of Microcredit, which was adopted in December, 2003. Please see <http://daccessdds.un.org/doc/UNDOC/GEN/NO3/507/78/NO350778.pdf> for the full text of resolution, taken from UNCDF Concept Paper, “*Building Inclusive Financial Sectors to Achieve the Millennium Development Goals*”, UN Report published on the occasion of declaration of 2005 as Year of Microcredit, 2003, P. 2.

⁶⁰Susan Davis, Vinod Khosla and Brooke Weddle Ricalde (2006), *Taking Summit of the Micro-credit Summit Campaign, What Worked and What Didn't Work 1997-2006? What is Needed 2007-2015?*, pp. 25-26, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

Key Messages of the Year of Microcredit 2005⁶¹:

- Sustainable micro-finance ensures greater outreach to the economically disenfranchised and a lasting impact the reduction of poverty and the social and human development process.
- Micro-finance is an integral part of a well-functioning financial sector.
- Nearly half the people in the world do not have access to basic financial services - not because they are not available to them.
- Micro-finance positively affects individuals and households and strengthens economies by investing in the productive capacity of local communities.
- Micro-finance facilitates the inclusion of poor people in economic flows, supporting the growth of local markets and extending economic opportunities through new jobs, investments and infrastructure.
- Micro-finance helps empower the economically disenfranchised by increasing their options and building their self-confidence through the greater economic participation.

International Year of Microcredit thus succeeded in creating the global awareness about the poverty reduction with the usage of micro-finance tools and it reiterated the commitment from international communities to adopt micro-credit instruments to mitigate the mal-effects of poverty. Aftermath the observance of UN Year of Microcredit, 2005, the micro-credit community also accepted the fresh responsibilities of meeting the MDGs and revised their target of reaching the poorest community by launching the goals for phase-II, after the successful completion of achieving the earlier envisaged goals, during the Microcredit Summit 2006 at Halifax.

⁶¹ UNCDF Concept Paper, “*Building Inclusive Financial Sectors to Achieve the Millennium Development Goals*”, UN Report published on the occasion of declaration of 2005 as Year of Microcredit, 2003, P. 6.

III. Key Strategies of Micro-credit Institutions and Programmes

a. Global Fight against Poverty

Traditionally, poverty has been conceptualized in terms of income, with the poor defined as those living below a given income level. But poverty has nowadays been increasingly recognised as a multidimensional phenomenon that encompasses not simply low income, but also lack of assets, skills, resources, opportunities, services and the power to influence decisions that affect an individual's daily life.⁶² Poverty also reinforces other types of social exclusion, such as those based on race, gender or ethnicity.

The complex and multidimensional nature of poverty makes it a challenge to measure. For the sake of simplicity, an income-based measure of poverty is used most widely, as it permits comparisons between regions and countries. The World Bank, for example, defines extreme poverty as an income of less than US\$1⁶³ a day, seen as the minimum amount necessary for survival. To calculate extreme poverty in an individual country, the dollar-a-day measure is converted to local currency using the purchasing power parity (PPP) exchange rate, based on relative prices of consumption goods in each country. Based on such calculations, the World Bank estimated that 1.3⁶⁴ billion people were living in extreme poverty in 2003, roughly 23.3 per cent of the population of all low-and middle-income countries.⁶⁵

⁶² World Health Organization (WHO) Report, *Reaching the Poor*, 2004 in Jan Maes and Laura Foose (2006), "Microfinance Services for Very Poor People: Promising Approaches from the Field and The US Law's Mandate to Reach Very Poor People: What Strategies are MFIs Developing, and What do they Mean for the Rest of the Field? – A Practitioner Survey", Halifax: Microcredit Summit, p. 5.

⁶³ Global Microcredit Summit 2006 interpreted USD 1 as USD 1.08 against increased prices. It was further revised to USD 1.25 in October, 2008 by World Bank. Current threshold of poverty, adjusted against purchasing power parity (PPP), is US \$ 1.25.

⁶⁴ Substituted to 1.3 billion from given 1.2 billion figure of population below poverty line, based on UNDP Report, 2003, URL: <http://www.undp.org/>.

⁶⁵ World Bank, *Sustainable Development Report*, 2003 in Jan Maes and Laura Foose (2006), "Microfinance Services for Very Poor People: Promising Approaches from the Field and The US Law's Mandate to Reach Very Poor People: What Strategies are MFIs Developing, and What do they Mean for the Rest of the Field? – A Practitioner Survey", Halifax: Microcredit Summit, p. 5.

The poor are deprived of the basic necessities of life. Poverty eradication implies improving every aspect of life of this segment of the population, unable to meet the daily mundane needs. It involves ensuring greater access to productive resources, such as land, capital and technology as well as the opportunities to develop skills needed to improve the living conditions and participation in the decisions that affect their lives. Any effective strategy for poverty alleviation will have to move beyond financial and economic considerations and take into account the social and cultural dimension of development also.⁶⁶

By providing small loans and savings facilities to people who are excluded from mainstream of development and financial coverages, micro-finance has become a strategy for reducing poverty and bringing the poor at par to the stage of development where other fellow human beings have reached. Access to financial services is a way to provide the poor with opportunities to take an active role in their respective economies through entrepreneurship, building income, bargaining power and social empowerment. Even small amounts of capital – typically \$50 to \$300 – can make the difference between absolute poverty and a thriving little business generating enough income to feed the family, send kids to school, and build decent housing. Micro-enterprises may be small, but their cumulative impact is huge: depending on the country, micro-enterprises employ an estimated 30-80% of the working population.⁶⁷ Over 500 million of the world's economically active poor people today run profitable micro and small businesses. Microentrepreneurs have shown that they repay market-based loans, and use the proceeds to increase their assets, their living standards and their roles in shaping societies.

b. Women Empowerment

The Microcredit Summit Campaign was launched with the goal of reaching 100 million

⁶⁶ Paul Swider and Michael North, *Micro-credit: A Greenstar Research Brief*, pp. 6-7, [Online: Web] Accessed 22 May 2011, URL: <http://www.greenstar.org/microcredit/microcredit-brief.pdf/>.

⁶⁷ URL: <http://www.villagebanking.org> in Paul Swider and Michael North, *Micro-credit: A Greenstar Research Brief*, pp. 6-7, [Online: Web] Accessed 22 May 2011, URL: <http://www.greenstar.org/microcredit/microcredit-brief.pdf/>.

of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the year 2005. Women have always been the centre of any planning or project linked with micro-credit and micro-finance field since its inception in 1970s. The percentage of total lending to women of world's two leading Micro-finance organisations – Grameen Bank and FINCA – reaches around ninety-seven per cent. Even the internationalisation of micro-finance activities can be attributed to the need of rendering specially designed services to women in order to ensure their economic and social upliftment. The global expectations surfaced from micro-finance industry during the UN Fourth World Conference on Women, 1995 at Beijing as economic upliftment of women was seen as the best possible solution to ensure the fulfilment of global obligation towards human development as empowering women does not only benefit them but also their families and their children who are equally benefited of their enhanced economic capacity. The economically empowered position of women improves the level of education and nutrition of the family, capacity to fight the disease and as a total improvement in basic standards of living of children and family.

Women, as a whole, are still the major subject of exploitation, poverty, and underdevelopment and they live with an inferior and subjugated position in most of the societies. Their inferior conditions are more pronounced in developing countries and regions where equality with men is still a distant dream for them. For micro-credit and micro-finance sector, economic upliftment of women has always been treated as a major tool in their fight against poverty. The commitment of micro-finance practitioner towards women empowerment also gets boosted with the immediate resultant translation in form of improved living standards of women's children and family, trends of high repayment on borrowed money (up to 97%, best for any financial institution) and, currently, as a new centre of profit.

Susy Cheston (2002) presents some lessons using case studies with demonstrated 'hard facts' that can be applied to micro-finance activities, and especially with regards to

gender equality:

- Serving women is not a charity but a profitable business.
- Women bring valuable perspectives of assets, needs and challenges. These become critical in designing appropriate products that will be accepted by the market.
- Women leadership also avails wider spectrum of talent, creativity and diversity.
- Serving women from a development perspective creates broader benevolent effects. Incomes accruing to women usually benefit their families through improved nutrition, health, education, etc.
- The micro-finance industry has proven that women tend to be better payers and so this improves repayment rates for micro-finance institutions.
- It has also been proven that women work better in groups and so help create efficiencies for institutions.

Cheston concludes that gender equality improves the bottom line of development and her view has been endorsed by the literature on gender equality. Micro-finance has therefore been seen almost as a panacea for improving livelihoods and especially when a gender dimension is included, with particular focus on targeting women.⁶⁸ Micro-finance sector has helped bring smile to millions of women. They have helped women globally to start their own microenterprises and to earn a dignified and respectful life. In spite of these efforts, there is need for more radical approaches to counter the hurdles preventing full engagement of micro-finance in women empowerment.

c. Financial Inclusion

Financial inclusion means universal banking and financial services. It has the strategy to provide needful financial services to all the people across the world who are out of coverage of formal financial institutions. Absence of basic financial services is

⁶⁸ Susy Cheston, (2002) "Just the Facts Ma'am: Gender Stories from Unexpected Sources with Morals for Microfinance" presented to *Global Microcredit Summit, 2006* in Susy Cheston & Lisa Kuhn, "Empowering Women through Micro-finance," in *Pathways Out of Poverty: Innovations in Micro-finance for the Poorest Families*, (Kumarian Press, 2002) quoted in Irene KB Mutalima (2006), *Micro-finance and Gender Equality: Are We Getting There?*, [Online: web] Accessed. 23 January 2009, URL: <http://www.microcreditsummit.org/>.

considered as the principal reason behind the mass level of rampant poverty. Today, world community has also discovered that poverty alleviation programme can only be successful by building the financial capacity of poor. Provision of financial services also helps people at the bottom layer of development to fight other problems such as malnutrition, illiteracy, diseases, exploitation, etc.

C.K. Prahalad (2004) interprets financial inclusion programmes as comprehensive development approaches that include sufficient food and nutrition for all, health education and access to healthcare, clean water and sanitation, and adequate housing and clothing appropriate to the climate. These are all aimed at people living in what he calls the “Bottom of the Pyramid”, where such basic services are so inadequate as threatening life and health.⁶⁹

Today most of the countries, their governments and their regulatory bodies have been creating tremendous pressure on conventional financial institution and system to bring its population under the banking and financial net. The United Nations and other multilateral financial institutions like World Bank, IMF, Asian Development Bank, African Development Bank, etc. are also providing required logistics to governments, financial institutions to ensure universal access of financial service to all without exception. Micro-finance Institutions, Non-Governmental Organisations and Self-Help Groups are proving to be the frontrunners in meeting the goals of financial inclusion.

d. Partner of UN in Attainment of Millennium Development Goals

The MDGs encapsulate the development aspirations of the world as a whole. But they are not only development objectives, they encompass universally accepted human values and rights such as freedom from hunger, the right to basic education, the right to health and a responsibility towards future generations. There are eight UN goals to be achieved by 2015. When the leading micro-finance institutions created a goal to reach 100 million of the world’s poorest people, and then organised a Microcredit Summit to introduce the goal, the microenterprise field just turned into a poverty elimination movement. Later, Microcredit Summit Campaign further shifted the goal from reaching 100 million borrowers with loans by 2005 to the Millennium Development Goal of cutting absolute

⁶⁹ C. K. Prahalad (2004), *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, Upper Saddle River, NJ: Wharton School Publishing, quoted in Bob Sample, “How RESULTS Activists collaborated with Micro-credit Leaders and High Government Officials to Build the Micro-finance Movement”, Presented at *Global Microcredit Summit 2006, Halifax*, 2006, p. 72, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

poverty in half by 2015. The Monterrey Consensus (2002) adopted at the International Conference on Financing for Development in 2002 explicitly recognised that micro-finance and credit for micro, small and medium enterprises are important for enhancing the social and economic impact of the financial sector. Financial Services to low income entrepreneurs may be the single most effective way to reduce poverty and achieve broad-based economic, social and human growth. Studies have shown that people covered under micro-finance services have better health care, better infant and maternal mortality rates, better sanitation and water facilities, and better educated youth than surrounding population without financial coverages. They have also scored better in terms of coming out of poverty than rest of the population below poverty line. Today micro-finance programmes have been linked with comprehensive developmental approaches of UN MDGs. Micro-finance industry is currently regarded as the vital component in the global fight against poverty and it has been recognised as a significant tool to achieve all the eight goals designed under the UN Millennium Development Goals. The mission of all micro-finance activities is to alleviate poverty and low score on different human development aspects is as a consequence of mass scale poverty. The United Nations in its aspirations to improve the basic economic conditions and living standards of entire population has vowed a targeted time-bound goal in form of MDGs and it is being assisted by many of the countries, multilateral financial institutions, international development agencies, corporate enterprises, non-governmental organisations and MFIs. Micro-finance Institutions are not only the partner in achieving this goal but it also works as an agent to execute the targeted agendas for other participating agencies like governments, international development and financial institutions, and other private players.

IV. Partners of Micro-finance Programmes

Micro-finance Institutions are principally the basic carrier of micro-finance activities. There are specialised micro-finance institutions directly delivering the services to the population. But their capacity, number and spread is not sufficient to meet such huge demand of micro-finance services. In order to fill the gap, they are being supported,

directly or indirectly, by a number of financial institutions, regulatory bodies, government and multilateral global agencies. Any institution providing direct or indirect financial services to the people coming under the purview of micro-finance services forms the part of a vast network of micro-finance institutions:

- Micro-finance Institutions
- Banks: International & Multinational Banks, Nationalised Banks, Private Banks, etc.
- Financial Cooperatives and Credit Unions:
- Non Banking Financial Institutions
- Rural Banks and others
- NGOs
- SHGs

Today NGOs have the largest share of total borrower (49%) with the deepest outreach in Micro-finance sector. Good performance of NGOs is basically because of their predominance in Bangladesh. Excluding Bangladesh from MIX data, banks top the list with 36% of clients, financial companies and NGOs with 30% and 26% of total clients.⁷⁰ All these institutions together have created a true atmosphere of achieving some substantial goal of ensuring multi-facet human developments. With the achievement of reaching 100 million poorest, the micro-credit sector has proved its strength and vision to send the poverty off from this planet and they have given a hope to all to live a dignified and respectful life.

Challenges, Limitations and Future Potentials of Micro-credit Programmes

I. Challenges of Micro-credit:

⁷⁰ MIX (2004), "Microfinance Scale by Institution Type – MIX Data, 2004" in Elisabeth Rhyne and Marí-a Otero (2006), "Microfinance through the Next Decade Visioning the Who, What, Where, When and How", paper commissioned by the *Global Microcredit Summit, 2006* [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

Today micro-credit and micro-finance are the key words to fight the menaces of human growth and development. But like any other field, this sector has also been facing many obstacles in smoothly achieving its goals and objectives. The major challenges that the micro-credit sector has been currently facing include the problem of funds, not reaching exactly the real targeted section of population, high transaction and operational costs, high interest rates under the fear of high risk of defaults, absence of or excess governmental regulations, increasing commercialisation of micro-finance activities, etc.:

a. Reaching “upper poor” in lieu of “very poor” or “poorest among poor”:

Micro-credit sector is blamed for serving the upper layer of poor only whereas deserting the poorest as they are. To counter this propaganda, micro-credit sector redefined its definition of poor during Global Microcredit Summit, 2006. Their definition was based on the concept of “below poverty line” which signified people living below US \$1.08 a day (further revised as US \$1.25 in 2008), adjusted to PPP, were to be considered as poor. Out of these poor, 50% at the bottom were defined as ‘poorest’. In order to reemphasise its commitment against poverty, Microcredit Summit Campaign vowed to serve these ‘poorest’ at the bottom of economic order.

b. Low Profitability prone to high risk:

Micro-credit sector is going through lots of changes, experimentations and innovations. Some bad experiences like suicides by poor farmers in Andhra Pradesh, India due to fear of recovery agents of MFIs and subsequently government putting strict regulations and capping interest rate puts further tests to this sector. As many new players have entered the field, it has increased the competition among micro-finance players and it has resulted into reduction of interest rates and diversified products for customers. The reduced interest rate below certain level can bring high risk for micro-finance institutions. Interest rates of MFIs are very high compared to existing market rates but it has been justified on account of high risk involved in financing without collateral and guarantees from the borrowers. MFIs also get the funding at higher rate compared to other. Reduction in interest rate due to competition will reduce the profit margin for the MFIs and any big default may let them out of business. Reduced interest rates thus get translated in low profitability for MFIs which can further hamper the aspects of sustainability of MFIs.

c. Commercialisation of Micro-finance Activities:

The latest and growing trends in micro-finance field have been the increasing commercialisation of micro-finance activities. Commercialisation means entry of commercial financial institutions like banks in the micro-finance field or existing MFIs converting as Bank. The concept of “fortune at the bottom” by C. K. Prahalad (2004) has

attracted most of the financial institutions to the field. Most of the International and National Banks have exclusive agendas for micro-finance activities. In some countries, governments have regulated for every bank and financial institutions to offer some proportion of the total lending to priority sector. All these together have helped to grow this field rapidly. Conversion of existing MFIs as a bank is also the latest trend. The step is taken in order to bring efficiency in operations of MFIs as well as to meet the mandatory requirement of collecting deposits by banks only. This aspect is quite visible in Latin America where ACCIÓN leads the trend of introducing commercial elements into micro-finance activities. ACCIÓN successfully formed the Banco Solidario, a bank established on the principles of micro-credit and micro-finance, in Bolivia in 1992.⁷¹ These micro-finance institutions (MFIs) are now better known or converted as “Regulated Finance Institutions (RFIs)”. Entry of established commercial and financial enterprises in the field of micro-credit has been welcomed by the leaders of this sector. They interpret the latest development as a step which would end the existing crunch of fund from the industry and would help MFIs to meet the huge demands of credit. Entry of commercial banks into wholesale and retail micro-finance may improve the organisational efficiencies and product offerings of MFIs. Entry of International banks into local micro-finance market may bring foreign capital as well as global standards of management, technology and risk management practices. Further, International banks will have a competitive advantage as guarantor of the exchange rate risk in disbursing local currency loans. But there are some scholars who criticise the bank’s latest humanitarian endeavour as their early and longstanding lack of focus in the poor was principally the main problem that microcredit sector had to rectify. But entry of these institutions has the potential to make the world free of poverty by providing due financial services to underserved population. Establishment of commercial, profit-making micro-finance model has created the competition among MFIs and large and diversified services for micro-entrepreneur clients. This has resulted into reaching more people and higher savings respectively. But the commercialisation of micro-credit sector should not be accompanied by an increase in default cases and over-indebtedness which could yield results that are contrary to the initial goals of micro-finance. Presence of several MFIs in a zone can result in competition, low interest rates and risk of cross-indebtedness. Earlier access to loan used to be an issue, but not the interest rates. With increasing competitions, micro-finance operations become efficient and interest rates get decreased. Competition

⁷¹ Amy J Glosser (1994), “The Creation of Banco Sol in Bolivia” in María Otero and Elisabeth Rhyne (eds.) *The New World of Microfinance: Building Healthy Financial Institutions for the Poor*, West Hartford, CT: Kumeria Press, pp. 229-250.

further brings diversification of product range and transparency, governance and good practices.⁷² But commercialisation of micro-finance activities challenges the micro-finance providers to re-evaluate their relevance in light of changed circumstances. The micro-finance leaders fear that profit-driven approaches do not dilute the original agenda of micro-credit activities, serving the poor to come out of poverty. But the inevitable requirement of funds and infrastructure of these financial institutions do not allow them to check their entry.⁷³

d. Impact of chronic poverty:

Living in absolute poverty for a prolonged time strongly affects a person's dignity and hope for the future, as well as his or her ability to take initiative and overcome stigma. He accepts poverty as his fate and does not accept or participate in any Micro-finance activities. Moreover, poor health (especially chronic diseases such as malaria and HIV/AIDS) presents a major obstacle for conducting successful microenterprise activities.⁷⁴

e. Funding of the Micro-finance Programmes:

Micro-finance programmes strive to provide financial services to all the people living below the poverty line. As per World Bank's estimates, there are 1.3 billion people or 23% of world's population living below the poverty line. Offering credit services to such a huge population requires a huge investment and, with denial to offer financial support to these groups from formal financial institutions, it becomes very difficult for micro-finance institutions to meet such large gap in supply and demand. Recent trends of commercialisation of micro-finance sector along with entry of big size banks and financial institutions to the field seem solving the issue of funding for micro-finance sector at the moment. Though local or community saving is basically the source and principle of funding of micro-credit sector, there are some additional sources which have

⁷² Sébastien Duquet (2006), "How Can MFIs Best Work in Competitive and Saturated Markets?" paper presented at *Global Microcredit Summit, Halifax, 2006*, pp. 3-19, [Online: web] Accessed 23 January 2009, URL: <http://www.microcreditsummit.org/>.

⁷³ Elisabeth Rhyne and Mariela Otero (2006) "Microfinance through the Next Decade Visioning the Who, What, Where, When and How", paper commissioned by the *Global Microcredit Summit, 2006*, pp. 28-29, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

⁷⁴ Jan Maes and Laura Foose (2006), "Microfinance Services for Very Poor People: Promising Approaches from the Field and The US Law's Mandate to Reach Very Poor People: What Strategies are MFIs Developing, and What do they Mean for the Rest of the Field? –A Practitioner Survey", p.8, paper presented at *Global Microcredit Summit, Halifax, 2006*, [Online: web] Accessed 23 January 2009, URL: <http://www.microcreditsummit.org/>.

been leveraging the credit needs of the sector:

Savings: Savings play a significant role in providing funds for MFIs. The basic idea of community financings began with the notion of channelizing community savings to finance the community credit need. Fostering saving deposits within a community means helping build the future for both individuals and the community as a whole and encourages greater empowerment of the community while providing the financial institution with a less costly source of funds. Micro-finance institutions should always strive to use saving deposits of its members as the primary source of funds. The MFIs need to make maximum use of local savings before calling on external financing.⁷⁵ But recently, the dependency on local savings has been decreased as demand for credit is very high compared to deposits received. It is also more often money on demand which has temporary stability as it could be demanded anytime.

Commercial Loan or Debt Financing: Commercial Banks are providing loans to the MFIs. Bank-MFI credit linkage is the latest innovation in the domain of funding to micro-finance sector. It is of benefit to all the participating parties – banks, MFIs, and the borrowers. It benefits a bank, which has idle funds, in terms of profitability and business expansion; an MFI in terms of sustainability and outreach; and the borrowers in terms of their increased earning. Commercial Banks can provide both financial (retail and wholesale loans, equity, etc.) and non-financial products (technical assistance, grant, sponsoring, guarantee, etc.) to MFIs. Citigroup, Deutsche Bank, ING, Standard Chartered Bank, etc. are already supporting micro-finance institutions in some form or other like direct financing for loan portfolio growth, catalytic financing through a guarantee mechanism, etc.⁷⁶ Foreign or international banks have been funding the MFIs through direct participation or through their subsidiary in the local country. They also offer funds in foreign currencies as well as local currencies through their local branch or subsidiary. International Banks play a hedging role for MFIs' foreign currency debt funds. International Banks have also established exclusive micro-finance funds like Microfinance Funds of Deutsche Bank, Green Finance and Oikocredit Funds of ING, etc. to fund micro-finance sector.

Equity Funds and Ownership: There are some MFIs which are offering equity shares to the investors. In this type of funding, public investors are generally targeted. Large MFIs

⁷⁵ Développement International Desjardins (2005), *DID Policy Statement on Community Finance*, pp. 1-5, [Online: web] Accessed 23 January 2009, URL: <http://www.did.ca/>.

⁷⁶ H.I.Latifee (2006), "The Future of Microfinance: Visioning the Who, What, When, Where, Why and How of Microfinance Expansion of over the next 10 years", Paper presented at *Microcredit Summit Campaign Phase II*, Halifax, pp. 15-22.

go for equity offer through issue of bond, equity and share. Private institutional investors also participate for the strategic acquisition of shares in MFIs. It is not simply lending, but apart from investment, it also seeks participation in management and technology of the company. Basically these investors are the real owners of the MFIs. 1st IPO in micro-finance was offered by BRI in Indonesia, followed by Equity Bank in Kenya.

Grants and Donations: Bilateral and multilateral institutions like World Bank, IMF, etc offer grants and funds in form of long term soft loans even on zero per cent interest to MFIs. The grants and funds are intended for the institutional capacity building and soft loans for the expansion of lending activities of MFIs. These multilateral institutions channel their commitment, of expanding global financial order and of removal of barriers in the growth of global economic order, through micro-finance institutions.

Wholesale Funds from Government and Apex Institutions: Government either directly or through their regulatory apex financial institution many a times offer the seed or paid up capital to establish a community finance institution or a MFI. It also offers supporting capital to expanding or financially struggling MFIs.

f. Absence or Excess of Regulatory Mechanism:

There is considerable uncertainty about what to regulate, when to regulate, and how to regulate micro-finance operations. To what extent government should oversee micro-finance operations and how much to spell out in legislation and regulatory frameworks. This uncertainty is attributed to a lack of understanding of the risk profile of portfolios of micro-credit and loans to SMEs and authorities thus frequently err when demanding that general or specific prudential must apply. This can lead to limitations on market entry, over-regulation, under-regulation and concern for regularly risk on the part of regulations. In some cases, regulatory and supervisory authorities prefer to desist completely from addressing the regulatory issues that micro-finance raises rather than failing to meet the challenges of supporting large numbers of small institutions that they may not understand.⁷⁷

Micro-finance portfolios are different in several respects from the portfolios of commercial banks. These differences call for special treatment in regulation. Two fundamental differences are the risk profile of these portfolios and the various techniques and technologies employed to serve these borrowers. The primary differences with

⁷⁷ United Nations Department of Economic and Social Affairs (DESA) and the United Nations Capital Development Fund (UNCDF), *Blue Book*, UN Report as a follow-up to the International Conference on Financing for Development (18-22 March, 2002) and as part of the activities within the framework of the International Year of Micro-credit (2005), May, 2006, p. 133.

respect to risk profiles involve having many small loans with many poor or low-income borrowers who may not have collateral, clear title to property, regular and predictable cashflow, or unequivocal credit histories. Because MFIs may use different lending techniques and documentation than other lenders and because the MFI market is undergoing rapid technological change, supervisors may be challenged to understand many attributes of micro-finance that are different from conventional banking.⁷⁸

Traditional regulatory and supervisory regimes focused on the fundamentals of protecting depositors and the stability of the financial system. It is now to consider integrating the objective of increasing access of the poor and micro and small enterprises to financial services into regulatory and supervisory schemes. Regulators and supervisors need to consider the options of adapting legal structures, regulations and supervisory tools to micro-finance. Policymakers need to evaluate regulatory approaches from the perspective of financial inclusion, striking the right balance between appropriate and necessary regulatory requirements and increased access to financial services.⁷⁹ Policymakers can equally opt to ensure there are no barriers to entry of new institutions or to the expansion of sound institutions that can add financial services to a broader segment of the population.

Currently, there are four forms of regulatory practices in use – ‘direct governmental or state regulation through central bank supervision agency’, ‘industry regulation or self-regulation’, ‘internal financial regulation through internal MIS, internal audit, external audit and governance bodies’, and ‘market discipline’. Micro-finance practitioners prefer ‘self-regulation’ over ‘direct governmental regulation’ as they fear government regulation may result in interferences from political forums and their mission can also be polluted as they did with cooperative institutions. They were also against capping of interest rate as this could prevent MFIs to operate in “high risk” economic sectors and remote rural areas. It could also result into MFIs taking shelter to richer or safe clients to minimise the risk factor with capped interest rates and this would ultimately hamper the interest of poor whom this sector is envisaged for.⁸⁰ Government and regulatory bodies with consultation of MFIs are trying to reach symmetry of autonomy and regulation.

⁷⁸ Ibid, pp. 121-138.

⁷⁹ Ibid.

⁸⁰ Sébastien Duquet (2006), “How Can MFIs Best Work in Competitive and Saturated Markets?” paper presented at *Global Microcredit Summit, Halifax, 2006*, p. 19, [Online: web] Accessed 23 January 2009, URL: <http://www.microcreditsummit.org/>.

II. Emerging Trends and Future Potentials of Microfinance Industry

a. Micro-finance a New Field of Profit Generation

Forbes brought a special issue on micro-finance in December 2007 wherein it said: “Microfinance has become a buzzword of the decade, raising the provocative notion that even philanthropy aimed at alleviating poverty can be profitable to institutional and individual investors.”⁸¹ With all the empirical data and evidences, it has been proved that micro-credit or micro-finance is not a charity, rather an investment for profit.

The prospects of profit have attracted several new players like banks and other financial institutions to this field who were earlier discarding this segment of targeted population finding their networth unacceptable to offer some financial services. International banks like Citi Bank, Deutsche Bank, ING, etc and large consumer finance companies like GE Finance, Citi Finance, etc. are the new entrants of this field. The concept of the “Fortune at the bottom of Pyramid” has captured the imagination of many companies and is driving them towards financing the poor.⁸² But their newly-emerged interest due to reason of profit has been causing the anxiety among the leaders of micro-finance industry. At one hand, these financial institutions bring much needed capital, latest technology, more efficient regulatory mechanism and multiple options of financing to the micro-finance borrowers and institutions, but their hidden intention of profit may lead to the dilution of real agenda of providing the financial products and services to poor at the other hand. Emerging trends of commercialisation create high possibility of hampering the actual motive of poverty reduction under the compulsions of profit and sustainability and thus finally leading to disappearance of micro-finance industry under the influence of

⁸¹ Vinod Kothari and Neha Gupta, *Microcredit in India, Overview of Regulatory Scenario*, p. 2, [Online: web] Accessed 11 June 2011.

⁸² C. K. Prahalad (2004), *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, Upper Saddle River, NJ: Wharton School Publishing, quoted in Elisabeth Rhyne and María Otero (2006) “Microfinance through the Next Decade Visioning the Who, What, Where, When and How”, paper commissioned by the *Global Microcredit Summit, 2006*, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

giant financial institutions and systems.

Entry of banks can be linked with their dual strategy as combining Corporate Social Responsibility (CSR) with immediate or future business goals.⁸³ Initially, banks are often committed to micro-finance for CSR motives but at a later stage, when they see a business case, they tend to increase their activities and become more involved in micro-finance for commercial reasons. Still, despite their inclination to enter micro-finance activities, banks have a greater focus on serving micro-finance institutions (MFIs) than on serving microentrepreneurs directly.

Neo-realities of micro-finance industries as profit centre have brought large number of players in the field. This rush has led to increased opportunities for consumers in form of lower and competitive interest rates and wide range of products but it also carries the risk of over-indebtedness of consumers and reduced profitability of MFIs thus hurting their prospects of sustainability.

b. Entry of New Players in the Field of Micro-Finance

Micro-finance has grown as a vast field and latest developments in the sector has pulled many new entrants to the field. The list of new entrants in the micro-credit field also includes some institutions and organisations whose failure in providing financial services to all actually resulted in pitiable economic and social conditions of large segment of population. Changing trends in the micro-credit field, vast future potentials of growth and profit, pressure from government and regulatory bodies and active and enhanced participation from UN, World Bank, IMF and other multilateral financial institutions, all these have led them to redraw their future strategies. MFIs, which emerged as a substitution of formal financial sector to this set of population, are welcoming the participation of these institutions as their own financial and institutional capacity is not adequate to meet the huge demand microenterprises which can be serviced only through the strong capacity and vast network of formal financial institutions.

⁸³ ING Presentation (2006), "A Billion to Gain", Paper presented at *Global Microcredit Summit, 2006*, p. 8, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

c. Role of Private Sector

In recent decades, private sector strategies to alleviating poverty have emerged to tackle issues of inefficiency and a need for truly sustainable solutions while providing market opportunities for business. These strategies include micro-credit and micro-finance, multi-national corporations targeting emerging markets, and social entrepreneurs utilising practices to create replicable and scalable models. Many of the private sector strategies to poverty alleviation have generated great hope and, in many circumstances, measurable improvement in the alleviation of poverty. As a result, many partnerships between corporations and micro-finance institutions have been developed to leverage these successes. There are multiple reasons binding a partnership between the private corporate sector and MFIs. The opportunity to commercialise micro-lending, to grow new financial markets, to leverage existing financing to introduce micro-insurance schemes, to finance purchases of capital items for SMEs, and to leverage platforms for delivery of goods and services. There are multiple forms of partnerships between private sector and MFIs, for example, partnership between commercial banks like Citigroup, ABN-AMRO, ICICI, etc. and MFIs; partnership between insurance companies like Allianz and MFIs and even companies in the field of consumer products like Unilever's partnership with MFIs.⁸⁴

d. Role of International Banks

Involvement in micro-finance is closely related to the international banks' strategies. In the beginning, international banks enter micro-finance for corporate social responsibility reasons. They often see an opportunity in funding MFIs with loans, if possible in local currency, or in providing retail banking services through their local subsidiaries. With the enormous potential of the market of the unbanked, a number of international banks start-up with experimental business activity and gradually get more involved by offering more products and services. There are various examples of banks that have taken equity stakes in local banks and places on the board. Currently, banks are deliberately allocating more

⁸⁴ Graham Macmillan (2006), "*Corporate/MFI Partnerships that are profitable for the Corporation, the MFI, and the Clients*", Paper presented at *Global Microcredit Summit, Halifax*, pp. 2-4, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

funds to micro-finance. In this way, micro-finance is becoming a niche market, with the potential of long-term profit. This also increases the probability that they will reach out to more people. International banks realise that micro-finance is not the same as their traditional business. However, they often see Micro-finance as an opportunity for increasing their business in emerging markets. International banks have clearly recognised their added value to this market. When choosing their strategy, they often combine both social and commercial drivers.⁸⁵

In 2005, the majority of the banks communicated 'micro-finance' as a topic in their sustainability report. Citibank, for example, had focussed on special financial products that suited the needs of MFIs, while Rabo bank and Commerz bank had targeted developing financial markets by taking equity stakes in Société Générale and ING offered wholesale loans to MFIs in local currencies through local subsidiaries. Deutsche Bank took the charge of managing three Microfinance funds by extending foreign currency deposits to the local banks which could further extend the fund to MFIs in local currency. It also provides the guarantee against currency fluctuation risks as International banks have a competitive advantage as guarantor of the exchange rate risk in disbursing local currency loans. ING Bank in Netherlands offers its clients the option of investing in Green Finance Fund, which allocates part of its funds to micro-finance.⁸⁶

e. Role of World Bank, IMF and other Multilateral Agencies

There is a large scope for bilateral and multilateral agencies to do a number of things for the promotion of micro-finance sector in these countries. They can provide MFIs with grant funds for their institutional capacity building and soft-loans for expanding their on-lending activities to their clients. The international agencies could disseminate experiences on best practices and information to MFIs through study visits, workshops and interaction programmes. They can also undertake action research programmes to

⁸⁵ING Presentation (2006), "A Billion to Gain", Paper presented at *Global Microcredit Summit, 2006*, p. 24, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

⁸⁶ Ibid, pp. 12-15.

develop appropriate products and practices for MFIs. Moreover, they can extend support to MFIs, or implement programmes for the creation and development of micro-enterprises and for upgrading occupational skills of the poor. Furthermore, the international agencies can provide equity or capital funds to start-up programmes in some countries. They can consider providing support to regions where the poor need them. Even in countries with large MFIs, such as India, there are pockets that are under-served, such as Eastern and Northern States particularly Assam, Bihar, and Uttar Pradesh. Donor funding can support poverty alleviation efforts through micro-finance in these regions.⁸⁷

MFIs serve only a few households because of their limited institutional capacity and resources. They cannot afford large investment costs for technical assistance and cannot borrow commercial funds from markets. Bilateral and multilateral agencies can provide MFIs with grant funds for their institutional capacity building and seed funds to start up fresh programmes. CGAP estimates reveal that international agencies have provided approximately USD 0.5 to 1.0 billion annually in grants and soft loans for micro-finance. 87% of these funds went to Latin America, Eastern Europe and Central Asia whereas 80% of funds went to MFIs regulated and licensed by banking authorities. The regulated MFIs are increasingly seeking domestic deposits to fund their liabilities, leaving only a limited role for foreign debt investment. Unregulated MFIs, though more numerous than the regulated ones, are considerably smaller in terms of size of assets. As they are not structured to accept equity investment, they seek foreign debt. These NGOs are funded primarily through grants and are generally prohibited from taking public saving.⁸⁸

f. Role of Government and Regulatory Bodies

In most of the countries, micro-finance programmes undertaken by non-government organisations are outside the regulatory and governmental framework. Recent MFI crisis in India and other countries has reemphasised the need of government's interventions in

⁸⁷ Shankar Man Shrestha and MCS Campaign (2006), "Accessing Loans and Grants from Bilateral and Multilateral Agencies for Microfinance Institutions", Paper presented at *Global Microcredit Summit, 2006, Halifax*, pp. 4-5, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

⁸⁸ *Ibid*, pp. 2-5.

the activities of MFIs. Government regulations and supervisions are generally never wanted by the micro-credit practitioners because they always found the government's role more for interference and less for regulation but they always wanted government's support in funding their programmes and in guaranteeing their losses. Taking note of importance of providing financial services to poor, governments also try to promote micro-credit and priority sector lendings. The governments through their central banks have mandated that commercial banks to disburse a part of their total loan portfolio to the poor. There were concrete efforts from both the central banks and the governments to introduce professional micro-finance programmes in these countries.

Over the years, national apex organisations were created in most of Asian countries to promote and develop the Micro-finance industry in the respective countries. The apex organisations (for example, PKSf in Bangladesh, RMDC in Nepal, PPAF in Pakistan, NABARD & SIDBI in India, PCFC in Philippines, etc) have been playing different roles for promotion and development of sustainable micro-finance institutions, such as innovations in micro-finance products and systems, institutional capacity building of MFIs, strengthening of the capacity building of MFIs, strengthening the capacity of clients, developing and maintaining standards, etc. These organisations have assisted the central banks and the governments in the formation of appropriate rules and regulations for the industry. With constant supervision and monitoring from these apex organisations, their partner retail organisations were able to implement their programmes in a professional manner. The partner MFIs have been able to implement viable and sustainable programmes over a reasonable period of time. The apex organisations have set minimum standards for monitoring performance of programmes in the Micro-finance industry.⁸⁹

Since government-led micro-finance programmes have not become sustainable and successful in most cases, private or civil-society owned micro-finance programmes are emerging. They should be encouraged and facilitated by the domestic governments and

⁸⁹ Ibid, pp. 6-9.

international agencies to expand their outreach substantially for meeting the credit needs of the large masses of poor people. The role the government has is mainly to create and establish a favourable policy and regulatory environment so that maximum inflow of foreign funds takes place in the country, and they are cost-effectively and professionally utilised for the purpose. If necessary, international agencies can help the respective governments to develop necessary policy and legal environments in their countries.⁹⁰ Apart from this government has some specific role in terms of foreign grants of funds. Foreign funds from bilateral and multilateral agencies to an organisation are channelled to the country through its government only. No direct access to loan fund is allowed without government's approval. Government's permission is required even for grant funds. In long term project financing, government has a mandatory role there also.

III. Driving Factors affecting Micro-finance

María Otero and Elisabeth Rhyne (2006) have quoted four factors which have been driving the micro-finance sector.⁹¹

(i). Competition: For Consumers competition means greater choice. Competition has the power to force MFIs to rethink and reform. It brings better products, efficient services and reduced rate for customers whereas for MFIs, it carries low profitability, high risk, cross- and over-indebtedness.

(ii). Commercial Entry: Latest surge of interest from private sector and conventional banking system that were earlier denying access to poor sector, has changed the equation of micro-finance industry. New models have been developed which have demonstrated profitability and competencies for working with low income populations.

(iii). Technology: smart cards, point of sale devices, ATMs, cell phones, satellite communications, the internet, credit scoring, data mining, biometric recognition. These technologies will require MFIs to redesign their business models and educate their employees and customers to master new ways to deliver and receive services. All these are not easy but have dramatic benefits. They include greater convenience and lower cost

⁹⁰ Ibid, pp. 9-10.

⁹¹. Elisabeth Rhyne and María Otero (2006) "Microfinance through the Next Decade Visioning the Who, What, Where, When and How", paper commissioned by the *Global Microcredit Summit, 2006*, pp. 15-21, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

for customers, ability to reach more remote customers, and increased security. Innovation in technology will occur in three main areas: payments, credit underwriting and back end systems

(iv). Policy and Regulatory Environment: Expansion of micro-credit activities and its association with global poverty alleviation programmes have made the governments' entry into the field, but the micro-finance sector prefers an unregulated and free system. They equally opposed capping of interest rates as the risk on these lendings are quite high. They find interest cap through market determination or government regulation is the main hindrance in the growth of Micro-finance sector.

IV. Key Areas for Action

Key areas for action to realize this massive expansion in outreach, product offerings, and impact over the next ten years include the following⁹²:

- Build retail capacity by Micro-finance institutions, banks, cooperatives, and new channels.
- Build the depth and diversity of products necessary to help low-income clients accrue income and assets.
- Build domestic and financial markets and industry infrastructure.
- Utilize best-practices methods and technology to cut costs and expand outreach.
- Develop permanent state policies and country strategies for Micro-finance.
- Mobilize new actors, and help them to play effective roles.

⁹² Women's World Banking (2006), *Building Domestic Financial Systems That Works for Majority*, excerpted from the book *More Pathways out of Poverty*, (Bloomfield, CT: Kumarian Press, 2006), p. 2.

Summary and Conclusion

“The Microfinance movement is bringing hope prosperity, and progress to many of the poorest people in the World.”

_____ Amartya Sen⁹³

Micro-finance has been recognised world over as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, particularly women. Micro-finance has gradually been developed as a worldwide movement and it is no longer being a subject matter of micro-finance practitioners alone. Governments, donors, banks, development agencies, corporations, business communities, civil societies, researches, universities, consultants, philanthropists and others are taking an interest in it. The various stakeholders of micro-finance sector have accepted micro-finance programme as a powerful weapon to fight poverty. Today it has been accepted by the key partners of micro-finance sector that elimination of poverty can only be achieved if financial services are offered even to the poorest person and that no one is rejected or excluded on the grounds that the person is too poor. Micro-credit practitioners have also established the fact that credit is a human right and denial of credit to an individual is like depriving him of basic necessities such as food, water, nutrition, medical and hygiene facilities, education, etc. Studies have confirmed that people with micro-credit facilities have better healthcare, better education, and better life-expectancy. Providing the financial services to the poorest person and bringing him to the mainstream is the basic principle of micro-credit. Women are considered the most vulnerable to economic circumstances and discrimination. Their engagement in household activities does not bring some monetary benefit and they are not considered for lending as they are not

⁹³ Amartya Sen, quoted in Global Microcredit Summit 2006 Brochure (Washington D.C.: RESULTS Educational Fund, 2005), p. 4.

credit worthy as per banking norms. Credit to women is the central theme of micro-finance activities as 80% of total micro-finance clients are reported to be women.⁹⁴ Credit to women has helped a lot to improve the basic living standards of herself, her children and her family and, with 97% repayment ratio, they have won the favour of lending institutions.

Today micro-finance is becoming popular because it offers one the satisfaction of rendering some humanitarian task to the community at the one hand and at the other hand, it is also proved that micro-finance is a good business to make money. It is possible for MFIs to reach the goal of serving people in extreme poverty without compromising their profitability. This is mostly because micro-finance is designed with the poor in mind, while at the same time being founded on market principles of competitiveness, pricing and sustainability. MFIs throughout the developing world are providing small loans to the poor for self-employment and proving to be sustainable enterprises in the fight against poverty.⁹⁵

In the last decade, micro-finance institutions have experienced a boom in innovations of lending products, partly fuelled by donors who see micro-finance as the next promise to alleviate poverty. Examples of these new products are the combination of credit with health and life insurance, business and health education, saving products, and the adoption of individual loan liability. The add-in features generally aim at reducing the vulnerability of clients while contributing to asset creation, hence improving their repayment rate and the sustainability of the service. The product innovations typically

⁹⁴ Christopher Dunford (2006), "Evidence of Micro-finance's Contribution to Achieving the Millennium Development Goals", Paper presented at *Global Microcredit Summit, 2006, Halifax*, p. 17, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

⁹⁵ H.I.Latifee, *The Future of Micro-finance: Visioning the Who, What, When, Where, Why and How of Micro-finance Expansion of over the next 10 years*, (Micro-credit Summit Campaign Phase II: Halifax, 2006), pp. 1-3.

result from organisations striving to extend outreach, increase impact, and promote sustainability.⁹⁶

Micro-finance sector today caters to serve the 1.3 billion people living under \$1.25 a day. The total number of poorest clients reached by MFIs from 1999 to 2004 increased at an average annual rate of 30%. As per latest data, it has served over 109 million persons in 2009. The Microcredit Summit Campaign data constitutes the first real “bottom-up” census of the poorest. The presence of micro-credit and micro-finance activities spans from more formalised and saturated markets in Latin America to relatively nascent markets in other parts of the world. Asia has the highest penetration of micro-finance activities whereas Africa is lagging behind despite the persistence of very severe form of the poverty in the continent. Micro-credit and micro-finance have been emerged as the hope for over billion people in the new liberalised global order.

In the theoretical and analytical backdrop of micro-credit and micro-finance sector, the next chapter of the current study explores the trajectories of the evolution of cooperative sector in Canada. The chapter will also highlight the role of Canadian and Quebec institutions in the global micro-finance activities. It further maps the cooperative and micro-credit institutions and their contribution at the domestic as well as at the international level.

⁹⁶ Dean Karlan and Sara Nadel (2006), “Evaluating Micro-finance Program Innovations with Randomized Controlled Trials: Examples from Business Training and Group versus Individual Liability”, Paper presented at *Global Microcredit Summit, 2006, Halifax*, p. 3, [Online: web] Accessed 16 December 2008, URL: <http://www.microcreditsummit.org/>.

CHAPTER II

CHAPTER II

A SURVEY OF COOPERATIVE AND COMMUNITY FINANCE INSTITUTIONS OF CANADA

Canada has a very strong and vast cooperative financial structure. Canada, as a country, has the highest per capita financial cooperative membership in the world. Financial cooperatives have always held a solid share of the Canadian market for key financial services. In 2004, financial cooperatives were responsible for approximately 11% of total domestic assets in deposit institutions. In 2003, they held 16% of the total savings and 16% of total loan disbursed by all financial institutions of Canada. In Canada there are over 10,000 cooperative societies operating in all sectors of activity. Together they hold combined assets worth \$167 billion and they are owned by 15 million people.⁹⁷

Canada's International Development Agency (CIDA)⁹⁸ has been supporting microfinance and microenterprises as tools of development since its inception in 1968. CIDA has been supporting many of the microcredit projects in Latin America and Africa. About \$100 million or five per cent of Canada's International Development Assistance budget goes to these microcredit projects through CIDA. Apart from CIDA, Canada Funds for Local Initiatives (CFLI)⁹⁹ is also a world known agency promoting and supporting microcredit activities. It is administered by Canadian Embassies and High Commissions, and it gives priority to locally initiated projects. The CFLI provides small scale, short-term support for projects at the community level through local NGOs and other grassroots

⁹⁷ Anne Gaboury and Marisol Quirion, *Why we can no longer Afford to Ignore Financial Cooperatives in the Effort to Increase Access to Financial Services*, Presentation to Global Microcredit Summit, November, 2006, Halifax, Canada.

⁹⁸ Canadian International Development Agency (CIDA), founded in 1968, to extend financial and technical assistance to developing countries and regions of the world. For details, please visit: www.acdi-cida.gc.ca.

⁹⁹ Canada Funds for Local Initiatives (CFLI), for details please visit: <http://www.canadainternational.gc.ca>.

organisations such as village councils, cooperatives and women's groups. The programme is designed in accordance with Canada's priority areas for development assistance: meeting basic human needs (water supply, sanitation, healthcare, and education); promoting the participation of women in development especially as decision makers; improving infrastructure services; protecting and promoting human rights and good governance; supporting small business development (including through income support and skills development); and protecting the environment and promoting environmental awareness. In total, Canada supports microfinance projects in about 50 countries.¹⁰⁰

'Microcredit' finds its traces from the European cooperative credit societies of 19th centuries, especially of Raiffeisen Credit Caisses. Microcredit works on the principles of offering financial products and services to the least privileged or those still remaining out of formal financial sector coverages principally through the means of mutual cooperation and financial support. Although the cooperative sector which has a deep roots among the masses for many centuries across the world and this industry has also been working on the principles of mutual cooperation and support, newly emerged microcredit and microfinance sector, which differs only in nomenclature whereas principles of both type of institutions remains the same, do not consider these institutions as the part of their global movement to end poverty and to offer financial supports to those who do not have any other mean to secure credit from formal financial institutions. Despite of the fact that same ideals became the basis of establishment of cooperative movement as well as microcredit activities in the world as well as financial capacity, network infrastructure and access and coverage to masses of financial cooperatives are many times stronger than that of MFIs, still the leading microfinance practitioners do not recognise these cooperative institutions as part of their microfinance landscape.

Canada has almost over 110 years of association with modern cooperative traditions but, as such the practices of supporting microentrepreneurs in Canada can be traced back to

¹⁰⁰ Canada and Microcredit: Building on Experience, Notes for remarks by David Kilgour to *Small Business Loans for the Poor: A Forum on Microcredit* on 12.06.1999.

the period when Canada was being settled down by European merchants and traders during the 15th and 16th centuries AD. During that period, the funding of microenterprises through small loans was important to the growth of commerce in Canadian Settler Society.¹⁰¹ In this era of setting up of the financial institutions for people without any banking facilities, the same institutions and principles, those of recently developed microcredit industry, inspired the establishment of cooperative movement in Canada with Alphonse Desjardins founding the “Mouvement des Caisses Populaires Desjardins” in Quebec thus becoming the inspiring body of cooperative credit movement in entire North America. Apart from Caisses Populaires of Desjardins in Francophone pockets, Dr. Moses Coady established the Antigonish Movement which became the forerunner of the credit union movement in English-speaking Canada. During 1930s, as a consequence of Grand Depression, many more credit unions were established as mutual cooperation was seen as the best option of social and economic security of common people to fight the impacts of Depression. The World War II also boosted the Canadian economy and industry which subsequently resulted in the strong flourishing of cooperative institutions in Canada. All this led to the establishment of a strong network of cooperative credit institutions in Canada and, Quebec, being the motherland of earliest cooperative movements in North America, tops among all the provinces with highest density of cooperatives in Canada.

Canada follows two principles of CGAP – ‘Big is necessary’ and ‘Access for All’ – in terms of microfinance practices.¹⁰² The “Big is necessary” theme drives the large and strong Canadian organisations working internationally in the microfinance sector. Canadian cooperative and governmental agencies, with their very early roots in international microfinance, have been following the above mentioned two main pathways in their efforts to respond to the global challenge of microfinance access. Canada has a very old and successful partnership throughout the world with the cooperative or

¹⁰¹ Ibid.

¹⁰² Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, p.1.

community finance institutions. The Canadian financial cooperatives have demonstrated that reaching scale can be achieved through federations or networks of small and medium-sized financial organisations. The other pathway to “Access for all” concept pioneered by Canadian organisations is the commercial one. In this case, the model most often promoted is large-scale and centralised one. Creating commercially viable microfinance banks, attracting commercial investments, setting up commercial investment funds and getting the existing commercial banks into the business are all innovations with Canadian microfinance industries. In sum, Canada’s cooperative and commercial microfinance innovators have been driven by the desire to reach large numbers of poor people, especially women, with appropriate and sustainable financial services.¹⁰³ Their innovations have been fuelled by the quest for sustainable sources of capital and the need to develop or identify efficient and effective delivery vehicles.

The Canadian International Development Agency (CIDA) identifies microfinance as a “component of its Private Sector Development Strategy which supports growth that actively engages and directly benefits the poor”. On the domestic front, Canada was an early pioneer in microfinance in North America (actually Cooperative Associations), from the founding of the first *caisse populaire* in Levis, Quebec by Alphonse Desjardins in 1900 to the establishment of Antigonish Movement promoting credit unions in English-speaking Canada by Moses Coady in the 1930s. Commercial banks, finance companies, community loan funds, government lending schemes and informal savings and credit operations all complete the microfinance landscape in Canada. Credit has been the major preoccupation of Canada’s small domestic microfinance community, but savings and building assets have emerged as key areas of innovation.¹⁰⁴ But still, having a strong social safety net in the country, Canada has more requirement of microcredit than the microfinance. Internationally, DID has the largest and broadest impact of all the Canadian organisations. DID has worked widely in Francophone Africa, and has helped created the largest credit union networks in those countries. Calmeadow, a true and the

¹⁰³ Ibid.

¹⁰⁴ Ibid, p. 2.

most renowned microfinance organisation of Canada, has the greatest impact in terms of quality outreach, as it has acted as a global actor, often involved in cutting edge issues in the global microfinance field.¹⁰⁵

Canada's Participation in Global Microfinance Activities

An American missionary Father John landed in Jamaica in 1939 in the wake of political upheaval and mass riot against poor wages and inhumane living conditions there. Two years later, he established the first Jamaican financial cooperative, the Sodality Credit Union, as a way to improve the poor's living conditions there. Father John Sullivan further spreaded credit unions across Jamaica and virtually the entire Caribbean. His credit unions represent one of Canada's first forays into microfinance in the developing world.¹⁰⁶

The credit union model employed by Father Sullivan was basically inspired by the credit union model of "Antigonish Movement", established by Father Moses Coady and developed almost over a decade earlier around 1930s. Coady organised study groups for the population to learn about the social and economic power of cooperative organisations. These study groups were later transformed into credit unions, providing savings and credit services to those who had previously lacked access to financial services. The "Antigonish Movement" provided the inspiration and practical model for the development of credit unions across English Canada, and around the world. Father Sullivan used the same model and study materials, first used in Antigonish Movement, to design his credit unions in Caribbean. Though these credit unions present the earliest foundations of microfinance practices in the world, none of the two founders named it as microcredit or microfinance.¹⁰⁷

¹⁰⁵ Ibid, p. 3.

¹⁰⁶ Ibid, p. 4-6.

¹⁰⁷ Ibid

Canadian Credit unions soon started promoting their activities overseas. In 1954, the Credit Union National Association (CUNA)¹⁰⁸, a US based organisation with numerous Canadian members, established the World Extension Department to actively contribute to the development of credit unions throughout the world. Simultaneously, numerous activists from the fields of cooperative and community development from the developing world came to Antigonish to learn the principles and operations of the Antigonish Movement. The increasing number of participants led St. Francis Xavier University opened a dedicated professional leadership education facility, the Coady International Institute, in 1959.

The expansion of microfinance activities got significant boost in 1960s thanks to the enhanced international interest in it. The government of the United State became an active supporter of microcredit activities and in order to serve the US government purpose, the United States Agency for International Development (USAID)¹⁰⁹ was exclusively established to support the developmental activities including financial emancipation, poverty alleviation, etc. The United Nations also noted the global interest and need to promote the microfinance activities through cooperative institutions. It declared 1964 as the 'International Year of Cooperatives'. In Canada, the Cooperative Union of Canada (CUC)¹¹⁰ launched the 'Cooperatives Everywhere' programme through its Cooperative Development Foundation in 1962 to foster cooperatives and credit unions at home and abroad. The CUC launched its first international credit union activity in the

¹⁰⁸ Credit Union National Association (CUNA) was established on August 10, 1934 by 52 credit union leaders from 21 states and the District of Columbia at Estes Park, Colorado after the signing of Federal Credit Union Act in 1934 by US President Franklin D. Roosevelt. Today it has become grown up as a big financial conglomerate with areas of activities and exposures ranging to diversified fields. For details please visit: www.cuna.org.

¹⁰⁹ U.S. Agency for International Development (USAID) was established by US President John F. Kennedy on November 3, 1961 by sanctioning Foreign Assistance Act thus creating an agency to administer economic assistance programmes whose primary emphasis was on long-range economic and social development efforts for the developing countries of the world. For details please visit: www.usaid.gov.

¹¹⁰ Cooperative Union of Canada was founded in Hamilton, Ontario on March 6, 1909 as the first national organised association for the Canadian co-operative sector. It was renamed as Canadian Co-operative Association (CCA) in 1987. For details please visit: <http://www.coopscanada.coop>.

British West Indies and British Guyana. It worked actively with Canadian International Development Agency (CIDA)¹¹¹, which was formed in 1968, in promotion of cooperative activities in developing countries. The CUC was later renamed as Canadian Cooperative Association (CCA) and thus becoming the sole channel for the international development activity of English-Canadian credit unions.¹¹²

As the CCA was representing the international development activity of English-Canadian credit unions, Desjardins Movement was the leading face of French-Canadian credit unions which developed separately within Canada and later created their own international development arm. In fact, Desjardins movement is also accredited for founding the first credit unions in Canada to remove the difficulty of French-Canadians in accessing financial services. Like Antigonish, cooperative activists from around the world were also travelling to Quebec to learn about the principles and operations of cooperative organisations. In 1963, the Desjardins Movement formalised its training activity by creating the “Institut Coopératif Desjardins (ICD)” to train senior personnel from financial cooperatives in Asia, Africa and Latin America. The ICD was transformed into the “Compagnie Internationale de Développement Regionale” in 1970, continuing to provide training along with direct technical assistance to and investment in financial cooperatives in the developing world. The CIDR was further renamed as “Développement International Desjardins (DID)”¹¹³ in 1973 and since then, it has been leading the Canadian flag in promotion of microfinance and cooperative activities in more than 35 countries.

English and French credit unions of Canada have been representing Canada’s principle contributions to the development of microfinance. While credit unions of Canada are neither explicitly nor exclusively considered microfinance institutions, they have proven

¹¹¹ Canadian International Development Agency, for details please visit: www.acdi-cida.gc.ca.

¹¹² Ibid.

¹¹³ Développement Desjardins International (DID) was founded on November 16, 1970 with the aim of creating a subsidiary within the Desjardin Movement devoted to international development grew out of a desire to share the success of Quebec’s cooperative model with visitors from developing nations where interest in the cooperative model started to rise in the 1960s. For details please visit: www.did.gc.ca.

themselves to be incredibly successful microfinance providers.¹¹⁴ Like microfinance institutions, credit unions provide formal financial services to the poor and other communities neglected by most banks, but unlike the large majority of microfinance NGOs, credit unions are legally entitled to take savings deposits, providing an important financial service to clients and accessing a low-cost and important source of funds which can be turned around as credit. Canada's cooperatives and credit unions have encouraged and assisted in the development of microfinance activities throughout the world, connecting millions with basic and reliable financial services.

Major Microfinance Institutions of Canada

As mentioned earlier, Canada has the highest per capita cooperatives and credit unions presence in the world. Desjardins Group has the largest financial network in Canada and it lists itself among the top 100 financial institutions of the world. Apart from Desjardins, there are several other cooperative and microfinance institutions having strong prominence at the domestic as well as international level:

Développement International Desjardins (DID)¹¹⁵: DID is one of Canada's most recognised and robust financial institutions in the field of microfinance field. With over one hundred years of experience in Canada and forty years abroad, DID has amassed a wealth of knowledge and expertise on community-based finances. Active in over thirty five countries in Africa, Latin America, Asia, and Central and Eastern Europe, DID provides two types of services – technical assistance and financial investment – to create a flexible and integrated services to offer. It partners with 34 cooperatives, networks and community finance institutions which serve more than 3 million members and clients and manage assets of nearly \$1 billion. DID reaches 1.2 million women which form 40% of total clients of DID. DID confirms its fundamental orientation of making financial

¹¹⁴ Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, p.6.

¹¹⁵ Développement Desjardins International (DID), founded in 1970, is the largest and most recognised financial institution from Canada working in the field of microcredit and microfinance. For details please visit: www.did.qc.ca.

services available by developing financial institutions whose main resources would come mainly from the communities served, in contrast to single purpose microcredit projects or fund dispensing capital obtained through external sources. DID is committed to reaching the poor on a sustainable basis, by creating a solid federated network of institutions which provide a range of different loans, savings and insurance products tailored to the poorest. DID has demonstrated a strong performance globally especially in the countries of West Africa. In West Africa, approximately 80% of micro financial services are provided through financial cooperatives out of which 60-70% services have been executed by DID. Success at home as well as overseas, Desjardins Movement and DID have established itself as a global leader and key innovator in the world of micro and community finance.

The Canadian Cooperative Association (CCA)¹¹⁶: Like its Francophone counterpart, Développement International Desjardins, the Canadian Cooperative Association (CCA) is a significant architect of Canada's cooperative response to the CGAP challenge of "Access for All". The CCA has been instrumental in the development and strengthening of national credit union movements throughout the world. Supported by CIDA and a number of International Finance Institutions, CCA distinguishes itself by connecting community finance to agriculture, rural development, health, etc. CCA provides technical assistance, training, institutional development services, and loan capital in exclusive cases to partner institutions in Africa, Asia, Central America, and Eastern Europe. Technical assistance may be provided to credit unions or to governments where assistance is required to establish an appropriate regulatory environment. Since 2002, CCA has been involved in financial sector projects of over 40 countries reaching over 2 million individuals.

The Canadian Co-operative Association is a national association for co-operatives in Canada, representing more than nine million co-operative and credit union members from

¹¹⁶Canadian Co-operative Association (CCA), formerly known as the Co-operative Union of Canada (founded in 1909), came into operations in 1987 and became the first national organised association for the Canadian Co-operative Sector. For details, please visit: <http://www.coopscanada.coop>.

over 2000 organisations. CCA members come from diverse sectors of the economy like finance, insurance, agro-food and supply, wholesale and retail, housing, health and the service sector. It was earlier known as the Co-operative Union of Canada (CUC), founded in Hamilton, Ontario on March 6, 1909. The CUC was converted into CCA. CCA also works closely with its sister organisation, the Conseil Canadien de la Coopération et de la mutualité¹¹⁷, which represents the francophone co-operative sector.

The Coady International Institute (Coady)¹¹⁸: From its first point of international influence in Jamaica in 1939 to its current partnership with the new Indian School of Microfinance for Women, Coady has been a key Canadian microfinance player in the areas of leadership education, knowledge generation and dissemination, institution building, and technical assistance. With its roots in the Antigonish Movement¹¹⁹, Coady has been instrumental in establishing and strengthening the worldwide credit union movement. The Coady International Institute, in partnership with CIDA, USAID, CUSO, CECI, CCA, CGAP, the Asian Development Bank, and the Ford Foundation, has worked to build the knowledge and capacity of the microfinance sector and its leaders in every region of the world. Today, the Coady is a leading global institute imparting the knowledge about the effective community based microfinance models. In addition to its academic programmes, Coady is also engaged in a variety of partnerships and research initiatives. Building capable leaders and organisations equipped with the latest best-practice knowledge and skills in the field of cooperatives and microfinance is Coady's principal objective.

¹¹⁷ Le Conseil Canadien de la Coopération et de la Mutualité is the representative body of Francophone cooperative institutions like CCA of whole or Anglophone cooperative institutions.

¹¹⁸ Coady International Institute (The Coady), St. Francis Xavier University. For details please visit: www.coady.stfx.ca.

¹¹⁹By the early 1920s, Fr. Tompkins and Dr. Moses Coady had begun pioneering a practice of popular education and community organizing that enabled people to change their lives and their futures. In 1928, the StFX board of governors asked Dr. Coady to establish the university's Extension Department and appointed him its first director. Over the next two decades, the unique and successful extension work of StFX became known worldwide as the Antigonish Movement. Please see www.coady.stfx.ca.

The Société de Coopération pour le Développement International (SOCODEVI)¹²⁰: Like CCA, SOCODEVI is the international development arm of many of cooperative organisations from the province of Quebec. It has been supporting credit union development since 1985, particularly to those credit unions working exclusively for and with women. In last over 25 years of operations, SOCODEVI has offered services in forty countries spreading over four continents. It has also assisted more than 600 partner organisations and it offers services to over 12 million direct and indirect beneficiaries. Till 2010, it has completed 378 projects worth CAN \$200 million. SOCODEVI also has extensive experience in microinsurance in Latin America, a fact which distinguishes it from other Canadian organisations.

Centre d'Étude et de Coopération Internationale (CECI)¹²¹: As a pioneer of Canadian cooperation, CECI, since 1958, has broken new grounds in many areas. CECI laid the first foundations for international cooperation in Quebec, integrated human rights concerns into the bilateral programmes of CIDA, and instituted such important programmes as Women's Rights and Citizenship in West Africa, Leave for Change, Uniterra – Canada's biggest international volunteer programme. It develops financial products for the poor and others lacking access to traditional credit structures.

For over 50 years, CECI has made its mark in international development with professionalism, a dynamic approach, and an unending devotion to building a better, more humane world. Known for its commitment and professionalism, CECI serves with a growing number of Canadian and overseas development organisations. The mission of CECI is to combat poverty and exclusion. To achieve this end, CECI builds the development capacities of disadvantaged communities. It supports peace building, human

¹²⁰ SOCODEVI (Société de Coopération pour le Développement International), a Canadian non-profit international development corporation was set up in 1985, when several Quebec cooperatives and mutuals joined forces in order to share their experience with organisations in developing countries. For details please visit: www.socodevi.org.

¹²¹ CECI (Centre for International Studies and Cooperation) was founded in 1958 as an organisation to extend cooperation to combat poverty and exclusion. It has become a bonafide incubator of international cooperation in Quebec and Canada. For details please visit, www.cec.ca.

rights, and equity initiatives. It mobilises resources and promotes exchange of knowledge. CECI has globally been boasted for its role in creating the Centre for Microfinance in Nepal, a leading microfinance organisation in Asia.

CALMEADOW¹²²: Canada's commercial approach to microfinance is named as Calmeadow. It was founded in 1983 by Martin Connell and Linda Haynes with the goal of supporting small entrepreneurs in the developing world. Calmeadow contributed to the development of commercial microfinance in Latin America and around the world. The most proud moment for Calmeadow came when the world's first commercial bank for self-employed poor, Banco Sol, was created in Bolivia on January 24, 1992. Banco Sol was basically the brainchild of Martin Connell, the President of Calmeadow. Calmeadow partnered with ACCION and undertook the feasibility study and transition plan to create Banco Sol. With the establishment of Banco Sol, Calmeadow proved that poor's banks or microfinance banks were also bankable themselves like poor had before proved themselves bankable. The next success for Calmeadow came with the creation of ProFund¹²³ in 1995. ProFund was a successful joint venture of Calmeadow with its US, European and Latin American Partners. It was a commercial investment fund that would identify and invest in promising microfinance institutions, thus creating more banco sols, more access to capital opportunities for investors. ProFund demonstrated that investing in

¹²² CALMEADOW is a leading international microfinance organisation of Canada which was founded in 1985 on the lines of emerging microcredit and microfinance sector internationally. For details please visit: www.calmeadow.com.

¹²³ ProFund International (ProFund) was incorporated in 1995 as a profit oriented microfinance investment fund under the aegis of Omtrix Inc. with active support from Calmeadow. ProFund provided equity and quasi-equity resources to eligible MFIs so they could expand and improve their operations on a sustainable and large-scale basis. As a close-end fund, ProFund was liquidated after ten years according to the terms of its Charter. Its investee portfolios had grown to a total of USD 8 million and were servicing the needs of more than 900,000 microentrepreneurs. ProFund, along with the MFIs in which it invested, successfully strengthened the industry and created a demonstration effect leading to the active engagement of the commercial financial sector. After ProFund's successful trial, at least twenty similar equity funds were created around the world. For details please visit: www.calmeadow.com/pdf/profund.pdf.

MFIs could provide a commercial rate of return. Calmeadow also led the creation of AfriCap¹²⁴, a microfinance fund for promotion of microfinance activities in Africa.

From the beginning Calmeadow linked the immediate goal of improving people's lives by providing small scale credit with the larger systematic change of engaging mainstream financial institutions. Starting out as a granting foundation in 1983, Calmeadow transformed itself into an entrepreneurial NGO leading the charge on developing and promoting commercial microfinance models, eventually added an investor role and today is largely focused on the Emergency Liquidity Fund (ELF)¹²⁵. In April, 2005, Calmeadow reached the dual goal set for it 20 years earlier. It had become fully self-sustaining as an organisation while helping to create a model of microfinance service delivery that is fully sustainable. In 2000, Calmeadow took the bold step of stopping to accept donor money.¹²⁶

For years Calmeadow played a significant role in providing technical assistance to emerging or transforming microfinance institutions throughout Latin America, Africa and South Asia. Calmeadow played a critical knowledge role by disseminating best practices

¹²⁴ AfriCap Microfinance Investment Company (AfriCap) was jointly established by Calmeadow and ACCION in 2001 to support African microfinance institutions with separate financial and technical investment funds. In 2007, AfriCap increased its capital base to USD 50 million and was reconstituted as a permanent investment company: AfriCap Microfinance Investment Company. AfriCap is one of the few private equity players in Africa positioned as a value added investor, investing even in early stage of growth of MFIs. In addition to providing institutional development support to a number of prominent industry players in various countries, AfriCap's Technical Support Facility has successfully managed industry development and broad social programmes such as the FERLO project, the AfriCap Network Project, the HIV/AIDS project and the Kumassi Metal Workers' environmental project. For details please visit: www.calmeadow.com/investments/africap.html.

¹²⁵ Emergency Liquidity Fund (ELF) was launched in 2005 by Calmeadow and partners along with Technical Assistance Facility (TSF) in their Latin American operations to meet immediate liquidity crisis there. ELF quickly provides emergency liquidity to well-managed and solvent MFIs during times of crisis. The Facility serves as a lender of the last resort for pre-qualified microfinance institutions located throughout Latin America and the Caribbean. As of September 30th, 2010, ELF had disbursed a total of US \$27 million to 26 different institutions. For details please visit: www.calmeadow.com/investments/elf.html.

¹²⁶ Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, pp.10-12.

information widely. For a number of years, it was Secretariat to the Microfinance Network, a forum to exchange ideas and practices among the world's leading microcredit organisations. With millions of people served, many microfinance institutions established, investors and donors influenced, Calmeadow has really put Canada proudly at the microfinance map. By proving that poverty alleviation and profitability were not mutually exclusive goals and that MFIs could be financially sustainable and reach scale, Calmeadow helped demonstrate that the commercial approach to microfinance was feasible and had tremendous potential to reach greater and greater numbers of poor women and men in the developing world.

Mennonite Economic Development Associates (MEDA)¹²⁷: MEDA has recently been emerging on the global level as a leader and innovator in commercial microfinance. It was founded in 1953 as a venture capital fund to invest in businesses run by or for the poor. It is an association of compassionate business women and men who invest in the lives of families living in poverty around the world. MEDA targets the poorest of the economically active in developing countries and accomplishes its mission of improving livelihoods through five key areas: Microfinance, Production and Marketing Linkages, Investment Fund Development, Community Economic Development and Member Services. The first three departments are internationally focused while the last two operate within North America.¹²⁸ Its first investment was in Sarona Dairy in Paraguay, and from there it drew the name for its Sarona Global Investment Fund. The idea behind the creation of Fund was to connect private sector capital from North America with capital demand in Latin America. In 2003, MEDA, along with CARE, created a \$20

¹²⁷ For more than 50 years, MEDA has been designing and implementing innovative and effective market-driven economic development programmes that improve the livelihoods of millions of people living in poverty around the world. Founded by a small group of service-oriented business people, MEDA has grown to become a large, dynamic international organisation comprised of thousands of members and supporters across North America and Europe. For details please visit: www.meda.org.

¹²⁸ Megan Andrews, *Microcredit and Agriculture: How to Make it Work*, (Paper prepared for Global Microcredit Summit, Halifax: July, 2006), p. 1.

million commercial investment fund, MicroVest¹²⁹, which provides capital to small but profitable microfinance institutions. The MicroVest has placed approximately US\$14.5 million in debt and equity investments with 21 MFIs in 13 countries (up to 2005). MEDA also provides low risk capital to promising, well-managed microfinance institutions that are in a position to grow but have trouble accessing commercial capital or investments.

MEDA's partnership with Scotiabank to help Scotiabank see the commercial potential in microfinance in Jamaica is unearthing new grounds in the domain of Canadian bank and NGO partnerships. At present, MEDA has been serving 2.6 million clients and farmers throughout the developing world. In recent years, MEDA has emerged as a leading Canadian organisation promoting microfinance investment funds. MEDA also sees the importance of connecting technical assistance with investment in the support of fledgling microfinance institutions like DID and Calmeadow.¹³⁰

Vancity: Vancity is the largest credit union of English Canada with \$ 10.5 billion in assets and 340,000 members. It has 42 branches throughout the world. The most celebrated product of Vancity is its 'Peer Lending Program' which offers micro business loans ranging from \$5000 to \$35,000 for experienced entrepreneurs with good credit history and a formal business plan. Through its Shared World Fixed Term Deposits, formerly known as the International Community Investment Deposit, Vancity connects its clients with microfinance institutions in the developing world. The programme is billed as "a way for you to help address poverty in developing regions and earn a competitive return on your investment". All deposit funds are pooled together and invested at below market rates in international community loan funds. Shared World presently has investments in 15 organisations, such as ACCION Global Bridge Fund,

¹²⁹ MicroVest Capital Fund (MicroVest) was founded by CARE, MEDA and Seed Capital Development Fund. Since launching its operations in 2003, MicroVest has provided financing to over 50 microfinance institutions in 25 countries. It works as a capital-mobilising intermediary to provide capital to low-income finance institutions and to help build capital markets serving individuals at the base of the economic pyramid. For details, please visit: <http://www.microvestfund.com>.

¹³⁰ Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, p.15-16.

BancoSol, FINCA, Oikocredit and the Russian Women's Microfinance Network, totalling CDN\$2.25 million.¹³¹ Today thanks to the efforts and supports of these financial agencies, average, 2 million loans are sanctioned every year to poor microentrepreneurs and 10,000 members are out of poverty every month.

Scotiabank¹³²: The latest trend of microfinance sector is the commercialisation of its operations with entry of existing full service commercial banks in the sector. Mainstream commercial banks possess infrastructure, human and financial resources more than any other microfinance providers, and therefore have the potential to vastly expand access to financial services. Banks, with their extensive branch infrastructure and capacity to invest in innovative technology solutions to lower the costs of reaching large numbers of people, can play an enormous role in building inclusive financial systems. Among the major chartered banks of Canada, Bank of Nova Scotia (Scotiabank) has received the global recognition for its engagement in microfinance work in the developing countries. Scotiabank is in international operations since 1885, and it has a significant presence in the Caribbean, Latin America and Asia. In some selected countries, Scotiabank has been involved in microfinance projects as part of its Corporate Social Responsibility (CSR) mandate. The largest microfinance project of Scotiabank has been in Jamaica. In partnership with MEDA, CIDA and the Kingston Restoration, Scotiabank forms Micro Enterprise Financing Limited (MEFL) with the goal of strengthening the economic base of entrepreneurs, especially women, by providing reliable and sustainable financial services in Kingston, Jamaica. This successful partnership of a Canadian commercial

¹³¹ Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, p.14.

¹³² Commercial Bank in Microfinance: New Actors in Microfinance World, details on www.unCDF.org/mfdl/readings/CommBanks.pdf. & www.scotiabank.com.

bank, a Canadian NGO and the Canadian government is unique in Canada's international microfinance experience.¹³³

Canada's International Development Agency (CIDA)¹³⁴: CIDA has played a major role in almost every successful microfinance venture of Canada at international level. It is a federal agency, founded in 1968, tasked with coordinating, implementing and supporting Canada's international development activities, including in the field of microfinance. CIDA supports microfinance activities through its geographic branches in every continent, its Multilateral Branch, and Canadian Partnership Branch. In recent years, the geographic focus of CIDA's microfinance activities has become more focussed toward Africa and Asia than the earlier focus on Latin America. In the Multilateral Branch, CIDA supports microfinance through its support to the International Financial Institutions (World Bank, International Monetary Fund, and regional development banks) and the United Nations. Its principle commitments are to the Consultative Group to Assist the Poor (CGAP) and the United Nations Capital Development Fund (UNCDF), at approximately CAN \$500,000 each per year. The Canadian Partnership Branch, through which CIDA supports Canadian institutions involved in international development, represents the core of CIDA's microfinance activity, accounting for over one-third of total microfinance spending and almost two thirds of total projects in 2004-05. Overall, in 2004-05, CIDA's total microfinance spending was CAN \$40 million.¹³⁵

CIDA has long been a supporter of microcredit and microfinance activities. During the first wave of microcredit – before it was not even conceived of as microcredit or microfinance – CIDA supported the early efforts of Desjardins Movement, CCA (formerly CUC) and the Coady International Institute in building and strengthening of

¹³³ Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, pp. 12-13.

¹³⁴ About CIDA, please visit: <http://www.acdi-cida.gc.ca>.

¹³⁵ Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, pp. 16-18.

community-based, cooperative financial institutions overseas. In 1970s and 1980s, when microcredit was at its germination stage, CIDA financially supported the pioneering work of Grameen Bank and other Bangladeshi financial institutions. In 1990s, CIDA continued supporting the innovations in microfinance field. It partnered with Calmeadow, ACCION International and PRODEM to create Banco Sol in Bolivia.

CIDA's mission is to lead Canada's international effort to help people living in poverty. Thanks to CIDA's contribution, Ghana is well on the way to achieving the first Millennium Development Goals. In 1991-2006, this African country nearly halved its poverty rate from 51.7% to 28.5%. Another famous venture of CIDA, Microfinance Investment Support Facility (MISFA) was launched by the Government of Afghanistan in June, 2003 and it has performed exceeding expectations. It has granted more than \$ 70 million in loans to some 300,000 poor in Afghanistan and it also registered a high loan repayment rate of 98 per cent. Canada, through CIDA, is the largest donor to this programme.¹³⁶

At present, CIDA supports the microfinance work of a number of Canadian cooperative and microfinance institutions, viz. DID, CCA, CECI, SOCODEVI, the Coady International Institute, MEDA, World Vision Canada, CARE, the Aga Khan Foundation Canada, Opportunity International Canada, and etc. In fact, partnership is the key component of CIDA's contribution to the development of microfinance as it does not directly implement microfinance project rather it provides financial support to partner organisations. Today Canadian microfinance practitioners, with support from CIDA, are at work in some of the toughest post-conflict settings and are providing leadership in investment-based microfinance developments. Canada has demonstrated leadership and impact through its commercial and cooperative pathways to global access of financial services.¹³⁷

¹³⁶ About CIDA, please see: <http://www.acdi-cida.gc.ca>.

¹³⁷ Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, pp. 16-18.

These are some of the important players of Canada in the fields of credit union and microfinance activities at the domestic as well as international level. But, as mentioned earlier, Canada has the highest concentration of financial cooperatives and credit unions in the world, so there are thousands big or small other financial institutions contributing to the causes of microcredit. Canadian partners of World Vision, Opportunity International and the Aga Khan Foundation are also some of the well-known Canadian organisations for their role in commercial microfinance at the international level and with the help of their active engagement in the global efforts to reduce poverty through microfinance means, Canada is respected as the world leader in the field of microfinance.

Role of Cooperative and Micro-Finance in Domestic Development of Canada

Canada is one of the most industrialised and developed countries of the world. Canada has also been constantly among top three countries of the world on the scale of human development index (HDI) with very high and appreciable performances on different parameters of human development. Moreover, Canada has a very high grade of social security net. With all these developmental parameters, microcredit and microfinance do not find similar role here, as in developing world, to tackle the menace of poverty and social and economic exclusion. In Canada, microfinance largely means microcredit as it is required only in form of credit to some extent by immigrants and small entrepreneurs whereas other aspects of human development being well dealt by provincial and federal governments, thus leaving no such room for microfinance initiatives as such. Microcredit primarily targets small entrepreneurs who need credit to develop or expand their businesses, but who have difficulty in accessing the due credit because the required loan is either too small for conventional financial institutions, or they have poor credit histories, or they lack the necessary collateral. Different microcredit initiatives focus on different subset of entrepreneurs, such as immigrants, women, the disabled, social assistance recipients and aboriginal people.

The 1999 State of Micro Credit in Canada study published by Calmeadow defined Microcredit as business loans below \$25,000. The study also identified 425,000 Canadian microfinance clients with most being served by private cooperative and commercial financial institutions and smaller numbers served by government programmes and micro or community loan funds. Microcredit is provided on a relatively significant scale and on a sustainable basis by financial institutions, which either blend the costs with other products and services or which charge high rates of interest through credit cards or other financing options. The microfinance practices emerged in Canada only in the mid to late 1980s. Canada's first explicit microfinance experiments at home were influenced and shaped by international models of microfinance institutions. Mohammed Yunus of Grameen Bank and Pancho Otero of Prodem were both consulted when Calmeadow launched North America's first group-based lending scheme on Wikwemikong Reserve in Ontario. In an interesting reverse of the traditional North/South technical transfer, a South/North transfer of expertise emerged during the start up phase of Canadian microcredit funds.¹³⁸

Encouraged by the early success of its international microfinance partnerships, Calmeadow decided to experiment with the development of sustainable and scalable models of Microcredit provision at Canada. In 1987, Calmeadow launched the Native Self Employment Program in three aboriginal communities in Ontario, based upon the peer group lending methodology which was pioneered in Latin America and Asia. Its initial success led to the creation of the First People's Fund in 1990. That was followed by the launch of similar peer group and individual microcredit programmes in rural Nova Scotia, Toronto and Vancouver in the early 1990s. The goal of these programmes was twofold: to support self-employment and creation of microenterprises among those who would otherwise be unable to do so on a financially sustainable or commercially viable basis. During the 1990s, these funds, in partnership with Royal Bank of Canada, disbursed CAN \$4.6 million in 2,558 loans across the country. But by the mid-1990s,

¹³⁸ Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, p. 22.

Calmeadow had begun to conclude that microcredit was not commercially viable on a standalone basis in the Canadian context. Calmeadow gradually sold off its loan portfolios. Its Vancouver programme was sold to Vancity in 1996, and its Toronto operations to Metro Credit Union (now Aterna) in 2000. The experiment of Calmeadow brought the fact that reaching scale and achieving self-sufficiency for a microcredit or microfinance institution in an industrialised country is much more difficult than achieving it in a developing country context.¹³⁹

Obstacles in Growth of Domestic Microcredit Sector in Canada

Canada, principally a country of microcredit and cooperatives, has started aligning with microcredit programmes by taking several initiatives. But with the signing off the domestic operations by Calmeadow in 2000, it posed an important question what were the reasons which had impeded the development of a robust and fully financially sustainable microfinance model in Canada¹⁴⁰:

- The micro-enterprise market is much smaller and not necessarily for poor or low income group. The market is better educated but less experienced in business. Enterprises are often home based and are therefore invisible. The market is not well understood.
- Demand for credit is not as great. People may have other options like credit card, cooperative instruments, etc. Both micro-enterprise and microcredit are relatively new concepts.
- Market demand is both latent and suppressed because there is a regulatory environment which discourages micro and in particular home-based businesses and there are often disincentives built into the social assistance system.
- Delivery costs are higher due to human resource expense – high transaction costs.
- More limited latitude on interest rates due to usury laws and public attitudes. The cap on interest rate does not allow the MFIs to remain profitable and sustainable.

¹³⁹ Ibid, p. 25.

¹⁴⁰ Ibid, p. 26.

- Most MFIs focus exclusively on small scale credit because of regulatory restrictions on savings mobilisation by MFIs.
- There is a lack of vision in the operations of MFIs and many of them have not been striving for self-sufficiency. Many MFIs and MFI programmes take a short-term project or programme approach instead of a more long-term institutional approach.
- Microentrepreneurs generally run home-based businesses, especially by women. Women in developing countries are the most successful microentrepreneurs. But women of Canada and other developed countries are quite often highly skilled and technologically advanced and also have collaterals to get financed from formal institutions. But here the problem is totally of a different nature. There is single parent or nuclear family trend in these developed countries. Taking care of child becomes the responsibility of generally women and they are not thus able to start up a micro-business because of absence of necessary family support under nuclear or mono parenthood structure of family. About 15 per cent of Canadian families have only one parent, and 56 per cent of single-parent families live on low incomes. This means that many of Canada's poor often lack the necessary family support to become microentrepreneurs, and in many cases, they lack the education and skills to take part in the new digital economy.¹⁴¹

Canada is also a very vast country and population is also quite mobile. Tracing and offering credit to such mobile population is a very tough task. In addition, it becomes also difficult to create peer lending groups to offer group guarantee.¹⁴²

Quebec's Credit Unions

The leaders of French-Canadian nationalism of late 19th and early 20th centuries took inspiration from cooperative sector to end the subordinate economic status of

¹⁴¹ Canada and Microcredit: Building on Experience, Notes for remarks by David Kilgour to *Small Business Loans for the Poor: A Forum on Microcredit* on 12.06.1999.

¹⁴² Ibid.

Francophones in Canada. Early nationalist tendencies among Francophones were to deny each and every aspects of English Canada in order to maintain the purity of their language and religion. Continuous denial to industrialisation, modernisation of economic activities with application of technology, latest education and urbanisation resulted in shrank economic opportunities and spaces for Francophones. All these hampered the economic performances of Francophones in Canada. As a whole, they were lagging behind as a people with no or low professional skill and poor capital base at the turn of 20th century. They were forced to work as a labourer under forced circumstances. The poor economic status of Francophones was mainly responsible for their overall plight. The leaders of Francophones realised the nerves of the problem and decided to change the fate of their community by economically empowering them.

Alphonse Desjardins was one of the most prominent names among such leaders who undertook the task to ensure the cultural, economic, social and political upliftment of his countrymen through economic emancipation of the community. He believed in remaining distinct but was not ready to lag behind on any matter, unlike earlier Francophone nationalists in Canada. He borrowed the concept of 'cooperatives' and 'cooperation' from Europe and launched a fresh movement, Caisse Populaire which was later known as Desjardins Movement, which was inspired by similar European experiences but was also specifically designed to meet the local community environments. The grand success of the Desjardins Movement paralleled the economic emancipation of French-Canadians in Canada and, that is why, it is well endorsed by the Quebecers as the proud symbol of their economic conquest in Canada.

Quebec has one of the highest concentrations of cooperative activities not only in Canada but in the whole world. Caisse Populaire de Lévis, founded by Alphonse Desjardins in the year 1900, is the first credit union established on the territory of North America. Quebec has a rich tradition of cooperative and microfinance activities where the economic and financial strengths of excluded play the central role in shaping the entire economic structure of the province. Quebec thus guides and leads the strong cooperative and microfinance industries of Canada.

The role of State in shaping the social and economic order of the province was almost negligible in Quebec prior to 1960. Quiet Revolution of 1960s changed the equation and State emerged as a new centre of power which was then loaded with lots of responsibilities to take control of entire affairs of the state. Taking control of economy from the American and Anglophone dominance was the most pressed line of struggle for Quebecers. Before 1960, the economic backwardness and poverty were not very uncommon features for francophone community of Quebec. As Quiet Revolution re-emphasised the role of Quebec Government and State, the State had to take direct interventions in economic affairs to uplift the economic and social conditions of Quebecers. Since the mid-1960s, the Quebec government implemented following development policies to alleviate poverty:¹⁴³

- Regional development in the early 1960s which has evolved in the past 15 years from having a focus on reducing disparities between different geographic regions to now being centred on exploiting regional competitive advantages, overseeing the implementation of decentralised provincial programmes, and coordinating local development efforts.
- A comprehensive strategy for community development was formulated in the late 1960s to improve local quality of life through creation and development of municipal infrastructures and structures with the focus on improving the local economy. This approach was further developed as community economic development (CED) programme in 1980s.
- Re-building of programmes on social development and social economy, especially for women, were launched in the mid-1990s. The renewed interest in social economy was triggered by the Women's March against Poverty in 1995 which was organised by the Fédération des Femmes du Québec (FFQ). The FFQ was also instrumental in establishing the World March of Women in 2000 that

¹⁴³ William Ninancs, *Community-based Poverty Reduction: The Québec Experience*, (Caledon Institute of Social Policy: Sept, 2003), p. 7-8.

focused on the struggle against poverty and violence against women. The prime focus of women's movement on poverty reduction has led it to participate actively in the social economy regional committees (CRES) and in setting up a number of social economy initiatives.¹⁴⁴

- In 2002, the Quebec Government adopted – Bill 112 – a comprehensive legislation of “a framework law that includes a National Strategy to Combat Poverty and Social Exclusion, a Fund to support social initiatives, an ‘Observatory’ and an ‘Advisory Committee’ on the Prevention of Poverty and Social Exclusion.”¹⁴⁵ Bill 112 defined ‘poverty’ as much more than simply a lack of income. “Poverty”, it states, “is the condition of a human being who is deprived of the resources, means, choices and power necessary to acquire and maintain economic self-sufficiency and participation in society.”¹⁴⁶

Quebec, through its rich network of caisses and credit unions, has been on the forefront of providing needful financial services to those who need it most. The cooperative credit unions of Quebec are active on domestic as well as international scale. DID, SOCODEVI and CECI have been recognised globally for rendering the distinguished services to mankind in fighting the menace of poverty.

¹⁴⁴ W. A. Ninancs with assistance from M. Toye (2002), *A Review of the Theory and Practice of Social Economy/Économie Sociale in Canada*, (Social Research and Demonstration Corporation: Ottawa), p. 38 quoted in William Ninancs, *Community-based Poverty Reduction: The Québec Experience*, (Caledon Institute of Social Policy: Sept, 2003), p. 7-8.

¹⁴⁵ http://www.Cprn.com/docs/family/lap_e.pdf quoted in William Ninancs, *Community-based Poverty Reduction: The Québec Experience*, (Caledon Institute of Social Policy: Sept, 2003), p. 7-8.

¹⁴⁶ Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, p.2.

Recent Developments and Initiatives in Canadian Micro-Finance Sector

Present Role of Canadian Government in Micro-finance

Direct government involvement in microfinance in Canada is concentrated in ensuring access to capital for rural community economic development. A network of 260 Community Business Development Corporations (CBDCs), (known as Community Futures Development Corporations in western Canada) stretching across rural Canada provide the original capital for the loan funds, and through its regional development agencies such as the Atlantic Canada Opportunity Agency (ACOA), continues to provide financing for annual operational costs. Although CBDCs are under the nominal authority of the federal regional development agencies, they are community controlled and focused. They are run by autonomous boards comprised of community members, and revenues generated from interest on lending activity go to increasing available loan capital, and are a form of community asset accumulation. CBDCs share this community-centric approach in common with Canada's numerous credit unions and caisses populaires.¹⁴⁷

As with credit unions and caisses populaires, CBDCs do not focus exclusively on very small enterprises or economically and socially marginalised communities. They can loan up to CAN \$150,000. CBDCs lend on character without collateral to applicants typically lacking financial wherewithal, and who cannot access conventional sources of capital. They also offer business counselling and other related non-financial services. Cumulatively, since 1986, the 41 CBDCs in Atlantic Canada have provided over 18,000 loans worth CAN \$520 million.¹⁴⁸ Various other municipal, provincial and federal government departments and agencies support microfinance in Canada. For example, Western Economic Diversification Canada (WED), the federal development agency responsible for all the provinces west of Ontario, supports small business microloan

¹⁴⁷ Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, pp. 26-28.

¹⁴⁸ Ibid.

programmes in Vancouver, Victoria, Edmonton, Regina, Saskatoon and Winnipeg through a loan loss reserve programmes which helps financial institutions offset some of the risk involved in lending to small businesses. Governments at all levels also support numerous community loan funds and non-governmental social service organisations across the country, two other key institutional features on Canada's microfinance landscape. The Montreal Community Loan Association (ACEM) is an illustrative example. Founded in 1987, it is one of Canada's oldest community loan funds, providing credit to individuals and community organisations which otherwise lack access to credit, particularly immigrants in the Montreal area. ACEM has a CAN \$500,000 loan fund, all from private investors. The federal and provincial government both contribute funds to help cover a portion of operational costs on an-annual basis. Anne Kettenbeil, Executive Director, ACEM, stated that such public-private partnerships are the only way microcredit programmes can be rendered financially sustainable in Canada. Without government support, community loan funds would have great difficulty in remaining financially viable.¹⁴⁹

However government involvement in microfinance in Canada is not wholly beneficial. Across Canada, there are systematic biases built into provincial welfare legislation which hinder the effectiveness of microfinance programmes. Those who enrol in a microcredit programme, for example, may risk having that credit counted as income or an asset, which then results in a claw back of social assistance benefits. Although there are notable programmes in place in several provinces which exempt social assistance recipients from restrictive asset limits, allowing them to participate in microfinance programmes, claw backs remain a serious barrier to individuals actively seeking to improve their well-being through microfinance.¹⁵⁰

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

Potential Area of Concentration for Microcredit Sector in Canada¹⁵¹

- Canada's social safety net has some shortcomings, and people can and do fall through the cracks. Microfinance should be integrated into the social security system as the implementation of microfinance in Canada so far has been focused on microcredit for business purposes.
- More recently, several new microcredit initiatives focusing on immigrants and housing have emerged across the country. In Toronto, Alterna Savings and the May Tree Foundation have partnered to provide small education loans to recent immigrants to retrain and recertify in their area of expertise to match Canadian standards. Momentum in Calgary and the Ottawa Community Loan Fund are two other notable examples, and this area of microcredit is sure to grow in the coming years as immigrants and foreign-trained professionals become an increasingly important part of the Canadian workforce.
- Regarding financial support for housing, the St. John Community Loan Fund operates a shelter loan programme which provides credit for low income individuals towards rent and utility deposits, and arrears. It has issued 32 such loans since the programme's inception. With waiting lists for social housing expanding rapidly across Canada, this is another area of microcredit with the potential to grow into the foreseeable future.
- Although microcredit is the dominant component of microfinance in Canada, there is movement in new and existing directions. On the savings side of microfinance, Social and Enterprise Development Innovations (SEDI) and the Social Research and Demonstration Corporation have undertaken a nine year, CAN \$35 million Individual Development Account (IDA) project funded by Human Resources and Social Development Canada, known as Learn\$ave. The basic premise behind IDA is to build small financial assets which can be used to

¹⁵¹ Ibid.

build human capital and better enable participants to improve their social and economic well-being. Through Learn\$ave, over the period of one year, low income and low asset individuals have their savings, up to maximum of CDN\$1500, matched at a predetermined ration by the project. While saving, participants are also enrolled in financial literacy classes. The accumulated savings are then put towards an educational programme or the participant's business. According to Barbara Gosse, Director of Asset-Building Initiatives at SEDI, to date, over 3600 participants have saved CAN \$3.5 million, matched by CAN\$10 million from Learn\$ave, currently making it the largest IDA programme in the world.¹⁵² Several credit unions and other organisations offer similar asset building projects across the country. Credit and savings services, with associated training programmes, complete the picture of microfinance in Canada. In the near future, Vancity has indicated it will start a pay cash lending service, up to CAN \$1000, as an alternative to other private services and to help prevent people from getting caught up in unproductive credit.

- Vancity is also looking to roll out a micro-insurance programme in the future, most likely for secondary healthcare coverage, such as prescription eyewear and drugs, dental care, etc.,¹⁵³ This programme would be targeted at people coming off social assistance and who as a result lose secondary healthcare benefits. It is for such initiatives that Vancity has earned accolades from its colleagues as the lead institution in the field of microfinance within Canada.

From some inauspicious beginnings in Canada grew one of the most robust financial cooperative movements in the world. Though they went by different names, in different parts of the country, their goal was the same: to provide accessible financial services and promote economic empowerment. Beginning at the onset of 20th century and continuing to the present, Canadian financial cooperatives have promoted the financial cooperative model in the developing world through training, technical assistance and investment. The

¹⁵² Ibid.

¹⁵³ Ibid.

strong domestic roots of Canadian financial cooperatives, spanning English and French Canada, thus act as a platform for international engagement. Domestically and internationally, caisses populaires and credit unions represent the oldest and in many situations the most successful contribution to Canada's efforts to push back financial frontiers.¹⁵⁴

In addition to financial cooperatives, the other key component of Canada's response to the challenge of building inclusive financial systems at home and abroad has been the development of commercial microfinance. Of key importance here was the small Toronto-based non-governmental organisation, Calmeadow. On the domestic side, Calmeadow initiated a series of micro-lending funds across Canada in the 1990s for those who could not secure credit from traditional sources. Although they proved to be financially unsustainable, due in large part to the difficult operating environment in Canada, several funds were taken over on by major Canadian credit Unions and continue to be an important part of domestic efforts to expand access to financial services. On the international side, Calmeadow and more recently MEDA have been pioneers in the development of commercially viable microfinance banks and investment funds, demonstrating that poverty alleviation and profitability are not mutually exclusive goals. By encouraging existing commercial banks to move 'downstream' and offer microfinance services, Calmeadow has helped bring financial services to millions of people throughout the developing world. Together, the Canadian cooperative and commercial responses to the challenge of building inclusive financial systems have been derived from the core of this country's contribution to the development of microfinance. Within these two streams, there are a host of organisations working at home and abroad to expand access to financial services, not to mention a multitude of individual Canadians working as consultants or in multilateral and other organisations around the world. At home, commercial banks, finance corporations, community loan funds, government lending programmes, and informal savings and credit operations complete the microfinance landscape. Abroad, the activities of the Canadian

¹⁵⁴ Ibid, pp. 29-31.

branches of major international development networks – such as Care Canada, Opportunity Canada and World Vision Canada – round out Canadian involvement in microfinance in the developing world.¹⁵⁵

Canada's provincial and federal governments play an important role in promotion of microfinance whether at home or abroad, first and foremost, by providing financing for microfinance initiatives. Municipal, provincial and federal governments provide financial and regulatory support to Canada's relatively small microfinance community, particularly microcredit programmes, and particularly in rural and traditionally under-developed areas of the country. Also, in recent years, savings and asset building programmes have emerged as a new and innovative piece of microfinance in Canada receiving government support. In the developing world, CIDA deserves particular attention for its long-term commitment to microfinance by partnering with Canadian organisations, the Canadian branches of international development networks, and multilateral organisations, to implement microfinance projects in the developing world, and by providing funding to important multilateral initiatives, such as the Consultative Group to Assist the Poor (CGAP) and the Global Microcredit Summit Campaign. Looking to the future, with 3 billion people in the world living on less than 2 dollars per day and the majority yet excluded from having access to financial services, Canada is compelled and is well-positioned to respond to the urgency of the global situation. At home, Canada has an opportunity to build on its credit union, community finance, asset-building experience and the lessons from its innovative, but abandoned attempts at commercial loan funds to ensure that the financial system is stretched and shaped to include those still lacking access.¹⁵⁶

¹⁵⁵ Ibid.

¹⁵⁶ Ibid.

Summary and Conclusion

There are approximately 9,000 co-operatives and credit unions in Canada, providing products and services to 18 million members. Co-operatives exist in virtually every sector of the economy, from agriculture, retail and financial services to housing, child care, funeral services and renewal energy. Co-operatives have more than \$ 330 billion in assets, owned by their members and the communities they serve. Co-operatives employ 150,000 people and are led by 100,000 volunteer directors and committee members. Canada has the highest per-capita credit union membership in the world: 33 per cent of Canadians are a member of at least one credit union. This figure goes up to 70% in Quebec and 56% in Saskatchewan. There are at least 2,000 communities with at least one credit union or *caisse populaire* and more than 1,100 communities in which a financial co-operative is the only financial services provider. Though microcredit and microfinance is in fashion, the global community cannot ignore the role being played by the cooperative sector offering diversified services to over 1 billion people of the world. Recognising the distinguished services rendered by financial cooperatives, on December 18, 2009, the United Nations adopted a resolution declaring 2012 as the International year of Co-operatives in order to highlight the participation of co-operatives in economic development and social innovation around the world.¹⁵⁷

The given figure demonstrates that Canada is basically a country of cooperatives and the presence of microfinance programmes and institutions, with exception of short term stint of Calmeadow, at the domestic level are significantly very less. Very insignificant percentage of population (3%) of Canada is without any sort of banking facilities.¹⁵⁸ In addition, highly regulated and capped interest regimes also do not give very positive atmosphere to microcredit and microfinance industries to grow. Mobile nature of population with nuclear family set up does not leave much scope for the MFIs. Whatever

¹⁵⁷ Canada's cooperative and microcredit figure, for further details please visit: http://www.coopscanada.coop/en/about_co-operative/Co-op-Facts-and-Figures.

¹⁵⁸ Brenda Spotton Visano, "Different and Unequal: Payday Loans and Microcredit in Canada" (p.114) *The Journal of Economic Asymmetries*, June, 2008, pp. 109-123.

little is to be targeted, is well served by community funds, cooperatives and credit unions. Despite of discouraging visible opportunities, microcredit sector has a lot of scope to perform inside Canada, but not as per conventional approaches like those in developing countries. Canada requires largely a totally different approach and investment from microcredit sector.

Though, domestically, Canada's microfinance sector does not seem very strong as it is not yet able to break the dominance of community funds and financial cooperatives, but Canadian institutions are playing very significant role in the promotion of microcredit and microfinance practices throughout the world. By funding the microfinance initiatives, extending institutional and technical assistance, Canadian international institutions have become inalienable to global microcredit movement. From its first influence on the development of credit unions in Jamaica and the rest of the Caribbean to the present, the international activity of Canada's cooperative organisations is this country's first and most widespread and enduring contribution to the development of microfinance. DID, CCA, the Coady International Institute, SOCODEVI, and CECI are Canada's key actors in advancing cooperative, community-based finance in the developing world. Collectively they facilitate the provision of reliable financial services to millions.¹⁵⁹ In 1995, Canada joined other leading donors and practitioners to establish CGAP – the Consultative Group to Assist the Poor – in order to expand access to financial services for the poor in developing countries. The Microcredit Summit Campaign, launched in 1997, was initiated, again with Canada's participation, with the goal of reaching 100 million of the world's poorest entrepreneurs, especially women, with financial services by 2005. Microfinance also came to occupy a pivotal role in the global effort to achieve the Millennium Development Goals, particularly reducing by half the number of people living in extreme poverty by 2015. Thanks to the efforts of Canada and other countries with global multilateral institutions, worldwide the number of people in developing countries living on less than \$ 1 a day fell to 980 million in 2004, down from 1.25 billion

¹⁵⁹ Mary Coyle, Roger Wehrell and Jordan MacDonald, *Small is Beautiful, Big is Necessary; Canada's Commercial and Cooperative Answers to the Global Challenge of Microfinance Access*, Presentation to the Global Microcredit Summit, Halifax, Canada, November, 2006, p. 9.

- in 1990. The proportion of people living in extreme poverty fell from nearly one-third to 19 per cent over this period.¹⁶⁰

The first two chapters were exclusively based on the micro-credit, micro-finance and cooperative traditions in Quebec, Canada and the entire world. The next chapter of the present study will be focussed on the nationalist traditions and the various traits of Quebec Nationalism.

¹⁶⁰ About CIDA, please see: <http://www.acdi-cida.gc.ca>.

CHAPTER III

CHAPTER III

**ORIGIN, NATURE AND TRAJECTORIES OF QUEBEC
NATIONALISM**

The first chapter of this work was exclusively destined to take an overview of existing micro-credit and micro-finance industry at the global level. The second chapter of the thesis was focused over the cooperative system of Canada and Quebec. The current chapter will try to analyse the different aspects of nationalism. It will also delineate the various traits of Quebec Nationalism. Finally it will examine the impact of Quiet Revolution on Quebec economy and society.

Before jumping over the subject of Quebec nationalism, it would be better to first go through the origin and concept of 'nation' and 'nationalism'. How does it differ from the concept of 'state'? For over two hundred years, nationalism has been appearing in different features and forms with major social-cultural and political movements throughout the world, so it is also important to analyse the different forms and meanings of nationalism. It prevails over all the major contemporary global ideologies of nation building or state formation forming the central part of collective demands for exclusive rights and liberties. From Quebec perspective, it would help us to understand why Quebec Nationalism is different and distinct than other cultural-nationalistic movements of the world. What and why are the specific claims and demands of French-Canadians in seeking distinct recognition in North America and what are the bonafides, argued by French nationalists in Canada, justifying their struggle for special autonomy and recognitions? Quebec Nationalism from historical perspective will be dealt in this chapter in order to better comprehend the different associated traits of Quebec Nationalism. Further, various phases of Quebec nationalism from theoretical perspective will also be dealt in this chapter.

Understanding Nationalism

“A Nation is a historically evolved, stable community of language, territory, economic life and psychological make-up manifested in a community or culture”

_____ Joseph Stalin¹⁶¹

The nation has been accepted as the central political concept of contemporary period. As defined, a “nation” is either synonymous with a state or its inhabitants, or else it denotes a human group bound together by common solidarity – a group whose members place loyalty to the group as a whole over any conflicting loyalties. The latter definition was first proposed by John Stuart Mill, except that he called the concept “nationality”. According to Mill, “A portion of mankind may be said to constitute a Nationality, if they are united among themselves by common sympathies, which do not exist between them and any others, which make them co-operate with each other more willingly than with other people, desire to be under the same government, and desire that it should be government by themselves, or a portion of themselves, exclusively”.¹⁶² The ideas and principles of ‘nation’ and ‘nationalism’ were spreaded across the world in the last two centuries and it has been a major source of inspiration in creation of numerous nation-states as well as in disintegration of large empires. Nationalism traces its origin from the French Revolution and from there, it spreaded to other European countries, notably Germany, Italy, Spain, and Russia during the 19th century. The concept of nation was further extended to Asia, Africa and Latin America in the 20th century with the anti-colonial movement in the erstwhile European colonies post-World War II. Post cold war political realities of 1990s along with the opening of global economic frontiers witnessed new forms of nationalism like ‘international terrorism’, ‘natural rights over natural resources’, ‘ecology and environment’, ‘human security and welfare’, etc.

¹⁶¹ Eric Hobsbawm (1990), *Nations and Nationalism since 1780*, Cambridge: Cambridge University Press, p. 5.

¹⁶² David L. Sills (ed.) (1972), *International Encyclopedia of the Social Sciences (volume 11)*, The Macmillan Company & The Free Press and Collier – Macmillan Publishers, New York & London, p. 7.

Nation

The word “nation” stems from the Latin verb *nasci*, i.e., “to be born” and originally meant a group of people born in the same place. In the European universities of the late middle Ages, “nations” were groups of students coming from the same region or country. In the course of time, several meanings of nation were evolved. For French radical writers in the 18th century, a nation meant the people of a given country, without distinction of rank and often in contrast to the ruling monarch. The French Revolution (1789) abolished the existing political and economic structure and transformed the monarchy into a republic. Nation became the slogan of champions of constitutionalism, secularism, equality and centralisation during the French revolution which further wished to modernise society and to rationalise its administrative structure. “Nation” also symbolised the ideals of modernisation and revolutionary tendencies linking it with the establishment and formation of modern popular state.¹⁶³

Nation also meant to identify strange or native people. The King James Bible distinguished between the “people” of Israel and “nations” of gentiles. English colonists in North America spoke of the Sioux, Cherokee, and other indigenous groups as “nations” of Indians (currently being called as “First Nations” of Canada), whereas Europeans of a later era (when nation had become associated with the modern nation-state) called corresponding African groups as “tribes”. In the beginning, two different and even contrasting sets of definition of ‘nation’ emerged. The political orators of the late 18th century invoked the nation, they meant the people as supporters of popular government, whether in a sovereign state or in one of its subdivisions. But for lawyers and diplomats, by contrast, a nation was any sovereign state, whatever its form of government. The victory of popular government in Europe in the period from 1789 to 1918 led to blending of the two meanings, nations (people) now were proclaimed as sovereign. The same concept of nations in form of sovereign state led to the creation of

¹⁶³ Ibid, p. 8

“German Nation” by Fichte and “Italian unity” by Mazzini. It also caused the downfall of multilingual Ottoman, Hapsburg, and Romanov empires.¹⁶⁴

The League of Nations officially extended the term ‘nation’ to all sovereign states inside and outside of Europe regardless of their form of government or the character of their social development. In addition, Communist theorists and political leaders also contributed to the expansion of usage of nations in non-European countries. Although Marx had rejected the nation as a bourgeois ideal likely to imperil the international solidarity of the proletariat, the later Marxists, such as Otto Bauer and Lenin who witnessed the force of nationalism in Austria-Hungary and in the Russian empire, accepted the idea of nation. The formation of Soviet Union in 1921 as a federation of many national republics demonstrated this acceptance. Moreover, beginning with the congress of the Peoples of the East at Baku in 1920, Russian communists tried to effect an alliance with the nationalist movements in colonial countries – an effort that led a generation later to the labelling of communist-supported guerrilla movements as “wars of national liberation”.

Formation of the Indian National Congress in India in 1885, proclamation of the “National Pact” in Turkey in 1920 and formation of National Revolutionary Party in Mexico in 1929 were landmarks in the spread of the nationalistic ideals to Asia, Africa, and Latin America. All three movements were examples of “comprehensive-nationalist parties”, that is, of political organisations dedicated to external independence, internal unity, mass education, economic development, and secularisation – to “a hastening of the process of modernisation of which the rise of national consciousness itself is but one facet”.¹⁶⁵

¹⁶⁴ Ibid, p. 8.

¹⁶⁵ Dankwart A. Rustow (1960), *The Politics of the Near East*, in Gabriel A. Almond and James S. Coleman (eds.), *The Politics of the Developing Areas*, Princeton University Press, pp. 369-455 (on p. 400) quoted in David L. Sills (ed.), *International Encyclopedia of the Social Sciences (volume 11)*, The Macmillan Company & The Free Press and Collier – Macmillan Publishers, New York & London, 1972, p. 8.

It is traditional to distinguish 'nations' from 'states' – whereas a nation often consists of a unique ethnic or cultural community whereas a state is a political entity with a high degree of sovereignty and often comprised of multi-ethnic citizenships. While many states are nations in some sense, there are many nations which are not fully sovereign states. As an example, the Native American Iroquois constitute a nation but they do not form a separate sovereign state for themselves, since they do not possess the requisite political authority over their internal or external affairs. Further, if a group of people succeeds in forming a State, the loyalties of the group members would be “civic” (as opposed to “ethnic”) in nature. At the other extreme, and more typically, nationalist claims of governance would be focused upon the non-voluntary community of common origin, language, tradition and culture, So that in the classical view an ethno-nation is a community of origin and culture, including prominently a language and customs.¹⁶⁶

Nationalism

“It is, in general, a necessary condition of free institutions that the boundaries of government should coincide in the main with those of nationality... Where the sentiment of nationality exists in any force, there is a prima facie case for uniting all the members of the nationality under the same government, and a government to themselves apart.”

_____ John Stuart Mill¹⁶⁷

Mills defines nationalism as a desire to match national and political boundaries but how to decide and define the boundaries of nationalism has been a matter of dispute. There are various definitions of 'nationalism' which present nationalism in different shades and shapes. One writer gives no less than ten preconditions of nationality, ranging from a unit of territory to a “hope that the nation will have a great and glorious future”.¹⁶⁸ Definition given by Stalin has been the most accepted version of nationalism which defines it in terms of common history, language, territory, economic life and psychological make-up manifested in a unique community of culture. Another important definition was given by

¹⁶⁶ 'what is nationalism', seen on <http://plato.stanford.edu/entries/nationalism>

¹⁶⁷ John Stuart Mill, as quoted in Antony Smith, *Theories of Nationalism* (2nd ed.) (London: Duckworth, 1983), p. 9 in Jani Mollis and Sandeep Chawla, *Nationalism*, p. 3.

¹⁶⁸ Urban Whitaker (ed.), *Nationalism and International Progress*, (San Francisco: Howard Chandler, 1960), p. 5 in Jani Mollis and Sandeep Chawla, *Nationalism*, p. 4.

Renan who coined the “threshold principle”, which stated that people had to be large enough before they could be thought of as nations. ‘Threshold principle’ was a commonly accepted idea throughout the 19th century, and even endorsed by the great Italian nationalist Mazzini. The question on the size of viable nations remained in the focus during the 20th century, and still in 1969 the United Nations Security Council discussed a population of one million as a minimum limit for membership in the UN.¹⁶⁹

Against these objective definitions, nationalism has also been defined in subjective terms. Mills defines it, at the places where “the sentiment on nationality exists” and Renan defines it as “an every-day plebiscite”. These ideas were inspired by the ideas of Rousseau’s “general will” and Hegel’s “spirit of the people”. But still a universally accepted definition is yet to find a place and in absence of it, granting a nation to any group of people who regard themselves as distinctively one is the recipe for anarchy, but distinguishing between valid and invalid claims of nationality is a quagmire that continues to cause international headaches to this day in places such as Kosovo, East Timor, Sudan and Chechnya.

Out of various definitions of nationalism, there is a common accepted belief that citizenship in a state or a nation should be limited to one ethnic, cultural or identity group. In case of multi-national citizenship in a state, there should necessarily have the right to express and exercise national identity even by minorities.¹⁷⁰ Nationalism emphasises collective identity – a ‘people’ must be autonomous, united, and express a single national culture.¹⁷¹

The term ‘nationalism’ was coined by Johann Gottfried Herder (nationalismus) during the late 1770s. Precisely where and when nationalism emerged is difficult to determine, but its development is closely related to that of the modern state and the push for popular

¹⁶⁹ Jani Mollis and Sandeep Chawla, *Nationalism*, pp. 3-4.

¹⁷⁰ Will Kymlicka (1995), *Multicultural Citizenship: A Liberal Theory of Minority Rights*, [Oxford: Oxford University Press], p. 16.

¹⁷¹ John Hutchinson and Anthony D. Smith, eds. (1994), *Nationalism. Oxford Readers*, Oxford: Oxford University Press, pp. 4-5.

sovereignty that surfaced with the French Revolution and the American Revolution in the late 18th century and culminated with the ethnic and national revolutions of Europe. Since that time, nationalism has become one of the most significant political and social forces in history, perhaps most notably as a major influence or postulate of World War I and especially World War II.¹⁷²

Out of many of its forms, Integral nationalism is a belief that a nation is an organic unit, with a social hierarchy, co-operation between the different social classes and common political goals whereas liberal nationalism stresses over individualism as an important part of their own national identity.¹⁷³ Nationalism is also used to describe a movement to establish or protect a ‘homeland’ for a minority ethnic group. It also leads to develop the belief that one particular nation or ethnic group represented in form of a state and its people is superior to all other people and states as in Fascism and Nazism. Fascism is a form of authoritarian civic nationalism which stresses absolute loyalty and obedience to the state, whose purpose is to serve the interests of its nation alone.¹⁷⁴ Nationalism is often expansionist or reactionary calling for a return to a glorious historic national past. The purist approach of nationalism is often witnessed in the form of ‘ethnic-cleansing’ or ‘mass-expulsions’ of outsiders. The revolutionary form of nationalism calls for the establishment of an alternate order of state empowering the under-developed ethnic groups and classes. “National awakening” and struggles for political independence are often both heroic and at the same time inhumanly cruel. Formation of a recognisably national state often responds to deep popular sentiment, but can and does sometimes bring in its wake inhuman consequences, including violent expulsions and “cleansing” of non-nationals, all the way to organised mass murder.¹⁷⁵

¹⁷² T.C.W. Blanning (2003), *The Culture of Power and the Power of Culture: Old Regime Europe 1660-1789*, Oxford University Press, pp. 259-260, ISBN 9780199265619

¹⁷³ Anthony D. Smith, *Nationalism*, p. 17-20, polity, 2002. ISBN 978 – 0745626598.

¹⁷⁴ Walter Laquer, “Fascism: Past, Present, Future” in Walter Laquer, *The Common Belief in Nationalism, Hierarchical Structures, and the Leader Principles*, Oxford:Oxford University Press, p.90.

¹⁷⁵ ‘what is nationalism’, p. 1, [Online: web] Accessed 11 July2011, URL: <http://plato.stanford.edu/entries/nationalism>, p. 1.

History of Nationalism

In the Western world, the new absolutist states of the post-Renaissance period, with their emphasis on sovereignty, centralisation, and *raison d'état*, created the political organisation that 18th century nationalism began to transform into the modern nation-state. Modern nationalism first took hold in England in the 17th century and in Anglo-America in the 18th century. This nationalism respected the individual liberties and self-government characteristics of the development of these nations. The rise of nationalism in the French Revolution was different. The absolutist and centralised French monarchy had set the example for continental Europe in the 17th and 18th centuries. The nationalism of the French people continued with this form and set the model for the centralised European nation-state of the 19th century. The Napoleonic wars carried the aggressiveness of the new nationalism to every corner of Europe. The European revolutions of 1848-49 and the defeat of their liberal aspirations marked the spread of nationalism to central and central-eastern Europe. The striving for individual liberty was drowned in the rising tide of national (collective) self-assertion and will to power. After 1848 nationalism, originally a movement of emancipation and constitutional rights emerged which were known as *Realpolitik* and *Machtropolitik*.

The World War of 1914 replaced the empires with nation-states all over central and east-central Europe. At the same time it helped the spread of nationalism to Asia. Half a century later, nationalism had become the dominant force throughout the non-Western world, and the political map of Asia and Africa changed between 1945 and 1965 as completely as had the map of Europe between 1815 and 1920. Nationalism and the nation-state form the recognised foundation of the international organisations of the mid-twentieth century. The United Nations reflects in its growth the dynamic changes brought about by nationalism in the years after World War II. It has successfully smoothed the transition of many colonies to national statehood, a transition that had, in the past, frequently been accompanied by violent civil wars and protracted unrest. The United Nations accepted the principle of the legal equality of small and great nations and provided each with a voice in world affairs, thereby contradicting the attitude of the 19th

century Concert of Great Powers and rejecting the 20th century fascist disregard for the rights of “weak” or “small” states. The clashing interests of nations found in the United Nations a forum in which, for the first time in history, all peoples, civilisations, and ideologies could meet and discuss their differences according to the procedures developed by Western parliamentary traditions. The United Nations represents a hope of their extremist character while recognising their intrinsic validity. It also helps to intensify the peaceful intercourse among nations by creating and maintaining the outward forms of equality of status.¹⁷⁶

During the recent years after 1990, the focus of debate has taken a new form with the creation of a new globalised and liberalised world order under the influence of international market economy. End of the era of cold war added further dimensions to the concept of nation-state. Currently world has been dealing with multi-dimensional aspects of nationalism and several recent issues have emerged at the global political arena such as issues in International justice in view of bloody nationalist wars such as in former Yugoslavia, Sudan, etc.; Issue of terrorism; issue of the “clash of civilisations”; hegemony in the international order, etc. Another new focus for philosophers is provided by issues of territory and territorial rights, which connect the topic of nation-state with questions like boundaries, migrations, resource rights and vital ecological matters.¹⁷⁷

Theoretical Evolution of Nationalism

The concept of ‘nationalism’ originated from France during the late 18th century and by the middle of the 20th century, it has been established as the universal ideology of modern nation-state which is now regarded as the ideal, “natural”, or “normal” form of political organisation but also as the indispensable framework for all social, cultural, and economic activities. It expresses itself in the most varied and opposite ideologies – in democracy, fascism, and communism as well as it is in the search for an “ideology”. The

¹⁷⁶ Ibid, p. 63-70 (John Stuart Mill (1849) 1865 Vindication of the French Revolution of 1848, Vol. 3 pages 5-81) in

¹⁷⁷ ‘what is nationalism’, p. 2, [Online: web] <http://plato.stanford.edu/entries/nationalism>, .

19th century in Europe has been rightly called the age of nationalism, the 20th century, in which history has shifted from a European to a global basis, may become known as the age of pan-nationalism. Although certain traits are common to all forms of nationalism, each form is conditioned by the social structure, the intellectual traditions and cultural history, and the geographic location of the society in which nationalism asserts itself.¹⁷⁸

The spread of nationalism on a global scale is a result of the Europeanization and modernisation of non-Western and pre-modern societies. As a phenomenon of modern European history, the rise of nationalism is closely linked with the origins of popular sovereignty; theory of government by the active “consent of the governed”; growth of secularism; lessening of the older religious, tribal, clannish, or feudal loyalties; and the spread of urbanisation, industrialisation, and improved communications. Nationalism has, from the beginning, been a politically revolutionary movement; it has tried to transform or overthrow the “legitimate” governments of the past whose claim to authority was based upon divine ordination or hereditary rights. It wished to establish totally new political entities: states coextensive with ethnic or linguistic frontiers. Within one hundred years (1815-1920), nationalism completely transformed the political map of central, central-eastern, and south-eastern Europe; and since 1947, it has fulfilled the same revolutionary function in remaking the political configuration of Asia and Africa.¹⁷⁹

The 20th century had also added another revolutionary dimension to nationalism. Nationalism had also become a socially revolutionary movement, demanding equal economic and educational opportunities for all members of the national group and the active promotion of the welfare of the socially underprivileged classes. Its aims had become the establishment of a classless, theoretically equalitarian national society. By the middle of the 20th century, all new nationalist movements had also become “socialist” movement which were earlier at sharp opposite motives and directions. Nationalism, in the second half of the 19th century, was regarded as the political doctrine of the upper

¹⁷⁸ David L. Sills (ed.), *International Encyclopedia of the Social Sciences (volume 11)*, The Macmillan Company & The Free Press and Collier – Macmillan Publishers, New York & London, 1972, p. .

¹⁷⁹ *Ibid.*

classes, of the rightists in the political spectrum of the age. It stood in sharp and repressive opposition to socialism, an international movement that included the industrial workers and landless peasants, who generally felt excluded from the national society, and expressed their aspirations. The first major nationalist revolution that put equal emphasis on the socialist revolutionary aspect was the Mexican revolution of 1910-1917. It set the pattern for the development of nationalism in many underdeveloped countries and for their fight against foreign political intervention and economic penetration and exploitation. Despite the beginning of socialistic trends integrating with the stream of nationalism, many nationalist revolutions like of Kemal Atatürk in Turkey and of the Kuomintang under Chiang Kai-shek in China neglected the need for social transformations of their nations. As the upheavals in Turkey in 1960-61 and the defeat of Chiang Kai-shek in 1949 revealed, the economic and social positions of the present masses in both countries had remained backward; they continued to feel themselves victims of “exploitation”, but under the impact of nationalism, they were ceasing to accept their age-old status passively. Only after World War II did socialism become an integral part of the nationalist revolution, as in Gamal Abdel Nasser’s Egypt, in Ben Bella’s Algeria, in Fidel Castro’s Cuba, and in Sékou touré’s Guinea – to name only a few major examples. This development resembles the transformation of the nineteenth-century capitalistic nation-state into the twentieth-century welfare state, except that in the underdeveloped countries where truly radical social reforms were required. This task was made more difficult by the need of simultaneously building a cohesive national society, a need that, on the whole, had been fulfilled in the advanced countries by the time of World War I.¹⁸⁰

Creation of the first “nation-state” in France in 1789 was the beginning as well as culmination of literary nationalist theories. John Stuart Mill and Ernest Renan made the earliest contributions with significant works associated with the liberal tradition of nationalism during the classic period in nationalism i.e. the second half of 19th century. For Walter Bagehot, “nation-making” was the essential content of 19th century evolution.

¹⁸⁰ Ibid.

The same century also saw the first instances of state-creation, where the clearly defined goal was to unify a nation under one state, as in Italy and Germany.¹⁸¹

During that time nationalism was a topic only in Europe, while in the 20th century it spreaded throughout the world. The subject received increased attention at the end of World War I, as the ideas of nationalism and self-determination were used in redrawing the map of Europe. The ‘twin founding fathers’ of the academic study of nationalism, Carleton B. Hayes and Hans Kohn have been credited with the “main innovation of the period”, that nations are not “as old as history”, but that the “modern notion of the word is no older than the 18th century”. According to Eric Hobsbawm, the most fruitful era for the study of nations and nationalism has been roughly between 1968-88, when “the number of works genuinely illuminating the question of what nations and national movements are and what historical role they play is larger... than for any earlier period twice the length”.¹⁸²

Characteristics of Nationalism

Nationalism, despite its relatively brief history, has undergone several transformations. It was an elite movement in the first century of its historic role; a bourgeois movement in the age of the ascent of the middle classes; it has become, in its second century, a mass movement in which the people at large demand an ever-widening participation in the political, social, and cultural life of the nation. What remains constant in nationalism through all its changes is the demand of the people for a government of the same ethnic complexion as the majority. Every people awakened to nationalism see political self-determination as its goal. To be separate, distinct, and independent from other nations, and equal to them, is the fundamental claim of nationalists for their people. The “individualism” and “democratic equality” of the revolutions of the Enlightenment

¹⁸¹ Eric Hobsbawm, *Nations and Nationalism Since 1780*, (Cambridge: Cambridge University Press, 1990), p. 23.

¹⁸² Eric Hobsbawm, *Nations and Nationalism Since 1780*, (Cambridge: Cambridge University Press, 1990), pp. 2-8 quoted in Jani Moliis and Sandeep Chawla, “Nationalism” at <http://www.moliis.org/jani/nationalism.pdf> pp. 2-3.

expressed themselves in these aspirations. In the 19th century, these demands were transferred from the individual to the collective group.

Cultural self-determination: Political self-determination is only one part of the demands inherent in all nationalism; an almost equal role is played by demands for cultural self-determination. In nationalities that are striving for the creation of a nation-state, the quest for cultural self-determination precedes the quest for political self-determination and prepares the ground for the latter. Whitman describes two fundamental and opposite strains of nationalism confronting each other – the one that corresponds to the “open” society and the one that corresponds to the “closed” society. The open nationalism represents the more modern form: it inclines toward intercourse, and its basis is generally a territorial organisation and a political society, constituting a nation of fellow citizens irrespective of race or ethnic descent. The closed nationalism stresses the nation’s autochthonous character, the common origins (race, blood) and rootedness in the ancestral soil. These determine the ‘purity’ of national character and preserve it from ‘alien’ influences. The open nationalism, on the other hand, finds its ideal image in a future that will build bridges over the separations of the past. The open nationalism stresses the free self-determination of the individual; the closed nationalism stresses on biological or historical determinism. Prior to 1960, Quebec nationalism basically poses the example of ‘closed’ nationalism whereas, since Quiet Revolution in 1960s, it has been trying to emulate the open nationalism model of USA and European Union.

Racial Purity: Racial purity has often formed the theoretical basis of nationality throughout the history. In its most extreme form, racial exclusiveness and rootedness in the ancestral soil became the basis of nationhood in Nationalist Socialist Germany. The German Reich was regarded as the true homeland and the centre of loyalty of all individuals of German descent, regardless of the “accident” of their political citizenship or the personal self-determination of their individual allegiance.

National Supremacy: The rise of the new nation-states in the 19th and 20th centuries started their bitter disputes about frontier territories, as each nationality claimed “historical” rights according to its greatest historical expansion. Thus, independent Serbia

and independent Bulgaria, in spite of their close affinity of language and religion and their common past of subjection to the Turks, faced each other in repeated struggles over Macedonia, which both claimed as having formed part, in long-past times, of their respective empires. Nationalities that had demanded release from oppression often became, after liberation, oppressors themselves; sometimes subjecting others to more severe oppression than they had suffered themselves. Most of the new states, although ethnically mixed, regarded themselves as power instruments of the dominant, or “state-forming”, nationality among the several inhabiting the territory, and denied equality to the other nationalities in “their” state. On the other hand, the expulsion or shift of populations from their homelands for nationalistic reasons, first envisaged by the Germans in World War I in order to annex lands “without people” for German settlement and strategic purposes, became widespread in the 20th century.

Quest for Power: Nationalism is inseparable from the desire for power. The abiding purpose of every nationalist is to secure more power and more prestige, not for himself but, for the nation or other unit in which he has chosen to sink his own individuality. Nationalism includes such movements and tendencies as Communism, political Catholicism, Fascism, Nazism, Zionism, Anti-Semitism, Trotskyism and Pacifism. It does not necessarily mean loyalty to a government or a country, still less to one’s own country, and it is not even strictly necessary that the units in which deals should actually exist. For example, Jewry, Islam, Christendom, the Proletariat and the White Race are all of them objects of passionate nationalistic feeling: but their existence can be seriously questioned, and there is no definition of any one of them that would be universally accepted.

Veneration of National Symbols: Nomenclature plays a very important part in nationalist thought. Countries which have won their independence or gone through a nationalist revolution usually change their names, and any country or other unit round which strong feelings revolve is likely to have several names, each of them carrying a different implication. National flags, national anthems and other symbols of national

identity are often considered sacred, as if they were religious rather than political symbols.

Ignorance over Self-Wrongdoing on other Nations: The nationalists often justify the atrocities committed by their own side over other nations. For over six years the English admirers of Hitler contrived not to learn of the existence of Dachau and Buchenwald and those who were loudest in denouncing the German concentration camps often shown their unawareness about the concentration camps in Russia.

Good Nationalism vs. Bad Nationalism: Nationalism has two aspects. The primary aspect is the good one as it gives social-cultural and political voices to ethnic groups to break the barriers as obstacles in the growth of the community. It creates the solidarity among the members of a nation and it brings multi-faceted developments to the nation. But every good thing comes at certain price. Nationalism often carries superiority tendencies for self whereas hatred for others. It also sees its own demand for special rights and sovereignty as just but at the other hand, it also rejects the same demands from other nations as unjustified. The dark aspect of nationalism called as 'Bad Nationalism' represents the concept of 'Superior Nation' such as by Hitler and Slobodan Milosevic. It is also a disintegrating force whereas Good Nationalism is a unifying one. Originally, nationalism was used only to unite, as in when used in France to rally the entire nation to fight its enemies in the aftermath of the French Revolution as well as it helped to unify Italy and Germany. But it equally led to the balkanisation of Habsburg and Ottoman Empires in 19th century and of Soviet Union in 1990s. Germany is a clear example of the difference between the "good" and "bad" kinds of nationalism: as long as Germany, under Bismarck, was merely uniting its own nation under one State, it was successful as it did not directly threaten other nations. Only once, it became self-aware of its power, and attempted to assert its authority over other nations did rest of Europe turn against it.

Varieties of Nationalism

Classical Nationalism: It is the form of nationalism based on the political programmes that sees the creation and maintenance of a fully sovereign state owned by a given ethno-

national group (“people” or “nation”) as a primary duty of each member of the group. In order to protect and promote the national interests, the nationalists belonging to this group introduce several social and cultural impositions and restrictions over individuals such as imposition of mother tongue in academic, business, commercial and official usages; forceful campaign for buying expensive domestic goods and boycotting cheaper imported goods, ethnic cleansing or expulsion of outsiders, etc.¹⁸³

Moderate Nationalism or Universalising Nationalism: It is a form of nationalism which is less demanding than classical nationalism. The political programme under this nationalism claims that every ethno-nation should have its state which it should rightfully own, and whose interests it should promote.¹⁸⁴

Particularistic Nationalism: It is the political programme that claims some nation should have its state whereas it does exclude the claims of some ethno-nations. It does it by omission of certain claims or by explicitly specifying who is to be excluded (invidious nationalism).¹⁸⁵

Civic or Liberal Nationalism: Civic nationalism or liberal nationalism defines the nation as an association of people who identify themselves as belonging to the nation, who have equal and shared political rights, and allegiance to similar political procedures. According to the principles of civic nationalism, the nation is not based on common ethnic ancestry, but is a political entity whose core identity is not ethnicity. This civic concept of nationalism is exemplified by Ernest Renan in his lecture in 1882 “What is a Nation?” where he defined nation as a “daily referendum” or “daily plebiscite” dependent on the will of its people to continue living together.¹⁸⁶ Civic Nationalism is a kind of non-xenophobic nationalism compatible with liberal values of freedom, tolerance, equality,

¹⁸³ Nationalism dt. June 1, 2010 on <http://plato.stanford.edu/entries/nationalism>, pp. 12-20.

¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

¹⁸⁶ Kate Nash (2001), *The Blackwell Companion to Political Sociology*, Willey Blackwell. P. 391 quoted in Nationalism [Online: web] Accessed 11 July 2011, URL: <http://en.wikipedia.org/wiki/Nationalism>

and individual rights.¹⁸⁷ Ernest Renan and John Stuart Mill are considered as the earliest liberal nationalists. Liberal nationalists often defend the value of national identity by saying that individuals need a national identity in order to lead meaningful, autonomous lives and that democratic politics needs national identity in order to function properly.¹⁸⁸ Liberal culturalism is more suitable for ethno-culturally plural societies for universalist considerations. Civic nationalism lies within the traditions of rationalism and liberalism, but as a form of nationalism it is contrasted with ethnic nationalism. Membership of the civic nation is considered voluntary, as in Ernest Renan's "daily referendum" formulation in "What is a Nation?" Civic-national ideals influenced the development of representative democracy in countries such as the United States and France.¹⁸⁹

Left-wing nationalism: Left-wing nationalism or socialist nationalism refers to any political movement that combines left-wing or socialist politics with nationalism. Many nationalist movements are dedicated to national liberation, in the view that their nations are being persecuted by other nations and thus need to exercise self-determination by liberating themselves from the accused persecutors. Anti-revisionist Marxist-Leninism is closely tied with this ideology, and practical examples include Stalin's early work *Marxism and the National Question* and his Socialism in One Country edict, which declares that nationalism can be used in an internationalist context, fighting for national liberation without racial or religious divisions. Other examples of left-wing nationalism include Fidel Castro's 26th July Movement that launched the Cuban Revolution ousting the American-backed Fulgencio Batista in 1959, Ireland's Sinn Féin, Wales's Plaid Cymru, Scotland's SNP, the Awami League in Bangladesh and the African National Congress in South Africa.¹⁹⁰

¹⁸⁷ Yael Tamir, 1993, *Liberal Nationalism*, Princeton University Press, ISBN 0-691-07893-9; Will Kymlicka, 1995, *Multicultural Citizenship*, Oxford University Press. ISBN 0-19-827949-3; David Miller, 1995, *On Nationality*, Oxford University Press, ISBN 0-19-828047-5

¹⁸⁸ David Miller, 1995, *On Nationality*, Oxford University Press, ISBN 0-19-828047-5

¹⁸⁹ Nationalism [Online: web] Accessed 11 July 2011, URL: <http://en.wikipedia.org/wiki/Nationalism/>.

¹⁹⁰ Political Science, Volume 35, -Issue 2, Class and Nation : Problems of Socialist Nationalism quoted in Nationalism on <http://en.wikipedia.org/wiki/Nationalism>

Territorial nationalism: Territorial nationalists assume that all inhabitants of a particular nation owe allegiance to their country of birth or adoption. A sacred quality is sought in the nation and in the popular memories it evokes. Citizenship is idealised by territorial nationalist. A criterion of a territorial nationalism is the establishment of a mass, public culture based on common values and traditions of population.¹⁹¹

Ultrationalism: It expresses extreme support for one's nationalist ideals. It is often characterised by authoritarianism, efforts toward reduction or stoppage of immigration, expulsion and or oppression of non-native populations within the nation or its territories, demagoguery of leadership, emotionalism, rendering outsiders scapegoats in socioeconomic crisis, fomenting talk of presumed, real, or imagined enemies, predicating the existence of threats to the survival of the native dominant or otherwise idealised national ethnicity or population or otherwise idealised national ethnicity or population group instigation or extremist reaction to crack-down policies in law enforcement, efforts to limit international trade through tariffs, tight control over businesses and production, militarism, populism and propaganda. Prevalent ultra nationalism typically leads to or is the result of conflict within a state, and or between states, and is identified as a condition of pre-war in national politics. In its extremist forms ultrationalism is characterised as a call to: war against enemies of the nation and state, secession or, in the case of ethno-centrist, ultrationalism as genocide. Fascism is a form of palingenetic ultrationalism that promotes "class collaboration" (as opposed to class war), a totalitarian state, and irredentism or expansionism to unify and allow the growth of a nation. Fascists sometimes promote ethnic or cultural nationalism. Fascism stresses the subservience of the individual to the state, and the need to absolute and unquestioned loyalty to a strong ruler.¹⁹²

Anti-colonial Nationalism: This form of nationalism came about during the decolonisation of the post-War period. It was a reaction mainly in Africa and Asia against being subdued by foreign powers. This form of nationalism took many guises, including

¹⁹¹ Nationalism on <http://en.wikipedia.org/wiki/Nationalism>

¹⁹² Ibid.

the peaceful passive resistance movement led by Gandhi in India. Benedict Anderson argued that anti-colonial nationalism is grounded in the experience of literate and bilingual indigenous intellectuals fluent in the language of the imperial power, schooled in its “national” history, and staffing the colonial administrative cadres up to but not including its highest levels. Post-colonial national governments have been essentially indigenous forms of the previous imperial administration.¹⁹³

Criticism of Nationalism

The main criticism of nationalism holds that some nationalists hold their own nation as a starting point for political practice, but consider the similar, nationalist, starting point of other nations, as erroneous. In this sense, nationalism, is self-contradictory (‘my’ people is superior but ‘your’ people is not). Critics of nationalism have argued that it is often unclear what constitutes a “nation”, or why a nation should be the only legitimate unit of political rule. A nation is a cultural entity, and not necessarily a political association, nor is it necessarily linked to a particular territorial area – although nationalists argue that the boundaries of a nation and a state should, as far as possible, coincide.¹⁹⁴

Nationalism is inherently divisive because it highlights perceived differences between people, emphasising an individual’s identification with their own nation. The idea is also potentially oppressive because it submerges individual identity within a nation, and gives elites or political leaders the potential opportunities to manipulate or control the masses.¹⁹⁵ Much of the early opposition to nationalism was related to its geopolitical ideal of a separate state for every nation. The classic nationalist movements of the 19th century rejected the very existence of the multi-ethnic empires in Europe. Even in that early stage, however, there was an ideological critique of nationalism. That has

¹⁹³ Ibid.

¹⁹⁴ Andrew Heywood (1999), *Political Theory: An Introduction* (2nd ed.), London: Macmillan Press, pp. 97-98.

¹⁹⁵ Andrew Heywood (2000), *Key Concepts in Politics*, (London: Macmillan Press), p. 256.

developed into several forms of anti-nationalism in the western world. The Islamic revival of the 20th century also produced an Islamic critique of the nation-state.¹⁹⁶

In the liberal political tradition there is widespread criticism of 'nationalism' as a dangerous force and a cause of conflict and war between nation-states. Nationalism has often been exploited to encourage citizens to partake in the nations' conflicts. The liberal critique also emphasises individual freedom as opposed to national identity, which is by definition collective.¹⁹⁷

The pacifist critique of nationalism also concentrates on the violence of nationalist movements, the associated militarism, and on conflicts between nations inspired by jingoism or chauvinism. National symbols and patriotic assertiveness are in some countries discredited by their historical link with past wars, especially in Germany. The anti-racist critique of nationalism concentrates on the attitudes to other nations, and especially on the doctrine that the nation-state exists for one national group to the exclusion of others. This view emphasises the chauvinism and xenophobia that have often resulted from nationalist sentiment. Norman Naimark relates the rise of nationalism to ethnic cleansing and genocide, including the Armenian Genocide, the Nazi Holocaust, the deportation of Chechens and Crimean Tartars under Stalin, the expulsion of Germans from Poland and Czechoslovakia at the end of the Second World War, and the ethnic cleansing during the Yugoslav Wars in the 1990s.¹⁹⁸

Political Movements of the left have often been suspicious of nationalism. Marxism has been ambiguous towards the nation-state, and in the late 19th century some Marxist theorists rejected it completely. For some Marxists the world revolution implied a global state (or global absence of state); for others it meant that each nation-state had its own revolution. A significant event in this context was the failure of the social-democratic and socialist movements in Europe to mobilise a cross-border workers' opposition to World

¹⁹⁶ Nationalism [Online: web] Accessed 11 July 2011, URL: <http://en.wikipedia.org/wiki/Nationalism>

¹⁹⁷ Ibid.

¹⁹⁸ Ibid.

War I. At present most left-wing groups accept the nation-state, and see it as the political arena of their activities. Anarchism has developed a critique of nationalism that focuses on its role in justifying and consolidating state power and domination. Through its unifying goal it strives for centralisation both in specific territories and in ruling elite of individuals while it prepares a population for capitalist exploitation. Most anarchists reject nation-states on the basis of self-determination of the majority social class, and thus, reject nationalism. Instead of nations, anarchists usually advocate the creation of cooperative societies based on free association and mutual aid without regard to ethnicity or race.¹⁹⁹

In the Western world, the most comprehensive current ideological alternative to nationalism is cosmopolitanism. Ethical cosmopolitanism rejects one of the basic ethical principles of nationalism: that humans owe more duties to a fellow member of the nation, than to a non-member. It rejects such important nationalist values as national identity and national loyalty. However, there is also a political cosmopolitanism which has a geopolitical program to match that of nationalism: it seeks some form of world state, with a world government. Very few people openly and explicitly support the establishment of a global state, but political cosmopolitanism has influenced the development of international criminal law, and the erosion of the status of national sovereignty.

Quebec Nationalism is also a very distinct form of nationalism. It represents a model of nationalistic struggles which has remained quite peaceful in spite of a long history of struggle for over 260 years. The French-Canadians have been struggling to protect their own culture, language and religion. Quebecers has recently conceptualised the notion of a separate sovereign state since 1960s, but the political movements and programmes of Quebecers have been based on the concept of democratic principles. The Quebec nationalists want separation from Canada, but through legitimate democratic means.

¹⁹⁹ Ibid.

It is difficult to think of Quebec without thinking of nationalism.²⁰⁰ Over 260 years of unending struggles for autonomy, identity, recognition and sovereignty, Quebec, a province of Canada practising, preserving and protecting its distinct cultural-ethnic-linguistic identity (French and Catholicism) and their special and distinct status in Canada. Canada as a country has been shaped with the presence and contributions of many cultures and nations. English and French represent as the most dominant cultural-linguistic groups among multi-ethnic nations. They are known as the charter or founding nations of Canada. French were the first coloniser in and around the territories of modern Canada in North America. Their dominance was successfully countered by the English forces. Though numerically minority in strength, the English were able to seize the power from the French in 1759, marked as the Conquest. This victory started a series of cultural-economic-political and social compromises, confrontations and negotiations between the Anglophones and Francophones in Canada.

Though the rivalry between the Anglophones and Francophones is centuries old, their relationship is quite delicate and exemplary. Even with the dissatisfaction of Quebec since ages, their differences had hardly ever turned into violent clashes. The Quebec's historical insistence for special recognition is quite strong but they know how to share the differences. The resistance through democratic means has been the speciality and specificity of Quebec Nationalism despite witnessing many facets and forms of nationalism. The dominant ideology in Quebec is nationalism, and that partisan activism has been the means for promoting knowledge of Quebec's uniqueness within Canada. The creation of sovereignist parties in Quebec²⁰¹ (the formation of the provincial *Parti Québécois* in the late 1960s and the federal Bloc Québécois in the 1990s) was enough to channel dissatisfaction with federal policy proposals. Moreover, numerous initiatives of the Quebec government over the past five decades improved significantly the socio-economic conditions of Francophones who historically were subject to economic, cultural

²⁰⁰ Louis Balthazar (1986), *Bilan du Nationalisme au Québec*, (Montréal : Éditions de l'Hexagone, p.8.

²⁰¹ François Rocher, "The Evolving Parameters of Quebec Nationalism", *International Journal on Multicultural Societies* (Ottawa), vol. 4, no. 1, ISSN 1564-4901©UNESCO, 2002, p.1.

and social discrimination, which eased tensions considerably. The federal government noticed the growing dissatisfaction of many Québécois, responding with policies and programmes that in part addressed this dissatisfaction (notably the Official Languages Act of 1969). Partisan political activity was therefore the primary means used by the sovereign forces to promote their cause.

History of Quebec Nationalism

North America has one of the harshest cold climates to live in. But, the region was well bestowed with the natural resources. High demand of fur led the European traders to move in to the region. The abundant fishes in the waters of Atlantic at North American Coast were another point of attraction. Presence of luxurious vegetation which could incessantly supply the timbers to the European timber market, in addition to fish and fur, had created the conducive environment for the Europeans to concentrate their focus towards the region. French were the first to acquire the dominance in the St. Lawrence valley²⁰².

Nouvelle-France (1534 - 1763)

Jacques Cartier landed in the Gaspé in 1534, and took the possession of the land for the French king Francis I and thus established the French colony in North America to be known as Nouvelle-France (New France). The landing of French in Canada established the first trade contact of local Indians with Europeans which established a barter system of trade where local tribes were supplying the fur, and in exchange, were receiving the European wines and other manufactured goods. Gradually, the French in Canada started expanding their area of influence and new centres of trade or cities were established. Québec was founded in 1608 by Samuel de Champlain and Trois-Rivières in 1634. The city of Ville Marie, the future Montreal, was settled in 1642.

²⁰² Wallace Clement and Glen Williams (eds.) (1989), *The New Canadian Political Economy*, Montreal & Kingston: McGill-Queen's University Press, pp. 3-7.

The fortunes of French traders in the fish and fur trade made the British envy inevitable. The British attempt to penetrate the region was to be hastened by French dominance in the region. The British were the ultimate winner in the resultant rivalry and francophone population became their subjects²⁰³. The English Army deported the Acadians from Nova Scotia in 1755. The English gradually enveloped the French colony in Canada and made the final attempt with the seizure of Québec. The English Army defeated the French army at the battle on the Plains of Abraham at the foot of the fortress of Québec in 1759. This victory had great significance in the history of Canada so it was especially marked as the Conquest, thus highlighting the significance of English victory over French in Canada as matter of proud for the Anglophones and as a wound for Francophones.

The English Régime (1763-1840)

With the signing of the *Treaty of Paris* between the Great Britain and France in 1763, the French ceded their all political and territorial rights of North America to their English counterparts and the Nouvelle-France became the English colony of Canada. King George III, by royal proclamation, subsequently abolished the free exercise of the Catholic religion and established English civil and criminal laws. The resultant discontentment in the hearts and minds of their majority subjects, Francophone, asked the English to change their strategy to appease the hearts of French-Canadians who were already wounded with the defeat of The Conquest by the numerically minority Anglophones. Hence the Quebec Act, 1774 re-established French civil law, and the exercise of Catholicism was allowed. This measure was passed because the English wanted to loosen its grip on Quebec in order to better resist the American movement for independence.²⁰⁴

In 1783 Anglo-American war ended. The defeat in American war led to Crown loyalists fleeing to Upper North America and settling down in the Ontario region.

²⁰³ Ibid.

²⁰⁴ "Perspective and History of Quebec Nationalism", *Quebec's curriculum on Canadian History*, <http://www.uni.ca>.

This further strengthened the dominance of Anglophones in Canada. After losing United States, they were now not ready to lose their grip on Canada to Francophones at any cost. In order to ease the administrative functioning, the *Constitutional Act, 1791* was passed in England, dividing Canada into Lower Canada (with 150,000 population of Francophones and to be further shaped as modern Quebec) and Upper Canada (population 10,000 representing the ruling Anglophones to be evolved as Ontario in future). The Constitutional Act, 1791 established separate but identical institutions -- a legislative assembly and Executive Council for both the provinces. The legislative assemblies were to be constituted of elected representatives but with minimal power. It had to play only the advisory role. The final decision was to be taken in Executive Council which was not bound with the mandate of legislative body. The Executive Council constituted of nominated representatives by Governor General, the representative of Crown in Canada. The nominated members of Executive Council were uniformly Anglophones for both the provinces. The denial of representation in constitutional decision making body further deepened the wounds of French-Canadians. This started a new chapter of Francophone struggle for constitutional rights along with their already ongoing fight for cultural-ethnic-linguistic rights.²⁰⁵

The representative political outfit of French-Canadians *parti canadien démocratique* vowed to disobey the new Constitution made by the British Parliament far away in England and by those who were hardly acquainted with the Canadian realities and asked for enacting a new Constitution with the equal participation and partnership of Francophones and Anglophones.²⁰⁶ The Anglophones also opposed the division of Canada as they saw this step will boost the separatist tendencies among Francophones and could finally pave their way to independence. They had apprehensions regarding the consequences of giving

²⁰⁵ Fernand Ouellet, *Lower Canada (1791-1840) : Social Change and Nationalism*, (Toronto: McClelland and Stewart Limited, 1980), pp. 16-23.

²⁰⁶ Ibid.

political voice to their subjects. The English Party, the representative of Anglophones in Canada, applied to London to re-unite the provinces.²⁰⁷

The period during 1792-1840 witnesses high spirit of francophone nationalism as the Francophones were still not able to digest their defeat. Their first level of resistance came in form of denial of all symbols linked with English language and Protestant religion. They also started campaigning for the French-nationalism through their ethnic institutions like Catholic Church, French schools, etc. The newspapers, journals, pamphlets and social-religious meetings became the principal tools for the propagation of French nationalism and their strategy to gain more political autonomy and rights²⁰⁸. The growing French nationalism put the English authority to censure all such anti-Anglophone movement. The 1806 censorship of newspaper *Le Canadien* can be counted as one of the major offensive against the intensifying French-nationalism. Its proprietors and editors were thrown in prison.

The years of 1810-1812 witnessed the second American military invasion of Canada and it again provided the needful fire to the flames of Francophone sentiments²⁰⁹. Louis-Joseph Papineau established the *parti-patriote* to put forward the French-Canadian concerns before their ruling English counterparts. He even undertook the task to draft a new Constitution for Canada. He summed up his famous Constitution “*Ninety-Two Resolutions*” to replace the existing Constitutional Act, 1791 from Lower Canada. He even got it passed at the Legislative Assembly of Lower Canada, but could not get it through the Executive Council for Royal Sanction²¹⁰. Hence during 1837- 1838 Louis-Joseph Papineau, chief of the *parti-patriote*, struggled for representative government for the French-Canadians based on popular sovereignty, and for the rights of Canadian nationalism

²⁰⁷ Ibid.

²⁰⁸ M. Venne, dir., *Penser la National Québécoise*, (Montreal : Québec-Amérique, 2000), p. 36.

²⁰⁹ Louis Balthazar, *Bilan du Nationalisme au Québec*, (Montréal : Éditions de l’Hexagone, 1986), p.48.

²¹⁰ A. Honneth, *La Lutte pour la Reconnaissance*, (Paris : Cerf, 2000), pp. 32-35.

in the face of the British governor²¹¹.

The refusal of English authorities to sanction the French exclusive rights in the form of separate constitution caused sharp reactions and counter reactions in both the provinces of Canada.²¹² There were instances of rebellions in both the provinces. But the government took the revolt seriously and crushed it with iron hands. Papineau fled to exile, 12 francophone patriots were hanged in Montréal and thus marking the end of Francophones' armed struggle for autonomy²¹³.

The Canadian government established a royal commission following the rebellions under the chairmanship of Lord Durham in 1839. After going through the enquiries, the Durham's Report cited the existence of Lower Canada and Upper Canada as separate province as the main reason behind the Francophone uprisings. The Commission recommended the abolition of existing bi-provincial system to avoid further such unwanted uprisings. The Commission even advised the forceful assimilations of Catholic-French-Canadians with the Protestant-Anglophones.²¹⁴

Following the recommendations of Durham Commission, the Crown abolished the then existing bi-provincial system and the two provinces were made united by enacting the 1840 Act of Union.²¹⁵ This ended the earliest era of nationalism among Francophones based on the concept of "Nation-Canadienne", marked as "nation-canadienne" nationalism by Léon Dion (1975)²¹⁶ and "modern nationalism" by

²¹¹ G. Gougeon, *Histoire du Nationalisme Québécois*, (Montréal : VLB éditeur, 1993), pp. 22-27.

²¹² Louis Balthazar, *Bilan du Nationalisme au Québec*, (Montréal : Éditions de l'Hexagone, 1986), p.38.

²¹³ "Perspective and History of Quebec Nationalism", *Quebec's curriculum on Canadian History*, <http://www.uni.ca>.

²¹⁴ Louis Balthazar, *Bilan du Nationalisme au Québec*, (Montréal : Éditions de l'Hexagone, 1986), p.39.

²¹⁵ *Ibid.*, p.42.

²¹⁶ Léon Dion, *Nationalisme et Politique qu Québec*, Montreal: Hurtubise HMH, 1975, p.9.

Balthazaar (1986)²¹⁷.

1840 Act of Union

The English law, 1840 Act of Union, united the two provinces into one colony. The Canadian Chamber was now composed of the same number of representatives from Lower Canada (population 650, 000) and from Upper Canada (450,000).²¹⁸ Thus giving less number of representatives to per Francophone compared to that of Anglophones. The discriminatory division and sharing was not only on political sphere, it also touched the economic, social and cultural domains also. The Public Debts were shared per capita across the province, even though Ontario's public debts were larger than compared to other provinces including Quebec.²¹⁹ English was declared official language and there was undeclared agenda to assimilate the francophone population with the mainstream Anglophones.

The Act of Union, 1840 also marked the departure from active nationalism to passive nationalism. This new form of nationalism preached and practiced the loyalty for the Crown, but vowed to protect its' cultural-ethnic-linguistic characteristics. Henceforth up to 1960, the new form of nationalism was to maintain the loyalty towards the English Crown by suffocating the francophone aspirations of free homeland for a century and the new nationalism was to protect their language-French, their religion-Catholicism and their traditional family centric parish based institutions and social orders. They accepted the sovereignty of Crown but denounced all their symbols by strongly attaching themselves with the symbols of ancient régime of nation-canadienne, though it often led them to regressive direction of development. Léon Dion (1975) called it the 'Liberal and Ultramontane

²¹⁷ Louis Balthazar, *Bilan du Nationalisme au Québec*, (Montréal : Éditions de l'Hexagone, 1986), p.17.

²¹⁸ *Ibid.*, p. 46.

²¹⁹ G. Bergeron, *Le Canada français après deux siècles de patience*, (Paris : Seuil, 1967), p.119.

nationalism’²²⁰ whereas Balthazaar called it specifically as ‘Traditional Nationalism’²²¹.

Phases in Quebec Nationalism

The conquest of the French-dominated la Nouvelle-France—the territories more or less comprising present day Quebec—by the British colonial forces in 1759 marked the beginning of a tense, and as yet unresolved, political relationship between the French-speaking colonised people and the British colonial empire in what today is called Canada. The Treaty of Paris of 1763 declaring la Nouvelle-France as a British colony, set in motion a series of constitutional political arrangements by colonial British authorities, recognising and de-recognising at different times the distinct legal status and cultural rights of the French-speaking subject population. Broadly speaking, these constitutional-political arrangements, enacted by British parliament, addressed themselves to retaining or replacing the prevailing status and role of Catholic religion including the role of Church in civil matters, retention or rejection of French civil and criminal legal system, and the status of French culture including importantly the status of French language in what had become the British dominion. The feeling for defeat (The Conquest) and a complete different way of faith and living traits added with their economic backwardness were not allowing the Francophones to share the table with the Anglophones with comfort²²². The Francophones wanted themselves to be recognized as different as the Anglophones in order to protect their culture, language and religion. They did not want to live with the identity of a nation or people who were largely dependent over the majority class for their needs. They wanted their own independent face—*Vive le Québec!*

The point here is that the Conquest gave birth to a kind of national consciousness among the French-Canadians which over the decades and centuries has undergone various

²²⁰ Dion L. (1975), *Nationalisme et Politique qu Québec*, Montreal: Hurtubise HMH, p.9.

²²¹ Louis Balthazar (1986), *Bilan du Nationalisme au Québec*, (Montréal : Éditions de l’Hexagone, p.17.

²²² Ibid.

transformations in terms of its character and dimension. The contemporary Quebec contains varied parameters and complex structures which have witnessed changes with time. The nationalist current has continuously influenced Quebec. The forms adopted by these movements have, of course, varied significantly over time. Nevertheless, it has affected every social, economic, and political current that touched Quebec society. The complex nature of Quebec nationalism, as indeed, like all societies, Quebec society is not monolithic. Many identifiable trends conveyed often-contradictory visions of the future and the routes advocated for achieving them²²³. Quebec nationalism, like the society it supports, is characterised by trends of varying importance. Social forces displaying different degrees of organisational variables carry them along. The nationalist discourse can be more or less pronounced. Despite the heterogeneous character of nationalism, it nevertheless presents a relatively coherent and ordered vision of society. Nationalist ideology, as with all ideologies, is the result of a conflict between the visions of groups promoting their own interests. Léon Dion²²⁴ (1975) in *Nationalismes et Politique au Québec* did propose three different forms of nationalism that have prevailed in Quebec since the 1760s:

(i) The first phase (1791-1840) of nationalism was based on the concept of “Nation-Canadienne”²²⁵. Though the Quebec Act (1774) recognised the separate cultural identity of Catholic Francophones, this did not prevent the birth of a national consciousness in French Canada. The Constitutional Act of 1791 undid the separate cultural identity of Quebec by dividing Canada into the Francophone-majority Lower Canada and the Anglophone-majority Upper Canada, and imposed on both identical laws and institutions. The denial of proper representations of Francophones in the Executive Council of Lower Canada led to the idea of a ‘nation canadienne’ and this nationalism was supported by the small group of liberal intellectuals and professionals comprising lawyers, doctors, writers

²²³ Raphael Canet, *Nationalismes et Société au Québec*, (Montreal : Athena éditions, 2003), p. 3.

²²⁴ Léon Dion (1975), *Nationalisme et Politique qu Québec*, Montreal: Hurtubise HMH, p.177.

²²⁵ Ibid.

etc. Their struggle for more rights and representations for Francophone Canadians took a formal shape with Louis Joseph Papineau led Parti Canadienne summing-up a charter of demands in the form of “Ninety-Two Resolutions” in 1834. The denial to give constitutional sanction to the 92-Resolution by the British Crown led to popular revolts which were put down with iron hands. Still searching for a constitutional solution, the British crown, following the recommendations in Durham Report, unified the two provinces as a single British Colony through the 1840 Act of Union.

(ii) The Act of Union, 1840 marked the beginning of second phase of nationalism, described as Liberal and Ultramontane nationalism (1840-1960)²²⁶. The Ultramontane nationalism got inspiration from the movement within Roman Catholic Church which advocated the supremacy of papal authority. The Ultramontane nationalism sought to defend the Roman Catholic religion and the French language. The protection and preservation of economic and cultural norms on the lines of Catholicism was the main focus for the Francophones whereas, to the contrary, the nationalism also leaned towards liberalism in its political aspirations as it accepted the authority of British Crown in Canada, defended its legitimacy and preached obedience.

On the whole, for more than one hundred years that preceded the decade of 1960s, the nationalism for French Canadians more or less pursued the conservative nationalistic ideology of Maurice Duplessis which reflected a traditional and rural vision of Quebec²²⁷; and “Nation” was defined essentially in religious and linguistic terms supporting the maintenance of the so-to-say “sacred” traditions. The survival of French Canadians was only possible through a fierce attachment to their only real “capital”, namely language and religion. “Nation” was defined in religious and linguistic terms. The French-Canadian nation was not limited to the territory of Quebec. The social institutions that supported these “sacred” traditions (the family, the parish and the Church) were considered indispensable to the maintenance of French-Canadian culture. This social

²²⁶ Ibid.

²²⁷ François Rocher, *The Evolving Parameters of Quebec Nationalism*, International Journal on Multicultural Societies, Vol. 4, No. 1, ISSN 1564-4901©UNESCO, 2002.

conservatism thus served as a rampart against the threat to the established social order emanating from federal economic and political institutions, dominated as they were by English Canadians. French Canadians were both underrepresented and relegated to inferior echelons of the bureaucratic hierarchy during this period. Traditions could only be preserved in a physical and social environment controlled by French Canadians, which explains the emphasis on agriculture. Agriculture was seen as the means of protecting Quebec culture against the damaging influences of the Anglo-Saxon world, thus justifying a constant struggle against the industrialisation and urbanisation carried out by the traditional élite. The nationalist conservative discourse did not stop Quebec, however, from modernising at the same pace as other provinces. At the beginning of the 1950s, two-thirds of the Quebec population already lived in urban centres, while the agricultural population made up only one-fifth of the population, decreasing to 11 per cent at the beginning of the 1960s.

Quiet Revolution: Beginning of Statist Nationalism

The Quiet Revolution put an end to the traditional nationalism's grip on the ensemble of political and social institutions. Many viewed the end of this nationalism as the entry of Quebec into the age of modernity. Observers were therefore surprised to note shortly thereafter the rise of a new nationalism, or more accurately a neo-nationalism, incorporating the antinomical themes of democracy, statism, and modernity. This new nationalism proposed a revised definition of the Quebec state. Responsibilities allotted to institutions of civil society would now be granted to the state. The valorisation of statist functions was rendered indispensable by the necessity to adjust the social and economic structures of Quebec to contemporary realities. In a sense, Quebec nationalism entered the twentieth century only in 1960s. The so-called Quiet Revolution, which unnoticeably brought a series of social-political changes and which was broadly influenced by certain socialistic precepts, put an end to earlier forms of nationalism in the 1960s.

The multiple interventions by the state in all spheres of Quebec society needed ideological justification. This was imposed through a new discourse with a nationalist theme, but in a largely revised form: the State of Quebec was presented as the only institutional framework able to promote the well-being of French Canadians. Thus Jean Lesage, who led the Québec Liberal Party to electoral victory in 1960 and 1962 liked to present Quebec as the "political expression of French Canada" and even indicated that it should play the role of "mother country" for Francophones outside Quebec²²⁸. The French-Canadian identity was not only found in the homeland, but also in the political climate that enabled them to promote their interests.

Daniel Johnson, who won the election of 1966 as head of the Union Nationale, pursued the same steps as those of the Lesage government while expressing them in different terms. In this manner, he prepared the way, albeit timidly, for the elimination of the preferential reference to ethnicity as the principal element in the definition of nationalism. Referring to the definition of the term "nation" given in a French dictionary, Johnson took the sociological dimension of the definition²²⁹ (that of human community manifesting a historical, linguistic, religious, and economic unity animated by a common will to live) to affirm that two nations did incontestably exist in Canada. This national duality did not depend upon the ethnic origin of the citizens, but on their culture. The existence of a nation, according to normal evolution, must be driven by the creation of a nation-state²³⁰. This phenomenon is common in English-Canadian provinces, where they accept the loss of their liberty of jurisdiction because they know that the norms established by Ottawa function in favour of the majority. Since English Canadians have a national state, conforming to the rights of the people it serves, the French-Canadian nation can follow the same principal. Johnson's nationalism thus marks an important

²²⁸ R. Comeau (ed.), *Jean Lesage et l'éveil d'une nation : Les débuts de la Révolution Tranquille*, (Sillery : Presses de l'Université du Québec, 1989), pp.60-62.

²²⁹ François Rocher, *The Evolving Parameters of Quebec Nationalism*, International Journal on Multicultural Societies, Vol. 4, No. 1, ISSN 1564-4901©UNESCO, 2002.

²³⁰ Daniel Johnson, *Égalité ou Indépendance*, Montreal : Éditions de l'Homme, 1965.

change: from a definition essentially based on ethnicity, Quebec nationalism was now based on territoriality.

The emancipation of the French-Canadian nation was made possible through the appropriation of the only instrument that could act on behalf of the collectivity, namely, the state. Throughout the 1960s, statist initiatives were numerous, with few areas excluded. However, interventions in five important sectors marked the Quiet Revolution: the democratisation of society, the pursuit for a greater equality in the access to education and to health, the control of major economic structures (the most important being the nationalisation of hydro-electricity companies), the modernisation of the Quebec public service, and the emergence of a sovereignist political movement²³¹. This catching up was not possible without the accompanying massive growth of the state apparatus, which provided necessary support to implement these reforms.

In the 1960s, Quebec also had a terrorist movement whose actions culminated in the kidnapping of Quebec's Labour Minister and a British diplomat. The former was killed while the latter was later released. The self-proclaimed Quebec Liberation Front (FLQ – Front de Libération du Québec), created in 1963, instigated numerous terrorist acts, such as using Molotov cocktails to damage symbols of political power (military installations, mailboxes, government offices). In all, nine people were killed, including the Labour Minister Pierre Laporte in 1970. This movement linked the fight against oppression caused by Anglo-Saxon economic and political institutions to the struggle for national liberation. Even though it was later shown that the FLQ had but a handful of members (35 is often given as the number), the federal government still exploited the 1970 "October Crisis". Citing a suspected insurrection, it used the War Measures Act to grant the police exceptional powers of detention and arrest, even though all elements of the political and social classes denounced the kidnapping and assassination of Pierre Laporte.

²³¹ François Rocher, *The Evolving Parameters of Quebec Nationalism*, International Journal on Multicultural Societies, Vol. 4, No. 1, ISSN 1564-4901©UNESCO, 2002.

FLQ did not have a structured organisation, that its actions were largely improvised, and that it never constituted a political threat. Nevertheless, its existence allowed those holding political power to mount a campaign of disinformation suggesting that a real threat existed, in order to de-legitimise the nascent sovereignist movement.

Among the principal achievements of the Quiet Revolution were the reforms of the education system and health insurance plan. However, the nationalist character of state intervention was most visible in the area of the economy²³². In effect, the avowed goal of the government was to permit French Canadians to allocate resources in their favour to counter the economic domination to which they were subjected. To improve the representation of French Canadians in the upper echelons of the entrepreneurial hierarchy, state interventionism looked less at modifying the hiring practices of enterprises held by non-francophone capital than at enlarging the economic base of existing French-Canadian businesses or creating francophone business in areas where it did not exist. To do this, Quebec Francophones could only depend on the state, the only important institution that could compete with large Anglo-Saxon companies, not only on its own territory, but also on a national and international scale. Two complementary strategies were adopted, the creation of public enterprises in the key sectors of the economy, and support of companies held by French Canadians.

If the state nationalism of the Quiet Revolution led a growing number of Québécois to reconsider the division of powers, it also witnessed the emergence of a political movement that increasingly advocated the sovereignty of Quebec. Daniel Johnson had already evoked this possibility without ever concluding in favour of this option²³³. Thus, he proposed the renewal of the equality of the two founding peoples. The logical consequence of this was a constitution that would be an instrument of equality for French and English Canadians, the two ethnic groups on which Canada had been built. It also

²³² Pierre Fournier, "A Study of Business in Quebec Politics", *Ph.d.Thesis*, (Toronto: University of Toronto Press, 1975).

²³³ *ibid*

meant an equality of the two groups on a national scale. However, it is well known that the French Canadians comprised a majority only within the territory of Quebec. It is normal that every cultural community that wants to attain a certain maturity looks for a state. The traditional ethnic nationalism transformed gradually to a nationalism based on territory. Thus, French and English equality was not possible but for a growth in the constitutional powers of Quebec, notably in the areas of social security, international relations, education and culture. Nevertheless, it seemed to Johnson to be impossible to preserve the original constitution because it no longer reflected the political reality. This is why a more radical step was recommended, consistent with the writing of a new constitution²³⁴. In the absence of a satisfactory agreement, Johnson felt that Quebec would have no other choice than to opt for independence. However, the ultimatum of independence referred sometimes to the French-Canadian national and sometimes uniquely to the Quebec territory. It was not Johnson who broke this ambiguity, but René Lévesque, an influential member of the cabinet, who opted clearly for the adoption of a new political status for Quebec.

However, this step adopted by René Lévesque within the Liberal Party of Quebec led him to found the *Mouvement Souveraineté-Association*, which later became the *Parti Québécois*. The thesis advanced by Lévesque in 1967 has remained unchanged over the years. In basing his beliefs, as did many of his contemporaries, on the recognition of two majorities in Canada, he nonetheless believed in the view that the constitutional negotiations would only end in an impasse. In a very significant way, the needs of the two communities were going in two different directions: English Canada looked to rationalise, simplify and centralise powers to the central government, while the demands of Quebec went in the opposite direction. This is why Lévesque recommended sovereignty-association, which he respectfully judged as the appropriate step for the two

²³⁴ Daniel Johnson, *Égalité ou Indépendance*, Montreal : Éditions de l'Homme, 1965.

majorities to best ensure the necessary conditions for economic stability and to maintain an economic, monetary and customs union²³⁵.

In sum, the nationalism that characterised the period of the Quiet Revolution was based on dynamism of state action. The Quebec state looked to take into its own hands the economic and social development of Quebec through numerous policies that sought to confer a new status on French Canadians, who had been relegated for a long time to the inferior echelons of a society where they comprised a majority. In this context, it is not surprising that the growth of state interventionism and the awareness of the power of the state as a tool of socio-economic promotion have led governments since 1960 to call for powers that further the interests of Quebecers, and more specifically, Francophones. It is no longer surprising that among the competing options, some defended the idea of a complete rebuilding of Canadian federalism, while others opted for the idea of sovereignty with an economic association with the rest of Canada. These two options emanated from the same dynamic, though they presented divergent readings of the routes to follow to consolidate the economic, political, and social foundations of Quebec society.

The nationalist ideology of the Quiet Revolution was essentially articulated around the necessity for Quebec francophone society to have recourse to state tools to promote their interests²³⁶. The new definition of collective identity is thus structured around the state, viewed as an important instrument of emancipation for the French-Canadian nation. It is in this context that the constitutional debate and the necessity for Quebec to obtain new areas of intervention to respond more effectively to its social, economic and cultural specificity must be understood. Even if the principal political parties presented divergent strategies to Ottawa, the Liberal Party and the Union Nationale favouring a recasting of federalism while the *Parti Québécois*, by bringing together the more nationalist elements

²³⁵ François Rocher, *The Evolving Parameters of Quebec Nationalism*, International Journal on Multicultural Societies, Vol. 4, No. 1, ISSN 1564-4901©UNESCO, 2002.

²³⁶ Alain-G. Gagnon, *Québec au-delà de la Révolution Tranquille*, (Montreal : VLB éditeur, 1992)

of society, recommending instead the route to Quebec's accession via sovereignty, the end result was a growth in the interventionist capacity of the State and a larger control of more sectors. Finally, the period of the Quiet Revolution permitted the realisation of a juncture between the growth of statist activity and the consolidation of collective identity. This state nationalism was not only the spearhead of the reforms put into place throughout the 1960s, but also left an indelible image on nationalism of the 1970s and 1980s.

Referendums: Towards Decline of Political Nationalism

Many factors that marked the end of the 1970s and the start of the 1980s contributed to the transformation of the Québécois nationalist ideology as articulated around the statist project. The victory of *Parti Québécois* in 1976 elections had raised unprecedented expectations for a sovereign Quebec. But with coming into power he had to face the tough economic conditions and financial constraints which forced him to pursue some unpopular measures. This was counted as one of the major reasons of defeat of first referendum of 'oui' camp. After the defeat of the 1980 referendum, the sovereignists were in retreat and were preoccupied by other concerns. The large coup of repatriating the Canadian Constitution extinguished the hopes that had persisted until then. Finally, the neo-liberal turn of the state throughout Quebec society, expressed by the will of many to privatise a large number of activities and demonstrated by their support of the continentalisation of the economy, indicated to many that Quebec nationalism was out of breath. In sum, the redefinition of interventionism limiting the scope of the model developed throughout the preceding decades contributed to mitigating the hold of the nationalist ideology on Quebec society. The political discourse of the *Parti Québécois*, pushed by the nationalist credo in the 1960s, made the state the pivotal force in the improvement of the socio-economic status of French Canadians. However, the policies adopted by the *Parti Québécois* did not involve a marked expansion of state interventionism. It is not the intention here to reveal all of the measures taken by the *Parti Québécois* administration. However, some did carry a real symbolic importance.

Two electoral promises by the *Parti Québécois* helped them gain power in 1976: on the level of public administration, to act as a “good government”, and on the constitutional side, to hold a referendum on the question of national sovereignty. Bound by this promise, the *Péquistes* government was thus obliged to hold this popular consultation before the end of its first mandate. To group together the nationalist forces in the best way to ensure victory, the *Péquistes* strategists opted for a question written along the lines of traditional claims of Quebec concerning constitutional reform. This is why they asked Quebeckers to give the provincial government the mandate to negotiate a new agreement with Canada based on the principle of the recognition of equality of two founding peoples. They would thus postpone for a second referendum the approval of the newly negotiated package. The respective *Oui (Yes)* and *Non (No)* camps essentially mirrored partisan cleavages. Those who supported the first option were virtually all *Parti Québécois* supporters.

The hope held by the government strategists was that those who supported the growth of state powers would support the government's position and would defeat the strategy of their opponents. Thus, while the question referred to the subsequent negotiations that would be held on an “equal-to-equal” basis with the rest of Canada, the provincial Liberals, supported by Ottawa, focused the debate on the independence of Quebec. This was essentially the position put forth by the leader of the *Non* forces. Following the results of the 1980 referendum, one witnessed a tremendous reinterpretation of the results of the *Non* vote. Mr. Trudeau, the Canadian Prime Minister, immediately claimed that Quebec had chosen Canada. The support for a strong Quebec was reduced to the 40 per cent who had voted *oui*. It was quickly forgotten that close to 60 per cent had voted in favour of a rearranging of powers in favour of Quebec.

The referendum defeat had significant consequences. At the symbolic level, nationalist rhetoric lost its credibility. At the political level, the federal government exploited the referendum result and at the same time discredited the Quebec claims issued over the preceding twenty years in order to carry out its centralisation plan. At the social level, the

defeat of the *Péquistes* project translated into an important demobilisation of the nationalists. Even though 40 per cent of Quebecers had voted *oui*, the result was a searing defeat for the nationalist cause. This caused serious damage to nationalist ideology and to the intellectuals who were its principal spokespersons. The Quebec intellectuals were thus silenced.

The repatriation of the Canadian Constitution that followed the referendum was realised after intense federal–provincial negotiations which took place under difficult conditions. The process was achieved through the isolation of Quebec, notably in the area of linguistic matters, without the province's consent. The contract that linked Quebec with the rest of Canada, negotiated over a century previously, was the object of revision without the prior accord of one of the provinces. Furthermore, the Charter of Rights and Freedoms entrenched within the 1982 document looked to redefine the individual identity of citizens modelled on a new political culture for all Canadians. These latter reforms were founded on the allegiance of Canada to federal institutions, guardians of the Charter, which granted and protected the collective rights. Now the Charter undermined provincial legislation and attempted to reduce the social differences between them. This is contradictory to the project that promotes Quebec national identity in so far as it does not permit asymmetry in the treatment of individuals or provinces. In sum, concerning the contents, the Charter is considered by a large number of Québécois as a document that limits their aspirations²³⁷. Yet the reactions to the federal initiatives from the Quebec perspective did not occasion more than verbal protests. Certainly the Quebec National Assembly, by an all-party unanimous vote, condemned the Ottawa gesture, but apart from that it did not raise the same passions among Quebecers as had been done with the Conscription Crisis of 1942. Yet the new Canadian Constitution was nowhere near what the Québécois population expected following the referendum, with respect to renewed federalism.

²³⁷ Ibid., p.148.

One can take into account the relative decline of nationalism by considering the constitutional strategy the Bourassa administration put in place in 1985. Taking note of Ottawa's new climate of openness towards Quebec, the Liberal government proposed five conditions to bring Quebec back into the Canadian Constitution:

- a. recognition of Quebec's distinctiveness;
- b. Quebec veto on future constitutional change;
- c. control of federal spending power;
- d. power over matters of immigration; and
- e. participation in the naming of Supreme Court justices coming from Quebec.

The "Quebec Round" attempted to respond, *inter alia*, to the demands put forward by Quebec. This represented an important change in strategy from the previous lines of negotiation. One should state that the repatriation in 1982 changed the relations of power, Quebec no longer having any trump cards in its deck. Nevertheless, Quebec had never demanded so little within the framework of constitutional negotiations.

Among the factors that work in favour of the thesis of the decline of nationalism, was the movement of partial disengagement of the state. This tendency was not unique to Quebec. The financial crisis of the state and the global revision of the welfare state were phenomena that affected many Western countries. However, this phenomenon took on a particular salience in Quebec where state interventionism had been perceived as indispensable to the progression of Québécois within their own economy. In the same manner, the support accorded by the political and economic élites to the federal initiative of free trade was perceived as being in opposition to state nationalism. Acknowledging the implications of free trade for the political sovereignty of Canada, and thus on Quebec, apart from the changes in all likelihood to state interventionism, this continental economic strategy posed a contradiction to the nationalist theses based on the recourse of the state. This change was explained by some as the defeat of the state interventionism that had been in place since the Quiet Revolution. It can thus be said that the continental

option translated into reconfiguration of the nationalism of the 1960s and 1970s that rested on public measures of intervention in the economy, society, and culture.

Many explanations have been advanced to understand this phenomenon. The relative decline of state nationalism is explained by its own success. By improving the position of Francophone Quebecers within the economy and the raising of their social status, the Quiet Revolution and what followed had in part fulfilled the wishes expressed by the new middle class. These aspirations found their ideological foundation in a new nationalism, Business Nationalism as coined by Thomas J. Courchene (1990).

Building of Economic Nationalism in the Era of Free Trade

Globally, the 1980s were a decade of political vacuum. Québécois were forced to choose *a contrario*. They said *non* to the referendum on the issue of political sovereignty and they said *non* to renewed federalism centred on the repatriation of the Constitution by the rest of Canada, and they have pronounced themselves against an increased role of the state in the context of economic crisis. In the 1990s, the members of the economic élite became the tenors of the collective identity. In a context of repeated defeat where the political leaders enjoy less and less popular confidence, the business class and its overseeing organisations have become the new spokespersons for the interests of the Québécois collectivity. Not that they have been absent from the political debates that Quebec has continually experienced, but the new political, economic, and social circumstances (comprised of repeated defeats) have furnished the necessary conditions permitting this group to impose itself over others as a credible spokesperson. This pretence continues to be contested by other groups (trade unions, nationalist movements, etc.), without which the latter would be able to dominate the terms of the debate.

Certain observers of Quebec society had already noted a change in the preoccupations of the population and, more specifically, the political élite. For economist Thomas Courchene (1990) the referendum defeat was the occasion to place the emphasis on the economic dimensions of nationalism to the detriment of political aspects. He described

the phenomenon as “market nationalism”²³⁸. Thus, “this new political economy is decidedly nationalist in nature, since it represents an integrated strategy for economic development and for the control of economic institutions by Québécois and from a location within Quebec, namely Montreal”. These economic orientations illustrate the new role played by the state, which favoured the growth of the Quebec private sector. As the promotion of the socio-economic status of Francophone Quebecers could no longer be uniquely fulfilled by the state, it was now the private sector that is looked to in order to fulfill this role. The presence of Francophones in key sectors of the economy was essential. However, the consolidation of their presence still necessitates that the state plays a supplementary role during periods of crisis.

On an ideological level, the business milieu led the continentalist discussion that did not, however, annul the necessity to obtain state support. This was posed as necessary for the competitive progression of business and the improvement of its competitive capacity. It would thus be wrong to consider the free-trade movement as simply a form of neo-liberalism. Moreover, the state must play a role of primary importance in the support of Quebec business which is looking to penetrate the American market and in the protection of the economy and society in facing the internal adjustments that will follow from the opening of the Quebec market to American firms²³⁹.

In sum, it was thus possible to speak of business nationalism to understand the position of the business class concerning the continentalist option. The continental integration process was perceived as a means of full-term reinforcement for the bases of francophone capital. Little was the matter that it consisted primarily of small and medium size businesses, many of which had developed subsidiary activities. Although one should note the success enjoyed by some large Québécois businesses controlled by Francophones (such as Bombardier, Desjardins Group, SNC-Lavalin, Cascades, Unigesco, Power Corp,

²³⁸ Thomas J Courchene, *Market Nationalism's Policy Options*, Politiques, October, 1990, p. 7.

²³⁹ Y. Belanger and P. Fournier, *L'Entreprise Québécoise : Développement Historique et Dynamique Contemporaine*, (Toronto : Gage, 1987), p. 13.

etc.) one should not forget that the majority of francophone capital was found in small- and medium-size businesses. Finally, one can attribute the success enjoyed by free trade in Quebec to the *garde montante* which joined with the dominant elements of the Canadian business class in the debate and who converted the political agents, both Canadian and Québécois to their way of thinking²⁴⁰.

On the whole, the business class preferred political stability to important changes which are inevitable carriers of economic instability. One will still find this discourse in Quebec regardless of the political circumstances. Investors preferred to know the actual rules of the game before taking risks. This strong simple equation also applies to Quebec businesspersons. This is why they overwhelmingly supported the Meech Lake Accord, which allowed for a response to certain Quebec demands without substantially modifying the general economy of Canadian federalism. The position taken in this regard assumed very few words: finish with the long constitutional discussions and pass on to more pressing concerns, namely the economy. The preoccupations of the business class did not involve constitutional details. The only clause deemed as significant, and considered as non-negotiable, was that of the distinct society. Moreover, for the spokespersons of this group, it was important to resolve the constitutional debt, a source of uncertainty, which could only discourage certain investment in Quebec and Canada.

However, the rejection of this accord in June 1990 put back into question the unconditional *parti pris* of the Quebec economic élite to the federal political structures. For the majority of Québécois, including the business class, the refusal to ratify the Meech Lake Accord was interpreted as a rejection of Quebec as a distinct community. More than that, this brought out the contradictory visions between an English Canada fiercely attached to its new symbol of pan-Canadian unity, that is, the Charter of Rights and Freedoms addressed to the citizens and the favouring of the central government, and a Quebec more desirous than ever before to reaffirm its collective rights, notably the right to a French environment. In sum, the events of June 1990 have come to confirm that

²⁴⁰ Ibid.

which was clearly established in 1982: the dualist vision of Canada has ceded its place to one that places emphasis on the equality of provinces and citizens, conferring to Ottawa the status of senior government in opposition to provincial government considered as junior²⁴¹.

Between 1990 and 1992, intense constitutional negotiations took place. Many elements of the Meech Lake Accord were included but watered down in a broader constitutional document agreed upon in Charlottetown, the provincial capital of Prince Edward Island. The document contained a "distinct society clause" for Quebec, but many of its elements were perceived negatively by the Quebec population, namely the lack of recognition of Quebec and absence of a substantial clarification of the powers between the two orders of government. In a pan-Canadian referendum held in October 1992, a majority of Canadians (54.3 per cent), including a majority of Quebecers (56.6 per cent), rejected this agreement. The most profound obstacle to a constitutional resolution is ideological: English Canada and Quebec are now firmly attached to notions of political community that are mutually exclusive. Inevitably, future constitutional proposals will be assessed in these terms. On that basis, what is acceptable to one party is highly likely to be unacceptable to the other. Quebec nationalism in the 1990s was evolving in a different context than in previous decades. The rejection of the Meech Lake and Charlottetown accords profoundly modified the perception that comprised the possibilities of constitutional arrangements that could be made to the satisfaction of Quebec. The large majority of submissions to the Commission on the constitutional future of Quebec (better known as the Bélanger-Campeau Commission) underlined the unacceptable character of existing constitutional arrangements and the necessity to proceed to an extensive decentralisation of powers. In the case of a rejection of negotiations, the hypothesis of sovereignty could become the only acceptable alternative. The business class was not impervious to the debates that held the attention of the population throughout the autumn of 1990²⁴².

²⁴¹ G. Bouchard, *La Nation Québécoise au future et au passé*, (Montréal : VLB éditeur, 1999), p. 167.

²⁴² Ibid.

Finally, it should be remembered that around the controversy surrounding the Meech Lake Agreement, popular support for sovereignty as indicated by public opinion polls reached the unprecedented level of as high as 70 per cent of respondents. The support of sovereignty was in part linked to the Québécois perception of English Canada's unwelcomed response to Quebec's constitutional demands. The symbolic character of the recognition of Quebec as a distinct society must not be underestimated. The inaccuracy of the federal proposals, the lack of response by the Liberal government in Quebec to the federal position, and the crises encountered by the Quebec economy and its impact on the population, were key factors in the development of Quebec nationalism by the mid 1990s.

In September 1994, the *Parti Québécois* won the provincial election. The Throne Speech revealed the Premier's intentions to submit to the National Assembly a document that would serve as the basis for popular participation in the pre-referendum debate. On 6 December he announced his plans for an extensive consultation process to be held between January and March 1995. The government intended to create 15 regional consultative commissions, made up of parliamentarians and citizens from each region. It invited all Quebecers to debate the contents of a proposed bill (*Avant-projet de loi*) and to participate in the writing of a declaration of sovereignty. Quebec premier Pariseau invited the population as well as all political parties, including the Liberal Party of Canada and the Progressive Conservative Party, to reveal their views on this proposal for the independence of Quebec. Following this consultation, the document would become a bill, be passed by the National Assembly, and then be submitted for approval by Quebecers in a referendum²⁴³.

The proposed bill on Quebec's sovereignty had 17 clauses. It declared in Clause 1, the shortest clause of all, that "Quebec is an independent country". The second clause deals

²⁴³ Thomas J Courchene, *Market Nationalism's Policy Options*, *Politiques*, October, 1990, p. 16.

with economic association and authorises “the government to reach an agreement for maintaining the economic association between Quebec and the rest of Canada”. The other clauses take up, in order, the following issues: the elaboration of a new Quebec constitution; territorial integrity; citizenship; currency; participation in international treaties and alliances; the continuation of legislation; the division of assets and debts and, finally; details concerning the introduction of the law, one year following a referendum unless the National Assembly decides otherwise. Clause 3 on the new constitution states that it “must guarantee to the anglophone community the preservation of its identity and its institutions. It must also recognise the right of aboriginal nations to govern themselves over the lands they control. This guarantee and this recognition were exercised within the respect of the integrity of Quebec’s territory.” Apart from the regional commissions, the *Parti Québécois’s* strategy relied on the work of experts, many of whom were recruited from abroad, in order to demonstrate the feasibility of sovereignty and the inconveniences of federalism²⁴⁴.

The weakness of the sovereignty option among the Quebec electorate in opinion polls encouraged the federal government to maintain the "strict silence" strategy it had adopted after *Parti Québécois’s* election victory. This strategy was premised on two considerations. First, the apparent lack of public enthusiasm for sovereignty indicated that there was no need to develop counter-proposals for constitutional change that would appeal to Quebec voters. The recent history of two failures (Meech Lake and Charlottetown) to secure agreement on constitutional revision suggested that such proposals could well backfire and reinvigorate separatist sentiments. Moreover, given the new Canadian Prime minister's prominent role in 1982, many Quebecers might not trust his offers of yet another variant of "renewed federalism" like the Liberals had promised before the 1980 referendum. Second, although former Prime Minister Trudeau had enjoyed widespread popularity in Quebec in 1980, the large francophone majority was decidedly lukewarm about Canadian Prime Minister Chrétien in 1995.

²⁴⁴ Ibid.

An important element in the PQ strategy was to craft a referendum proposal that would allay fears about possible negative consequences of sovereignty. The proposal's wording of the question implied that a sovereign Quebec might be able to maintain economic and political ties with Canada. The question was the following: "Do you agree that Quebec should become sovereign, after having made a formal offer to Canada for a new Economic and Political Partnership, within the scope of the Bill respecting the Future of Quebec and of the agreement signed on June 12, 1995?" The date for a referendum on this question was set for 30 October 1995. Polls conducted during the summer showed support for sovereignty among those citing a preference moving upward into the mid-to-high 40-per-cent range.

On 30 October, the turn-out level was 93.5 per cent, 18 per cent more than those who voted in the Charlottetown Accord referendum three years earlier. The result was a razor-thin victory for the No side, with 50.6 per cent of the valid votes being No and 49.4 per cent, Yes. However, in terms of total votes cast, neither side won: the gap was merely 52,000 votes, some 34,000 less than the number of spoiled ballot papers. The narrow defeat of the sovereigntist option forced the federal government to review its national unity strategy. The federal government opted to bring forth a reference case to the Supreme Court, thereby judicialising the political conflict. The federal government asked the Supreme Court whether a unilateral declaration of independence by Quebec, as proposed by sovereigntists in the case of failed negotiations on renewed partnership, would be legal. At the end of August 1998, the Supreme Court answered negatively, yet it qualified its answer by adding that if the population of Quebec indicated clearly that it no longer wanted to be part of Canada, Canada was constitutionally obligated to negotiate in good faith the terms of secession. The rift between Quebec and the rest of Canada was made wider when the federal government made it clear in November 1999 that it would not negotiate the terms of secession if it judged that the question asked in a referendum was not clear, or if the sovereigntists only won by an absolute majority of the votes (50 per cent plus one). In doing so, the federal government introduced the principle of a qualified majority, fearing that the rules accepted for the 1980 and 1995 referenda would

not go in its favour next time round. This new federal legislation makes it impossible, in practical terms, for Quebec to accede to independence while conforming to the Canadian constitution. The Canadian constitution imposes an amending formula that is so rigid that all negotiations towards secession are most likely to end unsuccessfully²⁴⁵.

This initiative undertaken by the federal government has further crystallised the conflict with Quebec. Because of the federal government's refusal to negotiate with Quebec in the event of secession, the First Nations, and the demands voiced by western Canadians, Canada is now trapped in a constitutional status quo. For some, this confirms that Quebec is not free within the Canadian federation. That is to say that a member of the federation that wishes to be perceived as a nation can only succeed in doing so through discussion, negotiations, and amendments not blocked by arbitrary constraints. The fact that the constitutional changes of 1982 were imposed upon Quebec without its consent, that the amending formula was modified to prevent the recognition of Quebec as a nation, and that, finally, secession should have been addressed within the framework of the amending formula but was not, and so that Canada will remain a state in which liberty, justice and stability will always be partially absent, contributing to the increasing identification by the people of Quebec with their own society without developing equivalent bonds of belonging to Canada.

Summary and Conclusion

Nationalism is a constant of Quebec history. It has been sustained by the will to preserve and affirm the membership of a collectivity (a people and a nation) and its ties to its given territory. It has, however, adopted forms and put into place societal projects that have varied over time. Despite this evolution, the new forms of the nationalist ideology

²⁴⁵ Ibid.

continue to borrow from previous expressions. The nationalist ideology has thus been gradually transformed not necessarily resulting in a radical rupture with the past.

Since the Quiet Revolution, Quebec nationalism has undergone two important transformations. On the one hand, it has developed a nationalist ideology making the state of Quebec one of the principal elements of identification of economic, social, and political promotion of Francophones. The growth of statism in Quebec society was obviously not the only constitutive aspect of this new form of expression of this sentiment of membership but it occupied a dominant position. This dynamic, among others, is translated by a will of political affirmation without precedence since the defeat of the Patriot Rebellion in 1837. Politically, a number of increasingly important Quebec Francophones have questioned the political form of organisation represented by the Canadian political system. Economically, Francophones have been able to improve their position and to implement a network of industrial, financial and service businesses with the support of the state. Socially, they have started to consider themselves a majority. This new dynamic was not possible without placing emphasis on the fact that they cannot occupy a dominant place except within Quebec territory, mitigating the definition or the collectivity formulated simply around cultural dimensions. The beacons of this state nationalism were principally defined by the new middle class, which largely developed during this period.

A second possible transformation was perceivable in the 1980s. Many factors contributed to the redefinition of the parameters of nationalism: economic crisis, the defeat of the sovereigntist political project, and the redefinition of the role of the state. These elements contributed to mitigate the reach of the statist nationalist discourse. Many have spoken of the decline of nationalism to describe the political and social dynamic of this period. It appears however, that the 1980s was the occasion to review the parameters of nationalism. These economic aspects have taken on greater importance to the detriment of the project searching to create a national state. This reconfiguration of nationalist ideology was accompanied by the rise in the symbolic status of the business class. At the

political level, they favoured accommodations within the framework of Canadian federalism rather than its profound transformation. The necessity of decentralisation of powers from Ottawa to Quebec was still present, but in a gradual manner and often by means of administrative agreements. However, the rejection of the Meech Lake Accord in 1990 and the Charlottetown Agreement in 1992 hardened this new climate, and contributed to keeping the sovereignist project alive. Not that it corresponds to a growing willingness to the necessity of a larger degree of interventionism on the part of the Quebec state, but it translates into a disillusionment with the economic viability of Canadian federalism and the possibility that the interests of Quebec will one day be recognised by the majority of people in Canada.

The moral superiority of Canadians and Québécois has been found in the peaceful management of their historic tensions. An explanation of the lack of violence in Quebec–Canada relations can be found elsewhere. Nevertheless, the outcomes of the Quiet Revolution – educational reform, the rise of a new business class and its growing dominance over the provincial economy, the creation of an effective, state-supported social safety net, and reform of the labour code – surely played an important role in the creation of a social climate that did not lend itself to the explosion of conflict. Few societies can claim that, in the space of one generation, they eliminated such a wide and entrenched gap between incomes earned by Anglophones and Francophones.

Along with economic victory of Francophones in reducing the income parity with Anglophones, Quebec scored another victory in form of Federal government's sanctioning the motion which recognised Québécois as a separate nation within Canada. After the defeat of referendum and further with the successive victories of Jean Charest's labour government in Quebec in 2003 and 2008, it was said that the days of Quebec Movement was over. But this legitimacy provided another lease of life to claim political autonomy for Quebec Nationalists. The next two chapters will be exclusive dealing with the Desjardins Movement and its glorious journey in writing one of the most successful stories of Quebec's economic emancipation.

CHAPTER IV

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**DESJARDINS MOVEMENT: ORGANISATION AND
PROGRAMMES**

The proud face of Quebec's aspirations and endeavours —The Desjardins Movement — is the largest financial institution of Quebec and the sixth largest of Canada. As a cooperative financial network, the Desjardins Group is the largest integrated cooperative group in Canada with overall asset of \$ 172 billion and 5.8 million members. It comprises a network of financial services cooperatives, caisses and credit unions and some twenty subsidiary companies in life and general insurance, securities, brokerage, venture capital and asset management.²⁴⁶ The Caisses Populaires²⁴⁷ represent a major social and economic movement of 20th century Quebec.²⁴⁸ In the first two chapters of the study, the basic features of microcredit institutions and programmes were analysed whereas the latter chapter exclusively dealing with Canada and Quebec's contribution to the field. The previous chapter analyses the trajectories of nationalism. It also delineates the Quebec nationalism through historical and ideological perspectives. The current chapter shall describe the contribution of Alphonse Desjardins in economic empowerment of Francophones in Quebec by creating the Caisses Populaires.

²⁴⁶ Mouvement Desjardins (2009), "About Desjardins", [Online: web] Accessed 14 December 2008, URL: <http://www.desjardins.com/>.

²⁴⁷ The Cooperative Institution established by Alphonse Desjardins to be known as Caisse Populaire which forms the basic unit of Desjardins Group. This is just like a branch of some bank or financial institution to better called as Credit Union in English.

²⁴⁸ Ronald Rudin (1990), *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, Montreal: McGill-Queen's University Press, p. X (preface).

The Desjardins Movement is synonymous with the French-Catholic identity of Quebec. Quebec is one of the largest provinces of Canada with the majority of population speaking French and as the only Francophone dominated province in Canada (The province of New Brunswick has also significant proportion of French speaking population). Other provinces of Canada have either the Anglophone majority or dominance. The history of modern Canada starts back to the sixteenth century A.D. The territory of North America which at present shapes the contemporary Canada was firstly colonised by the French during the 16th – 17th century. The new French colony in North America offered the French the control of vast natural resources for the commercial uses and exploitations. The resultant ultimate dominance of French in staple trades viz. fish, fur and timber from North America made the British envy inevitable. The subsequent rivalry between English and French finally resulted in the British victory, popularly known as ‘The Conquest’ (1760 A.D.).²⁴⁹ The Treaty of Paris (1763) ended the legitimate control of France in North America as French ceding all their colonial rights there to their English counterparts and the majority Francophone population thus became the subjugates of minority Anglophones in Canada. Though France had left the Canadian Francophone population at the mercy and governance of English, the French population of Canada was not ready to shed their cultural-ethnic and linguistic identities and so they were not ready to accept the Anglophones as their ruler. The French-Canadians never wanted to forget their wounds of the Conquest. As a tool to protect their cultural-ethnic-linguistic-social characteristics, they continued a constant struggle against hegemonic Anglo-Saxon influences. Agriculture-Catholicism-French became the inseparable identity of French-Canadians.

The perennial opposition to all symbols of Anglophone identities viz. modernisation in methods and techniques of production, new methods of agricultural practices, industrialization, urbanisation, etc. gradually eroded the economic compatibility of Francophone population of Canada. Ethnic opposition to industrialisation and urbanisation and advocacy for traditional form of agricultural practices were

²⁴⁹ Wallace Clement and Glen Williams (eds.) (1989), *The New Canadian Political Economy*, Montreal & Kingston: McGill-Queen’s University Press, pp. 3-7.

institutionalised as inalienable characteristics of French-Canadians. Non-usage of modern methods of cultivation gradually diminished the economic compatibility of Quebecers in form of low productivity.²⁵⁰ In the course of time the Francophone Community were reduced majorly as farmers with subsistence mode of agriculture. Same trends were witnessed with other mode of subsistence and economic activities. Hesitations in the adoption of latest mode of technology and the new system of education resulted in creation of a workforce which was able to contribute to the lower echelons of economic hierarchy only and so, as a result, the presence of Francophones at the upper strata of economy as well as at higher official position became almost negligible. White-collar executive-class professionals became synonymous for the Anglophones whereas Francophones mostly formed the part of blue-collar labourers and workers. The same pattern reflected in the presence of business inc. at Quebec. The capital and management position had almost uniform representation by the American and Anglophones whereas labour positions were filled by the Francophones.²⁵¹

The Confederation (1867) officially established Canada as a British dominion. This brought a fresh wave of economic and industrial developments in Canada. The Quebec also witnessed the fresh leaves in existing social-political and economic establishments. The First New Economic Policy (1879) introduced the first wave of industrialisation in Quebec. This got further boost with the construction of Canadian Pacific Railway linking Pacific and Atlantic Coasts of Canada through Quebec.

As explained before, ethnic denial in adoption of latest mode of production and technology resulted in diminishing economic compatibilities of French-Canadians. The Quebec economy and industry were largely dominated by English capital and management. The poor economic conditions of Francophones became one of the major factors of the dilution of their French-Catholic identity at large scale during last-half of 19th Century where the poor fellows used to adapt English language as a way to

²⁵⁰ Ibid, pp. 66-200.

²⁵¹ Mathew Fraser, *French-Canadian Entrepreneurs and the New Business Elite—Quebec Inc.*, (Toronto: Key Porter Books Limited, 1987), pp. 69-99.

ameliorate their economic prospects. Immigration to other provinces as well as at home (particularly at Montreal, in form of giving preference to English over French in search of better employment opportunities) had a dwindling effect over the demographic trends of French-Canadians. The champions of French-rights saw this trend as a diluting effect over the existence of French-Canadians and they feared this trend might disappear one day the Francophone population from North-America.²⁵²

Along with the thought of cultural dilution of Francophones due to the economic dominance and significance of English language, there was another school of thought which wanted to break the dominance of Anglophones at French-heartland, Quebec. They wanted to be the master of their own land, “Maîtres Chez Nous (master at our own home)”. They were disturbed with the fact that the staple resources of Francophone terrains were being exploited for the profits of their adversary English capitalist class and the Francophones were just the suppliers of labour and resources where actually they could claim ownership and full share of profit. What was missing, just the absence of Francophone Entrepreneur Class and Francophone Capital.²⁵³ The 20th century of Quebec thus has been marked with the attempt to create a class of Francophone capitalists and entrepreneurs in order to remain the “masters at our own home”. These neo-champions of Franco-Catholic identity were not only sensible and sensitive to the inherent dimensions of their ethnic distinctiveness, but they were equally willing to break the legacy of Anglophone and American dominance in relevant domains while not loosing their own cultural-ethnic exclusiveness. Therefore, the 20th century becomes the symbol of Francophones taking their economic fortunes in their own hand with the reconquest of the Quebec economy under their own control.²⁵⁴

²⁵² Fernand Oullet (1980), *Economic and Social History of Quebec 1760-1850: Structures and Conjunctures*, (Canada: The Carleton Library No. 120 Gage Publishing, 1980), pp. 9-42.

²⁵³ Mathew Fraser, *French-Canadian Entrepreneurs and the New Business Elite—Quebec Inc.*, (Toronto: Key Porter Books Limited, 1987), pp. 69-99.

²⁵⁴ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p.2.

Alphonse Desjardins is one of the greatest figures of Quebec history who, in spite of his staunch loyalty to French-Catholic orders and traditions, stood strongly to write one of the most successful stories of Francophone entrepreneurship. His contribution in establishment and spread of Caisses Populaires (to be later known and magnified as the Desjardins Movement) offered one of the basic foundations for the emergence and development of Francophones' economic and industrial endeavours. He pioneered an institution which subsequently became a strong symbol of Francophones taking their economic destiny in their own hand.

Formation of Desjardins Movement

I. Quebec State, Society and Economy at the Onset of 20th Century

The 2nd half of 19th century and early 20th century brought unprecedented climate of economic growth at Quebec. Quebec economy was booming on all the sectors. The agriculture, industry and trade—all sectors were performing extremely well. The latest technological developments were reducing the distance from the far flung areas. The new areas of commercial activities were coming in contact with Quebec. The economy and industries of Ontario, western provinces of Canada, England and United States were in greater proximity than ever before. These newly accessed markets provided enhanced opportunities to agricultural products and manufactured commodities from Quebec and Canada. Same pattern of economic growth was being experienced by whole of Canada. All such expansion of economic activities created a tremendous optimism for the Canadian future as envisaged by Wilfred Laurier, the then Canadian Prime Minister “The 20th century will be of Canada”.²⁵⁵

The expansion and high scale growth of economic activities can be attributed with the establishment of Confederation and latest technological developments. The decision to establish the railway networks to the far flung areas, particularly the construction of

²⁵⁵ Ibid, p.7.

Canadian Pacific Railways linking the Pacific Coast of Canada to the Atlantic Coast of Canada thus directly or indirectly defining Canada as a unique economic unit or a single country. The inventions of telephone and electricity and its' introduction in Canada during 1880s had striking influences over economic growth of Canada.

Quebec too did not remain untouched of all these technological progresses. As stated, the introduction of electricity, telephone and railway provided a strong impetus of growth to the economic activities at Quebec. The electric tramway began to run at Montreal in 1892 and in Quebec in 1899. The automobile also marked its presence before the end of 19th Century. The first, Léon-Bollée, made in France, appeared in Quebec in 1897. The gramophone (1887) and the cinema autography (1894) added the level of technological progresses in Quebec.²⁵⁶

But all these technological developments and economic prosperity were not able to ameliorate the plight of common people, in fact, the transition phase brought more hardships to their lives. The last three decades of 19th century, despite economic boom, have been marked as the period of repeated economic depressions. The recessions created the devastating effects over the lives of farmers, artisans, workers and salaried classes. Their revenues fell down drastically due to increased level of unemployment and rapid fall in prices of agricultural products. The resultant economic hardships shook the demographic trends in Quebec and a trend of mass-exodus from Quebec was experienced. Quebec witnessed the emigration of 325,000 Quebecers towards other provinces of Canada and USA in search of better economic fortunes between 1861 and 1901. In addition, the working conditions of workers, especially of non-skilled workers, became very hard back home at Quebec. The instances of unemployment due to closure of industrial unit or sickness of employee were quite common. The absence of social-security net was adding further problems to them. All these left them at the exploited and compromised end as they were forced to work at quite less salary and enhanced working hours, often 10 hours a day and 6 days a week. This led to the break off of the centuries old traditions as women were forced to leave their households and to work as wage-

²⁵⁶ Ibid.

workers to add up the income of the family. Sometimes, the children from poor households were left with no option but to contribute to the family income by working outside.²⁵⁷ The coming out of women from household activities could be seen as the breaking of centuries' old 'family' tradition of Catholic society.

Apart from wage labourers and industrial workers, the farming community were also not left untouched of the hardships of economic transition period. Agriculture or staples had been the backbone of Quebec economy. The absence of organised economic segment for agriculture left this activity less profitable. From 1873 to 1896, the prices of agricultural products continuously went downward whereas the prices of manufactured goods had upward trends. In order to make their activities lucrative in terms of return, they needed to enhance the crop-productivity as well as the greater utilisation of land resources. This could be possible with the usage of high-yield seeds, fertilizers and pesticides, crop rotation practices and mechanised way of farming. All these demanded high level of capital investment which most of the Quebec farmers and poor were not endowed of. There was no such institutional arrangement for agro-credit to these poor farmers. There were very few banks, particularly in rural areas, at Quebec and they were there just to collect small savings from Quebecers. But the chances of getting some loan from these banks were almost negligible. Then these farmers had no option but to take recourse to local lenders who used to provide them need based credit but their interest charges were quite high and usurious. Usurious interest rates often left the farmers unable to pay back his debt and, in such cases, the moneylenders used to seize his farms and properties and finally rendering the farmer as landless labourer in his earlier owned farm. In many cases, left with no means of subsistence, they had immigration as the only option to follow.²⁵⁸

The rapid dilution of francophone population due to economic hardships caused inevitable concerns among the patrons of French-Catholic social-order. They were not only committed to protect their ethnic population, but they were also inspired to adopt welfare measures for raising the standards of living of poor thus minimizing their day-to-

²⁵⁷ Ibid, p.7-8.

²⁵⁸ Ibid.

day hardships.²⁵⁹ Alphonse Desjardins can be placed as one of the most prominent faces of Quebec who committed his life fighting the causes of Francophones' plight due to poverty. His noble initiative in face of Caisse Populaire was not like any other financial institution just lending and depositing money of the public. It was an institution that used to provide the monetary support to her members when the most in need and at the time when other financial institutions such as banks refused to provide the need-based credit. It equally developed itself as an educational institution for Francophones which used to inculcate the habit of savings and living within their own means to the Quebecers.

II. ALPHONSE DESJARDINS (1854-1920)

Alphonse Desjardins is credited as the father of co-operative movement in North America as he pioneered the first cooperative institution in the continent. He had laboured the Caisse Populaire out of his attachment for the well-being of downtrodden as his own infantile had experienced full of hardships.²⁶⁰

Desjardins was born on 5th November, 1854 at Lévis, the eighth child of 15 children, to François Roy dit Desjardins and Clarisse Miville dit Deschênes. The frequent health problem of his father forced his mother to pursue domestic labour job in neighbourhood to feed her family.²⁶¹ Despite of his poverty, Desjardins continued with his studies. After finishing his primary classes at Potvin parish school, he pursued his studies at the Collège de Lévis. His academic performances were brilliant there and he received numerous awards and scholarships for his academic pursuits. But in July, 1870, he had to abandon his studies because the cost of higher education had gone up.²⁶²

²⁵⁹Ronald Rudin (1990), *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, Montreal: McGill-Queen's University Press, pp. 4-9.

²⁶⁰ Ibid. p.10.

²⁶¹ Guy Bélanger et Claude Genest, *La Caisse Populaire de Lévis 1900-2000, Là où tout a commencé*, (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p. 7.

²⁶² Ibid, pp. 5-7.

After leaving his studies, he joined the 17th Infantry Battalion where his elder brother Louis-Georges was serving as a warrant officer. He was soon there promoted as Sergeant-Major in 1871 and he was assigned to counter the invasion by Fénien revolutionaries over Canadian territory (Manitoba) and later was expedited to quell the uprisings led by Louis Riel at Red River.²⁶³ But his military instinct remained quite short, and soon he decided to develop his career in the field of journalism. He learned the basics of journalism while working as a correspondent with L'Écho de Lévis, a journal of Conservative Party. In 1879, he earned the government subsidy which continued till 1890 for publishing the debates of Quebec's Legislative Assembly. The new assignment provided him the opportunity to scratch out the lineages of social and economic evolution of Quebec and to know the basics of how to run the public administration.²⁶⁴ His subsidy was suspended in 1890 by Premier Honoré Mercier from Liberal Party over the change of substance of a speech. Desjardins then tried his hands in journalism by launching his own journal, L'Union Canadienne, the mouthpiece journal of Parti Conservateur in 1891. This stint did not last long. But his services to Parti Conservateur and his experience of debate recorder at Quebec Legislative Assembly won him the post of French stenographer at the House of Commons at Ottawa. He remained there with this job from 1892 to 1917. But he maintained his house at Lévis and used to stay there 6 months every year during the off-session of Canadian Parliament.²⁶⁵

III. Background and Circumstances Leading to the Formation of Caisse Populaire de Lévis

His childhood in poverty had left a permanent favourable inclination towards the poor in him. His profession as a journalist and a debate recorder at legislative bodies had given him a deep understanding of economic, political and social issues of common masses. Being a bright student during his college days, he had also a great affinity for literature.

²⁶³ Ibid, pp. 7-8.

²⁶⁴ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p.10.

²⁶⁵ Ibid, p. 11.

The wide-scale readings helped him to comprehend the society in a better and larger way. He often tried his hands in writing. But what counted the most was his experience as executive members in many of the mutual societies which provided him the first-hand experience about co-operative societies.²⁶⁶

Lévis became the favourable ground for the development of mutual life insurance companies during the second half of 19th century. Lévis witnessed the incorporation of 6 mutual cooperative societies in the region during 1860s. The most significant of them was the Société de Construction Mutuelle de Lévis. The elder brother of Desjardins, Louis-Georges Desjardins, was one of the provisional directors of this mutual society. Desjardins was there as one of the inspectors. The commercial crisis of August, 1975, ended this mutual venture, but it had given the notion to Desjardins to establish a mutual association to provide the need based credit to the needy ones with the use of local savings with the aim of local development at Lévis and thus he began his journey for the establishment of Caisses Populaires.²⁶⁷ He afterwards had always been at the centre of all development initiatives at local level with the Chamber of Commerce of Lévis. His administrative role in all the mutual societies at Lévis further strengthened his idea of utilising local savings for credit needs of local level for the development of locality.²⁶⁸ He even compiled a thesis on life-insurance which highlighted the problems of financial insecurity faced by the families with modest income and he offered mutual cooperative society as the solution to fight this financial insecurity.

His job as French stenographer at Ottawa provided him the opportunity to exercise his dream of doing something for the amelioration of living standard of poors. He had a job that used to continue for only few months during the year. Even during the session time of parliament, most of the work used to take place in English. So he was left with plenty

²⁶⁶ Guy Bélanger et Claude Genest, *La Caisse Populaire de Lévis 1900-2000, Là où tout a commencé*, (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p. 9.

²⁶⁷ Ibid, p.10.

²⁶⁸ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p.13.

of spared time. He devoted this time to concentrate on readings. He was also fortunate to have the access of very resourceful parliamentary library. There he found books and literary works on a vast range of subjects. His readings were mainly over social issues and everything dealing with the amelioration of standard of living of popular classes.²⁶⁹ There he got familiar with the success of cooperative societies in European countries through available literature on the subject.

But he was most struck with the speech of Michael Quinn, the Member of Parliament from Montreal, on 8th April 1897. He described how people in Canada's largest city, Montreal, being forced to pay outrageous rates of interest on loans from unscrupulous money-lenders. He quoted a classic case when a man was compelled by the tribunal to pay an interest of \$ 5000 over an initial loan of \$ 150.²⁷⁰

IV. Foundation of the Caisse Populaire de Lévis

The speech touched the bottom of heart of Desjardins who was already filled with the notion of need of a cooperative society to help the poor population of his locality. While going through the book *People's Banks* by Henry William Wolf which presented a synopsis of inventory system of savings and credit of popular classes in Europe, he developed the idea of opening some financial institution on the same line and pattern. He wrote to Wolf and in return Wolf offered him to extend all possible cooperations and collaborations. He then started a research over the cooperative systems at international level and came into contact with a dozen of leaders of cooperative movements in France, Italy, Belgium and Switzerland.²⁷¹ He explored different social problems like rural exodus, emigration, unemployment, etc. as a result of industrialisation. He observed

²⁶⁹ Ibid, pp. 11-12.

²⁷⁰ Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), p.9.

²⁷¹ Guy Bélanger et Claude Genest, *La Caisse Populaire de Lévis 1900-2000, Là où tout a commencé*, (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p. 33.

users just as one of the many problems and criticized the State for failing to provide an efficient solution to existing problems of poverty. He was equally critical of syndicalism and socialism for not proposing the true solution. After going through his profound research work, he concluded that the solution of such problem was in association, cooperation and local development. His hypotheses aimed to developing the habit and taste of savings and being prudent among the poor thus taking their fate in their own hands.²⁷² By 1900 Alphonse Desjardins had pieced together parts taken from various schemes to design a system that he thought would work throughout Quebec, in both urban and rural areas. Desjardins thought that he had developed “a new model which would bring together in perfect harmony the different characteristics of the [urban] People’s Bank and rural credit union”.²⁷³ His model was basically a synthesis of four systems of popular credit and savings spreaded across the Europe: la caisse d’épargne, la caisse de crédit Raiffeisen, la banque populaire Schulze and la banque populaire Luzzatti.²⁷⁴ “La Caisse d’épargne” was the only institution not having cooperative characteristics. This organisation was inspired with the philanthropic ideas and it aimed to develop the practice of saving and prudence among the people with very low income in order to create small but necessary savings for the emergency needs. Desjardins borrowed the concept of local savings and avoidance of wasteful expenses from this institution. “La Caisse de Crédit Raiffeisen” also lent some characteristics to Caisses Populaires such as extension of benefits of caisses to members only, free and volunteer services by the directors and managers for administrative functioning, investment in long term social capital, etc. The same model inspired many years later for the hypothesis of federated network of caisses and the creation of Caisse Centrale. “La Banque Populaire de Schulze” gave the idea of maintaining the equilibrium between the deposits and local credit. It also added the notion of dividend declarations and remuneration from social

²⁷² Ibid, p.34.

²⁷³ Ronald Rudin, *In Whose Interest? Quebec’s Caisses Populaires 1900-1945*, (Montreal: McGill-Queen’s University Press, 1990), p.10.

²⁷⁴ Guy Bélanger et Claude Genest, *La Caisse Populaire de Lévis 1900-2000, Là où tout a commencé*, (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p. 34.

capital. Alphonse Desjardins adopted many principles of “La Banque Populaire Luzzatti” viz. essential to subscribe at least one share to become the member of a cooperative association and the cost of this share should be modest in order to encourage larger participation. As shares could be sold back, the concept of creation of a reserve and contingency fund was also copied to meet the unforeseen demands. Although the basic principles of cooperative structure were taken from European experiences, instead of copying perfectly a European model, he conceptualized a system having richness of European experiences but equally suitable for the North-American, Canadian and Quebec realities.²⁷⁵ He prepared his model based on European experiences along with his experience as administrator in many of the mutual societies at Lévis, mainly, la Caisse d'économie de Notre-Dame-de-Québec, la Société de construction permanente de Lévis et la Société des Artisans canadiens-français.

Finally at the end of summer of 1900, Alphonse Desjardins was ready to put his model of credit and saving cooperative into operation. In order to ensure the large support for his project, he invited 15 local men from Lévis at his residence on 20th September, 1900. Most of his fellow citizen were having some background of mutual and cooperative societies and some of them were there as the representatives of professional or religious associations, basically the parties of petit bourgeoisie of Lévis. It was there decided to form a ‘working committee for studies and action’ comprising of Alphonse Desjardins, Théophile Carrier, Xavier Marceau, Joseph Delisle, Eugène Roy, Édouard Labadie and G. Lambert. The 22nd November, 1900, after 14 meetings, the committee finally adopted the rules and statutes (a total of 174 articles under five titles) of to be formed “Caisse Populaire de Lévis”.²⁷⁶ Two weeks later, the 6th December, 2000, about 130 citizens representing diverse sections of the population from Lévis and neighbouring municipalities assembled at the office of la Société des Artisans canadiens-français at 7, rue Eden (today 8, avenue Bégin) to establish the Caisse Populaire de Lévis as a cooperative society of loan and savings with variable capital and limited responsibility.

²⁷⁵ Ibid, p.35.

²⁷⁶ Ibid, pp.50-51.

The assembly unanimously approved the rules and statutes of the Caisse as drafted by the drafting-committee. It also unanimously nominated Alphonse Desjardins and Arthur Demers as President and Secretary respectively of the Assembly.²⁷⁷

Finally a total of 132 persons signed the social pact as a member of Caisse Populaire and a total of 483 social shares were subscribed. The curé and members of Catholic society had a significant presence to the occasion. Including le curé Gosselin, l'abbé Carrier, a total of 13 Priests signed the pact. A total of 19 women also signed the pact being 14% of the total signatories. Lower representations from skilled and unskilled labourers whereas over-representations from professionals and small businessmen could be signified as the less interest of poor for such venture and strong support from petite bourgeoisie, as noted by historian Ronald Rudin (1990). According to him, Caisses Populaires were established as the institution to revive the lost prestige of old French-Catholic social order where petite bourgeoisie had important space in social strata. But poor francophone had little stake with this cause. The failure of many French-banks in Quebec during the same period equally made them more hesitant to commit their savings for Caisse Populaire. He made the observations that the central role of the petite bourgeoisie and the seemingly minimal participation of the poor did not end with the opening of the first caisse however. These characteristics continued in evidence throughout Desjardins's efforts to form caisses populaires across the province during the next two decades.²⁷⁸ But even Rudin acknowledged the noble role played by Desjardins and his men for the welfare of common people and the foundation of Caisse Populaire had to play very pertinent role in the upliftment of socio-economic status of Quebecers.

To subscribe the benefit and membership of Caisses Populaires, one has to be recognised as a "good payer", "good worker" and "possessing a character of honesty and integrity beyond doubt". The eligible applicant had to subscribe for atleast one five-dollar share in the caisse to be able to use its services. The poor members of the community were

²⁷⁷Ibid, 48.

²⁷⁸ Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), pp. 15-17.

allowed to make payments in daily instalments of ten cents.²⁷⁹ The shares could be sold back after the deduction of entry tax. The members were eligible to receive a dividend, or boni, from the profits of the caisses at the end of the year. The deposits with Caisses offered higher rate of interest than that of banks and borrowing from Caisses were on better terms compared to those of banks.²⁸⁰ Though the rates offered by Caisses were comparatively better than the banks, still Benoît Tremblay and Pierre Poulin (2005) observe that the power of attraction of caisses rests less in the immediate profit and realization rather in its contribution to the construction of an alternative economic and social project for the long term benefit of French Canadians.²⁸¹

Caisses Populaires were started to offer some institutional support to those who had been deprived of basic banking and financial services. Therefore, caisses were established in the areas, regions where banks were yet to make their presence. Moreover Desjardins did not want caisses to enter into direct competition with better equipped and already well established banks. Caisses were therefore mainly opened in the areas with no banking facilities. In addition, caisses also promoted the concept of local savings for local uses by criticizing the banks for firstly absence of services in a locality and secondly, if it is there, then for taking away the savings from local areas and refusing the credit to them in case of need. In addition, rural Caisses were opened in order to keep the migrating population on land whereas Urban Caisses were seen as the mean to distance the poor from seditious organizations viz. trade unions, and dangerous ideas such as socialism.²⁸²

²⁷⁹ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p.15.

²⁸⁰ Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), p. 11.

²⁸¹ Pierre Poulin and Benoît Tremblay, *Desjardins en Mouvement, Comment une grande coopérative de services financiers se restructure pour mieux servir ses membres*, (Montreal : Presses HEC Montréal and Desjardins Éditions Dorimène, 2005) p. 6.

²⁸² Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), p. 9.

Caisses Populaires were also designed to re-create the tie among the Francophone population matching the older lines of authority facing destruction under the wave of urbanisation and industrialisation. 'Parish', an old institution under the French-Catholic society, thus became the symbol, territory and boundary of a particular Caisse. Caisses were also to add to the prestige of curé. It was impossible to imagine a caisse "without the participation and approval of the curé".²⁸³

In order to establish it as a distinct and exclusive financial institution, Desjardins and his team innovated and adopted certain principles which were often against the existing financial parameters and standards. With the inception of Caisse Populaire de Lévis, the platform for a big movement was set up which was going to be one of the major partners of Quebec's empowerment and success story in 20th Century. Scholars and individuals of great influence hailed the beginning of Caisse Populaire de Lévis as a grand event for Canada. Le curé, François-Xavier Gosselin listed the Caisse Populaire among the "glories of the centuries" and pronounced, "...This will be the glory of Lévis of having created the first popular bank on this continent and I wish it the success and the very grand prosperity what being enjoyed by the similar institutions in Europe".²⁸⁴

V. Ideals of Caisses Populaires

Michael Quinn's speech in Canadian Parliament over persisting usurious rate of interest in Montreal shook the mindset of Desjardins who was already filled with the notions of establishing mutual credit societies to ensure the development at the local level. His 3-years of in-depth research work finally shaped in the establishment of Caisse Populaire de Lévis. It was not a simple financial institution of savings and loan rather it was a very pure and holy institution based on the ideals of re-writing the glory of francophone entrepreneurship in Canada with little available means in the hands of poor francophones. The institution was not driven with the simple arithmetic of business strategy but it was

²⁸³ Ibid, p.10.

²⁸⁴ Guy Bélanger et Claude Genest, *La Caisse Populaire de Lévis 1900-2000, Là où tout a commencé*, (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp.54-55.

established with the purity of emotions of able francophone bourgeoisie for the well-being of their brethren struggling for subsistence. The Caisse Populaire was therefore guided with certain pre-conceived ethics and ideals in operations:

- Sense of Democracy and Equality: Democracy treats all as equal. The basic principle of Caisse Populaire was to treat all its members as equal. Unlike bank and other institutions where voting right and number of votes to a member are decided on the basis of number and proportion of total shares held by that particular member, Caisse Populaire offered equal and universal voting right to all its' members irrespective of the number of shares held by a particular member. 'One Member-One Vote' was the key word and every member was authorized to participate in the general assembly of the Caisses and to elect the member for the administrative councils of the Caisses.
- Local Fund for Local Use: Prior to year 1900, there were very insignificant presence of banking services in Quebec and the absence was more prominent in rural areas. Whatever banking services were available that were to collect the funds whereas instances of offering credit were almost negligible. Alphonse Desjardins highlighted this practice where local francophone funds were put in the services of outsider Anglophones and poor Francophones were left with no means of credit and so left vulnerable to usurious lending practices of local moneylenders.²⁸⁵ Alphonse Desjardins wanted that the French-Canadian savings be placed "at the service of our community, instead of being sent off elsewhere, to our disadvantage and for the benefit of the businesses of others". He wanted the caisses to amass "a capital which would be under our control and at our disposal".
- Concept of Productive and Advantageous Credit: Caisses Populaires were working on the principle of accepting deposits from members and offering them credit in need like any other financial institutions. But where they differ was the

²⁸⁵ Confédération, Desjardins Papers, *Desjardins to Rev H. Guy*, 17 July, 1920 quoted in Guy Bélanger et Claude Genest, *La Caisse Populaire de Lévis 1900-2000, Là où tout a commencé*, (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p.6.

preference of Caisses for lending for some productive purposes exclusively. Here motive of loan was more important than the credit worthiness of individual which was quite against the set-up principle of banking and financial institutions of offering credit to individual on their credit-worthiness. Loan for productive purposes like purchase of seeds and tools for cultivation, set up of business, etc. were granted as it would lead to the financial security of the borrower whereas demands for loans for the purposes such as pleasant trip, vacations, purchase of furniture or a fancy carriage were discouraged irrespective of quantity of security available with the loan application. To illustrate his point, Desjardins told the following story of a few years after the opening of the first caisse: "A member came to me and asked for a \$ 15 loan. I put to him the usual question: What do you want the \$15 for?He told me that his object was to visit some distant relatives on a pleasure trip." Desjardins immediately rejected the request, even though the member's "credit was splendid, and I had not the least doubt about his ability and willingness to pay at maturity. Why such a prompt refusal? Because the object was not of a productive character, and to grant it would have been an encouragement to useless expenditure, whatever good sentiment may [have inspired] the demand".²⁸⁶

Preference for smaller loans: In order to serve the maximum number of loan applicants with limited available resources (deposits), loans of smaller value were given preference over the larger ones. One big loan could serve the purpose of a single individual whereas many smaller loans could provide relief and source of livelihood to many families.

Membership/Loan on the basis of noble qualities: Caisses were seen by the founders as a very pure institution to help the needy when most in need. At the urgent requirement of credit, most of the loan seekers were not in the position to

²⁸⁶ Canada, Parliament, House of Commons, Journals, 1996-7, App. 3, "Report of the special committee to whom was referred Bill No. 2," testimony by Desjardins, p. 172 quoted in Guy Bélanger et Claude Genest, *La Caisse Populaire de Lévis 1900-2000, Là où tout a commencé*, (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p.13.

offer some collateral security against their loan. What was the basis of judgement for granting loan in such cases, it was the character and inherent qualities of the individuals that would make him eligible for getting such loans. This was unique, and still the same, approach in dealing with loan. Ethics, moral and values such words never existed before nor exist today for considering a loan application. Desjardins was also of the opinion of even extending the membership to only such individuals with high moral and value.²⁸⁷

- Caisses as an Educational Institution: Desjardins did not want Caisse Populaires to work like other financial institutions just depositing and lending money. It wanted Caisses to develop itself as an educational institution where members learn the principles of life. He wanted to inculcate the habit of savings among the members (Quebecers) and to learn them to live within their own means.²⁸⁸ By coining the concept of productive lending, he wanted the Quebecers to leave the tendencies of extravagance and expenses for non-productive purposes.²⁸⁹ Caisses were the institutions which not only provided the need based credit but it also helped the new entrepreneur how to establish their business and how to make it grow. Caisses also worked for giving up the habit of alcoholism and gambling.
- Ideals of Cooperation and Volunteerism: The administrative and management body of Caisses were never paid for their services in kind. They volunteer their services for the promotion and welfare of Caisse Populaire, members and their own Community. The early directors of Caisses were not salaried unlike their counterparts in Banks and they were also not given free hands in matter of sanctioning of credit.

²⁸⁷ Full membership in the caisse was thus restricted to adult men who were judged to be of good moral character. An applicant had to be "industrious, honest, punctual in his payments, sober, of good habits and honourable above suspicion" Quebec Legislative Assembly, Sessional Papers, 1901, no. 49, "Constitution of Caisse Populaire de Lévis"

²⁸⁸ Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), p. 13.

²⁸⁹ *Ibid*, p. 6.

A purely Francophone Catholic Institution: Caisse Populaires were established for the welfare of poor Catholic-Francophones in Canada, and in particular, in Quebec. The entry of others in Caisses were seen as an ‘invasion’ and Desjardins always used to suggest the manager of the Caisse to keep it away from the invasion of outsiders (Protestants) as mixing-up with them could lead to the loss of objective of the caisses.²⁹⁰ Alphonse Desjardins, who constantly sought support for the Caisses by noting the need for French-speaking Quebecers to have financial institutions that they could truly call their own.²⁹¹ The caisse populaire was conceived to isolate the French-Catholic population from outsiders. Gradually with the time, Caisses emerged as the symbol of French Canadian identity and a neighbourhood could be recognised whether Francophone or not with the presence or absence of Caisse Populaire.²⁹² Today it has become like necessity for every Quebecers to be the member of Caisses as more than three-fourth of all French-Speaking Québécois are members of one of these savings and loan societies.²⁹³

Alphonse Desjardins better elaborated his programme and strategy while seeking legislative support for his caisses as he testified to a committee of the House of Commons studying Co-operatives, the caisses would give “to the humblest people the all-powerful weapon of Capital, however small it might be..... It (would) also help the poorest classes by offering them the credit which they deserve when hard pressed by adverse circumstances”.²⁹⁴ With the Caisse Populaire, Desjardins intended to offer access to the

²⁹⁰ As Desjardins wrote in 1919 to an organizer in the Gaspé who was setting up a caisse: “Do not forget that each member must receive the approval of the board of directors. This is your guarantee against the invasion of Protestants that you fear” Confédération, Desjardins papers, Desjardins to J.B. Horth, 11 February 1919.

²⁹¹ Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), p. X (preface).

²⁹² Ibid.

²⁹³ Ibid.

²⁹⁴ Ibid, p.14.

saving and credit services to the workers, small manufacturers and cultivators in order to save them from harsh conditions of usurers and at the same time a tool for their economic emancipation.²⁹⁵

Growth and Spread of Caisse Movement under Alphonse Desjardins (1900-1920)

Caisse Populaire de Lévis started its operations on 23rd January, 1901 and the first deposit of 10 cents was subscribed by advocate Mr. Eugène J. Roy and the first day collection was 26.40 \$. On 30th November, 1901, the CPL has already received 721 shareholders subscribing near about 2000 shares with a total deposit of \$ 4935.²⁹⁶

The Caisses started its' operations with certain objectives²⁹⁷ taking into account the economic and social conditions of Quebecers under the grip of mass poverty and unemployment:

- To organise the local credit for the local community on the basis of local savings
- To work not only for accommodating and arranging the financial needs of the local population but also for imparting the economic education to the masses; to inculcate the habit of savings and living within own means; to help the needy ones to establish their own business or manufacturing activity, the farmers to mechanised their farming, etc. by imparting needful resources and training
- To develop the sense of solidarity and community living among the Quebecers

²⁹⁵ Pierre Poulin and Benoît Tremblay, *Desjardins en Mouvement, Comment une grande coopérative de services financiers se restructure pour mieux servir ses membres*, (Montreal : Presses HEC Montréal and Desjardins Éditions Dorimène, 2005) p. 5.

²⁹⁶ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p.16.

²⁹⁷ Ibid. p. 3

- To inculcate the sense of participation and democracy by ensuring one member-one vote formula
- To ensure least interference from state.

Before 1950, the concept of welfare state was hardly in existence in Quebec. Most of the scholars consider the first half of 20th Century Quebec as the Dark Age, but some considers it as the base years which staged the modernisation of Quebec State and Society and as a result a strong, active and vibrant State came into existence. While taking the responsibility of economic and social upliftment of French Canadians in Quebec, Desjardins tried to fill the void caused by state inaction on socio-economic front.²⁹⁸

The prosperity of Lévis, during the second-half of 19th century since the arrival of Grand Trunk in 1854, created the ambience for the establishment of Caisse Populaire de Lévis and many other mutual and cooperative societies in Lévis. But resurgence of Quebec economy during 1880s and 1890s effectively stops the growth of Lévis and so, as a result, Lévis witnessed the decline of its' economy during the first three decades of 20th Century with majority of industries getting closed, falling sick or shifting to neighbouring cities. Alphonse Desjardins launched his cooperative-credit movement during these financially difficult years.²⁹⁹

Early Years of Growth (1900-1906)

The Caisse Populaire de Lévis begins its operations on 23rd January, 1901. For economic reasons, Alphonse Desjardins lent his personal office free of cost to CPL and it remained there till 1906. With first day collection of \$ 26.40, the journey for a historic movement begun what even Desjardins was unaware of. In his venture, he asked his countrymen particularly the members of clergy, professionals and merchants to extend their hand for

²⁹⁸ Ibid, p. 4

²⁹⁹ Guy Bélanger et Claude Genest, *La Caisse Populaire de Lévis 1900-2000, Là où tout a commencé*, (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp.58-59.

the betterment of their countrymen. The members of these groups enthusiastically responded to his call particularly the clergy who found the Caisse Populaire as a mean to re-attach its' ties with masses. But there were very less encouragement and support compared to the discouraging attitude of public. Most of persons tried to discourage and even made him scared of financial burden in case of failure of caisses. Absence of judicial and legislative recognition and pouring of deposits which was growing day by day were causing tremendous pressure on his head as all the deposits were taken on his personal guarantee. This situation left him and CPL to run the operations with utmost prudence. Desjardins therefore also wanted to accumulate a reserve fund at the most rapid pace to meet the unpredicted events. The infinite financial burden on Desjardins hastened the growth and opening of caisses in other cities, areas of Quebec. Only three other Caisses Populaires [Saint-Joseph-de-Lévis (Lauzon) (1902), Hull (1903) and Saint-Malo, Québec] were opened up to 1906.³⁰⁰

The priests and clergy responded enthusiastically to the calls of Desjardins. They not only subscribed for the membership of Caisses in significant proportions, but they also took up the administrative functions of the caisses actively. With the support of several priests from the Collège de Lévis where he had been associated as a student and as a teacher as well, Desjardins won the favour of the Archbishop of Québec, Monsignor Bégin, and other Church dignitaries. Curé l'abbé François-Xavier Gosselin was the most important name behind the establishment and success of Caisse Populaire de Lévis. Recognising his contribution for the promotion of Caisses, he was designated as the second founder of the CPL on 08th February, 1926.³⁰¹ Desjardins took a lot of benefit from the translation and intellectual services of l'abbé Joseph Hallé. L'abbé Philbert Grondin was the real right arm of Alphonse Desjardins, especially in the matter of promotion and publicity of the caisses populaires. Such was the level of support from the members of clergy that Desjardins even acknowledged, "Caisses were not to be a success story without the active support from the Church".

³⁰⁰ Ibid, pp. 59-65.

³⁰¹ Ibid, pp. 62-63.

When CPL was started, there was no law regarding the opening of cooperative institutions in Canada. Desjardins first wanted a law to protect him in case of losses or collapse of the movement before establishing CPL. When Desjardins contacted Henry William Wolf, President, Allaince Cooperative Internationale (ACI) over the subject, he suggested Desjardins to first experiment with the opening and running of the institution based on framed rules and regulations, rectify the same according to experience in two-three years and then finally approach the Government for the legislation with draft paper. Desjardins followed his advice and launched the CPL. Desjardins' request for the sanction of a federal law supporting and protecting the interest of common masses investing with Caisses, was never accepted by Federal Government under the pressure from groups of retail merchants and bankers' association despite the support from many prominent Members of Parliament particularly Henri Monk. Syndicates of Agriculture and Dairy Industries were already fighting for such law and were also in his support. Desjardins was also seconded in his effort for a federal law over caisses by "L'Action Populaire Économique (APE)".³⁰² But all went in vain. After repeated rejection for introducing the bill into Parliament since 1902, Desjardins turned towards Quebec Legislative Assembly for a supporting bill in March, 2005. But his request was not turned down here but postponed due to termination of parliamentary session. This rendered him under tremendous pressure. He was further persuaded by his wife Dorimène Desjardins, who was looking after Caisses as provisional director in his absence during the sessions of Parliament at Ottawa, to withdraw his project. The couple had already hypothesised their residence and property along with police guarantee in favour of Caisses, but the increasing deposits could not be compensated with available securities anymore. Repeated refusal for judicial recognition of caisses led them to decide to abandon their project, but the encouragement from Clergy and their pronounced voices for a legislation before it gets closed down made Desjardins postpone their plan of closure of caisses

³⁰² Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp. 19-23.

populaires. Finally Quebec Legislative Assembly adopted the bill on 09.03.2006 by sanctioning “La Loi Concernant les Syndicats Coopératifs”.³⁰³

The judicial recognition of Caisse Populaire brought the much relief to Desjardins under the fear of financial disaster and now he was ready to take caisses on the path of real growth and expansion. He planned to blanket the whole province with opening of caisses in each Parish. Caisses registered a very high growth in terms of deposits and expansion of branches across the province from 1906 to 1920. During the same period, Caisses reached to Ontario and other provinces of Canada with opening of 18 branches there. Desjardins was also instrumental in opening of nine caisses in United States.³⁰⁴

High Scale Growth, Expansion and Propagation of Caisses (1906-1920)

With the provincial law there shedding away the fear of personal financial accountability, Alphonse Desjardins with the collaboration of clerics, doctors, lawyers and journalists invested all his efforts to take Caisse Populaire to each and every corner of the province. Prior to his death in 1920, Desjardins attempted to launch over 200 Caisses and he was personally involved in launching over 170 caisses. He used to visit the place where new Caisse Populaire was to be opened. Prior to his visit, support of local petit bourgeoisie was must. The support of three educated people was must in the community: the curé, the notary and the agronome (agricultural specialist). The support of curé was the most significant and not to be dispensed with as he stated “Caisse Populaire was a parish institution which necessitated the direct and active support of the curé”. Before Desjardins’ visit to Parish for opening a caisse, large scale publicity was to be carried out, then mandatory support of curé and assurance of a good crowd with insistence for appearance of poorest groups in the population.³⁰⁵

³⁰³ Ibid.

³⁰⁴ Pierre Poulin and Benoît Tremblay, *Desjardins en Mouvement, Comment une grande coopérative de services financiers se restructure pour mieux servir ses membres*, (Montreal: Presses HEC Montréal and Desjardins Éditions Dorimène, 2005), p. 6.

³⁰⁵ Ronald Rudin, *In Whose Interest? Quebec’s Caisses Populaires 1900-1945*, (Montreal: McGill-Queen’s University Press, 1990), pp. 16-21.

Apart from clergy, some other Catholic ethnic institution came forward to support the movement of Desjardins. Liges du Sacré Coeur made the commendable efforts to create an élite of loyal followers prepared to form Caisses in every Parish. Their formation of École Social Populaire (ESP) in 1911 greatly facilitated the growth and spread of Caisses Populaires. ESP used to provide the information about the project worthy of support.³⁰⁶ Chanoine Philbert Grondin wrote articles in the journal 'La Vérité' with six pseudonyms for propagations of caisses among population and for seeking support of clergy for caisse. By 1920s, 3-4th of total Caisses was being administered by the priests. In addition, the nationalist journalists like Henri Bourassa and journals like "Le Devoir" and "La Vérité" also supported the cause of Desjardins. They regularly wrote articles in favour of Caisse Populaires and urged all French-Canadians to be part of this holy movement.

The growing involvement of clergy led to the Pope's decree against clergy's involvement in caisses and cooperative institutions. As a result, the president of Caisse Populaire de Maria resigned from his post in 1911. But the archbishop of Quebec, Cardinal Bégin argued before the Pope for exemption of the decree in case of Caisses Populaires as it was working on the principle of Catholicism and basically for the promotion of Catholic social-religious order.³⁰⁷ Alphonse Desjardins was named Commander of the Ordre de Saint-Grégoire-le-Grand by Pie X in 1913 on the recommendations of local clergy for honouring his services to catholic mission and order.³⁰⁸ The same year, the first caisse to use the name Desjardins was also created.

In the meantime, after the passage of provincial legislation, Alphonse Desjardins and Frederic Monk re-concentrated their efforts to have a federal law. Monk highlighted the special need of a federal law governing the caisses as the provincial law was not competent to authorize the Cooperative Societies to act the functions of the banks. Banking being exclusively the federal subject, the Quebec law was effectively not giving

³⁰⁶ Ibid.

³⁰⁷ Ibid.

³⁰⁸ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp. 27-28.

the authorization to the caisses to accept saving deposits. They made many attempts from 1902 to 1914 to get sanctioned a Federal Law, but it was always rejected under the pressure from retail merchant associations and bankers. In 1908, they just missed the passage of bill by a very slight majority. The House of Commons passed the federal law supporting caisses on 06th March, 1908, but the Bill got rejected by Senate by a very slim majority 19 against and 18 for the Bill. They made further attempt up to 1914 too, but Desjardins' all efforts for a federal law could not be realized in his lifetime.³⁰⁹

From 1907 to 1915 were the most active and exalting years of Desjardins' life. For the six months, he was on his job of stenography at Ottawa and for remaining six months, he used to devote for the promotion and spread of Caisse Populaire. His wife Dorimène used to look after his responsibilities in his absence and her contribution for the promotion of Caisse Populaire was exemplary. During his vacations time, Desjardins used to visit Parish after Parish for the establishment of caisses on invitation. During this period he founded 130 caisse populaires across Quebec. In addition, he established 18 Caisses in Francophone pockets of Ontario. He also established 9 Caisse Populaire in the United States of America. He received invitations from 24 American States and the most memorable one was the invitation from American President for participating in a Congress of governors on Agro-Credit. On 24th November, 1908, by founding the Caisse Populaire de Sainte-Marie at Manchester, he got his name scripted in golden words in the American History as the first man to launch a credit and saving cooperative on American land.³¹⁰

Although the Caisse Populaire de Lévis addressed the needs and concerns of whole of the population, Alphonse Desjardins reserved a very special place for the women and the children. Existing rules and regulations of caisses were not permitting the women and the minors to become the fulltime members of the Caisses. They were equally not allowed to take some administrative position in the caisses. In order to satisfy the needs of these particular groups, special designated caisses were started. He started the first Caisses

³⁰⁹ Ibid, pp 22-23.

³¹⁰ Ibid, pp. 30-31.

d'Économie Scolaire in the schools of Lévis, Lauzon and Saint-Romuald.³¹¹ This experiment also proved to be a grand success and as a result, the Caisses Scolaires also witnessed the growth and expansion on the lines of parent organisation. In order to ensure a modest and regular savings, which could also be used as a dowry, for the young unmarried girls, la Caisse de Dotation or Caisse Dotale was introduced in 1913.³¹² The model of Caisse Dotale was a promise of a prosperous future for the girls during those years and it attracted the appreciation from various quarters. The performance of Caisse de Dotation in terms of business was also very encouraging. Alphonse Desjardins also thought of initiating the Caisses for mothers, but it did not receive equal response like other ventures of caisses.

Though Caisses were institutionalised with the theme of 'autonomy' and 'local fund for local use', it became pertinent to have a centralized administrative structure for propagation and inspection of caisses with the expansion of caisses in terms of business and branches. With the formation of second caisse at Lauzon, Desjardins envisioned the opening of more caisses "working independently but harmoniously with one at Lévis".³¹³ Alphonse Desjardins wanted to see all these caisses regrouped in a federated network and to take benefit of the centralized services of inspection and publicity. Since 1916, he invited all Caisses to deposit their surplus balance with the Caisse Populaire de Lévis to which he desired to play the role of Caisse Centrale henceforth managing the demand and offer gap of the caisses. Desjardins also envisaged establishing a provincial federation of Caisses which would exercise the functions of supervision, inspection and propaganda. The regular inspection of Caisses will ensure the respect of rules, regulations and principles of cooperatives by the caisses. Though he was not for the government support in order to avoid political parties' interferences and patronages, he wanted the government to exercise the role of supervision of caisses till the movement and its'

³¹¹ Guy Bélanger et Claude Genest, *La Caisse Populaire de Lévis 1900-2000, Là où tout a commencé*, (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp.85-87.

³¹² Ibid pp. 87-88.

³¹³ Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), pp. 80-81.

directors and managers get matured with the cooperative institution, objective and programmes.³¹⁴

This led to the germination of tensions among the leaders of caisses who wanted to secure the autonomy of Caisses. Poirier did not let Desjardins call for a convention of all Caisses to implement his idea of a federal structure as he was fearful of Desjardins using his personal influence to convince the Caisses for a provincial federation.³¹⁵

Health did not allow Desjardins to give his vigorous input in the matters of Caisses since 1917. This also hampered his dream of creation of a provincial federation of the caisses and a caisse centrale. He took his last breath on 31st October, 1920. He left behind 140 caisses with 31000 members and an asset of over six million dollars and an unfulfilled dream of seeing caisses under a single federated network.³¹⁶

Caisses Populaires after the Death of Alphonse Desjardins (1920)

Desjardins' death put the organisation in a very tasting and challenging time. Though Caisse Movement had developed itself as a strong and matured organisation thanks to the hard and untiring efforts from the founders as well as of the prosperity of Quebec economy during the World War I, immediate circumstances post-Desjardins even put the question marks on the existence of Caisses.

Alphonse Desjardins did not nominate anyone as his successor nor there some administrative hierarchy to fill the vacuum of his absence. Unsuccessful attempt of Desjardins to create a provincial federation of the caisses and a caisse centrale during the last days of his life also created the different ranks of supporters and opponents of

³¹⁴ Pierre Poulin and Benoît Tremblay, *Desjardins en Mouvement, Comment une grande coopérative de services financiers se restructure pour mieux servir ses membres*, (Montreal : Presses HEC Montréal and Desjardins Éditions Dorimène, 2005) pp. 8-10.

³¹⁵ Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), p. 81.

³¹⁶ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp. 31-32.

centralisation who wished to take the Movement as per the guiding principles of the founder as both the groups claimed their source of inspiration from Desjardins only. In addition, the end of First World War led to the slowing down of demands from Europe and this virtually affected the Quebec economy very badly. Agricultural sector was the most affected of the slump in demand and the Quebec economy as a whole was under economic depression in 1921. As Desjardins Movement intertwined with the Quebec economy, it was also very badly affected. The movement grew along with the ongoing challenges during 1920s, but the real testing time came during the years of Great Depression, 1929. Thus the period of 1920 to 1932 is marked as the most perilous period in the history of Caisses Populaires. But the directors of the Caisses slowly but successfully carved out the future progress of the organisation out of the tough economic conditions and ambiguous organisational hierarchy position after the absence of Desjardins. Experience gained while dealing with difficult circumstances further helped to build a well-tested organisation of strong foundations.

World War had created a massive demand of agricultural commodities and manufactured goods from Quebec in the European market. End of war abruptly halted the huge demands of Quebec products in 1921 and thus Quebec economy entered into recession. The economic crisis led to the steep falling in prices to almost half of the prices of 1920 of agricultural commodities and manufacturing products from 1921 to 1923. Registered at \$ 460 million in 1920, the Gross Agricultural Product of Quebec came down to \$318 million in 1921 and further reduced to \$ 144 million in 1923.³¹⁷

Farmers who had earlier taken loan to enhance the productivity of their land to meet the high demand of their products during the War was now not in condition to payback his loan in view of deep fall in the prices of agricultural products. They were left with no option but to migrate to other provinces of Canada or neighbouring country. The last

³¹⁷ Ibid, p. 35.

decade which witnessed the negligible outward immigration, the current financial crisis led to the immigration from Quebec to alarming numbers.³¹⁸

This financial crisis had very severe repercussions over the Caisses Populaires. Several of the Caisse faced problems and even some caisses had to close their door. The capital-base of all the caisses together witnessed a fall of 9.3% and so the membership. Failure of many French banks at the same time led to public opinion doubting the future of the caisses. In this difficult atmosphere, the policymakers had the urgent task to restructure the caisses in order to ensure the incessant financial services, better management of caisses and the financial security of the public money to win back the public confidence for the caisses. But the biggest issue before the caisse leadership was to whom the leadership can be assigned after Desjardins who was the natural leader of all the caisses despite not leading a formal structure.

In the meantime, the caisses of Trifluviens formed the first regional union of caisses against the wishes of founder for creation of a provincial federation of caisses and a caisse centrale. This choice was exercised by the faction favouring autonomy and decentralisation of the caisses. The formation of regional caisses marked the appearance of regional flavour in the caisses at one hand whereas the active participation of the members of clergy for the creation of regional caisses brought into the light the politics of jurisdiction of a diocese. Since the beginning, caisses were mainly promoted by the priests within the different set of parish or diocesan jurisdiction. The territory of regional unions were just the extension and in proportion to that of a diocese.³¹⁹ Though the idea behind the creation of regional union emerged to counter the centralist tendency of Alphonse Desjardins, but this did not rule out the hypothesis of a provincial federation totally and in fact the Union Regionale de Trifluviens wished that every region would have its own regional union which would eventually lead to the establishment of the provincial federation.

³¹⁸ Ibid, p. 36.

³¹⁹ Ibid, pp. 37-38.

Following the same line, three other regional unions of caisses were established: 'Quebec (1921), Montreal (1924) and Gaspésie (1925)'. Although these regional unions were opposing in-principle the ideas of centralisation, they continued following the same set of regulations, formulated on 19th February, 1921 by the Union Régionale de Québec with centrist tendencies. These regional unions assigned themselves with the same task of defending the interests of caisses populaires, exercising an efficient supervision on the affairs of caisses through regular inspection, taking up the propaganda activities to found new caisses, promoting the cooperation among the caisses, etc.³²⁰

Against the growing tendencies of autonomy and remaining faithful to the plan formulated by Alphonse Desjardins, the Union Régionale de Québec created "Caisse Centrale de Lévis" despite strong opposition from other regional unions and CPL. Though it was actually a regional caisse under the direction of regional union of Quebec, they named it 'centrale' to fade away the impact of regional identity and added Lévis in lieu of Quebec as the Caisse Populaire de Lévis has the highest respect and acceptance among the caisses as the mother of all caisses. Joseph-Kemner Laflamme, President of Union Régionale de Québec, pursued this strategy with the consent from Dorimène Desjardins despite vehement opposition from the president of CPL, Raoul Desjardins for not taking additional burden on his individual caisse. Laflamme had the vision to see his regional caisse in future as the Caisse Centrale of all the caisses to be administered by a provincial federation as envisaged by Desjardins.³²¹

In the early years of activities, the regional unions faced lots of problems in effectively executing its operations. The absence of sufficient financial resources to carry out its inspection and propaganda works, insufficient trained manpower to carry out the related tasks, and mainly the refusal of several caisses to affiliate itself with the regional union for the regular inspection did not permit the regional caisses to effectively run her affairs. In order to resolve the financial issue, a Propaganda Committee of Caisse Populaire was

³²⁰ Ibid, p. 38.

³²¹ Guy Bélanger et Claude Genest, *La Caisse Populaire de Lévis 1900-2000, Là où tout a commencé*, (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp.110-129.

formed by the directors of regional unions to put a single demand from the provincial government for the financial help. From 1923 to 1929, the committee shared the annual subsidy, varying between \$ 3000 to \$ 7000, from the Quebec government to meet the expenses on account of propaganda and inspection for the caisses. Still most of caisses were opting out of this system due to cost factor of inspection as well as their insistence for autonomy. In 1925, 35 % of total caisse were still out of any of the regional unions. As Quebec government was looking for caisses as an effective solution to meet the agricultural credit demand, government needed to curb this resistance and as a result, the Quebec government sanctioned a law on 3rd April, 1925 making the inspection obligatory for every caisse whether they join the regional union or not.³²² As a whole, the regional union of caisses could not perform their tasks as they were destined for. Moreover individual caisses could not have the confidence to park their surplus deposits with newly created regional caisses. In addition irregular and insufficient fund hampered their promotional and inspection activities. As a result, only 115 caisses could be opened during 1920s. The short-term prosperity during the 2nd half of 1920s brought a short phase of growth for the caisses and regional unions which ended with the Wallstreet Crash of 1929 and the following economic depression.

Cyrille Vaillancourt: Regeneration and Restructuring of Caisses Populaires (1920-1945)

I. CYRILLE VAILLANCOURT (1892-1969)

Cyrille Vaillancourt was a journalist, civil servant, businessman, politician and most importantly a leader of cooperative setup who became a prominent leading figure to change the political course of French Canadian movement in Canada. He is listed among

³²² Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp.38-39.

the few who illuminated the way to change of Quebec nationalism. Quebec shed its isolationist and exclusive principles and entered in the era of inclusion with firm and strong demand of recognition of distinctiveness. Quebec economy, politics and society were no more protectionist, it was now to compete with dominating ideologies and systems. Untiring efforts of Cyrille Vaillancourt which were also strongly opposed by the leaders of traditional and conservative order resulted in to the creation of a climate which brought Quiet Revolution at the heartland of French-Canadian nationalism in Canada.

Cyrille Vaillancourt is credited as the second founder of Caisses Movement after Alphonse Desjardins. He was the leading figure of Desjardins Movement from mid-1920s to till his death in 1969. He transformed the Caisses Populaires from a small organisation of people with little means to a grand financial conglomerate offering diversified financial products and services. He is also credited for diversifying and expanding the caisses into a large and complex organisation. The Caisses under Cyrille Vaillancourt successfully passed various phases of shocks such as Great Depression of 1929 and very fragile financial conditions of caisses aftermath, Schism of Caisses in 1945, challenges of meeting changed consumer preferences for credit, competition from large scale banks and financial institutions, etc which could even erase its existence. He was a man 'for change'. He was instrumental in creation of a centralised structure of Caisses for ensuring a uniform audit and inspection procedures and carrying out the centralised strategy for the promotion of caisses. He took the help of Quebec provincial government in creation of Provincial Federation of Caisses as a single representative body of caisses in 1932 and in making a provincial law rendering the audit inspection obligatory for the caisses in 1925. He also partnered with Provincial government to solve the problem of agricultural financing through caisses. He also led to the entering and emergence of a secular middle class Quebecers in the management level of caisses which opened a new era of growth and development of caisses. He also single-handedly made Caisses Populaires joined the league of cooperatives belonging to Anglophone cooperative institutions in order to build a joint united forum of cooperatives before the Federal government to address their problems altogether. He also welcomed the entry of

outsiders who were neither Francophone nor Catholics but wanted to be part of Caisses Populaires and so of French nationalism in Canada.

He was vehemently criticised and abused by conservative nationalists who accused him of polluting and selling the movement to Anglophone interests. He was even quoted as a traitor of French-Catholic order. But none could resist the air of change that Vaillancourt introduced. Those who could not compromise with the revolutionary changes took a separate way and the Movement witnessed a break off in 1945, famously known as Schism, when 9 dissident caisses of Montreal region bid adieu to provincial federation of caisses and thus giving free hand to Vaillancourt to shape the Movement according to the need of the time. When Vaillancourt left the movement, he had left behind a huge financial conglomerate which could be a symbol of proud for any country and Quebec was not the exception. It was matter of pride for Quebecers to be a member of the Caisses. Further sections have been focused on the major events of Caisses Populaires up to 1945.

II. Great Depression and the Caisses Populaires

Following the Wallstreet Crash of New York in 1929, the world witnessed the unprecedented level of economic crisis which shook the basis of global economy. It revised and modified the economic and financial policies of the governments. Quebec was not the exception and the effect of economic meltdown broke the backbone of the Quebec economy. The prices of manufactured goods and agricultural commodities fell down to record low level and the trend continued for many years to come. Numerous industries closed down their shutter and this left thousands of people unemployed. The unemployment reaches to its' peak at 33% in 1933.³²³

The Depression brought very tough time for the caisses populaires. 12 caisses were liquidated in 1930, 8 in 1932 and 8 others in 1933. In addition, over twenty caisses had to suspend their activities temporarily in order to recover money from the borrowers. There was also significant diminution of the asset of Caisses from \$ 11.4 million in 1929 to \$

³²³ Ibid. p. 41.

8.5 million in 1933. The year 1932 was the most difficult year of caisses with 12.2% fall of capital base of the Caisses Populaires.³²⁴

The situation became quite catastrophic as the regional unions found itself almost without any financial resources. Tough economic conditions forced a significant number of caisses to stop their contributions to regional unions. To further adding to their problems, the Ministry of Agriculture terminates the annual subsidy to the regional caisses finding their method of inspection unsatisfactory. The government wanted to take the responsibility of inspection of account book of caisses which caisses were not ready off. To bring them on negotiation table, the government ends the subsidy programme thus deserting the regional caisses without any financial source.³²⁵

In 1932, the Caisse Populaire reached almost at the verge of collapse. The debts were getting on default with negligible recovery. Caisses were also withdrawing their deposits. In the month of July, 1932, the Caisse Centrale had to suspend its' activities in absence of liquidity and the movement was just to be collapsed. The demand for rescue from government remained unanswered. Thankfully the president of Caisse Centrale, Cyrille Vaillancourt received the lifeline from the archeveque of Quebec cardinal Rodrigue Villeneuve who offered a letter of guarantee worth \$ 40000 to the Banque Provinciale du Canada and so the Caisse Centrale could receive the urgent credit to come out of this impasse.³²⁶

In 1930, Adélar Godbout, the new minister of agriculture of Quebec, came with a new proposal for government subsidy without insistence for inspection of account book by the government. He wanted just a single centralised representative and responsible body of Caisses Populaires to conclude the agreement with the government. Government was quite interested to resolve the problem of agro-credit through a centralised Caisses Populaires with the offer of \$ 20000 annual subsidy. Subsequent to governmental offer,

³²⁴ Ibid.

³²⁵ Ibid, p.42.

³²⁶ Ibid, pp. 42-43.

the representatives of four regional unions held a meeting at Trois Rivières on 17th November, 1931 and the meeting decided to found a provincial federation, “La Fédération de Québec des Unions Régionales des Caisses Populaires Desjardins”. A law, in form of a contract, specifying the conditions of the agreement between the Federation of the Regional Unions and the Government, *The Law concerning the Caisses Populaires called Desjardins*, was sanctioned on 19 February, 1932 stipulating that a sum of \$ 20,000 will be annually given for the propaganda and supervision of the Caisses Populaires called Desjardins for a period not exceeding ten years.³²⁷

While framing the rules and regulations of the provincial federation, the regional caisses, particularly the Gaspesiens and Trifluviens, wanted to retain their regional autonomy and practices of decentralised economic structure as in application since 1920s. As per the adopted statutes on 17th March, 1932, the regional unions delegated only the intermediary power to provincial federation to represent the whole of the Caisses as an organisation before the government to ensure the proper administration of government subsidy and subsequently an effective system of inspection and supervision.³²⁸

The foundation of the provincial federation became a very decisive step in the history of Desjardins Movement. Bestowed with the government subsidy, the Desjardins Movement was no more under the financial crunches and the resultant financial comfort helped the provincial federation to evolve a more efficient system of inspection which would contribute to the amelioration of the financial security of the whole caisse network and this opened the way for a real expansion of the caisses in Quebec.³²⁹

III. Desjardins on the path of remarkable growth and expansion with the prosperity of Quebec Economy during the Years of Post-Depression and World War II

³²⁷ Ibid, pp. 43-44.

³²⁸ Ibid, p. 44.

³²⁹ Ibid, pp. 43-44.

The economic crisis of 1929 and following years created the conducive environment for economic growth of Quebec. The poverty and the public misery under the impact of Depression demanded for the development of new formulas and solutions to fight out the existing economic conditions. As it suits perfectly to the desires of change, to the hopes of economic emancipation and social justice, cooperation was seen as one of the most important solutions to come out of the crisis.³³⁰ L'École Sociale Populaire published a report '*Le Programme de Restauration Sociale*' (The Programme for Social Restoration) in 1933 which was designed by a dozen of social directors belonging to nationalist circles, academicians, university teachers, intellectuals from cooperatives, agricultural and labourers syndicates, etc. This programme designates the measures such as the professional association, the cooperation and the corporatism as the means to fight out the ill-effects of Depression.³³¹ The cooperation and association were also seen as the key to the solutions of rural problems. There were lots of manifestations in support of cooperative solutions to the problems of common masses and particularly of French Canadians. Numerous associations were formed; academic chapters and courses were introduced to promote the tenets of cooperative principles.

High degree campaign for the spread of education and information on the advantages of cooperative system through numerous channels created a strong wave of establishment of cooperative institutions in Quebec. The number of agricultural cooperatives in Quebec, which were only 167 in 1936, reached to 462 in 1942. Same trend appeared for the number of cooperatives for the fisherman that reached to 17 in 1942 from only one in 1938.³³² In fact, strong presence of cooperative institutions and programmes were witnessed in all the activities of primary sector in Quebec.

³³⁰ Ibid, pp. 47-49.

³³¹ Pierre Poulin and Benoît Tremblay, *Desjardins en Mouvement, Comment une grande coopérative de services financiers se restructure pour mieux servir ses membres*, (Montreal : Presses HEC Montréal and Desjardins Éditions Dorimène, 2005), pp. 6-7.

³³² Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp. 50-51.

Being the earliest major cooperative institution in Quebec, starting from 1934 and onwards, Caisses Populaires registered a very high growth in terms of growth of business and expansion of branches and membership. It provided the platform to hundreds of thousand persons to enhance their economic fortunes through solidarity and collective action. The Caisses now held the rank as one of the major players in the Quebec's economic and social life. Though recovery process was started since 1934, it took some years to settle down the deficits to come back to normalcy. It was only during the war that the prices of agricultural commodities could come back to the normal level. At the highest level in 1933, the unemployment ratio also came down in few years. Interestingly the crisis provided the opportunity to end the inferior economic status of French Canadians in Canada. The economic prosperity of Quebec brought by the World War II, raised the level of employment to full, offered high salary to Quebecers and all these turned in higher per capita savings of Quebecers. Growth of Quebec was equally shared by the Caisses Populaires. From 1933 to 1944, 724 new caisses were opened. The most impressive figure of growth of caisses was during the years 1943-44. 110 new caisses were opened in 1943 and 115 in 1944. From 189 Caisses Populaires in Quebec in 1932, it reached to 877 in 1944. In 1944, about two-third of total parishes had the presence of Caisses Populaires compared to only 15% in 1932 and this growth was more strong in rural areas than the urban areas. Number of caisses grew four times whereas the number of societaires grew by eight passing from 36,000 in 1933 to 304,000 in 1944. Even the assets of caisses grew from a low 8.5 million dollars to 92.3 million dollars in 1944. The annual average growth of the assets of the caisses, which was only 14% from 1934 to 1940, went up to 40% during the next four financial years. It touched the record high level of 59.5% in 1943.³³³

The tremendous growth of caisses was not possible without the active support from numerous players. They were called as the "Propagandists" of the caisses. Desjardins Movement took profit of the very active collaborations with many associations like 'l'Union Catholique des Cultivateurs', 'les Sociétés Saint-Jean-Baptiste', 'l'Ordre de

³³³ Ibid, pp. 47-51.

Jacques-Cartier'. These societies secretly vowed and were working for the economic affirmation of French-Canadians. In addition, the Quebec State equally helped a lot in this vast movement. It accorded the subsidy to provincial federation of the Caisses since 1932 which reached to \$ 80,000 in 1942 from \$ 20,000 in 1932. By sponsoring the activities of foundation, supervision and inspection of the caisses, the Quebec government helped much in the growth of the caisses.³³⁴

But all these growth also got accompanied by the creation of two factions in the Movement which ultimately led to the division of this Movement. Differences emerged with the creation of provincial federation as the representative body of the caisses in 1932. The contract was signed between the Caisses and the provincial government that the federation would be responsible for the inspection of caisses and the investment of surplus deposits. But the directors of the regional unions were not ready to accord so much power to the provincial federation rather they wanted to see it only as intermediary power between the government and the caisses. This led to the birth of two groups under the caisses, first centralist led by Cyrille Vaillancourt and second autonomist under the influence of Eugène Poirier and Wilfred Guérin. The centralists wanted the powers in the hands of regional unions to be delegated to the provincial union which would allow the movement to get united and well coordinated in true sense whereas the autonomists wanted that the federation should remain confined to its' intermediary role and supervisory capacity. Apart from the issue of sharing of responsibilities between provincial federation and the regional union, ideological differences and political rivalries also led the movement to break off. The centralist ideology was primarily defended by the regional union of Quebec whereas the autonomist idea was supported by the regional unions of Trois-Rivières, Montreal and Gaspé.³³⁵

Though the differences started emerging just after the creation of provincial federation, the major difference erupted over the issue of affiliation of caisses with the Higher Council of Cooperation. Leaders of other regions wanted the Movement to join the

³³⁴ Ibid, pp. 50-51.

³³⁵ Ibid, p. 53.

Council, but the idea was opposed by Eugène Poirier, President of the Federation, and Wilfrid Guérin on the pretext of very centralist and non-confessional ideology of the Council. *The Manifesto of Higher Council of Cooperation*, published in 1940, was a treaty over the essential principles to guide the cooperatives. "Non-Confessionality & Political and Ethnic Neutrality" were added as the principle characteristics of a cooperative institution. But Caisses Populaires under the guardianship of Guérin were officially pronouncing its confessional character since 1920. According to him, confessionalism of the caisses populaires was a fundamental characteristic of its identity. It could neither be negotiated nor be allowed for accommodations of others. The Caisse Populaire was founded and developed in Quebec for serving the interests of the French Canadians, for ameliorating their economic condition and for protecting their cultural identity and this protection was censured by adoption of ethnic and confessional characteristics of the cooperatives without the subject of compromise and modifications. They did not want the door of Caisses Populaires opened for Anglophones and Protestants. Their opposition did not let the federation to be the member of the Council at the time of its' establishment in 1939. The centralists again unsuccessfully tried the matter in 1941 but they succeeded in approval for affiliation of caisses with the Council in 1942 despite the vehement opposition from Guérin and Poirin. But the strong opposition from regional unions led them to postpone their decision and matter was left pending indefinitely.³³⁶

Political rivalry also played an important role for the intensification of conflict between the two groups. Cyrille Vaillancourt had a very close association with Liberal Party and its chief and Premier of Quebec, Adélard Godbout. His association made his entry to legislative council of Quebec in 1943 and then to Senate in 1944 and he also held important positions in federal and provincial commissions. Eugène Poirier was, in contrast, faithful to l'Union Nationale and was very close to Maurice Duplessis. The

³³⁶ Ibid, pp. 53-55.

forthcoming elections of 1944 created the huge gap between the two heads of Desjardins Movement.³³⁷

The final blow to the movement in form of break-off came over the issue of association of federation with co-operators of English Canada. The planned national association of all the cooperative groups of Canada to bargain their joint-positions with Federal government had a strong supporter in Vaillancourt from the Caisses Populaires. Poirier and Guérin opposed such association estimating that the Caisses Populaires would be left at a minority position after the association at Pan-Canadian level and this would compromise the autonomy of the caisses. Cyrille Vaillancourt rubbished their doubts clarifying no issue of compromising the autonomy of caisses in fact such association would offer the advantages of joint-demand in terms of common interest before the federal government. Despite their opposition, Vaillancourt went ahead with his plan and hosted a congress of Caisses Populaires and the Credit Unions of English Canada during 11-12th September, 1943 under the auspices of Caisse Populaire de Lévis and Caisse Centrale Desjardins de Lévis. This congress attracted hundreds of participants from different provinces and also from individual caisses and regional unions except from that of Montreal. The Regional Union of Montreal considered the holding of this congress as an irreparable offence and demanded the repudiation of all the resolutions adopted by the caisses. As the other regional unions refused to adhere to their demand, Eugène Poirier resigned from the post of President of the Federation on 9th December, 1943. As the tension escalated further, there were attempts to break off the regional union of Montreal from the Federation. Failed here, the dissidents formed a new group. The nine dissident caisses founded *La Fédération de Montréal des Caisses Desjardins* on 13th November, 1945 breaking off all the contacts with the Federation of Levis. The 'petite fédération' remained in operation till its' re-integration with the Desjardins Movement in 1982.³³⁸

The break-off ended the ideological conflict inside the Movement and now the Caisse leaders could pursue their strategies of growth of Caisses without big obstacle and off

³³⁷ Ibid, pp. 56.

³³⁸ Ibid, pp. 55-56.

course their plan of expansion now opened for new member and different ethnic-social groups. Cyrille Vaillancourt became the undisputed leader and under his guidance movement started getting larger and diversified. Caisses had also a strong financial base as the outcome of prosperity brought by the years of high economic growth of Quebec during the World War II.

From the year 1900 to 1945, Caisses Populaires had come a long way. Many a time it seemed Movement on the brink of collapse, but irrespective of all ups-and-downs, it kept on advancing with its agenda of social and economic well-being of French-Canadians in Quebec and ultimately Caisses Populaires succeeded in establishing itself as the symbol of Quebec's economic and social emancipation. During these years, Desjardins Movement proved itself as the partner of state's initiatives by providing the much-needed agricultural credit to the peasantry of Quebec, absence of which was the major reason behind the immigration from Quebec during last almost 100 years. Thus, Quebec Government utilised the channels of Caisses Populaires to protect the interest of its farmers.

Though issues have been dealt along with chronological narration of development of Caisse Movement, there are certain issues significantly linked with the Caisse Movement that still needs brief but separate elaborations:

Formation of Desjardins Movement (1900-1945): Important Issues

I. Quebec State and the Caisses

When Desjardins pioneered the co-operative saving and credit society in form of Caisses Populaires, there was no law regulating and supporting the activities of such cooperative institution. In order to assure the public who deposited their savings with Caisses Populaires, Alphonse Desjardins had to extend his personal guarantee but this had certain limitations in term of Desjardins' limited financial capacity to meet the losses in case of

some financial disaster. At the initial level, it was within the financial network of Desjardins, but with the time and increasing deposits day-by-day, Desjardins had no option but to seek recourse in form of some governmental law. Since then, the challenge before Desjardins was not only to make aware the legislators about the benefits of saving and credit cooperation but it was also to show them that the Caisse Populaire was the type of cooperative which serves best to the needs of the population.³³⁹

Being convinced that it was must to get a law defining the rules and regulations of the organisation, the rights and the obligations of this type of enterprises in order to expand the activities and scope of the Caisse Populaire, Alphonse Desjardins approached the federal government for passing such a law. He had the conviction that this judicial recognition come under the federal jurisdiction at one hand and at the other side he wanted to spread the Caisse Populaire across Canada, Desjardins therefore first attempted to get a supporting law passed by the Canadian Parliament. But his dream and repeated attempts from 1902 to 1914 for a federal law could not bring him the desired success. As federal government was reluctant to show affirmative nod even to introduce the proposed bill in the Parliament, Desjardins turned towards the provincial government of Quebec and finally managed to get the law supporting cooperatives passed.

Desjardins was not the only one trying for a law supporting the cooperatives in Quebec, Societies of dairy industry and the Syndicate of agriculturists were also looking for the solution to the problem of the agricultural credit. Some of them were even aware about the existence of caisses rurales Raiffeisen and even a short stint took place with the establishment of la Caisse Rurale de Notre-Dame des Anges in 1898 which lasted for just three years.³⁴⁰ In the same line, Jérôme Adolphe Chicoyne presented a bill before the Quebec government in 1900 to authorise the formation of such caisses. Finally on 12th March, 1902, the Quebec provincial government sanctioned the law, “La Loi des

³³⁹ Ibid, p. 19.

³⁴⁰ Gaston Deschênes, *La Caisse rurale de Notre-Dame des Anges*, La Revue Desjardins, 50, 4 (1985), p. 30-31 quoted in Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p. 19.

Syndicats Agricoles”, authorising the formation of cooperative societies in line of such caisses allemandes Raiffeisen.³⁴¹

But finding it not adequate to cover the Caisses, Desjardins approaches the federal government and he had the support of some leading political figures like Frederick Monk, Henri Bourassa, Rodolphe Lemieux and Henry Georges Carroll at his disposition. Their first meeting with finance minister William Stevens Fielding was disappointing as he found that the caisse did not make as the part of banking affairs and that it was an organisation with local characteristics and so he suggested them to approach provincial body to deal with such local institution.³⁴² His further meeting with the Prime Minister Wilfrid Laurier also did not bring some hope.

In order to press his demand on the government, Desjardins founded l’Action Populaire Économique (APE) in 1904 with one of the goals to support Desjardins in his venture for a federal law with the help of distinguished personalities and groups linked with the cause. L’APE re-presented the demand for such law in 1905 with signatures from a number of distinguished personalities, but it did not accorded proper notice from Laurier under the pressure from associations of retail merchants and bankers’ associations. Repeated refusal forced Desjardins to approach the provincial government.³⁴³

Desjardins submitted the draft of proposed law prepared with the help of advocate Eusèbe Belleau to the provincial government. Government was sympathetic for the cause including the Premier Lomer Gouin, but the matter got postponed due to termination of assembly session. The growing asset of Caisses (crossed \$ 40,000 in 2005) and uncertainty of passing of a law put the Desjardins under tremendous pressure and

³⁴¹ Gaston Deschênes, *Jérôme-Adolphe Chicoyne et les origines des caisses d’épargne et de crédit au Québec*, La Revue Desjardins, 49, 6 (1983), p. 30-34 quoted in Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d’histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), p. 19.

³⁴² Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d’histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp. 19-23.

³⁴³ Ibid.

movement was once at the verge of withdrawal. But, finally on 9th March, 2006, the law supporting the Caisses got sanctioned and this really opened the way for the spread and expansion of Caisses.³⁴⁴

As making a law on the subject of banking was under the sole jurisdiction of federal government, the provincial law could not confer the right to collect savings. Showing the lacunae of provincial law, Frederick Monk re-submitted the draft law for according banking rights to the caisses. This time the situation was quite favourable and even association of Canadian bankers were convinced for not opposing the law. Montreal Chamber of Commerce also passed the resolution in favour of this law. The House of Commons formed a working committee under Rodolphe Lemieux to study the different dimensions of this law. This committee nominated Lord Grey headed special committee to report the facts to the working committee. Lord Grey recommended for the sanction of this law as soon as possible. Despite strong opposition from retail merchants' associations branding cooperatives as product of socialism, the prospects of upcoming elections led Laurier to support the bill and as a result House of Commons passed the law on 11th April, 1907 and sent it to Senate for further sanction. But the proposed law got defeated in the Senate by 1 vote (19 votes against, 18 in favour) due to intense opposition from merchants' association based on the recommendations of the committee of banks and commerce by the Senate in 1908.³⁴⁵

Desjardins further attempted to get the federal law passed in 1909, 1910, 1913 and 1914 but without any success and his dream of a federal law regarding caisses remained unfulfilled. The Taxation Bill of federal government (1917) again forced the Caisses Populaires to march before it. The Bill sought taxes on the profit of cooperative institutions but for the cooperatives, the profit was actually as "surplus earning" to be further used for the welfare and promotion of community and cooperative institution. This time the Caisses succeeded and the minister of revenue accepted these distinctions and a federal law was passed in 1930 exempting "any banking institution organized under

³⁴⁴ Ibid.

³⁴⁵ Ibid.

co-operative provincial legislation” from taxation. The law was further challenged in court but finally the cooperatives got the decision in their favour and it rendered the cooperative sector free from the burden of taxation.³⁴⁶

II. Issue of Centralisation vs. Autonomy

At intra-organisational level, this issue haunted the Desjardins Movement the maximum and it even was the principal reason behind the Schism of the Caisses in 1945. In fact the Caisse movement was launched against the principle of centralisation. While advocating for the establishment of Caisse Populaire, Alphonse Desjardins himself emphasised for the decentralisation of economic system in order to ensure the local savings for local credit needs for local development. He wanted to create an alternative financial order where the local financial decisions were taken at local level under a decentralised autonomous financial system against the existing system where local savings used to be taken away and deposited under the custody of a centralised body and this body had the preference for offering credits to big corporate and industrial enterprises and thus leaving the people with little means deprived of credit facilities. Desjardins formula appealed the masses and as a consequence, the Caisses Populaires witnessed rapid expansion and growth. With the expansion of branches and services of Caisses, it became quite difficult for the founders to ensure same ethics, principles and set of rules being uniformly followed by each and every service point of the Caisses. Moreover, some caisses had surplus deposits and some caisses were in deficit. Investment of surplus deposits also needed combined bargaining and decision to get a better return as many of the decisions of investment by individual caisse turned bad as well as separate approach of investment also did not give them much bargaining capacities whereas combined bargaining brought higher rate of returns. Gradually they felt the requirement of a centralized structure which could control, direct and supervise the activities of the caisses. Though their revised hypothesis of centralized structure was not to compromise the autonomy of Caisse, there were fierce oppositions from Caisses of the idea particularly from the members belonging

³⁴⁶ Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), p. 123-128.

to clergy who were considering the boundary of their caisse up to the Parish or maximum up to diocese.

While deviating from the pronounced principle of autonomy at the formation of second Caisse Populaire at Lauzon, Desjardins envisioned the opening of further caisses, “working independently but harmoniously with the one at Lévis”. The words “independent but harmonious” provided the centralists the points in support of their argument for a centralised structure. He further gave an early sign of his dedication to centralisation in 1904 when he founded l’Action Populaire Économique which had among its’ goals creation of an association of caisses to co-ordinate their affairs.³⁴⁷

Gradually Desjardins’ involvement in the day-to-day affairs of caisses extended. He increasingly used the Caisse at Lévis as an informal head office for the Caisses, a place where surplus funds could be deposited and from where supervision could be provided.³⁴⁸ He wished to see the caisses restructured under a federal network for the uniform provisions of services of inspection and propaganda along with the establishment of a Caisse Centrale. He even invited the caisses to deposit their surplus deposits with Caisse Populaire de Lévis which he desired to play the role of a Caisse Centrale since 1916. In order to achieve his goals, he envisaged the establishment of a provincial federation which would exercise the function of inspection, supervision and promotion of Caisses. Regular inspections from federation were must to ensure the respect of cooperative rules, regulations and principles by the caisses whereas Caisse Centrale had to manage the offer and demand gap of liquidity for the caisses.³⁴⁹

His commitment to a provincial federation and a caisse centrale he could never fully achieve because certain caisse leaders resolved to resist centralization and his plan led to the eruption of tensions among the leaders of the Caisses. In order to achieve his

³⁴⁷ Ibid, pp. 78-81.

³⁴⁸ Ibid.

³⁴⁹ Pierre Poulin and Benoît Tremblay, *Desjardins en Mouvement, Comment une grande coopérative de services financiers se restructure pour mieux servir ses membres*, (Montreal : Presses HEC Montréal and Desjardins Éditions Dorimène, 2005) pp. 8-9.

objective, Desjardins even circulated a memorandum about a provincial federation in 1917 and again another in 1920. He even wanted a convention of the caisses on the subject, but Poirier did not let him call it as he could use this platform to convince the caisses for a provincial federation. Eugène Poirier, champion of decentralisation model of Caisses along with Wilfred Guérin, refused to cooperate as he had not found the rules to manage the cooperative federation. At the other hand, Desjardins got inspired with Western model of cooperatives of rendering the value to local autonomy while working for centralisation to increase efficiency.³⁵⁰

After his death, an open division between the centralists and autonomists emerged out. The autonomists had the supports of early founders such as members of clergy, petite bourgeoisie with conservative and exclusive approach whereas the centralists were the new rank of leaders of the caisses having administrative and professional background with liberal outlook. In order to suppress the further agglomeration of Desjardins' hypothesis of provincial federation, first regional union "L'Union Régionale de Caisses Populaires de Trois-Rivières" was founded in 1920. It was followed with the creation of three more regional unions at Quebec (1921), Montréal (1924) and Gaspésie (1925). These regional unions reinforced the ideals of autonomy and decentralised structure of the caisses. These regional unions were the symbols of regional identity which was drawn along the line of territory of a diocesan. Regional unions even hoped that every region under the province would come with a regional union and a regional caisse. Though regional unions came out against the principal of federation, the regional union of Quebec had a centralist vision and they were working on the strategy to fulfil the dream of le fondateur. They put their plan into action by founding, la Caisse Centrale Desjardins de Lévis, in 1924 despite strong opposition from other regional unions and CPL.

Surprisingly these regional unions were following the same principles which they were opposing of for federation. They also wanted to control the affairs of caisses through regular inspection and promotion of the caisses. Regional unions also created regional

³⁵⁰ Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), pp. 77-80.

caisses to manage the surplus-deficit deposit of caisses. Regional unions could not perform their task due to lack of financial and human resources. A majority of caisses were even not ready to join the regional caisses and allow the regional inspectors to look into the account.³⁵¹

Refusal of caisses to affiliate with regional caisses, financial problems, etc. led to the gradual acceptance of regional union to join the provincial federation. In 1923, a centralised 'Committee for promotion of Caisse Poulairé' was institutionalised by the directors of regional unions of caisses to put their joint demand before the government for financial support. The provincial government offered the annual subsidy varying between \$3000 to \$7000 to this committee for the promotion and inspection of the caisses. In order to address the refusal by the Caisses to allow the regional inspector look into the account, the joint-committee made a request before the Quebec government ensure the inspection of the caisses and as a result, the government sanctioned a law making the inspection obligatory for the caisses on 3rd April, 1925.³⁵² Further in the way towards centralisation, the 'first congress of Caisses Populaires Desjardins' took place in 1925 which set up "a permanent committee composed of one representative of each regional federation" and few months later, a "Comité central de propagande des Caisses Populaires Desjardins" was established.³⁵³

Finding the inspection process unsatisfactory, Quebec government suspended the annual subsidy to the Caisses in 1929 and insisted for restoration of subsidy only after the permission of government inspector to audit the caisse. Tough economic conditions of Caisses got further worsened under the hard-effect of Great Depression bringing the Caisse on the verge of closure. In 1932, Quebec government offered the support with the

³⁵¹ Pierre Poulin and Benoît Tremblay, *Desjardins en Mouvement, Comment une grande coopérative de services financiers se restructure pour mieux servir ses membres*, (Montreal : Presses HEC Montréal and Desjardins Éditions Dorimène, 2005) pp. 10-13.

³⁵² Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp. 37-41.

³⁵³ Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), p. 86.

fresh conditions of dealing with a centralised single representative body of Caisses Populaires which would be responsible for the inspection and supervision of the Caisses. This centralised body was only authorised to take decision on investment in bonds. Tough economic concerns led the regional groups shedding their opposition and thus a provincial federation came into existence with a provincial law sanctioned it on 19th February, 1932. Finally regional caisses adopted the rules and regulations of the new body on 17th March, 1932 and thus, the dream project of Alphonse Desjardins, “Fédération de Québec des Unions Régionales de Caisses Populaires Desjardins” came into existence.³⁵⁴ Though compelled to accept provincial federation, the regional caisses were not ready to dilute their own importance. In order to ensure the importance of ‘regional unions’, the term ‘regional’ was forced to be placed in the name of provincial federations. They also made it sure that the inspectors were to be nominated by the regional union only.³⁵⁵ In fact, regional leaders were not ready to give more than a representative and intermediary role to the provincial federation.

Though the regional leaders led by Guérin and Poirier resisted all the attempts of Vaillancourt to strengthen the provincial body, the provincial body kept on gaining strength with the entry of new generation of liberal middle class Québécois in the Caisses. Schism in 1945 ended the monopoly of regional politics from the Caisses and Desjardins Movement was now on the path of rapid expansion and growth.

The advocates of autonomy were basically the early founders of the caisses belonging to petite bourgeoisie of the community. They were having experience at local level and were still filled with the early notions of ‘local money for local use’. As per Ronald Rudin (1990), centralisation seemed like taking away their power, position and privileges which got restored with the establishment of caisses. By contrast, the advocates of centralisation were mainly from new emerging middle class and were accustomed to

³⁵⁴ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire* (Sainte-Foy & Lévis, Québec : Éditions Multimondes and Les Éditions Dorimène, 2000), pp. 43-44.

³⁵⁵ Ronald Rudin, *In Whose Interest? Quebec's Caisses Populaires 1900-1945*, (Montreal: McGill-Queen's University Press, 1990), pp. 87-89.

performing on a larger stage. They had experience of working beyond the territory of parish and with larger federal & national institutions and American corporations. Autonomists were basically from the stream of clerico-nationalists who saw language and religion as the means to defend the French-Canadian nation by isolating it from outside world and so they were against any idea supporting expansion of the scope of the caisses leading to the intervention from outside. Against the exclusive tendencies of autonomists, the new rank of leadership of caisses demonstrated new form of nationalistic tendencies whose values were inclusive, secular and open to outside world. The centralists wanted a centralised control of the caisses without fear of contamination by contact with those who spoke another language or professed another faith. Their new-definition of French-nationalism marked the beginning of a major cultural and social change in Quebec and these leaders were part of the coalition that led to Quiet Revolution.³⁵⁶

III. State's Intervention and the Caisses' Autonomy

At the beginning of 20th century, state as an agent of social welfare was hardly in existence in Quebec and the resultant vacuum was to be filled by the private parties, social and ethical organisations. This was also a phase when population had started distancing itself with the old social order and they were more looking towards state for welfare measures. Alphonse Desjardins launched his Caisse Movement to bring back the Franco-Catholic population to its roots. As state was replacing the dominant role of petite bourgeoisie, Caisse Populaire became a tool which could allow the traditional pillars of petite bourgeoisie including clergy to re-attach itself with the masses. As a result, they were all against the state's intervention in the affairs of the caisses and they did not want the caisses to remain under the trusteeship of political parties.³⁵⁷

At the nascent stage of the Movement, they had no option but to seek financial support from the State but without offering control. Quebec State came in needful support to the Caisses time-to-time. At the time of opening of Caisse Populaire de Lévis, the Quebec

³⁵⁶ Ibid, pp. 77-80.

³⁵⁷ Ibid, pp. 120-122.

government sanctioned a grant for the distribution of 8000 copies of rules and regulations of Caisses. Even during the years to come, the state was asked to provide direct grants to facilitate the operations of the Caisses. The Quebec government even passed a law supporting the Caisses Populaires when federal government refused to entertain their application for a law.

The positive equation between the caisses and government witnessed the changes during the 1910s as the government looked for the 'formal inspection' of the caisses following the failures of some Francophone Banks. Quebec assembly wanted to modify the 1906 law by rendering the caisses under the supervision of government, but after the opposition of Desjardins, the National Assembly asked the caisses to submit the report to it annually. In 1920s, with the collapse of some major banks, provincial government were now not ready for granting exemption from inspections. Minister of Agriculture offered that the inspector of caisses should be an appointee of state which caisses refused stating inspection was their private affairs. But the crisis of banks forced the leaders to accept a role for the state with the understanding that there would be no direct interference by politicians.³⁵⁸

In the meantime, provincial government signed a contract in 1923 with a joint-committee of Caisses Populaires Desjardins for providing annual subsidy to regional caisses to undertake inspection, supervision and promotional activities which continued up to 1929. Despite refusal from Caisses to allow state appointed inspectors, the government continued to support the caisses taking note of their significant contribution in resolving the problem of agro-credit. The refusal by many individual caisses to recognise the authority of the regional federations and to allow the inspectors to examine the book made the leaders of caisse federation felt the need of state appointed inspector with more authority in their dealings with difficult managers. On the request of joint committee of Caisses, the provincial government promulgated a law in 1925 making the inspection mandatory for every caisse. In addition, state also emphasised for the appointment of

³⁵⁸ Ibid, p. 128-132.

professionally trained inspectors for the inspection work till being done mainly by the priests.³⁵⁹

Finding the inspection work not satisfactory and refusal to allow the inspection from the state, the provincial government suspended the annual grant to the caisses. Financial difficulty, further aggravated under the impact of Depression, forced the leaders of Caisses to change their stand. New agreement led to enhanced dependency of Caisses over state and, with the presence of new leadership, Caisses moved towards more becoming a state's agent. Its' internal organisation also got affected with the governments in province. During the elections of 1936, Union Nationale won the elections and Maurice Duplessis came into power. In order to bring higher benefits to Caisses, Vaillancourt resigned from the post of president of Provincial Federation and offered it to Poirier considering his proximity with Duplessis.³⁶⁰ Vaillancourt developed the new premise that the direct involvement of the State in the affairs of the Caisses was not necessarily bad, a viewpoint that later allowed him to negotiate a role for these cooperatives as the agents of the State. By 1930s, all caisse leaders started to recognise the utility of working with the State as long as their autonomy was preserved thus ending the hostile approach towards government's role in caisses. Government was also dependent on caisses for the solution of agricultural credit but in 1936, the negotiations between the government and caisses failed over this issue. As an alternative, Quebec government introduced a system of State-financed agricultural credit, "Office du Cr dit Agricole" to offer mortgage loan and long term loan to agricultural sector. By investing in the bonds of Office du Cr dit Agricole, Caisses Populaires became the first credit union in North America directly financing a government.³⁶¹ Thus bringing caisses closer to the state, despite hard criticism by French-Canadian nationalists, Vaillancourt and his associates became the early advocates of the modernisation of the State's role in Quebec that would eventually manifest itself in the Quiet Revolution.

³⁵⁹ Ibid.

³⁶⁰ Ibid, pp. 132-134.

³⁶¹ Ibid, pp. 136-137.

There were certain other issues which surfaced prominently in the affairs of caisses. Issue of entry tax on membership, entry of outsiders, cooperation and creating union with the cooperative unions of outside, etc. all these also created lots of disputes during this period. But all these tasting parameters led the Caisses Populaires to emerge as a strong organisation which was going to play a prominent role not only at provincial level but also as a major global financial institution with the presence in over 35 countries. 'Développement International Desjardins (DID)' is the international arm of Desjardins groups supporting for the causes of poverty and humanity across the world.

IV. Organisational Structure

By 1945, the Caisses Populaires had transformed into a proper organisational form. It had developed a 3-tier political structure: 'Local Caisses' at the lowest level, 'Regional Unions' at the intermediary level, and 'Provincial Federation' at the top level. Even at the branch or caisse level, three-tier of committee was executing the administrative function of the caisses: Board of Directors, Credit Committees and Supervisory Committees. There was a system of representation from lower to higher levels (M S Sriram).

Summary and Conclusion

Schism of Caisses in 1945 marks the culmination of first stage of evolution of Desjardins Movement in Quebec. The movement thus entered the age of adulthood to further expand its' operations and area of activities. An indigenous venture of French-Canadians that used to remain dependent on State for grant of aid to run its activities for promotion and supervision was now ready to finance the State in its endeavour to create an economic and industrial infrastructure under the control of French-Canadians. The vision of 'small' was replaced to do something of 'grandeur'. Alphonse Desjardins instituted the Movement to help economically emancipate the population with little resources. The concept of 'small' remains there, but the idea of pursuing 'big' was added under the able leadership of Cyrille Vaillancourt. Caisses Populaires was no more only an organisation to take smaller roles like offering credit of small values and of short term for agricultural

and small industrial needs, it was now in the position to acquire big industrial houses, fund large government projects like Hydro Quebec, etc.

All these radical changes were brought to the organisation by Cyrille Vaillancourt and his team. They represented the fusion of new element to the Movement. The Caisse Movement was basically started by the better-off population of Quebec to offer a financial solution to the hardships of poor population of the province. Early stage of movement was designed and directed by the nationalists belonging to the old generation of Franco-Catholic Nationalism who were inspired by the exclusionist, isolationist and protectionist ideals of nationalism. Contact with outsiders was seen as something which could lead to the loss of purity of institution. In fact it was the translation of fear of assimilation against the hegemonic influences of Anglophone culture. The 20th century witnessed the rise of middle class to power who wanted to have economic relationships with English Canada and America while remaining socially-culturally distinct. They had also strong affinity for their culture institutions like Catholic religion and French language but they were not fearful of its' dilution. They also wanted to accommodate people from other faith, language and religion in order to conglomerate their own institutions. Cyrille Vaillancourt emerged out of this neo-nationalist school also having a background of bureaucratic work experience with provincial and federal government. His enlarged vision was vehemently opposed and criticised by the traditional nationalist who were against any change in their own cultural-social ranks. But the universal theory of change equally applied in case of Desjardins Movement and this changed the face of Movement from a protected, small and shy organisation to a large and aggressive enterprises. Those who could not submit to the changes, they led the movement to break off, but again for mixing with it in 1982. The same set of leadership were proved as the agent of change in whole Quebec and the Quiet Revolution ended the 200 years of isolation of Francophone population in Canada. They remained distinct but neither excluded nor isolated with a larger vision of French-Catholic order in form of Quebec.

With the growth of Movement, the Organisational structure also experienced the changes. From a single-tier structure of small autonomous union of members of a Parish as a

Caisse Populaire, the organisation turned into a three-tier organisation with the establishment of Provincial Federation in 1932. At the first level, the Caisse Populaire provides the foundation of the Desjardins. The secondary level or intermediary position is held by Regional Union of Caisses and the Provincial Federation finds itself at the highest position. In spite of the growth of organisational structure, the basic principle of democracy prevails there and the elections of administrative positions are done from lowest to highest level through universal and representative franchise.³⁶²

Desjardins Movement has upgraded itself to the changing economical and technological progresses but the basic ethics of movement remain there which were coined 100 years earlier by the founders. It deals with big corporate organisations, funds large industrial and infrastructural projects but it has not forgotten to play a key role in elimination of poverty from not only Quebec but from entire world with its global presence.

³⁶² Pierre Poulin and Benoît Tremblay, *Desjardins en Mouvement, Comment une grande coopérative de services financiers se restructure pour mieux servir ses membres*, (Montreal : Presses HEC Montréal and Desjardins Éditions Dorimène, 2005), p. 14.

CHAPTER V

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DESJARDINS MOVEMENT: EMPOWERING QUEBEC

The present thesis, as has already been outlined, aims to analyse the role of the Desjardins Movement in shaping the Quebec Nationalism through the means of cooperative unions. The first chapter of the study talked about the theoretical aspects of micro-credit institutions with the help of empirical evidences. The next chapter was focused on the micro-finance and cooperative institutions and programmes of Canada and Quebec in particular. The third chapter delineates the aspects of nationalism and specific characteristics of Quebec nationalism while tracing its origin through historical perspectives and current trends. The fourth chapter was focused on the shaping of early Desjardins Movement under the able guardianship of Alphonse Desjardins and Cyrille Vaillancourt. The chapter ended with the schism in the movement which gave undisputed authority to new leadership in command to pursue the agenda of diversification and expansion of the movement. The current chapter shall look into the aspects of expansion of Desjardins Movement in the scenario of post World War prosperity. It will also analyse the partnership of Desjardins Group with the Quebec State in changed political scenario with the Quiet Revolution. Quiet Revolution put extra load over Desjardins as its contribution in social and economic spheres of Quebec which the Desjardins Movement executed with full responsibility and success. After the decline of political nationalism in Quebec due to defeat of repeated referendums, the Desjardins Movement and other Francophone Enterprises have to keep the flag high for Quebec through their speculator economic performances. Contemporary Quebec nationalism has been dominated by economic tendencies which started appearing since the beginning of 20th century and with the creation of Caisses Populaires.

The Second World War changed the economic and political shape of the world. New alliances and treaties were created. Existing political frontiers got diluted and substituted by the new ones. A new political order was established. Seeing the devastations caused by the War, a new dream for everlasting-peace was born. There emerged a hope from global political leadership not to re-lead the humanity at the verge of extinction.

Exclusionist tendencies and absence of mutual-cooperations were seen as the principal reasons behind the origin of destructive notions of enmity and hatred leading to such catastrophic situations. The human tool of the civilisation was never-before determined to not let repeat anything which could cause such mass destruction of human lives and properties. The World War II also brought the wave of democracy and liberation among the nation states remaining colonised for centuries. The colonies started getting their independence. Democracy, freedom and liberal tendencies were seen as the key instruments to take humanity on the path of peace and brotherhood thus preventing any probability of future clashes. 'Living with differences', 'celebrating the diversities', 'unity in diversity' became the mantra to command the new world order. Different human, cultural, linguistic, political and social groups accepted the fact that there were different sort of cultural, geographic and racial traits among human beings and all of them had to learn the concepts of mutual-respect and togetherness. Attempt to create the atmosphere of universal peace and brotherhood at the top level shown a trickle-down approach as visible changes in institutional approaches and mindsets were observed from top to bottom level of human-led organisations.

Quebec also did not remain unaffected of changing global social and political order. A new class of leadership emerged also there who were no more willing to remain isolated for the maintenance of the exclusiveness of their own cultural, ethnic and linguistic identities. The new brand of leadership emerged from a newly rising middle class who were more concerned for their day-to-day hardships and they wanted to grab maximum opportunities in order to maximise their output. It was the time to end centuries' old (since 1763) cultural, economic and social isolation. These leaders were not fearful of 'cultural invasion' and 'cultural dilution'. They just wanted to end the politically and religiously backed theories which advocated for cultural, economic and social seclusion in order to protect its own culture, language and religion. Such was the opposition before against change among the French-Canadians that this had led to their economic and financial backwardness and they were forced to live with a 'subordinate' status with their Anglophone counterparts. The new leadership wanted to change the face of French Nationalism in Canada by enlarging and neutralising its horizons. The strategy of

'Exclusion' was substituted by the policy of 'inclusion' while remaining distinct. Influx of new demographic groups was welcomed until they accepted and accommodated with French culture and language. Prior to War, Church had a dominant role in Quebec's social lives. Church had then to lose their primordial position to the institution of State now loaded with fresh scopes of power added with larger responsibilities. Administrative and political system adopted the secular policy to incorporate larger segment of population. Their loyalty remained towards French language as a vehicle of distinctiveness. They wanted to create a strong and assertive voice to claim their independent cultural and political rights in Canada. Economic backwardness of Francophones was seen as a major hindrance in scoring their political objectives. The State was to take the responsibility in creation of large Francophone enterprises to end the dominance of English and American Capital from Quebec as Francophone entrepreneurs and capitalist class were neither large nor strong enough to replace existing economic equation of the province. In sum, post-War, State became more powerful; Church lost its authority and command; a new class of leadership emerged from the rising middle class and a new definition of French-Canadians emerged as 'Quebec' that was essentially French but no more Catholic in order to accommodate larger segment of population in their renewed definition of nationalism. The territory of French-nationalistic aspirations were drawn as Quebec which was more assertive in its demand for economic and political sovereignty.

Desjardins Movement was also not the exception and untouched of ongoing level of changes. In fact, it was one of the predecessors of initiating the process of modernisation of Quebec state and society. The leaders of Desjardins Movement, in fact, became the part of the team with their successful experience at Desjardins that guided Quebec on the path of modernisation. The process of change started appearing in 1920s only as two factions of leadership – centrist and autonomist – started directing the movement differently and often clashing with each other on ideological lines. The centrists wanted the caisses populaires to grow as a centralised and well-regulated single unit whereas the autonomists were not ready to compromise with the basic principle of autonomy of Caisses on which it was founded. The autonomist were representing the old traditional

school of French-Canadian nationalism where the basic principle was to remain isolated and secluded for the protection of own language and religion, to oppose any step which could allow the outsider Anglophones to pollute the 'pure' Franco-Catholic institutions and traditions by mixing with Francophone population of Canada, and to thwart all the attempts, including the intervention from Quebec State, which could undermine the positions of French-Catholic religious and social order. They opposed the move to centralise the inspection and promotional activities of Caisses. They also vociferously contested the move of Quebec State to create a Provincial Federation of Caisses looking after and managing the affairs of caisses. They equally protested the entry of non-Francophone, non-Catholic into Caisses. The attempt of Centralists to build a combined single platform of cooperatives and credit unions to forward the joint demands before federal government was proved as a last nail to the coffin and Desjardins Movement saw a break off between the two groups in 1945, popularly known as The Schism.

As opposed to autonomists, the centralists, led by Cyrille Vaillancourt, were the by-products of pragmatic Francophone culture. They had worked with Americans and Anglophones and they were not as fearful as the founders of the Movement in maintaining contacts with outsiders. They were also supporter of Quebec State and they wanted the State to take active responsibilities in promoting the interests of Quebecers, in particular of Francophones, in and outside Quebec. They had experience and also were aware of difficulties in managing large number of autonomous individual caisses and so the centralists wanted for the establishment of a centralised federated structure of Caisses for the purpose of uniform audit and inspections, management of surplus and shortage of deposits and centralised promotion and propagation of Caisses. They also wanted to enhance and enlarge the scope of Desjardins activities by inviting new class of members who were often neither Francophone nor Catholics and by expanding the exposure of Desjardins in various types of financial activities. They wanted to remain distinct but not to remain isolated; hence, they were for the cooperation with other cooperative and credit societies of Anglophone provinces in order to strengthen their demand before the federal authority and to get their problems addressed jointly. The attempts for change by the centralists were vehemently criticised by the nationalist leaders and some of them even

went to such an extent that they accused Cyrille Vaillancourt of selling the Francophone Movement to Anglophones for personal benefits. But the centralists were the agent of change and, irrespective of strong opposition, they succeeded in moulding and shaping the Desjardins Movement as per their aspirations. They also became the inspiring figures to Quebec political class who changed the political dynamics of Quebec while becoming more assertive to their demand for autonomy, and better to say independence.

The Schism of the Movement in 1945 is considered as the dividing-line in the history of Desjardins Movement. At the one hand, it ended the decades old struggles between autonomists and centralists and the centralists were now having free hands to direct the Movement without such opposition whereas at the other hand, the new prosperity brought by World War II also allowed the Caisses to grow rapidly. During the period prior to 1945, Caisses Populaires helped the Quebec Government in tackling the problem of agricultural financing whereas, post-1945, Caisses Populaires turned themselves as large and complex financial structure, Desjardins Group. The Desjardins Movement established itself as the proud image of successful French-Canadian entrepreneurship in Canada as a successful attempt to take control of Quebec economy. It also partnered with Quebec Government in offering seed capital or necessary fund for the establishment of large Francophone enterprises in Quebec. It also created some large financial institutions in different spheres and equally acquired numerous financial and industrial enterprises through merger and acquisition. In the second half of 20th century, Desjardins Movement became the symbol of Francophone identity in Quebec and it is almost like a matter of obligation as well as proud for every Quebecers to be the member of this grand Organisation. Today, it is the largest financial institution of Quebec.

Diversification and Expansion of Activities and Principles (1945-1960)

Alphonse Desjardins wanted to expand the Caisses Populaires in diversified fields of financial activities and thus transforming it as an economic movement for the French-Canadians in order to take control of the Quebec economy from the hands of Americans

and Anglophones. The World War brought unprecedented wave of prosperity at Quebec. The war economy created the boom in industrial and manufacturing activities in Quebec. It also offered high prices to cereals and other agro-commodities. Economic prosperity associated with higher savings for Quebecers also boosted the operations of Caisses. The Caisses Populaires expanded at a very high rate in terms of deposits and branch expansion. High capital reserves provided the option to the leaders of Desjardins Movement to expand their activities by investing in different types of financial ventures and so to realise the dream of Alphonse Desjardins.³⁶³

I. Diversification of Area of Operations of the Desjardins Movement

Alphonse Desjardins had a special interest in insurance sector. He saw insurance as a way to solve the problems of the population living under difficult circumstances. During 1890s, he drafted a thesis on life insurance and consecrated significant time in reading over life-insurance. Before founding the Caisse populaire de Lévis, he tried to search out the means to fight the financial insecurity of the Caisse Populaire. He had also emphasised in his writings that fire-insurance could primarily help the agriculture sector facing several problems.³⁶⁴ His special orientation towards insurance segment led his followers to opt 'insurance sector' as the first field where they could invest and diversify their field of activities from their conventional area of Caisses Populaires. This notion was further supported with the desires to facilitate the access of insurance products to their members according to their requirements, to obtain guarantees simultaneously over the extended loans and to reinforce the French-Canadian presence in the insurance sector where it had a very weak market share. Two subsidiaries – *La Société d'Assurance des Caisses Populaires* (SACP) in the field of general insurance in 1944 and *L'Assurance-vie*

³⁶³ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 61.

³⁶⁴ Alphonse Desjardins, "Mémoire sur l'organisation de l'agriculture dans la province de Québec" in Cyrille Vaillancourt and Albert Faucher, *Alphonse Desjardins, pionnier de la coopération d'épargne et de crédit en Amérique*, Lévis, Le Quotidien Itée, 1950, p. 187 in Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 61.

Desjardins (AVD) in the field of life-insurance in 1948– were created by caisses populaires through special laws by Quebec government.³⁶⁵ The diversification of the area of activities started the journey towards growing as huge financial organisation.

Entry of *Desjardins* in insurance sector was also a part of nationalist strategy to take control of an important financial activity. Like banking and credit unions, the insurance sector was also a source of amassing large capital which could further serve the purpose of economic development of Quebec. The development of insurance sector under the Francophone control was one of the strategic designs of Quebec nationalists during 1930s and 1940s to take control of economy in their own hand. The French nationalists were more focused to this sector because of almost complete absence of Francophone controlled enterprises in insurance sector which was then largely dominated by the British, Americans and the English-Canadians. In 1945, the share of Francophone companies in the insurance sector of Quebec was not even 15 per cent and the Quebec nationalists had great expectations from the directors of *Desjardins* to reverse the trend in favour of Francophones. Before that, the nationalist organisations of Quebec like '*l'Ordre de Jacques Cartier*' aggressively campaigned for over a decade for creation of French-Canadian insurance enterprises and asked the French-speaking population of Canada to encourage such institutions. Their campaign brought very encouraging results and a lot of Francophone insurance companies were created in Quebec. With the creation of '*la Mutuelle-vie de l'Union catholique des cultivateurs*' in 1936, a series of insurance companies run by French-Canadians were founded: *La Laurentienne* in 1938; *La Mutuelle des employés civils* in 1941; *La Solidarité* in 1942; *les Services de santé du Québec (SSQ)* in 1944; *L'Union Canadienne* in 1945 and many more.³⁶⁶

The idea to venture the caisses populaires in the field of insurance sector germinated during the congress of superior Council on cooperation in 1942, held under the theme of

³⁶⁵ Pierre Poulin and Benoît Tremblay, *Desjardins en Mouvement, Comment une grande coopérative de services financiers se restructure pour mieux servir ses membres*, Montreal, Presses HEC Montréal & *Desjardins Éditions Dorimène*, 2005, p.17.

³⁶⁶ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 62.

mutual-insurance. The participants highlighted the existing lacunas in the insurance sector in Quebec along with very small market share of French-Canadian enterprises in insurance industry of Quebec. Cyrille Vaillancourt was disposed off with the responsibility to weigh out the options for Caisses in insurance sector. Vaillancourt got the necessary support from the Federation of Caisses and the government. Quebec government passed a special law on the formation of an insurance company of caisses populaires on 3rd June, 1944 and thus according the authorisation to the caisses populaires to launch a mutual insurance company against losses with share holding from caisses. The insurance company against losses was mutually important for caisses populaires also as it could give freedom to caisses to offer loans against hypothecation. After getting the due governmental sanction, La Société d'Assurance des Caisses populaires (SACP) was founded in 1944 with Laurent Létourneau, President, Fédération de Québec des Unions Régionales de Caisses Populaires from 1944 to 1955, becoming the Founder President of SACP. The SACP was founded but it was tough to bring \$ 300,000 as necessary asset reserve required to set the insurance company. The hesitations from caisses to invest in such a new venture forced Cyrille Vaillancourt to request the caisses for their participation in the reserve fund of the newly launched company as a duty toward their nation (French-Canadian) to attain economic independence in all the sectors of economy. The message created the impact with subscription of \$ 300,832 by 493 caisses by the end of 1945. The SACP scored a very promising performance since its inception because of its receiving the access of a large customer base through the channel of caisses populaires. The company issued 7000 policy within 8 months of beginning of its operations and it launched a comprehensive policy covering entire gamut of losses from theft to fraud. The SACP kept on growing very rapidly despite some difficult financial performances during the early years of operations due to very thin margin of profit as a result of very high level of competition and also because of deficient securities against probable losses.³⁶⁷

³⁶⁷ Ibid, pp. 62-64.

The success of SACP encouraged its promoters to found a life insurance company, l'Assurance-Vie Desjardins (AVD), in 1948. The Quebec government sanctioned the law favouring the creation of a mutual life insurance company by caisses populaires amidst opposition from other insurance companies of Quebec. Alfred Rouleau became the director general of company and under his direction AVD begun its operations on 1st September, 1949 and registered a very rapid growth. From offering insurance to individual, AVD offered group insurance to the employees of caisses populaires in 1952 and later to the employees of other companies in 1955. Other popular products of AVD were: the family insurance was launched in 1953, the loan insurance in 1954 and the accident insurance for scholars in 1958. The AVD starts registering profit since 1953 onwards and offering high dividend to its investors. In 1961, with 6.8 million policyholders, it was figured at the 14th rank among the life insurers of Quebec and only one French-Canadian company, L'Indurielle (founded in 1906), was ahead of it.³⁶⁸ Caisses Populaires along with its subsidiaries AVD and SACP offered their sincere dedication to the social causes of Quebec. The role of Desjardins group of companies in spread of mass education, promotion of the French language and culture, protection of economic interests of French Canadians were quite remarkable. It also actively participated in social and educational research works for Quebecers. TV serial, *Joindre le Deux Bouts*, hosted by AVD and caisses populaires on management of family budget since 1958 attracted over one million viewers. At the onset of Quiet Revolution, the Desjardins Movement was well prepared to take on its share of responsibilities with its proud record of contributing to the economic and social development of Quebec.

II. Consumer Loan: Changing Parameters of Credit Principles

Post World-War situations changed the economic and social preferences of people. War-associated economic prosperity created a consumerist culture and tendencies among Quebecers. This was going to affect the existing ideology of savings and productive credit of caisses populaires. The changed circumstances forced the caisses populaires to liberalise their credit policy and to allow the disbursement of consumer loans at one hand,

³⁶⁸ Ibid, p. 64-67.

but at the other hand, it did not hamper their commitment on spreading economic lessons over family budget and consumption among the Quebecers.³⁶⁹

All this started following the Second World War and related economic prosperity. The Quebecers witnessed a rise in their income and living standard. The rapid growth of manufacturing sector and aggressive campaigns from consumer goods companies created a new definition of life where consumption holds a larger place. From 1946 to 1950, the personal expenditures on durable goods cross from \$ 590 million to \$ 1.30 billion. Automobiles, refrigerators, and electronic washing machines were the major component of his hike. The list of necessary household goods was getting enlarged day by day. Purchases of these consumer goods were often through borrowings from commercial and financial institutions. The formal financial institutions were yet to design the loan products matching the latest trend in consumer financing. The caisses populaires were bound by their principles for not offering credit for some unproductive purposes. This situation was exploited by the informal financial companies offering loans against consumer goods at the interest rates ranging from 12% to 24%. All this led to the increasing number of families getting trapped under the serious problems of indebtedness during 1950s.³⁷⁰

While the society and the population changed and adapted to the new environment of consumerism, the caisses populaires continued with their tradition of savings, prudence and credit for productive purposes and denial of credit for consumption. Cyrille Vaillancourt proudly declared in 1956 that they were proud of faithfully maintaining the notion for over 55 years that had made the caisses born.³⁷¹ Caisses Populaires wanted their members to first learn the habit of savings and to use the credit for productive purposes. The loans for consumer goods like car, freeze and washing machine, etc. were

³⁶⁹ Ibid, p. 69.

³⁷⁰ Ibid, p. 69-71.

³⁷¹ C. Vaillancourt, "Le role des caisses populaires", *La Revue Desjardins*, XXII, 6-7 (June-July, 1956), p. 103 in Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 72.

refused citing it for superfluous and extravagant means. During 1950s, loans against hypothecation for housing purposes had a share of over 40% in total loan portfolio of caisses populaires whereas personal loan was hardly around 10% and rest 50%, mostly to cultivators for purchasing equipments and machinery for enhancing the productivity of the farm.³⁷²

This traditional approach of caisses populaires was severely criticised by the academicians, journalists, scholars and the members of syndicates. They accused caisses of taking away with their hard earned savings and throwing them to the trap and usurious practices of finance companies. The directors of caisses wanted the credit policy to be more flexible and liberal. Since 1951, the directors of big caisses used to oppose the existing credit policy of caisses for ignoring the need of the masses during the annual “congress of millionaire caisses”. In 1955, the directors of caisses adopted a resolution for raising the volumes of personal loans. But the issue came into the real notice only in 1956 when the organisers of the congress of millionaire caisses invited André Raynauld, Professor of Economics and Jean Marchand, general secretary of Confédération des travailleurs catholiques du Canada (CTCC) to express their criticisms. Both of them strongly condemned the existing attitude of the caisses and demanded in change of loan cap on personal loan.³⁷³

The management of caisses resisted such criticism till the early years of 1960s while justifying its credit policy for the productive purposes. *La Revue Desjardins*, official mouthpiece journal of *Fédération Provinciale des Caisses Populaires* tried to spread the ‘sprit and ideals of caisses’ through its columns thus justifying the existing loan policy of the caisses. The resistance of caisses also appeared in the form of a campaign in favour of the savings. The Federation of caisses published a variety of promotional articles and campaigns over the benefits of savings. They also launched some slogans, like – “*Le souci de l’épargne épargne les soucis* (the worry for savings saves one from worry)” and

³⁷² Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d’histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 72.

³⁷³ *Ibid*, p. 72-73.

the most famous, “Penser avant de dépenser”³⁷⁴ (Think before spending) – to promote the concept of savings and to discourage Quebecers from the consumerist tendencies. But they were no more very strong to continue with their ideas of restricted loan policy. Following the congress of 1956, the Council of Administration of Federation asked the Faculty of social sciences at Laval University to carry out a research over the living conditions, needs and aspirations of salaried class French-Canadians. But till, there was no change in credit policy of caisses and for most of directors, liberalisation of credit policy still meant encouragement of expenditures and indebtedness. But they ignored the prevailing fact that these goods had become like household necessities and refusal from Caisses was forcing them to get exploited by the financial companies. Caisses Populaires, by liberalising their credit policy, could at least help them to pay the reduced and reasonable interest rates against their consumption loans.³⁷⁵

During the early years of 1960s, change started appearing in the credit policy of caisses. In 1961, Émile Girardin, President of Provincial Federation, declared, “the caisses populaires should envisage the possibility of lending for the purchase of automobiles and other goods of basic necessities which were still considered as luxury”.³⁷⁶ Even Cyrille Vaillancourt gave a positive indication. But the real change in credit policy came following the Tremblay and Fortin Commission Report³⁷⁷ in 1963. The Commission

³⁷⁴ “Penser avant de dépenser” was the official theme of international congress of caisses in 1957, held on the occasion of 25th anniversary of Provincial Federation of Caisses.

³⁷⁵ Ibid, pp. 73-75.

³⁷⁶ Émile Girardin, “Vigoureux discours”, *La Revue Desjardins*, XXVII, 11 (November, 1961), p. 166 in Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 75-76.

³⁷⁷ Tremblay and Fortin Commission were appointed by Provincial Federation of Caisses Desjardins in 1956 to carry out a vast study over the latest pattern of living standards, needs and aspirations of French-Canadians. These social scientists from the University of Laval gave their Report in 1963 which let the Caisses endorse the consumer credit as part of their credit policy. Marc-Adélar Tremblay and Gérald Fortin, with the support of Marc Laplante, *Les comportements économiques de la famille salariée du Québec. Une étude des conditions de vie, des besoins et des aspirations de la famille canadienne-française d'aujourd'hui*, Quebec, Presses de l'Université Laval, 1964, p. 405 quoted in Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 76.

presented the consumption loan and indebtedness as a new mode of Quebec life. Rising living standards along with development in mass communication of Quebecers had changed and diversified the needs of the society and the changed needs had further modified the traditional concept of savings and credit. Consumer credit had become developed as a mean to satisfy the new needs based on the consumption behaviours. The Commission made the recommendation that as most of families were getting consumer credit from finance companies, the caisses could offer them these credits at better terms of conditions. Following this report, the directors of the caisses decided to examine “the legitimate needs of every applicant for consumption loan” and also to revise the loan policy of caisses.³⁷⁸ But despite changes in credit policy, the Caisses were not ready to renounce their principles of prudence and savings. They launched a series of campaigns and propagandas to guide the public morality over savings and family budget. So, during 1960s, as Quebec was going through the process of modernising its institutions, the liberalisation of credit policy and a new strategy of spreading budget education also allowed the caisses populaires to modernise itself, to approach their members according to changing priorities and, above all, and to better accomplish their mission for the betterment of Quebec people and society.³⁷⁹

Quiet Revolution and Economic Reconquest of Quebec: Desjardins Group tasked with Larger Responsibilities

Quebec state and society witnessed the large scale changes in order to solidify and strengthen its position in Canada during the early years of 1960s. The formation of Jean

³⁷⁸ 8th Congress of Caisses Populaires Desjardins, Held at Quebec from 12 to 15th May, 1963, Lévis, Fédération de Québec des unions régionales de caisses populaires Desjardins, s.d., 450 p. quoted in Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 77.

³⁷⁹ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 76-79.

Lesage government in Quebec in 1960 is marked as the beginning of Quiet Revolution there. The multi-dimensional attack on existing conventional practices and structures are famously known as Quiet Revolution. Quiet Revolution is the expression of commitment from Quebecers to establish it as a distinct strong cultural-political and social entity. Quebecers were no more ready to live with the identity of an 'excluded and isolated' subordinate of English-Canada. The struggle to establish itself as a sovereign but strong political body in North America, Quebecers started to solidify their positions at home by attacking the existing institutions and symbols confirming the dominance of Anglophones in Quebec. Political ideologies were redefined; State was seen as an instrument to empower Quebec and Quebecers; Quebec was formulised as the home of Francophones in Canada and, it became the goal of every Quebecer to become master in their own home. It was basically a renaissance of entire structure and system of Quebec.

I. Quiet Revolution and the Desjardins Movement

Economy was the area where the impacts of Quiet Revolution were most visible. In fact, taking the ownership of Quebec industries and economy was one of the principal agendas of Quiet Revolution and Desjardins Movement was one of the major Francophone pillars of strength which allowed Quebecers to take control of their own economy. It was also an occasion for the Desjardins Movement to enlarge its financial group and operations. In response to multiple responsibilities exercised over, the caisses populaires undertook several activities in order to enhance their participation in the economic development of Quebec and to reinforce their positions in the financial domain. In addition to spreading the network of the caisses, they also acquired two companies of insurance, a trust company and a mutual fund enterprise. Expansion of Movement started with the acquisition of "La Sauvegarde", the oldest French-Canadian life insurance company which was founded in 1901 just few months after the creation of Caisse Populaire de Lévis, in 1962. La Sauvegarde was also one of the examples of earliest courage by French-Canadians in the field of economy and finance. For Desjardins Movement, this acquisition was like a beautiful opportunity to enlarge its area of activity in the domain of

insurance as well to acquire a Francophone accumulated savings. This takeover was overwhelmingly welcomed by the Francophone press which saw Desjardins Movement standing up to the prestige to protect the French-Canadian enterprises from the hegemony of foreign companies. There were legal hurdles for caisses populaires to make investment in such acquisition. In order to remove the existing legal obstacles, Desjardins Groups launched a holding company for capital investment, *la Société de Gestion d'Aubigny*, on 12th April, 1962 to acquire La Sauvegarde and similar future acquisition. The new arm of Desjardins also acquired, *La Sécurité*, a French-Canadian company in the field of general insurance since 1944, which gave a significant presence to Desjardins in the field of general insurance. This holding company also acquired a trust company, *la Société de Fiducie du Québec*, a management company founded in September, 1962 and yet to start its operations, on 31st January, 1963. This trust company could help the caisses populaires to use the channel for investing and managing their funds. It could also purchase shares in banks, not allowed to caisses till, and give controlling management position on the board of the bank to allow caisses to negotiate with other banks in transaction and other matters.³⁸⁰

The caisses also ventured in the domain of investment by becoming the partner of Quebec State in the “*Société Générale de Financement du Québec (SGF)*”. The SGF was created by the Jean Lesage government of Quebec in 1962 as a capital fund to reinforce the industrial structure of Quebec by creating and developing big enterprises in the strategic sectors. It was created as a public-private partnership venture and Desjardins Group invested over 8 million dollars in it. It also bought Vachon Inc, the famous pastry shop network of Quebec as a responsibility to protect Francophone interests in Quebec which was going to be sold to an American Firm.

With large number of acquisitions and creation of subsidiaries, it was becoming very difficult for the Desjardins Group to manage it all as a single unit as Provincial Federation was not permitted to merge them all into one. In order to address the issue, the

³⁸⁰ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 80-85.

Desjardins Group established a new enterprise called *Association Coopérative Desjardins* which allowed caisses populaires to become the proprietor of the newly acquired sister concerns. The new Quebec law on caisses, adopted in March 1963, prevented the caisses to invest in financial or industrial companies from their reserve funds but as per cooperative law, a cooperative company can invest in these companies. The Desjardins Group also created a cooperative enterprise, *l'Association coopérative Desjardins*, as a new holding company to invest in their sister concerns and to expand their capital base.

In 1969, the Desjardins Movement registered another milestone by purchasing "*Les Placements Collectifs Inc.*", the most important French-Canadian mutual fund company which was formed in 1956 on the lines of economic nationalism by the leaders of l'Ordre de Jacques-Cartier for strengthening the French-Canadian position in this domain dominated by foreign or English Canadian enterprises. Émile Girardin, president of the provincial federation of caisses from 1959-1972, highlighted the importance of these acquisitions and investments as a guarantee for the conservation of the assets and the funds of the motherland which were created by the Francophones only and were built by the savings of French-Canadians.³⁸¹

In sum, the Quiet Revolution provided the occasion and opportunity to Desjardins Movement to enlarge its area of activities and to establish itself as one of the major economic players of Quebec. It also offered the recognition to caisses populaires as a tool of economic liberation of Quebec. Often marked by the improvisation and realisation through a series of obstacles, this process of expansion of Desjardins Movement seems in total as an appreciable contribution to the realisation of the grand ideas of the Quiet Revolution. The investments of caisses populaires and the development of their network of subsidiaries proved as an affirmation of economic strength of Quebecers. Quiet Revolution also led the caisses populaire to expand rapidly. From 319 caisses, \$119 million assets and 371,211 members in 1945, it reached to 1227 branches, \$687 million

³⁸¹ Archives de la CCPEDQ, 11235-103, Émile Girardin to the directors of caisses populaires (circular), 26 June, 1975 quoted in Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 86.

assets and 1.2 million members in early 1960s. The caisses also crossed the milestone of asset of 1 billion dollar in 1964.³⁸²

II. Innovation, Growth and Changes (1971-2010)

The years of 1960s and 1970s constitute a determining moment in the process of professionalization of the activities of the caisses. High scale financial growth and expansion of activities necessitated the appointment of a full time director as well as recruitment of more and more skilled people. 1967 onwards, the caisses were now in direct competition with banks as the law now permitting banks to enter their foray of activities and freedom of fixing interest rates to attract borrowers and depositors.³⁸³ During 1970s and 1980s, the Desjardins Movement progressively grew as a financial giant. More and more Quebecers made it a point of honour to be the member of a *caisse populaire* and to participate in the success of this institution which actually belonged to them and, more and more, it offered the sense of solidarity for the Quebecers. In the whole process, the Desjardins Movement affirmed itself as one of the biggest collective successes of the Quebecers and as a symbol of their know-how. At the one hand, it continued to expand its business and areas of operations while equally intensifying its participation to the economic development of Quebec. Enlargement and consolidation of its network of sister concerns and the creation of *Caisse Centrale Desjardins* offered the Desjardins Movement the indispensable tools to face a stronger competition in a market transformed by the technology (décloisonnement). Desjardins Group became the rally-place of all the credit and saving cooperative groups of Quebec (1979-1982) and it subsequently got the endorsement from other Francophone communities of Canada (1989-1990).³⁸⁴

³⁸² Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 80-86.

³⁸³ Pierre Poulin and Benoît Tremblay, *Desjardins en Mouvement, Comment une grande coopérative de services financiers se restructure pour mieux servir ses membres*, Montreal, Presses HEC Montréal & Desjardins Éditions Dorimène, 2005, p.23.

³⁸⁴ *Ibid*, p. 89.

The 1970s proved as another decade of high growth of caisses. Its asset grew from \$2.5 billion in 1970 to \$11.5 billion in 1979 with an annual average growth of 18.77%. The deep roots among the local community, and image guaranteeing the security of investment, technological advancement and a climate of economic nationalism helped very favourably to the caisses to secure the always growing proportion of savings of Quebecers. Desjardins Group also increased its participation in the financing of economic activities of Quebec.³⁸⁵

The early years of 1980s as well as 1990s witnessed very high scales of economic crises. The economic crisis due to high inflationary pressures and resultant high interest rate regime of 1980-1982 proved as the worst recession for Quebec after that of 1930s. The caisses were also severely affected due to recession. But it soon recovered to come back to the path of growth. The fusion of Fédération de Montréal des caisses Desjardins, the union of 9 dissident caisses that broke off with the Movement in 1945 and which is famous in history as Schism, in 1982 with the also augment its capital base to \$44.2 billion at the end of 1989 with an average annual growth of 12.9%. Compared to previous two decades, the growth of caisses populaires in 1990s was a bit slow due to very low inflation, high level of competition in the market, a saturation of membership and a drop in the share of traditional deposit funds compared to other financial products. But with the acquisition of *Le Groupe La Laurentienne* in 1993, it managed to cross \$ 73 billion in 1999. It also launched “le titre Desjardins”, a capital investment company managed by la société Capital Desjardins, in 1994 as a passage between the caisses and institutional investors. All these helped caisses populaires to maintain their capital adequacy ratio as per the international norms.³⁸⁶

While analysing the performance of Desjardins Group in Quebec, it can be truly called as the premier and largest financial institution of Quebec. It had a share of 42.2 % in total

³⁸⁵ Ibid, p. 90.

³⁸⁶ Ibid, p. 90-91.

traditional deposits, 31.8 % in consumer loan, 37.2% in mortgage loan, 19.5% in commercial and industrial credit and 40.2% in agricultural credit of Quebec.³⁸⁷

Since 1970s, through acquisitions and expansions, Desjardins Movement was able to secure a very active presence in each of the grand sectors of financial world viz. banking services, insurance, trust services and le courtage de valeurs mobilières. With the help of legislations sanctioned by Quebec government to lower the barrier between the financial sectors and to liberalise the distribution of financial products, the Desjardins Movement was able to make its reach in almost all the segments of finance. In may 1989, after banking, insurance and capital services, the Desjardins Movement enters into the fourth pillar of financial sector, celui des valeurs mobilières. It acquired 72% share of Deragon Langlois and converted it into Desjardins Deragon Langlois (DDL). It acquired another company Disnat in 1990. On 16th December, 1991, Desjardins Movement restructured DDL by merging Disnat in it and a new company, *Les Valeurs Mobilières Desjardins (VMD)*, was formed. Another venture of Desjardins Movement, Sécurité Desjardins in the field of transport de valeurs was launched in 1982 to break the dominance of Brink, since 1927, in Quebec. It registered a huge success and it succeeded in the acquisition of Quebec arm of Brink, thus ending its presence in Quebec, and naming it as Sécurité Desjardins Itée (SECUR).³⁸⁸

In the financial sector where the Desjardins Movement was already present, it tried to consolidate its positions from 1970 to 2000 by restructuring, mergers and acquisitions of subsidiaries. The first such step was taken in 1981 in the field of insurance against losses when two sister companies of the Movement, *la Société d'assurance des caisses populaires (SACP)* and *La Sécurité* were restructured as a new entity, *le Groupe Desjardins assurances générales (GDAG)*. In 1987, the GDAG established *les Assurances générales des caisses Desjardins (AGCD)* in the field of insurance for habitation and automobile. In the field of life insurance, La Sauvegarde was merged with l'Assurance-vie Desjardins (AVD) in 1990. The AVD had already acquired Laurier in

³⁸⁷ Ibid.

³⁸⁸ Ibid, p. 91-93.

1989 and Annuity Life in 1990. The Desjardins Groups also acquired a significant stake in *Le Groupe La Laurentienne* in 1994. *Le Groupe La Laurentienne* was a conglomeration of *La Laurentienne-vie*, *la Banque Laurentienne*, *La Laurentienne Financière* and the *Imperial Life*. *The Imperial Life* had the spread in Canada, USA and UK and it offered the Desjardins Movement the access to new markets beyond Quebec. The Desjardins-Laurentienne marriage made the Desjardins Group the sixth largest financial group of Canada. The AVD and *La Laurentienne-vie* were merged as *l'Assurance vie Desjardins-Laurentienne* (AVDL), thus becoming the premier life insurance company of Quebec with 18.7% market share in 1998. The AVDL had to serve Quebec whereas the *Imperial Life* had to look after the markets outside Quebec. Earlier acquired venture company *la Société de Fiducie du Québec*, today known as *Fiducie Desjardins*, was also expanded to include a range of services in order to create greater synergy with the network of caisses. It is today a major company in Quebec for fund investment, collective saving regime, administration and holding of title. It also offers capital services, private management and hypothecation financing. There is an intermediary holding company, *Gestion de services spécialisés Desjardins*, working between *Fiducie Desjardins* and *le Crédit Industriel Desjardins*.³⁸⁹

III. Financial Arms and Auxiliary Companies

In order to facilitate the operations of main units, some associate companies and financial arms were founded by the Desjardins Groups. *La Caisse Centrale Desjardins* (CCD) was established in 1979 as the main financial arm of entire Desjardins Group. The CCD was able to participate in the Canadian Association of Payments thus finally permitting Desjardins Movement to hold the place in the Canadian banking system and to enjoy the benefits that other chartered banks enjoy there, thus ending decades' old contention over issue of payment through banks. By becoming the member of *l'Association canadienne des paiements* in 1981, CCD was henceforth able to work as an intermediary for Desjardins Group for the Bank of Canada. This affiliation allowed Desjardins Group to receive the funds of federal government and participate in the planning and development

³⁸⁹ Ibid, p: 92-98.

of future Canadian system of electronic payment like ATM, sales point terminals. Apart from this, it used to manage the liquidity for the caisses. It also represented the Movement on financial matters at Quebec, Canada and international level. The CCD created *Capital Desjardins Inc.* in 1995 to deal with the capital investments by the institutional investors.³⁹⁰

La Corporation de Fonds de Sécurité de la Confédération Desjardins was also created in 1980 with the aim of supporting the security funds of the Desjardins Movement. Apart from this many other auxiliary service units were also launched: *le Centre Desjardins de traitement de cartes inc.* (CDTC) to look after the operations of VISA card; *la Corporation Desjardins de traitement informatique* (CDTI) to prolong the operations of *Caisse centrale* in the domain of compensation and the system of payment and to meet the latest requirements according to the developments in the informatics; *la Corporation Immobilière Place Desjardins* for looking after the management of the Desjardins complex, and the acquisition of *le Service de paie Info-Logik* for offering the automatic payment and virement services. In addition, *Développement International Desjardins* was formed in 1970 to share the expertise of Desjardins in the developing countries of the world; *La Fondation Émile Girardin (Fondation Desjardins)* was created in 1970 to promote the higher education by the distribution of university scholarships of excellence; and *la Société historique Alphonse-Desjardins* founded in 1979 to protect and conserve the value of history and heritages of the Desjardins Movement and its founder.³⁹¹

In 1976, Desjardins Movement achieved another feat by erecting the Desjardins Complex, *Le Complexe Desjardins*, at Montreal. This became the largest administrative and commercial complex in Canada. Le Complexe Desjardins became the symbol of financial success of the Desjardins Movement as well as of technological know-how of French-Canadians as its construction was financed, conceived and built by the Quebecers. This project was financed by a consortium with 51% financing by caisses populaires and rest 49% by Government of Quebec. The construction of this grand

³⁹⁰ Ibid, p. 94-97.

³⁹¹ Ibid, p. 94.

Complex was basically envisaged by Alfred Rouleau, President of Desjardins from 1972 to 1981, as a symbol of financial emancipation of French-Canadians in form of Desjardins Movement as one of the largest financial institutions of Canada.³⁹²

IV. Merger of other credit and savings caisses with Desjardins Group

Till 1979, there were six groups of credit and saving caisses. In November 1979, 116 caisses of *la Fédération des caisses d'économie du Québec* (FCEQ) were the first caisses to get affiliated to the *Fédération de Québec des caisses populaires Desjardins* and the group took the name of *Confédération des caisses populaires et d'économie Desjardins du Québec*. Next, the 70 caisses of *la Ligue des caisses d'économie du Québec* made their entry in Desjardins family in 1981. Then, in 1982, the caisses of *la Fédération de Montréal des caisses Desjardins* re-integrated with the Desjardins Movement which it left back in 1945. The Desjardins Groups also took over some caisses of *la Fédération des caisses d'établissement* and *la Fédération des caisses d'entraide économique* after the dissolution of their respective federation. Afterwards, the Desjardins Group also consolidated its position by merging the caisses unions outside Quebec. It took over *les fédérations francophones de caisses populaires de l'Ontario* in 1989, federation of Manitoba same year and federation of Acadie in 1990 as the associate concerns of Desjardins Group.³⁹³

V. Information and Technological Advancements and Implementations

The financial growth of caisses during 1960 to 1970 created the platform for the transition of Desjardins Movement from a small conventional organisation to become modern financial establishments. It was notably manifested in form of modernisation of the locals, construction of new edifices, recruitment of skilled and qualified personnel and professionalization of the management functions. Meanwhile, the caisses also adapted to the values of pluralist society and progressively abandoned their confessional character. During 1960s only, with the increase of volume of activity of caisses, it caused

³⁹² Ibid, p. 94-95.

³⁹³ Ibid, p. 99.

serious problems at the management level. Caisses installed the counting machines but it enhanced the cost of operations. The caisses now turned to informatics system to address the problem and after the successful experiment of its tele-model of computer based banking during the Exposition, 1967 at Montreal, a series of technological innovations took place changing the face of the caisses. In 1969, the provincial federation signed a contract of over seven million dollars with IBM for implementing a universal system of data management by informatics system for the entire integrated system of Desjardins. The IBM installed the *Système Intégré des Caisses* (SIC) (Integrated system of caisses) to support the entire network of caisses. It gave a technological edge to the caisses over banks by becoming the first financial institution in Canada to automatise its entire operations. It also offered another technological foot to caisses by offering Intercash facility to its customers allowing them to access their account from any network of caisses.³⁹⁴

During 1970s, important technological transformations created the “possibility of future society without money” by accepting the “plastic money” more and more in use. In 1981, the system of electronic fund transfer was launched and again the creation of Interac Association in 1984 where Desjardins Movement was one of the early initiators. The first ATM machine for Desjardins appeared in 1981 in Trois-Rivières region. Same year, the Desjardins Movement purchased the franchisee of VISA and a new centre for issuing and dealing with credit card was established as, *le Centre Desjardins de traitement de cartes inc.* (CDTC). On 14th April, 1986, the first Canadian transaction on the Interac network took through Desjardins windows. In 1988, Desjardins was the first financial institute of Quebec to install the merchant terminal for electronic fund transfer. Following this, it also launched the debit card and direct payment services in 1989. In 1999, Desjardins also launched smart card for small expenses. Desjardins Group also launched “le home banking (la caisse à domicile)” to serve its customers at their doorsteps in 1988 in association with Bell Canada and its telemetric-network, Alex. In 1996, the Movement also launched the Accès D, which permitted the customers to access their accounts

³⁹⁴ *TL:J*, p. 105-107.

through internet or telephone. With all these technological upgradations, Desjardins Movement positioned itself as a leader and innovator in the field of technology-based banking.³⁹⁵

VI. Structures and Evolution of Desjardins Movement

From 1960 onwards, the Desjardins Group started facing the problem in coordination between different components of the Movement with the rapid growth of assets and creation of new subsidiaries. It was necessary to formulate a uniform mechanism and structure to ensure the unity in action and thought of the Movement, to favour the synergy of the components, to utilise the resources up to the optimum level and to minimise the cost of functioning of the organism to support the caisses. The Quebec Assembly voted the responsibilities to promote and coordinate the activities of entire components of the Movement to the Provincial Federation in 1971. The Law also favoured a large scale centralisation of the Movement by authorising the federation to acquire the shares of the sister concerns and asked to elect a whole-time President who could represent the entire Movement and Alfred Rouleau became the first whole-time President of Desjardins Group.³⁹⁶ But it did not solve the problem completely. In 1979, the Blais Report over the sharing of responsibilities, presided by Raymond Blais, published a long list of problems with the services of Desjardins due to absence of collaboration between the different components of the Movement, deficiency in the modes of financing and decision making procedures. The Confederation had neither the responsibilities nor the necessary authority for effectively assuming its responsibilities. The real challenge was to find out the best equilibrium between the desire of decentralisation at the one hand and at the other hand the imperatives of coordination and efficiency. The Blais Commission recommended the clarifications over the responsibilities of the Confederations. But situation did not improve until Claude Béland

³⁹⁵ Ibid, p. 107-109.

³⁹⁶ Ibid, p.100 & Pierre Poulin and Benoît Tremblay, *Desjardins en Mouvement, Comment une grande coopérative de services financiers se restructure pour mieux servir ses membres*, Montreal, Presses HEC Montréal & Desjardins Éditions Dorimène, 2005, p.18-19.

took the post of president of the Movement at the end of 1970s who successfully addressed the problem areas highlighted by Blais Commission. *La Loi des caisses d'épargne et de crédit* (The Law of credit and saving caisses) of 1988 allowed the Movement to reorganise its lines of activities at the deeper and broader level. It was further restructured in 1994. But again, a motion to bring different components of Desjardins group under a unique Confederation got defeated by 95% of caisses' representatives. Hence the Desjardins Movement entered the 21st century with high goals but amidst strong competition and rapid transformation but it had not yet forgotten, even after 100 years of operations, their firm believe and desire in preserving the cooperative, democratic and popular character of the Desjardins Movement. All these steps helped the Movement to strengthen its operations and further expand its businesses.³⁹⁷

VII. International Presence of Desjardins Group

Desjardins Movement was launched with the inspiration and support from European credit cooperatives. Alphonse Desjardins was also instrumental in launching credit unions in United States of America. Global events such as World War I and II, economic crisis of early 1920s and Grand Depression of 1930s, etc. had equally affected the operations and performances of caisses populaires. But in direct terms, the Desjardins Movement entered into international arena in 1950 with its affiliation with *l'Institut International de l'Épargne* (International Institute of saving) and with the organisation of *le Congrès International des caisses populaires Desjardins et des credit unions* at Levis. Following this the provincial federation established the relationships with *la Confédération Internationale du crédit populaire* (CICP) and other European associations. The provincial federation of caisses also organised the 2nd international congress of credit unions and caisses populaires Desjardins in 1957 to commemorate its

³⁹⁷ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 100-103.

25th anniversary. In 1957, the provincial federation also joined the *Conseil de la coopération du Québec* (CCQ) and thus it entered into official relationship with *le Conseil canadien de la coopération*.³⁹⁸ It also developed contacts with other credit unions of Canada and United States. Currently it is also the member of *l'Association Internationale des Banques Coopératives* (AIBC) and many more international organisations in the fields of cooperatives and insurance.³⁹⁹

In 1963, the Desjardins Movement founded *l'Institut Coopératif Desjardins* (ICD) to train the representatives of financial cooperatives in Asia, Africa and Latin America over the cooperative formulas. The provincial federation signed an agreement with *la Compagnie Internationale de Développement Rural* in 1970 to establish two caisses populaires in Cameroon and Burkina Faso. This led to the foundation of *la Compagnie Internationale de Développement Regional Itée* (CIDR-Canada) to provide training along with direct technical assistance to and investment in financial cooperatives in the developing world. The CIDR was further renamed as *la Société de Développement International Desjardins* (SDID) in 1980 and then as *le Développement International Desjardins* (DID) in 1994. It started its operations in Africa and then it concentrated on Latin America. It reached Asia in 1989 and Central Europe in 1991. Since its foundation, it has been leading the Canadian flag in promotion of microfinance and cooperative activities in more than 35 countries.⁴⁰⁰

During the last years of 1970s, the caisses populaires realised to expand its activities beyond Quebec as it was becoming inevitable in not responding the changing financial requirements of the customer. In order to provide the access of financial services everywhere in the world, *la Caisse Centrale Desjardins* established correspondence

³⁹⁸ Le Conseil Canadien de la Coopération was formed in 1946 as a representative organ of all the Canadian cooperatives of French language. It was also the bridge for all Francophone cooperative associations and the member of *l'Alliance Coopérative Internationale* (ACI), the principal organisation of French cooperatives across the world.

³⁹⁹ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 117-118.

⁴⁰⁰ *Ibid*, pp. 118-119.

banking facilities with a vast number of financial institutions across the world. In 1992, *la Caisse Centrale Desjardins* inaugurated the first banking establishment of the Desjardins Movement outside Canada, the Desjardins Federal Savings Bank, at Hallandale in Florida in 1992.⁴⁰¹ The Desjardins Movement also ventured the international destination in search of new markets and expansion of its activities. In 1990s, *l'Investissement Desjardins* (ID) entered the international market by joining the Savings Development Funds, managed by *les Caisses d'Épargne Écureuil* of France, investing in risk capital. The French general insurance company, *les Assurances du Crédit Mutuel* invested 15 million dollars in *les Assurances Générales des Caisses Desjardins* (AGCD) in 1989 thus opening the new door to the European market for the Desjardins Movement. In 1993, the SID participated in Siparex, provinces of France, in order to provide the access to the European market for its holding companies. La Fiducie Desjardins made agreement with about thirty countries to serve the immigrant investor clients in 1997. In addition, the Desjardins Group made several other ententes with Francophone as well as other institutions to spread its access to global market. In 1990, the Movement established link with the Canadian Co-operative Society, representing 1500 credit unions of English-Canada with an asset of \$30 billion, to smoothen their mutual cheque transactions. In addition, the Confederation of Caisses had already signed the cooperation agreement with *le Crédit Mutuel de France*. In fact during the last 20 years of 20th century, the Desjardins Movement took several initiatives to push its reaches in the foreign lands, to take benefit of newly accessed markets, to share its expertise, and to help in the development of several countries by diffusing the cooperative formulas.⁴⁰²

An Inalienable Partner of Economic and Social Development of Quebec

The Desjardins Movement is considered as one of the pillars of Quebec economy. It has always been at the centre of major development initiatives of French-Canadians. Quiet

⁴⁰¹ Ibid, p. 119

⁴⁰² Ibid, p. 119-120.

Revolution added further pressures and responsibilities over Desjardins Group to participate actively in the economic and social development of Quebec. During 1970s, the Desjardins Group received strong pressures from the nationalists, members of worker unions, academicians and scholars, and journalists to take active participation in all spheres of economic and social activities in Quebec. They wanted the caisses to join the fields of trade and industries like it was actively committed for financial sector. Claude Ryan (1972) wrote an article where he dreamt of the day when the caisses would extend its presence in the industrial and trade sectors.⁴⁰³ But, in principally, the Desjardins Movement was mainly involved in the financial sector by acquiring several financial companies and diversifying and expanding its operations. The only exceptions were its partnership with Quebec government in creation of *la Société Générale de Financement* and *le Conseil d'orientation économique*, otherwise its' participation in the industrial development of Quebec remain quite negligible.

During 1970s, the Quebec State became more active in pronouncing the Quebec model and it put further pressure over Desjardins Movement to expand their area of activities. Subsequently, the Desjardins Movement founded *la Société d'Investissement Desjardins* offering the Desjardins the mechanism to expand their activities in the economic and social development of Quebec. It also established the Desjardins Movement as one of the big players of the Quebec model of development.⁴⁰⁴ Apart from this, in 1971, the project of construction of the Desjardins Complex and the creation of Place Desjardins Inc. were the first instances of partnership between the State and the Movement in the real estate sector. But, this was especially from 1976 and onwards with the arrival of Parti Québécois, a party having its economic programme with special interest in cooperative

⁴⁰³ Claude Ryan, "Le mouvement Desjardins à un nouveau carrefour", *Le Devoir*, 17 March, 1972, p. 14 quoted in Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 111.

⁴⁰⁴ Jean-Pierre Dupuis, "La place et lo role du Mmouvement Desjardins dand le modèle québécois de développement économique" in Benoît Lévesque (dir.), *Desjardins: une entreprise et un mouvement?*, Sainte-Foy, Presses de l'Université du Québec, 1997, p. 211-217 quoted in Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 111.

formula, in power offered a period of intense cooperation between the State and the Desjardins Movement.

The government of René Lévesque formed *la Société de Développement Coopératif* (SDC) for supporting the formation and expansion of cooperative enterprises in 1977. The Desjardins Movement was closely associated with the SDC since it provided 84% of financing accorded to this organisation by the cooperative sector. The same year, the Quebec government invited the Desjardins Movement to participate in the first Economic Summit of Quebec, an attempt to establish the dialogue for development and expansion of economic sectors of Quebec, where the players of large socioeconomic institutions of Quebec (syndicates, employers, government, Desjardins Movement) gathered together to elaborate and implement the common strategies of development of Quebec. Alfred Rouleau, the President of Desjardins Group, highlighted this achievement over the distinguished recognition by the Quebec government of its special role in social and economic development of Quebec.⁴⁰⁵ But this was particularly after the second Economic Summit of Quebec in 1982, over the themes of raising the employment, the preliminary results of such dialogues got appeared. During the course of the Summit, the Desjardins Movement offered a key support to the Corvée-Habitation programme which strived to construct over 50,000 houses for the homeless. It also committed for two other governmental programmes of habitation – *Logipop* and *Loginove* – to support the renovation of houses by the non-profit means. Further cooperation between the Quebec State and the caisses were registered on investment front. For example, the investments made by *la Caisse de Dépôt and le placement du Québec* in *la Société d'Investissement Desjardins*; purchasing of stakes of government by *la Caisse Centrale Desjardins*, and offering of services and investments by CCD to the Quebec enterprises and institutions.⁴⁰⁶

⁴⁰⁵ Alfred Rouleau, "Le mouvement Desjardins devra se rajuster pour aider l'entreprise coopérative", *Le Devoir*, 9 March, 1977 quoted in Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 112.

⁴⁰⁶ Pierre Poulin, Pierre Goulet and Andrée Rivard, *Desjardins 100 ans d'histoire*, Quebec, Éditions Multimondes and Les Éditions Dorimène, 2000, p. 112.

La Société d'Investissement Desjardins (SID): The increasing growth of the Desjardins Movement and its increasing share in the Quebecers' deposits created the feeling within the leaders of the Movement to enhance its contribution to the development of Francophone enterprises and the creation of employment. The question of investment in the industrial sector became one of the major themes during the congress of caisses populaires from 1967 to 1970. Every time the leaders of caisses demanded to the government to accord more power to caisses in order to enlarge its area of activities. In 1969, the Desjardins Movement constituted a Committee under A.-Hervé Hébert to study the investment pattern of the Desjardins Movement. This Committee led the foundation of *la Société d'Investissement Desjardins* (SID) in December, 1971 with the aim to form and administer an investment fund to help develop and establish the commercial and industrial enterprises of French-Canadians. It provided the caisses the larger opportunities to diversify and expand its activities by notably contributing to the Quebec economy. The SID enters begun its' operations in 1974 and during its first decade of activities, it contributed in the success of some Quebec enterprises such as Sico, Canam Manac, Venmar and Culinar. In 1975, the Caisses dropped the two products, Commercial and Industrial loan from its portfolio in order to concentrate solely on investment. It later created Profin which got further rechristened as *Le Crédit Industriel Desjardins* in 1976. In 1995, the SID had investments in over thirty enterprises mainly in the field of software development, telecommunications, health and multimedia. Further the SID created the regional funds to support the small industries. By the end of 1999, SID had founded five regional investment funds with over \$40 million in various activities in different regions.⁴⁰⁷

Mission of Caisses and its contributions in social welfare activities of Quebec

The financial growth, the diversification of its operations and the multiplications of its components created the requirement for the Desjardins Movement to redefine its objectives with the existing ones which were enshrined at the time of foundation of the Movement by Alphonse Desjardins and other founding members. Subsequently, it was

⁴⁰⁷ Ibid, p. 113

formulated in 1995 as __ the Desjardins Movement has, for its goal, to contribute to the economic and social well-being of individuals and communities in the compatible limit of its area of activities.⁴⁰⁸

- While developing an integrated cooperative network of secured and profitable financial services on permanent basis, property of the members and administered by them only and a network of auxiliary financial enterprises offering competitive return and also controlled by them only;
- While making the education and awareness about the democracy, budget and economy, solidarity and the individual and collective responsibility, particularly among its members, its directors, and its employees.

Inspired by its objective of pursuing the path to contribute to the economic and social well-being of the individuals and the communities, the Desjardins Movement engages itself on many fronts for the betterment of the masses. In 1998, it made a community investment of about 9.3 million dollars in form of gifts and sponsorships, a figure quite high than that invested by most of the large companies. The caisses supported financially and technically cultural, social and sport events of the community. The caisses are often associated with the foundation and maintenance of a community centre, day-care centres, health centres for first aid in emergency, orphanage and immediate relief fund following closure of their business or services, etc. The caisses also extend significant support in the local and regional economic development not only by offering agricultural, commercial and industrial credit but also by offering sponsorship and technical support to various projects ranging from consolidation of local cooperatives to helping new entrepreneurs, from launching the housing cooperatives to the protection of environment. Many caisses also contribute to the local or regional development funds. The caisses also participated in different regional funds like *les Sociétés de Développement de l'Entreprise Québécoise* (SODEQ) and *les Sociétés Régionales d'Investissement* (SRI), etc. In sum, the Desjardins Movement has left its presence in all the priority socioeconomic sectors of Quebec in its

⁴⁰⁸ Ibid, p. 114

last 100 years of operations whether education, environment, housing, employment generation, fight against poverty, help to young and senior members of family, etc. In addition to its participation in Corvée Habitation, the Desjardins Movement also founded *le Fonds de Récupération Desjardins* for supporting the construction of a factory of de-inking and the establishment of a provincial network of recycling the paper of newspaper. In 1989, it also found a role in the protection of the environment by adopting *l'Option environnementale du Mouvement Desjardins*. At the early 1990s, the Movement Desjardins launched a campaign – *achat chez nous* (purchasing made-in-Quebec products) – in order to support the employment opportunities in Quebec. It also associates with the promotion of tag *Qualité-Québec* to facilitate the identification of the goods made here.⁴⁰⁹

Desjardins Movement in 21st Century

Desjardins Movement entered the 21st century with a high note and further perspective challenges. Canadian government legitimised the social and cultural claim of Quebec nationalists by passing the notion “recognising the Québécois as a separate nation within Canada”. Political demands for sovereignty got faded away with the defeats of referendums brought by Quebec nationalists for sovereignty. Canada of today says no to political demand of sovereignty of Quebec but accepts the distinctiveness and exclusiveness of Quebec culture, language, religion and society. The economic front of Quebec nationalism with active partnership of the Desjardins Movement was already showing its splendid flavours by outperforming their Anglophone counterparts.

At present, the Desjardins Group is the largest financial group in Quebec. It is also the top cooperative financial group in Canada and 6th largest in the world. It has an asset of \$ 172.3 billion as on December 31, 2010.⁴¹⁰ It has currently 5.8 million clients and members. It serves over 400,000 businesses in Canada. Apart from splendid business

⁴⁰⁹ Ibid, p. 114-115

⁴¹⁰ Desjardins Group (2011), *About Desjardins*, [Online: web] Accessed 19 July 2011, URL: <http://www.desardins.com/>.

performances, it also continues with its tradition of contributing to social and community welfare activities. It incurred an expenditure of \$79.6 million in community support in 2010.

Amidst the fear of rampant financial crisis, it was ranked 25th among the 50 safest financial institutions in 2009 thus showing the robust foundation of this financial institution which survived the catastrophic consequences of global banking crisis of 2008-09 where hundreds of strong financial institutions like Lehman Brothers, Merrill Lynch, Bank of America had either to close their shop or to seek support from the Government for financial rescue. On the application of information technology, Desjardins Group is the pioneer and leader in online and mobile banking services in Quebec. It is also active in 25 developing countries through its subsidiary, Développement International Desjardins (DID).⁴¹¹

Summary and Conclusion

In its 110 years of journey, the Desjardins Group has time and time proved its commitment and contribution for the economic and social wellbeing of French Canadians. It started as a small cooperative union which turned into a large financial conglomerate with the large participation of Francophone capital. The weakness of the economic base of the Francophones led Desjardins and the early founders opt for cooperative unions so as to create a source of capital available to the small businessmen and farmers of the French-speaking community.⁴¹² In the first phase of activities before World War - I, the Caisses Populaires consolidated its position amidst ups and downs and finally created a confidence among Francophones to entrust their savings with the

⁴¹¹ Ibid.

⁴¹² Roser Levasseur and Yvan Rousseu (2001), "Social Movements and Development in Quebec: The Experience of the Desjardins Movement", *Annals of Public and Cooperative Economics*, vol. 72(4), Blackwell Publishing, p. 563.

Caisses. Desjardins, in that phase, helped the provincial government to solve the problem of agricultural financing. It also invested in the religious institutions and parish councils.

The post-World War II conditions changed the priorities of the Desjardins Movement. It had shown an increasing detachment from religious order. Changed investment strategies after Schism of 1945 demonstrate this disaffection. The Caisses were now making investments in the public institutions mainly. Through its investment in bond issues, the Desjardins Movement made a significant contribution to the financing of the Quebec Government during the 1950s and 1960s. It also took significant stake in Hydro-Quebec, an ambitious project of Quebec government for its autonomy, thus helping the provincial government to acquire the stake of the company from outsiders. The movement also continued to finance school administration and municipalities, which were expanding rapidly in this period of the Quiet Revolution. These investments strengthened the relations between the Desjardins Movement and the Quebec State.⁴¹³ Further as a participant in the Council on Quebec General Economic Policy and as a partner in SGF, the Desjardins Movement was involved in the economic reforms and nationalisation of Quebec economy in 1960s and onwards. Quiet Revolution also led Desjardins Movement to participate in industrialisation of Quebec. Now Desjardins was assigned with the objective to collect personal savings and channel them into building industrial capacity of Quebec. The Quebec Government, the Desjardins Movement and the Quebec Inc. created an infrastructure to re-fashion the economic and industrial visages of the province.

The Desjardins Movement is currently regarded as the one of the most pious symbols of Quebec Nationalist aspirations and successes. Noble ideals of Alphonse Desjardins to help their poor countrymen finally turned into the proud image for every Quebecer. It has developed itself as an inalienable image with Quebec and Quebec nationalism.

⁴¹³ Ibid, p. 570.

CHAPTER VI

CHAPTER VI

CONCLUSION

On November 27, 2006, the House of Commons of Canada passed a motion with overwhelmingly majority recognising Québécois as a nation within Canada. The motion stated, “That this House recognise that the Québécois form a nation within a united Canada”. Stephen Harper, the Prime Minister of Canada, announced after the passing of this motion, “I think tonight was an historic night, Canadians across the country said ‘yes’ to Quebec; ‘yes’ to Quebecers and Quebecers said ‘yes’ to Canada.⁴¹⁴ Canada finally recognises Quebec and Quebecers as a distinct but not separate ‘nation’ within Canada. By recognising the term ‘Québécois’⁴¹⁵, Canada re-affirmed its acceptance to ‘French’ language in Canada. Canadian government had already accorded the linguistic recognition and equal status with English to French language in 1969 through the Official Language Act, 1969 which constitutionally made Canada as a bilingual country. The Canadian government thus recognises the cultural, linguistic and sociological distinctiveness of Quebec within Canada.

French-Canadians or Québécois who started their struggle with the aim of protection of their culture, language, and religion may feel contented with the federal reconnaissance of their distinct nationalism. But for sovereignists, who emerged and dominated the stage of Quebec Nationalism since 1960s, there still remains a long way to go. The recognition of a separate nationhood within Canadian territory has further legitimised their claims for a separate and sovereign country on the principle of economic association. Stephen Harper government got passed this motion to check the attempt of Bloc Québécois and Quebec wing of Liberal Party to secure a legislation recognising Québécois as a separate

⁴¹⁴ CBC Canada (2006), *Canada recognises Québécois as a nation within Canada*, [Online: web] Accessed 11 July 2011, URL: <http://www.cbc.ca/news/Canada/Story/2006/11/27/nation-vote.html>.

⁴¹⁵ English translation of ‘Québécois’ is Quebecers.

nation. The Conservative Party hijacked the issue from Quebec-based political parties and got sanctioned the legislation recognising “Québécois as a separate nation”, but “within Canada”. This recognition satisfied the quest for a separate nationhood temporarily, but it has sown the seeds which may further claim the separate state from Canada and now with more legitimacy of nation-state theory.

The present thesis is a modest scholarly attempt to study the phenomenon of Quebec’s claim for a separate state based on their claim of carrying different and distinct cultural, economic, linguistic and social characteristics. The ultimate demand for a separate state always starts with the emphasis on aspects of cultural nationalism by preserving, protecting and practicing ethnic and cultural symbols like customs, language, religion, etc. It further turns into political nationalism and even in demand of a separate state. Though silent and not much focused, economic nationalism has always been an integral part of all nationalist movement. In fact, the demand for a separate state is often more or less inspired with the goal of taking control of the economy of the community and nation. Trend of colonisation across the world also started with the economic interests and in the form of trade contacts. The dominance of French traders in fish, fur and timber trades from Canada attracted the Britishers to invade and occupy the French colony in North America. The economic interests (of both Anglophones and French) turned into a political interest and it started a never ending rivalry between the two groups.

The leaders of French-Canadian nationalism of late 19th and early 20th centuries took inspiration from cooperative sector to end the subordinate economic status of Francophones in Canada. Early nationalist tendencies among Francophones were to deny each and every aspects of English Canada in order to maintain the purity of their language and religion. Continuous denial to industrialisation, modernisation of economic activities with application of technology, latest education and urbanisation resulted in shrank economic opportunities and spaces for Francophones. All these hampered the economic performances of Francophones in Canada. As a whole, they were lagging behind as a people with no or low professional skill and poor capital base at the turn of 20th century. They were forced to work as a labourer under forced circumstances. The

poor economic status of Francophones was mainly responsible for their overall plight. The leaders of Francophones realised the nerves of the problem and decided to change the fate of their community by economically empowering them.

Alphonse Desjardins was one of the most prominent names among such leaders who undertook the task to ensure the cultural, economic, social and political upliftment of his countrymen through economic emancipation of the community. He believed in remaining distinct but was not ready to lag behind on any matter, unlike earlier Francophone nationalists in Canada. He borrowed the concept of 'cooperatives' and 'cooperation' from Europe and launched a fresh movement, Caisse Populaire which was later known as Desjardins Movement, which was inspired by similar European experiences but was also specifically designed to meet the local community environments. The grand success of the Desjardins Movement paralleled the economic emancipation of French-Canadians in Canada and, that is why, it is well endorsed by the Quebecers as the proud symbol of their economic conquest in Canada.

The pioneering act of Desjardins in establishing the foundation stone of cooperative movement in Canada and entire North America resulted in creation of a very strong and deep rooted cooperative presence in Canada. Today, Canada is the country with highest per capital cooperative membership in the world and Quebec tops the list in Canada. Similar ideas, those inspired Alphonse Desjardins, of Caisses of Raiffeisen led Mohammad Yunus of Bangladesh to launch a fresh movement, what he named as micro-credit, first in Bangladesh and later across the world which revolutionised the banking and credit practises for those who remained backward despite splendid advancement and development of human access and activities. Micro-credit and micro-finance became the mantras to solve most of the problems linked with human development.

In spite of having similar origin and principles, leaders of micro-credit sector do not offer platform to cooperative institutions to tackle the menace of poverty and underdevelopment jointly. Moreover, micro-credit or micro-finance activities have greater relevance in developing countries and regions. For developed countries like, Canada, co-operative formula fits better. There are requirements of micro-credit activities

in Canada but in different forms and different shapes. Here, there is no such issue of poverty and human development and so, micro-finance, broader aspect of micro-credit, does not have much scope. There are some micro-credit activities for immigrants and short-term unemployed ones, but in large, it is yet to make a significant room in Canada. The micro-credit activities in Canada are also hampered by high rate of mobility of population, high operational and transactional expenses, strict government regulations and strict stipulation of capping the interest rates.

Despite all such odds Canada, in particular Quebec, is a very important global player in the fields of micro-credit and micro-finance. Canada has been sponsoring and supporting the micro-finance activities across the world through its governmental and non-governmental institutions. Though micro-credit practitioners do not offer their stage to cooperative sector to fight the menace of poverty, contributions and significance of cooperative sector cannot be eliminated out. The present study attempts to link the micro-credit and co-operative movement of Quebec in strengthening their nationalist aspirations and national movement with special and specific rôle of the Desjardins Movement.

Micro-credit which further evolved as micro-finance is currently the most sought instrument to eliminate the crisis linked with poverty and related human development issues. The United Nations along with various multilateral development agencies, governments, government agencies, non-governmental agencies, civil society have been emphasising with full vigour to promote the micro-credit activities to the remotest corner of the world. The micro-credit institutions and programmes have been linked with achieving the Millennium Development Goals of United Nations by 2015. Under its first phase of activities, the micro-credit industries succeeded in achieving the set target of reaching 100 million of the poorest families by 2005. It further aims to offer access to financial services to 175 million poorest families by 2015 and thus matching the UN target of bringing half of the global population beyond poverty line. Grameen Bank, RESULTS, FINCA and ACCION are the important global players promoting as well as regulating the international microfinance activities. Global and regional Microcredit Summits have been spreading the concepts of 'helping all who are still lacking basic

facilities of subsistence'. Microcredit Summit Campaign is the permanent body looking after the promotion of micro-finance activities around the world. Micro-credit sector got further limelight with UN declaring 2005 as the International Year of Microcredit and with Muhammad Yunus winning the Nobel Peace Prize, 2006 for his contribution to humanity by launching a worldwide micro-credit movement to remove poverty from the world.

Further to partnership with the targets of Millennium Development Goals, micro-credit also envisages the economic and social emancipation of Women because empowerment of a single woman results into the amelioration of basic standard of livings of her children and family at least. She can also play the role of a model inspiring other women of her locality to improve their living standards by following the path of micro-entrepreneurship with the support of micro-credit institutions. Today over 80% of micro-credit and micro-finance activities are destined for women.

Entry of new players like domestic and foreign banks, government regulations, high risks, high rate of interest, increasing commercialisation of the field, etc. have been causing fresh challenges to micro-credit practitioners. High demand of capital from micro-entrepreneurs is asking the micro-credit industry to open their doors for the commercial institutions, which had earlier been refusing credit to this segment of population fearing the default but after the successful experience of micro-credit institutions with them, these commercial and financial institutions are jumping to micro-finance activities as a new centre of profit. This profit-targeted commercial approach worries micro-finance leaders but they cannot check it much as they have limited resources at their disposition which cannot match the huge demand of micro-credit capital. Government interference in micro-credit activities also creates negative mood in the industry as the micro-credit leaders blame governmental intervention for the failure of cooperative movement, with similar principles, across the globe. Capping of interest rate may also discourage the micro-finance institutions as they would not be able to recover the high operational and transaction expenses involved in micro-credit activities along with high risk of default involved which may further hamper their sustainability. But

amidst all such problems and challenges, micro-credit sector has brought aspirations and hopes for over a billion people to take them out of the clutches of poverty and related sufferings.

Canada has a strong network of cooperative institutions and Quebec leads the list of all the provinces having cooperative networks. Quebec has been the pioneer of introducing the cooperative institution not only in Canada but also in North America. Alphonse Desjardins instituted the first cooperative credit institution, Caisse Populaire de Levis, in Canada and became the guiding figure of credit union movement in Quebec, Canada and USA. The micro-finance leaders do not consider the cooperative movement as the part of their pious activities of human welfare as it failed to address and target the real portion of population which required financial services and support. But Canada is globally respected as one of the major players promoting the micro-credit and micro-finance activities across the world. Major Canadian institutions like CIDA, DID, CCA, COADY, SOCODEVI, CECI, CALMEADOW, MEDA, etc. have been successfully guiding, operating and sponsoring the global micro-credit activities across the planet and micro-finance industry today is largely funded by Canadian government. Quebec has its own independent set of cooperative and micro-credit institutions, viz. Développement International Desjardins (DID), CECI, SOCODEVI, etc. providing supports and services to micro-finance institutions mainly in Francophone countries but also in the entire world.

Quebec has a special position and role in the establishment of cooperative framework in Canada. Quebec marched on the path of cooperative and credit union to address the problems of financial exclusion of large proportion of its Francophone population, especially those living in rural and remote areas. At the turn of 20th century, banks were almost absent in offering financial services to Quebecers and few of the bank branches, which were in Quebec, were mostly concentrated in cities and urban areas. Quebec was basically a rural society and its large segment of population was deprived of banking and financial services. Absence of formal financial services opened the way for local and private moneylenders to exploit the situation and the resultant usurious practices left most

of the borrowers trapped in vicious cycle of life time-indebtedness. This further resulted in high level of immigration from Quebec and this alarmed the Francophone bourgeoisie in Canada which were already in constant struggle to protect their culture, language and religion from dilution and invasion against the dominant influence of English. These leaders saw economic backwardness of Francophones as the principal reason behind the rapidly diluting number of French speakers in Canada. Economic value of English was delivering the pull effect on Francophone population to forget their own mother tongue French because of limited and negligible economic worth of French language in that age. French was to be economically empowered if it was to be culturally, ethnically and politically preserved and protected. But there were hardly any French capital in Quebec to support the economic nationalisation of the 'French Nation' as most of the enterprises and investments were under the control of American or English capital. Francophone population were left with no option but to pursue a distinct path. 'Co-operation' and 'solidarity of small' were aimed as the way in creation of large Francophone capital in Canada. Economic reconquest of Quebec was seen as way to ensure its cultural and political freedom. The marriage of 'cooperation' and 'nationalism' began the cooperative movement in Quebec and it also guided the cooperative movement in the entire country.

Having a very high scale of human development level, Canada and Quebec do not require micro-finance services as such. In addition, highly regulatory mechanism along with capped interest rates further hampers the growth of micro-finance activities in the country. Calmeadow, the most boasted micro-credit institution of Canada, had to shut off its door for domestic services because of high operational and transactional expenses, equally not supported by tough interest regime. But the need for micro-credit services are very much required for recently arrived immigrants, un-skilled professionals and some ethnic population to start of their career and business. But Canada is yet to develop its micro-finance sector as the left gaps are well filled by cooperatives and financial institutions of the country. Though micro-credit and micro-finance is the latest craze in the contemporary world of development economics but cooperative institutions have larger role and stake in welfare economics. Recognising this special role of cooperative

institutions, the United Nations declared to dedicate 2012 as the International Year of Cooperatives.

Common ethnic characteristics form a nation. The concept of nation and nationalism has got prominence in last two centuries. Finding its origin in French Revolution, nationalism has become the central theme of all ideologies, movement and struggles in creation of nation-state. It has helped in building numerous countries and state based on the concept of common nationhood. It helped in unification of Germany and Italy whereas it led to the disintegration of various empires like Ottoman Empire in 19th century. Nationalism led to the creation and solidification of numerous nation-states in 19th century whereas it came to inspire the freedom and national movements in Africa, Asia and Latin America. Nationalism also led to the popular revolutions and establishment of modern state in many countries like Turkey, Egypt, Russia, etc. It also offered solidarity to workers' revolution in many countries in 20th century. Nationalism got its bad name with Fascism and Nazism.

Quebec Nationalism has been a very distinct form of nationalism. Despite a long history of their struggle for establishment of a separate state based on the concept of nation, it is being denied. Unlike most of the nationalist movements, the Quebec nationalism has remained principally peaceful and they have been demanding for special recognition through constitutional and democratic means despite such a long history of denial of their claims for a separate nation. In its long history since the Conquest of 1760, the Quebec Nationalism has gone through many ups and downs. The Treaty of Paris, 1763 acceded full rights to British over Canadian treaty and the British first abolished the use of French language in public affairs. They also abolished the French civil and ethnic practices. Since then, the Francophones in Canada have been struggling for the protection of their language, French, and their religion, Catholicism. The growing resentment in America led them to offer some linguistic and ethnic rights to Francophone population in Canada through Quebec Act, 1774. Canada was further divided into upper and lower Canada representing Anglophones and Francophones respectively. Resentments and revolts against unequal treatment led to the reunion of two Canada in 1840. After the

unsuccessful attempts to gain equal treatment and official acceptance of the policy of forced assimilation, the Francophones in Canada maintained and preached loyalty to British Crown whereas they also tried to protect its own culture, language and religion against assimilation and invasion. In order to maintain the purity of its cultural and national symbols, the Francophones in Canada opted for 'isolationist' tendencies. They avoided and denied everything which could endanger their own language and religion.

Continuous denial of latest mode of production and technology resulted in the gradual erosion of the economic compatibility of Francophones in Canada and they ultimately turned as landless labourers or industrial workers under the Anglophone capital set up. Their exploitation and plight and resultantly rapid dilution of Francophone population in Canada shook the heads of French nationalists in Canada at the onset of 20th century. Building and improving the economic opportunities for the Francophones were seen as the solution of aggravating problems and further maintenance of Francophone population in Canada.

Alphonse Desjardins emerged as the leader of this alternative but distinct economic practice. He associated the concept of 'cooperative economics' with 'nationalism' and this marriage was going to guide and rule the Quebec nationalism for next over 100 years. Creation of a Francophone capital and the concept of being "master at our own home" was the guiding philosophy the newly evolved nationalism. Aimed at preserving the Francophone savings and capital in own hands and further utilising it for the benefit of the community only, Alphonse Desjardins established "Caisses Populaires". His innovation got noticed from different corners and he soon enveloped the entire province with Caisses in almost every parish. The caisses soon became an integral part of Franco-Catholic set up. It grew simultaneously with ups and downs of Quebec. It played the role of a true partner in the economic and social development of Quebec.

A 'pure' French-Catholic institution, Caisses Populaires, opened its door for outsiders and was ready to interact with outside world by 1940s. It preceded the air of change in Quebec. The emergence of a new secular middle class in Quebec and in the ranks of Caisses Populaires ensured that the changes are not prevented by conservative

nationalists. The notion of autonomy was gradually substituted by the creation of a centralised structure of provincial federation. Entry of outsiders was also encouraged as 'French Nationalism' of Quebec was no more fearful of assimilation and dilution. Secularisation and ethnic neutralisation of the institution helped to grow the bases of Caisses Populaires which later grown as a large financial conglomerate, 'Desjardins Group'.

Changes that appeared in Desjardins Movement in 1940s became prominent on Quebec political stage in 1960s with Quiet Revolution. Quiet Revolution redefined the claims and strategies of Francophone nationalists. It reformulated the demand for a separate and sovereign nation state for Francophones in Canada. Apart from political claims, Quebec state and society witnessed revolutionary changes to prove themselves as competent as their counterpart Anglophones were there. Entire spheres of activities of Quebec were trying to outperform to prove their existence but the most notable impact was felt in the economic sector. What was envisaged by Alphonse Desjardins in early years of 20th century was now being practiced by the Quebec nationalists. Creation of French Capital, large Francophone enterprises and the control of economy in 'our' own hands became the slogan for building a nation. Nationalism was redefined in terms of economics and finance.

As Francophones were generally not endowed with large capital base, Quebec State became the saviour and it engaged itself in creation of large Francophone enterprises in Quebec. Quebec State was well helped by Desjardins Movement which not only took control of falling French enterprises but equally helped in creation of large Francophone enterprises. Desjardins Group also funded many of the large investment programmes of provincial government apart from its continuous funding of local community welfare activities. Quiet Revolution created a further stronger tie with Desjardins Movement and it was assigned with larger tasks to ensure the economic conquest of Quebec by Francophones.

The defeats of two referendums on sovereignty led to the decline of political demand for a sovereign Quebec, which was well contested by French nationalists of Canada, but

economic nationalism of Francophones continuously, keep on shining. Economic frontiers of Quebec were further influenced with the signing of Free Trade Agreement with USA and Mexico. It was even said economics has diluted the politics of Quebec. The Federal recognition of Québécois as a separate nation within Canada in 2006 re-legitimised the existence of a separate Francophone nation in Canada.

The present study has attempted to analyse this economic aspect of Quebec Nationalism with specific role of Desjardins Movement. Micro-credit and cooperative principles were applied to unite Francophone population by offering financial services which were the Francophones deprived off earlier. The Desjardins Movement thus represents the consolidation, emancipation and rise to the grandeur of the Quebec Nationalism.

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