

Credit System in the German Settlements of Bessarabia

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Note: Information within [brackets] are comments by the translator.

[Translation Begins]

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by Rudolf Weiss

The first credit was granted to the settlers by the Russian government, which advanced them 500 Löwen (Turkish money = 64 rubles 51 kopecks silver) per family for their economic establishment. The colonists bore the burden of this considerable sum for decades until it was finally paid off.

Even in the early years, there was an opportunity to borrow money through private means. This was possible in cases where the parents of underage children died and the movable property they left behind was auctioned off. The liquidated funds were managed by the guardians who were reliable farmers until the children reached adulthood. These orphan funds eventually also led to the establishment of the first credit institutions, the Orphan Funds. The decision to establish them was made at the Colonists' Congress in 1866 in Odessa, and in 1869 the first Funds were opened in the three existing regions at the time (Klöstiz, Alt-Posttal, and Sarata). Five more followed as new areas were established (Arzis, Teplitz, Paris, Krasna, and Tarutino). These Funds were managed by the, at the moment, district elder and the district clerk. The key points of the statutes were: "The Orphan Fund lends all orphaned funds as well as all surplus amounts through the offices of the mayors and also accepts deposits from private individuals at 5 percent. The loan interest amounts to 6 percent, and the difference of 1 percent covers all expenses and also forms a reserve capital. The loans are granted for ten years, with interest and a tenth of the principal amount being repaid each year."



Karl Wildermuth's Mill in Nikolajewka, built in 1919 by Jakob Wildermuth. In 1934, the operation was fundamentally modernized. With the installation of four double roller mills and other modern machines, the daily output could be improved to fifteen tons [1 ton = 1,000 kilograms or 2,205 pounds]. The attached oil mill achieved a daily capacity of seven tons.

The success of these financial institutions was enormous. This is evident from the fact that after their establishment, internal colonization began to take off with vigor. The Orphan Funds existed until the Resettlement [in 1940]. However, in recent years they were in a state of disbanding, as according to Romanian law, since 1938, the Orphan Funds had to be deposited into the State Savings Bank (Cassa de depuneri). As the old Wilhelm Muschall (*History of Tarutino Municipality*) said, the German population of Bessarabia lost a credit institution, like none better that the world had known.

Until 1906, the Orphan Funds were the only banks owned by the settlers. The entire credit system was hampered by a law that prohibited the court from confiscating the land of the settlers land to settle private and bank debts. For this reason, the settlers could not obtain loans from the Reichsbank for their farm land. An exception was only made for land purchased outside of the mother communities. In this regard, the Chersoner Landbank, which started its activities in the 1860s, showed great goodwill by lending money to the farmers for the purchase of land and accepting mortgage bonds in return.

When the Liberation Tax was abolished in 1907 and the German farmers were granted full ownership of their land, the establishment of banks began immediately, and at the same time, two types of credit institutions emerged: **Credit Societies and Mutual Credit Societies**, also called Big Banks (*Großbanken*).

The first were subordinated to the Small Credit Societies, received capital from there, and operated with smaller sums. The statutes granted them significant advantages: simple and

inexpensive bookkeeping, exemption from state taxes, free mailing of letters and packages, and so forth. The benefits of these so-called “Small Banks” were considered in the same manner as with the Orphan Funds. Their loans were mostly used to expand land ownership. Additionally, handicrafts were promoted, and the cooperatives that were newly established at the time were strongly supported. The liability of the members was limited. Loans were only granted against promissory notes, and the issuance against bills of exchange was legally prohibited. The Small Credit Societies existed in eight larger municipalities. As the waves of German agitation ran high during the war, they were forcibly deprived of state funds. The subsequent devaluation of money and the conversion into Lei [Romanian money] contributed to the situation. Therefore, most were forced to close their counters. Only a few of them managed to stay afloat and transformed into “People’s Banks,” the Romanian form of Small Credit Institutions.

The “Societies of Mutual Credit” were legally entitled to operate with promissory notes, conduct bill transactions, and engage in other banking activities. The period of their existence (from 1908 to 1914) marks a very turbulent chapter in the life of the German Bessarabians. At that time, there was a feverish snatch for money. Everyone issued promissory notes, and one readily gave their guarantee to another. The borrowed money was naturally invested in land. Entire villages emerged on the estates acquired by Russian nobles. It was an unprecedented economic upheaval.

The loans granted by the banks had the disadvantage of being short-term. When it was time to pay, tragedies began in many households. There were massive bank sales by auction, and the unfortunate often took their guarantors down with them. Therefore, the Big Banks, which suffered the same fate as the small ones, left a very bitter aftertaste that stood in the way of the establishment of new Big Banks for years.

In the post-war period (after 1917), the Bessarabian Germans were therefore very poor in terms of Credit Institutions. The seventeen cooperative banks that replaced the Small Credit Societies and were subordinate to the State Cooperative Organization (*Föderala*) had a very small influence on economic life, as they only had access to small sums. The same must unfortunately be said of the “Bank for Trade and Industry” (*Bank für Handel und Industrie*), which was opened in Tarutino in 1923 by a small financial group, as well as of the bank in Mannsburg, which continued on the ruins of a former Mutual Credit Society, and the bank in Akkerman, which had German capital involved. All three were severely affected by the crisis of 1931 and were in a state of deep helplessness.

The Big Banks took advantage of this favorable opportunity and opened branches in some German municipalities (Tarutino, Arzis, and Sarata). They charged 30 to 36 percent for their short-term loans and thus drained the German population, especially the merchants.

The absence of a capital-strong German bank was felt in every respect. It became particularly uncomfortable when in the year 1929 the large bond of 10 million lei was issued in the Reich, and one was forced to carry out the associated business transactions through the Hermannstadt Savings Bank (*Hermannstädter Sparkasse*).

The call for a large credit institution of its own grew louder year by year and filled the columns of local German newspapers. The German People's Council for Bessarabia took this demand into account when, in 1939, it transformed the Tarutino Bank for Trade and Industry into a Big Bank by issuing new shares and merging it with the two banks in Mannsburg and Akkerman. However, the Resettlement prevented the impact of this action.

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