

THE CATALAN MODEL OF SAVINGS BANKS

by Francesc Cabana i Vancells*

The Catalan system of savings banks is quite unique on the international financial scene, while possessing qualitative differences in relation to the rest of Spain's savings banks. Currently the system is made up of ten institutions, the first of which (La Caixa d'Estalvis i Pensions de Barcelona) is the third largest financial institution in the country after two large banks, Santander and BBVA, making it the largest savings bank in Europe. It is followed by a mid-sized savings bank (Caixa de Catalunya) and eight smaller savings banks. While the first two on the list are based in Barcelona, the others are located in various Catalan cities: Sabadell, Terrassa, Vilafranca, Mataró, Girona, Tarragona and Manlleu. They all have their origins in industry, with the exception of the Caixa Penedès (a region with Vilafranca as its capital), which is more agricultural.

The Catalan model of savings banks, which spread to the other savings banks in the state during the second half of the twentieth century, had as a protagonist the *Caixa de Pensions per a la Vellesa i d'Estalvi*, created in 1905, which was to become the largest in Spain by 1920. The major driving force behind the idea and the bank's director general was Francesc Moragas, a lawyer known for his social sensitivity and loyalty to the Catalan cause. The other savings banks that were in existence had until then maintained the model that had arrived in Spain in the mid-nineteenth century from France: they were local bodies of a non-commercial nature, created by the bourgeoisie with a paternalistic mentality. They were meant to provide a return on the savings of an oppressed working class. Any profits were destined for social work. Moragas was to broaden the social objectives of his bank, and the rest of the Catalan savings banks followed suit. The basic

points of his system, which is still alive today, are the following:

In first place, there is an opening up of the potential client base, until then restricted to the working class, to include all members of the public without distinction. In such a way, the savings collected are considerably widened.

In second place, the collection of savings is done via a network of branches distributed throughout the area. The other savings banks had until then limited themselves to working within the municipal area in which they were created. From the end of the last century, savings banks have been able to open offices throughout the state, while still maintaining strong links with the population in the region where they originated.

In third place, Moragas saw it as necessary to keep the working class in



mind, anticipating the role subsequently taken by the welfare state. Social work that initially included schools, hospitals and libraries, is now centred on support for the disabled, marginalized groups, cultural work, research and social services in sectors not adequately covered by public funds.

In fourth place, as a reaction to the housing problem, the savings banks operate a system of credits for mortgages that work in favour of buyers for properties for their own use. They also collaborate in the construction and sale of homes and buildings with a social function: schools, hospitals and so on.

THROUGHOUT THE WHOLE OF THE TWENTIETH CENTURY, INDIVIDUAL AND COLLECTIVE SAVINGS BY CATALAN FAMILIES WERE MOSTLY DEPOSITED IN SAVINGS BANKS, WHILE BANKS HAD BUSINESSES AS THEIR CLIENTS

A proximity to the clients, via numerous branches, credit for buying an apartment, the reward for saving and, above all else, social work, have created a popular culture in Catalunya that is highly favourable for savings banks, ensuring their growth. Throughout the whole of the twentieth century, indi-

The headquarters of La Caixa d'Estalvis i Pensions in Barcelona

vidual and collective savings by Catalan families were mostly deposited in savings banks, while banks had businesses as their clients. The savings book issued by the savings bank and the current account operated by ordinary banks were two basic elements of the Catalan financial system. During the second half of the twentieth century, the number of savings books in Catalunya outnumbered its inhabitants. In other words, there was more than one savings book per inhabitant, clear evidence of social integration by the savings banks.

SAVINGS BANKS HAVE BEEN MORE AFFECTED THAN IN EARLY ECONOMIC AND HOUSING CRISES AND MORE SO THAN THE BANKS. HOWEVER, SERIOUS PROBLEMS ARE NOT EXPECTED TO OCCUR IN CATALUNYA

Up until 1962, Spanish legislation considered savings banks to be bodies of a social-welfare nature. New regulations were to recognise their financial character, while maintaining their legal status as a foundation. Banks and savings banks could carry out the same activities and compete with one another, but in Catalunya the predominance of the Catalan banks was maintained. This may have been due to the scarcity of Catalan banks, or the fact that they were closer to their clients. Perhaps both factors played a part.

Seven of the eight Catalan savings banks were created by private initiatives, including *La Caixa d'Estalvis i Pensions de Barcelona*. Three of them (*Caixa de Catalunya*, *Caixa de Girona* and *Caixa de Tarragona*) were created by *Diputacions provincials*, public organisations that provide services in each province.

The governing bodies of the savings banks consist of the Board of Direc-

tors, the Control Committee and the General Assembly. The latter elects members to the Committee and Board of Directors. The General Assembly is made up of representatives of depositors, the bank's staff, founding bodies, in some cases, and representatives of public corporations from the areas in which they operate. The result is a public presence, in a minor way in the three banks created by the *Diputacions provincials* and less so in the others. One of the characteristics that distinguishes Catalan savings banks from others in the rest of the state is the minimal political interference in the running of the former. This is not the case in savings banks in Madrid, Andalusia, País Valencià and Castile la Mancha, for example.

Catalunya's autonomous Statute provides it with what is ostensibly the exclusive jurisdiction over its savings banks. In reality, however, the jurisdiction is shared with the Bank of Spain which, as a central bank, has the function of monitoring and observing the Spanish financial system and by definition its banks and savings banks.

The savings banks' characteristic of being a foundation, with the absence of shareholders and dividends, means that they are unable to access the capital market to strengthen their own resources. They need to maintain a balance between the investments made and the deposits they receive (as do banks). Above all they count on funds resulting from social benefits. These are destined to strengthen their own resources in the first instance and, secondly, the social work of each savings bank.

Periodically the legal future of Spanish savings banks is subject to debate. Savings banks exist in the majority of countries, going by names such

as *banque di risparmio, caisses d'épargne, sparkasse*, and so on. In many countries they have been turned into limited companies that are quoted on the stock exchange or are controlled by foundations. In Catalunya, the consensus among the autonomous government, the political parties, the banks themselves and of majority public opinion, is that any change in their status would be a mistake since the existing model has proven to be efficient and effective. It is not a matter of privatising them as is often said, since they are already in private hands, but rather to make it possible for diverse financial actors to control them by sharing in their management. The creation of the so-called *quotes participatives*, certificates that allow for participation in the bank's profits without any decision-making power, was interpreted as opening the door to private control. Until now, however, none of the Catalan savings banks, and few of the non-Catalan ones, have taken advantage of the right to issue these certificates. Nonetheless, they offer an advantage in that they can be accounted for as part of the bank's own resources.

Until now the Catalan savings banks have stood up well to economic crises. During the 1977-1993 bank-

ing crisis, which led to government intervention in 62 Spanish banks, only a dozen of the smaller ones (none of them Catalan) needed to receive public money, in a process that led to the absorption of the smallest by the biggest. In the current economic and property crisis, the savings banks have seen themselves more affected than before, thanks to the significant quantity of mortgages they hold in their portfolios due to their particular role of providing housing. However, Catalunya is not expected to experience serious problems beyond a decrease in the savings banks' annual results and a possible reduction in their social work while conditions remain as they are.

Catalan savings banks are the backbone of the Catalan financial system. *La Caixa d'Estalvis i Pensions de Barcelona* is the largest company in Catalunya and, via *Criteria SA*, it controls a series of investments in service industries of great significance for the Catalan economy: *Agbar* (who provide water services among other activities), *Abertis* (who operate toll roads and other administrative concessions), *Gas Natural* (an energy supplier), *Repsol* (an oil company) and so on. The other savings banks also have a vital role to play in the region or regions in which they are based.

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