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## THE NIŠ COOPERATIVE: 1921–1947

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**Abstract:** Numerous local monetary bureaus owned by shareholders were established in the Kingdom of Serbia in the late nineteenth century. Many of these institutions, such as the Niš Cooperative, not only engaged in banking services but also owned industrial and trade companies. Economic circumstances changed so significantly after World War I that bank managements often were unable to cope with them. The Niš Cooperative was an example of a stable yet not particularly powerful monetary bureau whose reputation depended on the leading members of its Board of Directors. Unlike most other monetary bureaus, the Niš Cooperative continued operating after World War II up until privately-owned monetary bureaus were closed by the socialist Yugoslav government.

**Keywords:** Niš Cooperative, Živko Stojiljković, Dragiša Cvetković, shoe factory, Brick Factory, economic crisis, liquidation.

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### 1. Introduction

The development of the Serbian economy required powerful financial support that could only be attained through the foundation of private monetary bureaus owned by shareholders. The need was so great that it overrode fears created by the closure of the First Serbian Bank (1871). It was followed by the foundation of three local monetary bureaus: the Belgrade Credit Union, Smederevo Credit Bank and Valjevo Savings Bank.<sup>1</sup> Their founding capital was considerably smaller in comparison to that of the First Serbian Bank, but their operations were exemplary. The impetus behind the establishment of these monetary bureaus was not to create adequate grounds for investing surplus capital. Quite the contrary. It was to amass capital for the primary purpose of providing credit for their own shareholders. The most powerful of them was Belgrade Credit Institute, whose

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<sup>1</sup> Mitrović 2004: 33; Becić 2013: 45.

founding capital amounted to 50.000 Austrian gold ducats.<sup>2</sup>

Even more monetary bureaus were established after the proclamation of Serbian independence in 1878, and especially after the National Bank of Serbia was founded in 1884. This pace of establishing the first banks in Serbia increased during the last two decades of the nineteenth century, and it truly boomed in the early years of the twentieth century. By 1888, there were already thirty-seven monetary bureaus with a total capital of 8.7 million dinars, a total turnover of around 251.5 million dinars, and 926.000 dinars in profits.<sup>3</sup> The oldest monetary bureaus located in the south of the Kingdom of Serbia were the Niš Joint-Stock Savings Bank (1885), Aleksinac Savings Bank (1887), Niš Credit and Savings Cooperative and Leskovac Joint-Stock Savings Bank (1888), Serbian-Jewish Trade Cooperative in Niš, and the Vranje Joint-Stock Savings Bank (1889).<sup>4</sup>

## 2. The Niš Cooperative before the Great War

It should be emphasized that all of these monetary bureaus were established as either savings banks or cooperatives, which means their primary goal was to pool their capital for their own financial needs, rather than to invest it in the market. The Niš Cooperative for Financial Support and Savings was founded on July 15, 1888. Its capital amounted to 250.000 dinars in gold divided into 2.500 shares of 100 dinars each.<sup>5</sup> For a monetary bureau in the south of Serbia, this was a considerable amount, given that most these had either smaller or negligible amounts of capital.<sup>6</sup> This amount is also striking, considering the that it was founded in the 1880s. A 1911 review of banks in the Kingdom of Serbia shows that 55.2 percent of monetary bureaus had only 200.000 dinars of capital.<sup>7</sup>

However, the full amount of its initial capital was not immediately invested because the shareholders did not have the means to do so. Thus, one of the basic characteristics of Serbian banking was to contribute paid-in capital in segments or cycles, in which payments of 50 paras or 1 dinar per stock value were made weekly. After one payment cycle was completed, the next would begin, and then the next, and so on, until the full amount of paid-in capital had been contributed. The shareholders' weak financial position often delayed further payments, and the amounts already paid in into stocks would be transferred according to the monetary bureau's base capital.<sup>8</sup>

Another important characteristic of the Serbian banking system was that banks did not solely engage in banking because their shareholders were predominantly merchants, craftsmen, civil servants, members of the clergy, lawyers, and industrialists. There was no clear division of financial institutions into commercial and investment banks, which meant

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<sup>2</sup> Jovanović 1934: 178.

<sup>3</sup> *Istorija srpskog naroda* 1994: 17.

<sup>4</sup> Becić 2016: 748; *The Statute of the Vranje Credit Bank* 1921: 3.

<sup>5</sup> AJ, 65–1342–2326, Memorandum from the Niš Cooperative to the Minister of Commerce and Industry from 9<sup>th</sup> April, 1919.

<sup>6</sup> For more on Serbian monetary bureaus, see: Vidosavljević 2008a: 149–153; Vidosavljević 2008b: 137–142; Jovančić 1991: 59–66.

<sup>7</sup> Vučo 1955: 243.

<sup>8</sup> *The Kingdom of Serbs, Croats and Slovenes, Almanac 1922*: III–125.

that banks owned a large number of construction companies, firms, and warehouses and ran industrial and commercial businesses.

The Niš Cooperative was very successful, and it quickly built its own building and acquired other real estate. Its stability enabled it to compensate for the lack of its own capital through loans from the National Bank, the Belgrade Cooperative, and the French-Serbian Bank. Its financial success was reflected in a 9 percent interest rate, and regular payments of dividends to its shareholders right up to the beginning of the war era in Serbia. The shares were valued at above their nominal value and ranged from 130 to 150 dinars per share.<sup>9</sup>

The majority of shareholders were ethnic Serbs. But, as was the case in other monetary bureaus, a number of members were also Jews and Aromanians whose wealth allowed them managerial positions on the Board of Directors at various monetary bureaus. At the Niš Cooperative, these included the head of the Supervisory Board from 1906, Hajnruh Fraj, and committee members Geršon S. Bukiš, Antanas Zikopulos, and Markije Naljmijas.<sup>10</sup>

Cooperation with the National Bank and a 9 percent interest rate show that the Niš Cooperative was not—at least not conspicuously—engaged in predatory lending, as many other monetary bureaus of the period were. The interest rate prescribed by the National Bank was 6 percent, but the majority of the Belgrade monetary bureaus offered loans at interest rates ranging from 8 percent to 12 percent. Less powerful financial institutions, especially those in the provinces, charged the highest legal rate of 12 percent. However, almost all banks charged much higher interest rates through additional costs or commissions, so the effective interest rate frequently amounted to 30 percent annually.<sup>11</sup>

Therefore, the National Bank prescribed in circular from March 26, 1908 that ‘it will extend credit only to those local bureaus that do not in any way charge their clients an interest rate higher than 3 percent regardless of the interest rates of each individual bank.’<sup>12</sup> This meant that the credit interest rate was placed under supervision and could amount to an annual rate of 9 percent. That year, there were 83 financial institutions cooperating with the National Bank. Of these, 35 of accepted these conditions, while the others either used their own capital and savings or borrowed from larger financial institutions that charged higher interest rates but did not affect the interest rate set by smaller financial institutions.<sup>13</sup>

Since the Serbian financial institutions were not clearly divided into investment banks and commercial banks, banks owned a large number of industrial and construction companies, firms, warehouses, breweries, etc. The Niš Cooperative invested in building a factory that produced silicate tiles, silicate bricks, cement tiles and other cement products. It was also involved in construction and participated in public calls for tender, frequently winning contracts related to constructing public buildings. The Board of Directors planned

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<sup>9</sup> AJ, 65–1342–2326, Memorandum from the Niš Cooperative to the Minister of Commerce and Industry, April, 9, 1919.

<sup>10</sup> *The Niš Cooperative Rulebook* 1922: 32; AJ, 65–1342–2326, Memorandum from the Niš Cooperative for Financial Support and Savings to the Minister of Commerce and Industry, April 9, 1919; AJ, 65–1342–2326, Report issued by the Board of Directors of the Niš Cooperative for Financial Support and Savings on August 24, 1920.

<sup>11</sup> Vučo 1955: 242.

<sup>12</sup> *National Bank* 1908: X.

<sup>13</sup> *Ibid.*, X.

to start building privately-owned apartments on credit, but the plan hindered by the beginning of the war.<sup>14</sup>

Financial institutions bought real estate at foreclosure auctions. The Niš Cooperative thus became the owner of the Devet Jugovića Guesthouse and of a mutiple square meter shop on Dušanova Street.<sup>15</sup>

The year 1912 marked for the Kingdom of Serbia the beginning of the Balkan Wars, which was detrimental to its economy. Banking was also affected when restrictions were imposed on the redemption of silver- and gold-backed notes, and a moratorium was placed on credit agreements with banks. On October 18, 1912, the day the war was declared to the Ottoman Empire, the National Bank reduced its redemption of gold-backed notes for the first time in its long history, and 25 percent of the notes' value was redeemed in silver rather than gold. This measure was in effect until January 28, 1914. On July 27, 1914, when the army was mobilized against Austria-Hungary, the redemption of gold- and silver-backed notes was completely terminated.<sup>16</sup> The credit moratorium lasted until the end of the Balkan Wars, which allowed borrowers to halt payments to the banks. Despite the devastation of war and the ensuing economic disruptions, all of the banks in Niš were still profitable at the end of 1913, although much less so than they had been previously.

### 3. Niš Cooperative during The Great War

The outbreak of the First World War paralyzed the financial institutions in the southwestern part of the country; however, banks in Niš were not directly affected, although their activities were considerably reduced. The Niš Cooperative reported 39.970,87 dinars in losses at the end of 1915. The bank managed to amass 33.578,05 dinars in capital from savings deposits, and its profit from credit payments was only 9.000 dinars.<sup>17</sup>

After Bulgaria joined the Central Powers, banking was completely halted and the banks' holdings were under threat. In accordance with an order by the minister of nation economy that the portfolios of monetary bureaus be added to the National Bank's holdings, on October 10, 1915, the Niš Cooperative's portfolio, along with those of other monetary bureaus, were transferred to Kruševac, where the issuing institution was located. However, representatives of the Niš banks, lawyer Todor Spasojević, and Manojlo Popović, a member of the Niš Joint-Stock Savings Bank's Board of Directors, arrived at their destination just as Kruševac was being evacuated. They the buried crates with the portfolios next to Stana Jaćimović's house in Trstenik.<sup>18</sup>

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<sup>14</sup> AJ, 65–1342–2326, Memorandum from the Niš Cooperative for Financial Support and Savings to the Minister of Commerce and Industry, April 9, 1919.

<sup>15</sup> AJ, 65–1342–2326, Report issued by the Board of Directors of the Niš Cooperative on March 30, 1924; AJ, 65–1342–2326, The report issued by the Board of Directors of the Niš Cooperative on 29<sup>th</sup> March, 1925.

<sup>16</sup> This measure caused an abrupt increase in the difference between the nominal and real price of gold, which rose from 0.50%, as it had been set on July 9, 1914, to 40%, just before Belgrade was evacuated. This development forced the government to ban the export of gold (*National Bank* 1934: 96).

<sup>17</sup> AJ, 65–1342–2326, The memorandum from the Niš Cooperative for Financial Support and Savings to the Minister of Commerce and Industry from 9<sup>th</sup> April, 1919.

<sup>18</sup> Becić 2019: 210.

After the war, Dimitrije Marković of the Niš Commercial Bank's Board of Directors, and Mladen Živković of the Niš Cooperative's Board of Directors, went to retrieve their assets. An inspection of the crate belonging to the Niš Cooperative revealed that the portfolio was complete, but part had been badly damaged. The ledger and records were in the worst state, and some banknotes had rotted away. The damage had resulted from the crates being buried underground for a full three years and from the stables built by enemy forces next to the burial site. Moisture and horse urine had seeped to the crates, causing considerable damage to the bank records and the portfolio.<sup>19</sup>

All of the Serbian financial institutions had been devastated by the war, and damage to the banking sector was estimated to be around 100 million gold francs.<sup>20</sup> This ruination was particularly evident in the regions occupied by the Bulgarian military, where soldiers and officers had looted and ransacked the banks and their properties. The factories and workshops owned by the Niš banks were first exploited by the Bulgarians and later by the Germans. The Bulgarians made off with manufactured products, raw materials, tools, factory machinery, mill installations, etc. The Germans seized factory buildings for military purposes and either used existing materials or disposed of factory machines to create more space. The Brick and Cement Factory owned by the Niš Cooperative was robbed of all machines and goods and the building was heavily damaged. The approximate amount of damage was never estimated. Naturally, the factory could not continue production immediately after the war due to insufficient funds, and the Niš Cooperative had to search for a business partner or an appropriate buyer.<sup>21</sup>

In addition to this, there was further damage to other properties belonging to the Niš Cooperative: the buildings of other banks were ruined, office furniture and equipment had been plundered, files and records were destroyed, the construction company for the Correctional Facilities in Niš, and the construction company for the District Council building in Pirot had both been ransacked.<sup>22</sup>

#### 4. Niš Cooperative in The Kingdom of Yugoslavia

Like the majority of the banks in postwar Serbia, in 1919 the Niš Cooperative renovated its own buildings and to collect and organize its assets.<sup>23</sup> The Niš Cooperative did the same. The postwar Board of Directors included Živko Stojiljković, an industrialist and head of the Board of Directors; Pera Arandžević, a chemist; Milan Andrić, a bookshop owner; Mladen Živković, a merchant; Aleksa Grebenarović, a merchant; Mijajlo Z. Arandžević, a merchant; Milivoje Milisavljević, a merchant; and Stamenko Jocić, a jeweler. The members of the Supervisory Committee were Viden Živković, a merchant;

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<sup>19</sup> Becić 2014: 326.

<sup>20</sup> Čalić 2004: 203.

<sup>21</sup> AJ, 65–1342–2326, The report issued by the Board of Directors of the Niš Cooperative for Financial Support and Savings on 24<sup>th</sup> August, 1920.

<sup>22</sup> AJ, 65–1342–2326, Memorandum from the Niš Cooperative for Financial Support and Savings to the Minister of Commerce and Industry, April 9, 1919.

<sup>23</sup> AJ, 65–1342–2326, Report issued by the Board of Directors of the Niš Cooperative for Financial Support and Savings on August 24, 1920.

Nikola Cekić, a merchant; Đorđe Mitić, a merchant; Jovan Uzunović, a merchant and Markije Naljmijas, a merchant.<sup>24</sup>

Almost half of the investors accepted the bank's request to inspect the balance sheets and finances. The Niš Cooperative continued to operate in 1921, during which it issued loans primarily to construction companies. The bank management took into consideration profits gained before the war. The construction of a penitentiary had provided almost 37.000 dinars in profits, while the profit obtained from other business conducted before the war would have to be calculated by the end of the current year. A lack of capital and the poor condition of the bank's building forced the management to find a partner and to list subscription shares valued at 500.000 dinars.<sup>25</sup>

Živko Stojiljković decided to resign from his position as the head of the Board of Directors due to personal obligations on August 24, 1920, which came as an unpleasant surprise to the bank's management. The Board of Directors did not accept his decision and appointed Pera T. Arandžević as his representative.<sup>26</sup> The Board of Directors decided that the resignation of one of the most influential businessmen in the southern part of central Serbia would have a detrimental effect on the bank in the future, so they found a compromise and appointed a representative for him.<sup>27</sup>

In the first year after the war, the Niš Cooperative limited its activity to discounting bills of exchange, lending to current accounts, and commercial loans. It borrowed from the branch of the National Bank in Niš, which provided the necessary capital to cover its losses from 1913 and 1920, which amounted to 38.212,99 dinars and interest rates of 97.391,60 dinars. Although the Niš Cooperative did not charge interest rates on prewar promissory notes and credit agreements during the moratorium, it managed to invest 100.000 dinars in the 7 Percent Investment Loan (a 1921 government initiative to finance public transportation), produce an additional profit of 34.153,32 dinars, and distribute dividends to its shareholders. By the end of 1921, the paid-in capital of the second cycle was paid, which increased the bank's base capital to 500.000 dinars.<sup>28</sup>

The reasons why it participated in the investment loan despite its own poor financial state were primarily patriotic in nature since these funds were intended for the reconstruction of the country after the Great War. Although the southern part of Serbia had experienced more severe devastation than the north western regions, the largest response to

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<sup>24</sup> AJ, 65–1342–2326, Memorandum from the Niš Cooperative for Financial Support and Savings to the Minister of Commerce and Industry, April 9, 1919.

<sup>25</sup> AJ, 65–1342–2326, Report issued by the Board of Directors of the Niš Cooperative for Financial Support and Savings on March 27, 1921.

<sup>26</sup> AJ, 65–1342–2326, *Ibid.*

<sup>27</sup> "Considerable personal obligations" or "health issues" were the most frequently cited reasons for resigning from a monetary bureau's board of directors. However, these cliches concealed real reasons which, more often than not, were related to illegal businesses. Regarding Živko Stojiljković, his reasons were genuine, and his businesses and reputation were impeccable. However, he needed to turn his attention to rebuilding his own companies, and especially his mills. An industrialist, he was born in Leskovac and owned an automated milling machine that could produce five wagons per day. The mill was built in 1897 and renovated in 1921 (*Leskovac Gazette*, 7 January, 1926: 5, 7). Stojiljković built a mill with the same production capacity in Kumamovo in 1925, and it opened the following year. A power plant was built next to it (Gavrilović 1931: 60–61).

<sup>28</sup> AJ, 65–1342–2326, The report issued by the Board of Directors of the Niš Cooperative on 26<sup>th</sup> March, 1922.

the appeal for participation in the investment loan came from there. This situation was even discussed by several Croatian experts, who said that the loan was supported in the south by 'all those who love and respect this country, the ordinary people and citizens, whereas in the western parts, it is supported mainly by those who are expected or forced to do it, or by government institutions'.<sup>29</sup>

Further development of the Niš Cooperative, changing priorities, and the need to shorten its name led to a change in the bank's name. In accordance with an order issued by the minister of commerce and industry on April 25, 1922, the the Niš Cooperative for Financial Support and Savings became officially known as the Niš Cooperative.<sup>30</sup> The bank operated through discounted bills of exchange, collected current and previous revenues, and increased its base capital to one million dinars by the end of 1922. Its primary investment, however, was a shoe factory the Niš Cooperative began building that year. The bank management intended this factory to become its principal investment, so they planned to increase their base capital to three million dinars by 1926 at the latest.<sup>31</sup>

The increase in capital let to individuals owning increasingly more shares, while the number of small shareholders decreased. Even before this, changes and practical reasons had always influenced the number of people on the Board of Directors. For instance, when the Niš Cooperative was founded, its Board of Directors had as many as fifteen members and the Supervisory Board had five members. In 1902, it was decreased to eight, while new rules adopted in 1922 required seven members to sit on the Board of Directors and three to sit on the Supervisory Board. Profits were distributed as follows: 10 percent was put in reserves, 6 percent was distributed to the members of the Board of Directors as royalties, 3 percent went to the members of the Supervisory Board, and 3 percent was reserved for clerks and service staff proportionate to their respective salaries. The remaining profit was made available to the shareholders.<sup>32</sup>

Large investments into the shoe factory that was to open by the end of 1923 affected the bank's bottom line, and it ended the year with a loss of about 26.000 dinars. According to statements issued by the Board of Directors, the factory manufactured modern, high-quality, and resilient shoes that could compete with other similar products domestically and abroad. The development of domestic industrial production required government protection, which was believed to be non-existent. Customs duties for raw materials were high, while the those levied on finished goods were rather low, which hindered and obstructed domestic industrial production. The biggest issues for industrial production were general austerity, an insufficient work force, and high expenses. The shoe factory owned by the Niš Cooperative operated according to the motto: 'The highest possible turnover, even with less profit'.<sup>33</sup>

The Brick and Tile Factory, whose prewar value was estimated at 267.000 dinars, occupied ten hectares. The bank rented the factory to two partners who were able to resume production. However, the lease was terminated when one of the partners died, and selling the factory became the most acceptable option. The bank, however, wanted to preserve the

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<sup>29</sup> Belin 1922: 23–24.

<sup>30</sup> AJ, 65–1342–2326, the announcement issued by the Niš Cooperative on 29<sup>th</sup> May, 1922.

<sup>31</sup> AJ, 65–1342–2326, The report issued by the Board of Directors of the Niš Cooperative on 25<sup>th</sup> March, 1923.

<sup>32</sup> *The Rulebook of the Niš Cooperative* 1922: 11–28.

<sup>33</sup> AJ, 65–1342–2326, The report issued by the Board of Directors of the Niš Cooperative on 30<sup>th</sup> March, 1924.

land since it could be well-exploited. The Devet Jugovića Guesthouse was in such poor state that it had to be demolished. The bank's management considered selling this property as well, especially because the government, which had been using it for military purposes, had been erratic in its payments on the lease.<sup>34</sup>

Beginning in 1923, the Kingdom of Serbs, Croats, and Slovenes experienced a market disruption known as 'the credit crisis'. A lack of liquidity in the capital market caused by restrictions and cancellation of credit at the National Bank in order to strengthen the dinar, led to a lack of currency and large savings withdrawals. The Niš Cooperative overcame these challenges successfully even though it had to pay out several hundred thousand dinars from savings accounts, which lowered its working capital.<sup>35</sup>

Current assets were also decreased by the payment of passive interest rates on savings deposits taxes, which had begun increasing rapidly. On the other hand, the Niš Cooperative still was unable to collect on its receivables from the Liquidation Bank, which at the time amounted to 281.979,01 dinars. The bank also expected income to be paid from its prewar business in Pirot and continued to invest in government securities, the value of which was over one million dinars at the end of 1923.<sup>36</sup>

According to plan, the largest investment was in the shoe factory. More than five million dinars had been invested, but the shoes placed on the market were only valued at 954.000 dinars.<sup>37</sup> The credit crisis was reflected in the level of investments in the industrial sector, which had an obvious impact, but it was not as significant as the impact on the agricultural sector. The shoe factory continued to expand. There were eight shops in 1923, and this number tripled the following year. Furthermore, the shoes increased in value. In the first three months of 1923, turnover was three times that of the previous year, which further demonstrated the shoes' quality and good design.<sup>38</sup>

In 1926, the Niš Cooperative focused much of its attention to collecting on debts from clients of the shoe factory. Management succeeded in collecting these and in placing half of the goods it produced on the market. The second half of its shoe production was delivered in 1927 at lower prices. That year, the shoe factory fell into crisis, which forced the bank to lease the property.<sup>39</sup>

Although management had always relied on the the Niš Cooperative's industrial investments, there was a visible increase in its banking activities starting in 1924. The largest amount of credit was placed in current accounts, and it surpassed bills of exchange by 2 million dinars. The bank managed to obtain payment for its work in Pirot from the government, but it was unable to sell the guesthouse. However, it sold the shop on Dušanova Street, which was a smart business move, considering the the building's poor condition. The bank reopened the Brick and Cement Factory, restarted production of cement products, and enclosed the property around both factories.<sup>40</sup>

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<sup>34</sup> AJ, 65-1342-2326, Ibid.

<sup>35</sup> AJ, 65-1342-2326, Ibid.

<sup>36</sup> AJ, 65-1342-2326, Ibid.

<sup>37</sup> AJ, 65-1342-2326, The report issued by the Board of Directors of the Niš Cooperative on 29<sup>th</sup> March, 1925.

<sup>38</sup> AJ, 65-1342-2326, The Shoe Factory annual report issued by Vlada Dimitrijević and the Niš Bank in 1924.

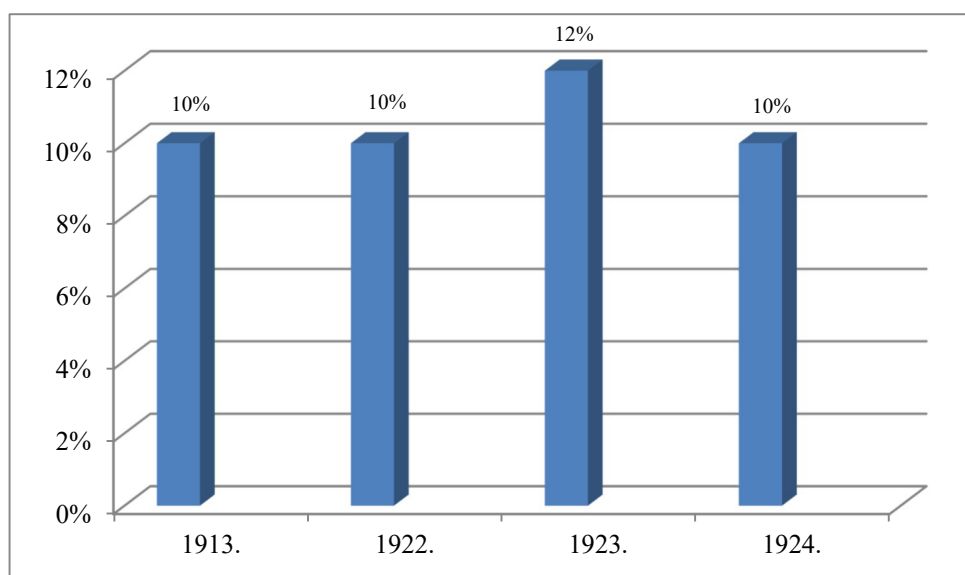
<sup>39</sup> AJ, 65-1342-2326, The report issued by the Board of Directors of the Niš Cooperative on 4<sup>th</sup> March, 1928.

<sup>40</sup> AJ, 65-1342-2326, The report issued by the Board of Directors of the Niš Cooperative on 19<sup>th</sup> March, 1925.



The brick factory was renovated in cooperation with the Niš Penitentiary. The penitentiary provided cheap labor, but the factory's bricks were not competitive with others on the market. The Brick and Cement Factory produced sand-lime bricks, which were more expensive than the classic bricks made of clay, and consumers were more concerned with price rather than quality. These calcium silicate bricks were strong, high-quality, and highly water-repellent, but consumer purchasing power was low, and consumers were only able to buy inexpensive goods. The brick factory closed again in June 1926 primarily due to a lack of qualified workers, and the existing stock of bricks were sold without profit. The bank's management decided to sell the brick factory so the bank could focus more on banking and short- and long-term financing.<sup>41</sup>

The bank had had planned to increase its base capital to three million dinars by the end of 1926, but economic hardships caused them to postpone until the end of 1927. The bank managed to sell the Devet Jugovića guesthouse and part of its land in the Gorica neighborhood for 220.000 dinars in 1926. Twenty-five houses on this land had been built with calcium silicate bricks. The proceedings from this sale were sufficient to cover the losses from 1925 and the expenses from 1926, which left the Niš Cooperative debt-free. Also, Dragiša Cvetković, one of the members of the Board of Directors was elected mayor of Niš, which added to the institution's prestige.<sup>42</sup>



Graph 1. Dividends paid to Niš Cooperative shareholders<sup>43</sup>

<sup>41</sup> AJ, 65-1342-2326, Report issued by the Board of Directors of the Niš Cooperative on March 27, 1927.

<sup>42</sup> AJ, 65-1342-2326, Ibid.

<sup>43</sup> *Compass* 1931: AJ, 65-1342-2326, Niš Cooperative balance sheets for 1922, 1923, and 1924.

The factories owned by the bank failed to produce any profit and were subsequently leased. In February 1926, the Niš Cooperative placed an advertisement in the newspaper *Vreme* looking for either a business partner or a buyer for the shoe factory. The factory production was 200 pairs of shoes per day, but it could be increased.<sup>44</sup> The shoe factory operated for several months in 1927, and the brick factory produced goods for the entire year. The shoe factory was thus eventually sold, but the brick factory remained in the bank's possession. The Niš Cooperative then focused solely on banking, which covered its expenses and produced profits of approximately 70.000 dinars, which was then transferred into the following year. Short-term loans through bills of exchange were the most common, and they surpassed current accounts services by 800.000 dinars.<sup>45</sup> However, debts incurred by the bank's factories prevented shareholders from receiving dividends, which also decreased the bank's reserves.

Year	Base capital	Discounted bills of sale	Savings deposits	Reserves
10/31 1915	250.000	742.866,44	1.110.147,25	76.309,18 <sup>46</sup>
1919	250.000	742.866,44	1.108.947,25	76.309,18
1921	500.000	1.624.100,44	1.819.182,50	120.526,18
1922	1.000.000	1.353.682,49	2.362.409,65	158.148,78
1923	2.000.000	1.008.024,50	2.947.218,35	265.703,96
1924.	2.000.000	822.947,16	3.386.940,70	415.597,91
1925	2.000.000	367.735,66	3.308.496,55	502.153,14
1926.	2.000.000	724.417,66	3.204.445,20	616.686,14
1927	3.000.000	2.842.654,90	4.429.673,50	689.140,39
1928	3.000.000	4.046.339,90	5.291.845,92	519.853,56

Table 1. Niš Cooperative Cash Positions <sup>47</sup>

The last week of September 1931 witnessed the beginning of a banking crisis in the Kingdom of Yugoslavia. A lack of consumer confidence in monetary bureaus led to bank runs. The Agricultural Protection Law of April 19, 1932 paralyzed the majority of financial institutions—agricultural loans could not be repaid and customers pressured banks to pay out their savings. The Niš Cooperative escaped this since its borrowers, for the most part, were not farmers. It continued to hold regular meetings in late February to early March, just as it had done during the previous decade.<sup>48</sup> However, the Great Depression prevented any kind of profit-making business, and the bank mainly paid out savings deposits.

Starting in 1935, the economy began to improve considerably, which was reflected

<sup>44</sup> *Vreme*, February 11, 1926: 7.

<sup>45</sup> AJ, 65–1342–2326, Report issued by the Niš Cooperative's management board on March 4, 1928.

<sup>46</sup> The Niš Cooperative's reserves included a regular reserve fund, a fund for writing off bad debts, and a civil construction fund. A fund for amortizaion was added in 1923. This was why there was a noticeable jump in the level of reserve funds for this year.

<sup>47</sup> AJ, 65–1342–2326, Niš Cooperative balance sheets from 1915 to 1928; *Compass* 1926: 332; *Compass* 1930: 425; *Compass* 1931: 465; *Compass* 1932: 455.

<sup>48</sup> The Niš Cooperative held its regular meeting as usual, on February 26, 1933, when numerous banks went bankrupt. (*Pravda*, 30th January, 1933, 13).

by a 30–40 percent, increase in prices of agricultural products, a 40 percent increase in workers' wages, and a 20 percent in civil service wages. However, this was not beneficial for financial institutions, which were still burdened by endless savings withdrawals, which had caused savings deposits to drop by 4.122 million dinars, or 30 percent, over the previous four years.<sup>49</sup> In addition, an interest rate limit hindered banking and the Niš Cooperative's Board of Directors decided to invest in something else. The shareholders permitted an increase of paid-in capital to 5 million dinars if needed, and it was raised to 4 million dinars by the end of 1940. Due the easy manipulation of shares, their nominal value was increased from 100 dinars per share to 1.000 dinars, so that there were 3.000 shares in circulation instead of the previous 30.000 shares.<sup>50</sup>

The Board of Directors decided to increase paid-in capital in late November 1940, and executed this decision in December of the same year.<sup>51</sup> This was a unique business decision for a monetary bureau in the eastern part of Yugoslavia. Also, the consolidation of shares demonstrated that they were owned by a small number of wealthy citizens. This is understandable, considering that the head of the Board of Directors was Dragiša Cvetković, who at the time was Prime Minister of the Kingdom of Yugoslavia.<sup>52</sup>

## 5. The Second World War and Liquidation

The outbreak of World War II put an end the majority of private banks in the Kingdom of Yugoslavia. Only a few of them continued to operate, which was a far cry from what these monetary bureaus used to be. The Niš Cooperative was an exception and continued to operate even during times of war. This was possible partly because of Dragiša Cvetković, a politician the invading German forces did not consider to be an enemy, although it would be wrong to claim he held the same view of Jews as the Nazis did.<sup>53</sup>

Banking was not profitable during the war, and the Niš Cooperative had considerable losses, which amounted to 55.413,10 dinars in 1943. Yet the most serious calamities were experienced in 1944. Niš was bombarded daily, which froze all business activities. Also, few borrowers were able to make payments on loans since most of local population had already fled to the countryside. It was impossible to begin legal procedures against defaulters because the courts were closed. The Niš Cooperative finished this year with a loss of 306.076,10 dinars.<sup>54</sup>

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<sup>49</sup> AJ, 37–32–237, Economic report issued by the governor of the National Bank, on February 15, 1936.

<sup>50</sup> AJ, 65–1342–2326, Proposal by the Niš Cooperative's Board of Directors, September 1, 1940.

<sup>51</sup> *Vreme*, November 30, 1940: 6.

<sup>52</sup> Dragiša Cvetković was appointed Prime Minister on February 5, 1939. His predecessor, Milan Stojadinović, commented that 'the worst and the least powerful' member of the government had been elected. (Stojadinović 1970: 524). Chosen to 'resolve the problem known as *Croatian Question*', Cvetković signed an agreement with the leader of the Croatian Paesant Party, Vlatko Maček, on August 26, 1939 (Dimić 2001: 182). He was one of the signatories of the Yugoslav accession to the Tripartite Pact on March 25, 1941. Two days later, his government was overthrown by a military coup carried out by a group of officers.

<sup>53</sup> Although several anti-Semitic regulations were issued during his time in office, it has been proven that Dragiša Cvetković harbored three members of the Jewish Katan family in his villa in Niška Banja (Ristović 1998: 69).

<sup>54</sup> AJ, 12–587–141, Report by the Board of Directors of the Niš Cooperative at the regular shareholders meetingregular shareholders meetingon May 13, 1945.

In September 1944, Dragiša Cvetković left Serbia and Sima Radojković became the head of the Board of Directors, which included Miloš Jovanović, Jordan Živković and Bora Dimitrijević. The members of the Supervisory Board were its head, Branko Nikolić, and Andra Ivanković.<sup>55</sup>

In 1945, the bank only carried out its most urgent business while incurring heavy losses due to new laws regulating prewar revenues. On the day war was declared, the bill of exchange portfolio was 2.086.596 dinars. During the war, 1.700.000 dinars was recouped and then reinvested, but according to the law regarding exchange rates within Yugoslavia, this was only worth 85.000 dinars. The bank could obtain 38.660 dinars for the remaining amount of 386.596 dinars because the valorization law established the value of the Serbian dinar in accounts at a ratio of 1:10. When this was applied, the Niš Cooperative suffered a loss of 1.963.000 dinars.<sup>56</sup>

Year	Base capital	Discounted bills of sale	Savings deposits	Reserves
1944	4.000.000	2.681.948	1.181.716,64	598.936,25
1945	400.000	122.321,50	177.277,50	59.893,62
17/2/1947	400.000	95.049,30	173.751,55	-

Table 2 Niš Cooperative's cash positions of the after the war.<sup>57</sup>

The Niš Cooperative had total losses of around 2.5 million dinars after the war. It obtained only 48.314 dinars for property sold before the war that was valued at 616.930 dinars. There were 78.020,63 dinars in losses in 1945, and damage from the war was 1.152.459 dinars, which obstructed further business.<sup>58</sup>

A federal decision on October 7, 1946 appointed Bora Šiljegović, an official in the Financial Department of National Defense (*ONO*) to the Niš Cooperative's Liquidation Board. He was later replaced by Svetozar Petković, Sava Jovanović and Sava Stanković, all clerks in the Mortgage Bank.<sup>59</sup>

Dragiša Cvetković's shares were declared national property. At the time of its liquidation, the Niš Cooperative owned the brick factory, a 260 m<sup>2</sup> building located on 6.1 acres at 60 Pašićeva Street, a 13.259 acre property named Tutunovićev Podrum on Njegoševa Street in the Gorica neighborhood estimated to be worth 755.540 dinars, a 740 m<sup>2</sup> building and two smaller and badly damaged buildings.<sup>60</sup>

<sup>55</sup> AJ, 12-587-141, Niš Cooperative balance sheet, December 31, 1945.

<sup>56</sup> AJ, 12-587-141, The report presented by the Board of Directors of the Niš Cooperative at the regular shareholders meeting, August 4, 1946

<sup>57</sup> AJ, 12-587-141, Niš Cooperative balance sheets, 1944-1947.

<sup>58</sup> AJ, 12-587-141, Report by the Niš Cooperative Board of Directors of the at the regular shareholders meeting regular shareholders meeting on 4th August, 1946.

<sup>59</sup> AJ, 12-587-141, List for the revision of work permits.

<sup>60</sup> AJ, 12-587-141, Memorandum from the City Council (*GNO*) of Niš to the Niš Cooperative, February 21, 1947.

## 6. Conclusion

There were numerous local monetary bureaus in the Kingdom of Serbia and later in the Kingdom of Yugoslavia. They were primarily founded to provide capital for their shareholders' business ventures. Later, they all evolved into profitable financial institutions. The Niš Cooperative was not a traditional monetary bureau because it engaged in banking, industry and construction.

Business regulations changed considerably after the World War I. However, the Niš Cooperative continued to invest in industry, rebuilt the Brick and Cement Factory, and at the same time founded the shoe factory. These large investments proved to be unprofitable in the face of fierce competition, and the bank eventually ended these ventures. It then focused primarily on banking, at which it was quite successful.

The Great Depression halted regular banking in the Kingdom of Yugoslavia, forcing banks to pay out savings deposits and call in repayments of promissory notes in accordance with their clients' financial situation. The Niš Cooperative increased its base capital to 4 million dinars at the end of 1940, which was unique in Yugoslavia at the time. The bank continued to operate during World War II, which was rather unusual considering the circumstances.

The new communist government established in Yugoslavia after World War II brought an end to private monetary bureaus. The long-serving head of the the Niš Cooperative's Board of Directors, Dragiša Cvetković, left Serbia, and the remaining members of the management could only confirm insurmountable losses and enormous war damage. Similarly to other private financial institutions, the Niš Cooperative ceased its operations.

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### **НИШКА ЗАДРУГА А. Д: 1921–1947**

#### **Резиме**

На простору Краљевине Србије, а потом и Краљевине Југославије, пословао је велики број малих, локалних новчаних завода. Разлог њиховог масовног оснивања првенствено је био у томе што су на тај начин ове установе обезбеђивале неопходан капитал за рад сопственим акционарима, да би са својим развојем постале профитабилне финансијске установе. Нишка задруга пример је новчаног завода који се није бавио само банкарским већ и индустријским и грађевинским пословима и на тај начин није била класична финансијска установа.

У периоду до Првог светског рата Нишка задруга остваривала је стабилну зараду, а саградила је сопствену зграду, подигла Фабрику цигала и цемента и постала власник пар некретнина. Попут осталих новчаних завода њена имовина нашла се на удару окупационих власти, док је банчин портфељ био оштећен јер се три године налазио закопан у земљи.

Са окончањем Првог светског рата промењени су услови пословања, али је Нишка задруга желела да настави са улагањем у индустрију и у том циљу обновила је своју Фабрику цигала и цемента и основала фабрику ципела. Фабрика цигала није пословала успешно јер су силикатне цигле које су се у њој производиле биле скупље, тако да је у условима слабе куповне моћи цена диктирала потражњу, а не квалитет. Улагања у Фабрику ципела износила су преко 5 милиона динара, али ни ова инвестиција није била исплатива по Нишку задругу, тако да је ова фабрика продата.

Углед Нишке задруге био је на високом нивоу јер су њени председници Управног одбора били Живко Стојиљковић, познат и успешан привредник, а потом Драгиша Цветковић, председник нишке општине, а касније и председник владе. Нишка задруга једна је од ретких новчаних установа које су пословале и током Другог светског рата, мада је то пословање редовно доносило губитке.

Успостављене власти по ослобођењу доносиле су законе у складу са државним уређењем које су установљавале, а у новим привредним односима није било места за приватне новчане установе, тако да су се оне нашле у стању ликвидације.

**Кључне речи:** Нишка задруга, Живко Стојиљковић, Драгиша Цветковић, фабрика обуће, фабрика цигала, економска криза, ликвидација.