

Philippine National's 22nd Year

Pioneering in the small-loans field, President Carmona pursues a policy of educating borrowers to prompt payment.

In 1916 Vice Governor Henderson Martin thought the Philippines should have a bank of their own, and with his stenographer, Miguel Cuaderno, repaired to Baguio to draft a charter for such a bank. This was the birth of the Philippine National Bank, one of a number of sound contributions Governor Martin made to this country. (Martin was from Olathe, Kansas, and addicted to a very plain demeanor, but very forthright in all he did, with no fear of pioneering new ground). Governor General Francis Burton Harrison, his cabinet and counsel took up the Martin bank project immediately, and the legislature, bicameral at that time, readily granted the charter. The bank is therefore 22 years old.

Under President Vicente Carmona there is one thing particularly remarkable to report of the Philippine National at this time. This is the small-loans department. The founding of the bank was the initial step toward easier money for commercial purposes, and for agriculture, and toward lower bank interest rates on loans, and now the bank's facilities have been stepped down to accommodate small tradesmen and trades women who borrow only small sums. It is a landmark, the blazing of the trail that, the bank plans, will reach, through its agencies and branches, thousands of other poor folk who still have no access to bank credit and have no other recourse than to borrow, when they must borrow, at usurious rates of interest.

The small-loans department of the Bank was started four years ago under the presidency of Rafael Corpus. The man who urges it along is the new president, Vicente Carmona. Somewhat deceiving in manner and appearance, he is a rank-and-file man who grew up in the public service in the treasury department, and finally, before going to the bank for President Quezon, headed the finance department. His manner of speech is hesitant, but few men are able to say *no* more clearly and stick to it more firmly. His gestures seem fumbling, but he lays his hand on the right paper unfailingly; in fact, he appears soft, superficial, and yielding, but actually he is hard, penetrating, and, from his final opinions, unmovable.

Not that he is callous and unsympathetic, he is rather otherwise because his own career has been no bed of roses. But the rules of business are hard, of banking especially, and he sticks to them in a hard way; and he is penetrating, seeing below the surface of a customer's case; and he is unmovable, quite confident that his own

opinion carefully studied out is as good as the next man's. He blames himself with his own mistakes, so he tries not to make them. And nothing awes him, you have never met a man who cared less for *front*. If anything at all awes him, it is the long way the Bank has to go before it is the bank he hopes to make it, with a peso or two for the poor man and any number of them for the rich man with a legitimate claim for a loan and due security for it. One thing is intolerant to him, injustice.

To see Carmona's gorge rise, lay before him a palpable injustice. In this direction he is a practical idealist.



VICENTE CARMONA
President, Philippine
National Bank

So his small-loans department is working out very well. It may not quite pay in the material sense yet, but it promises a ledger profit very soon and it is driving usury out of the small shops, such as the market stalls in the city, where many of its customers are found.

These small loans are essentially character loans, one or two friends sign with the borrower, who repays in monthly installments. This changes the old rule of payment in 3 to 4 months with renewal of the note each period. Rates on small loans go as high as 10%, but may be as low as 5% to 6% according to circumstances involved. They substitute, at the market, usurious loans on which the usual rate per peso was 20 centavos a week; for 5 pesos used a week a market woman repaid 6 pesos. Education in use of bank credit goes with the loans, promptitude with payments being the first lesson. It is working out, rather surprisingly well. Which, in reviewing the Philippine National, is the point we wish to get over at this time. Carmona simplifies the situation for these borrowers, explaining that the bank keeps all their names in two lists, a *good*

one and a *bad*, and the borrower who pays even a day after payment is due goes in the *bad* list which affects his future credit rating.

This gets at what is said to be a general fault among the people, procrastination about meeting money obligations. But the records show that the small borrowers are trying more and more to keep their standing in the *good* list. Many market women knowing how much they owe the bank and how much is due every month, know what is due per day and have a receptacle, often a bamboo tube, in which to place it when cleaning up for the day and checking their cash. Inspection is practiced and inspectors have noticed this thrifty prudence among the

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A Timely . . .*(cont. from page 19)*

basis. As matters stand, he is unable, in many cases, even to liquidate some of his holdings.

This is neither an isolated nor an occasional case. It is a characteristic of security trading which happens daily. Undoubtedly, in any one person's investment list are securities approaching insolvency. There is no time like the present to weed these out and to replace them with vigorous expanding issues. A study of the many securities listed on the local exchanges will reveal a number of issues that are selling at what appear to be bargain levels. Whether or not they will suffer temporary market rises or declines is impossible to foretell but for a long pull they are to be considered as good mining investments.

Another point to remember in planning an investment program or in shifting an existing investment list is the stock market axiom, "Never buy price". Price is always a relative proposition. Many holders of securities have found that a stock selling at .002 is much more expensive than a stock selling at P10.00. It is true that one can buy more shares at .002 than at P10.00, but this fact alone should never influence a buyer or seller of securities. Another important point is to forget what is commonly called, "The market". All security markets have witnessed certain individual issues drop to a new all time low upon the advance of averages. The reverse is seen when in a downward market some issues advance.

If an investor is working for the prime single requisite that governs stock investments he should reappraise his portfolio continually. His motto might well be, "Look for the dead wood and cut it out."

He chose his . . .*(cont. from page 16)*

partment was first proposed by Judge Hord but dates only some twelve years back.

The property occupied by this bank is its own, very valuable, in the heart of the city's financial and wholesale district, and plans for a modern bank building on it will no doubt be carried out within a few years.

Church funds are decisive in the stock and management of this bank. Vice presidents are Santiago Freizas and Rafael Moreno, who is also the secretary. Directors are Luis Ablaza, José Araneta, E. J. Deymek, Manuel Elizalde, Adrian Got, Leopoldo Kahn, Eusebio Orense, and Manuel Perez Rosales. These are all potent names in Philippine business. Bank of the Philippine Islands assets are 41 million pesos.

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Bank's patrons. Not very far off is the possibility of farm tenant credit, a question the Bank is studying carefully. So the Bank extends its usefulness. We checked on the small-loans department at the National Anti-Usury Board, where real effort against usury is measurably successful and where it was reported the Bank had been repeatedly willing to grant credits to clients the board recommended, able to offer surety.

As the *Journal* has recently remarked, this cheaper popular credit will in time induce a large volume of buying power by diverting into channels of active general commerce large sums, in the aggregate, that have heretofore gone into a few usurious fortunes; and more than that, it will found a small-capital business class beneficial to the city.

The older activities of the Bank, general banking and exchange, and agricultural banking, are well known among our readers. President Carmona's report of June 30 gives assets of P186,870,549.41 of which cash on hand or due from banks was P70,259,056.61 and P14,551,006.40 was U. S. government securities and P12,120,583.75 were Philippine government securities. Loans were just short of P60,000,000. The capital is P10,000,000, the surplus the same amount, reserves P6,717,334.25 (and for taxes, interest, unearned discounts and uncollected interest, P5,118,000.98). Individual deposits were just under 40 million, government deposits just under 60 million, semi-government deposits just under 38 million, bank deposits P2,200,985.84.

President Quezon voting the Bank stock (practically all of it is owned by the Commonwealth) created two vice presidencies recently, Dalmacio Pekson long in charge of the loans department, and Primitivo Lovina were promoted to these higher staff positions on grounds of merit. Chairman of the board is José Yulo, secretary of justice while Carmona is vice chairman. Other directors are Eulogio Rodriguez, secretary agriculture & Commerce, Jorge B. Vargas, secretary to President Quezon, Guillermo Gomez, under-secretary of finance, Salvador Lagda-meo, head of the National Loan & Investment Board, Victor Buencamino, manager of the rice & corn cartel, Mayor Juan Posadas of Manila, and Rafael R. Alunan, with Eulogio Reyes the secretary.

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