

The past twenty years

# BANKING COMMUNITY FLOURISHED

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The banking community in the Philippines has grown by leaps and bounds since the Central Bank was established in 1949 and thus the adoption of the managed currency system.

This could be gleaned from the proliferation of commercial banks, rural banks, savings banks, private development banks, and other institutions engaged in banking services now in operation in this country.

A tourist had observed that there are more banks here than even in more developed countries. And C.B. statistical data seemed to bear this out.

As of Dec. 31, 1969, the total number of commercial banks reached 606, composed of 39 offices and 567 branches and agencies. Last year alone, 23 branches and agencies of commercial banks were established.

## 452 Rural Banks

Forty new rural banks were opened in 1969, bringing the total number to 452. Of this total, 226 rural banks were located in Luzon, 79 in the Visayas and 47 in Mindanao. Sixty rural banks were authorized to accept demand deposits.

No new savings bank was established in 1969. However, six branches and one extension office were opened, bringing the total number of savings banks in actual operation to 48 (10 head offices, 19 branches and 19 extension offices).

Sixteen postal stations of the government-owned Postal Savings Bank were opened in 1969, bringing the total number in operation to 1,445 during the period under review.

The total number of private development banks

grew to 29 with the opening of two new private development banks last year.

## Growth Factors

The phenomenal growth of the banking community was attributed to the following factors: liberal minimum capital requirements for the establishment of banks, favorable conditions, and other incentives.

For the past 20 years, the C.B. has actively sought to encourage the growth of the banking system. Commercial banks mergers are facilitated and large scale or branch banking is encouraged so that the capital structure of the banking system can be strengthened, its liquidity position improved and the economies of large-scale banking may be enjoyed.

## P12 Billion

According to the C.B. annual report for 1969, total resources of commercial banks amounted to P12,950 million, representing a growth of P1,139 million or 13.2 per cent compared to the increment of P1,276 million or 13.2 per cent in 1968.

Earning assets increased by P933 million or 82 per cent of the total expansion in banks' resources, compared with the

P867 million growth in the previous year.

By reducing the increase in their liquid assets to only P55 million or 3.3 per cent, as against P342 million or 26.1 per cent last year, the commercial banks increased their other assets by P152 million or 20.8 per cent as against P67 million or 10.1 per cent in 1968.

With the increase in demand deposits, current liabilities of commercial banks expanded considerably by \$945 million or 14.8 per cent in 1969, compared with expansion of P326 million in 1968.

## 54 Per Cent

Demand deposits increased by P511 million or 54 per cent of the overall increment. Savings and time deposits gained P314 million as against increment of P200 million in 1968. Similarly, bills payable went up by P213 million, slightly below the P283 million growth in 1968 while guarantee accounts declined by P254 million in 1969 compared to a considerable increase of P429 million in 1968.

Net worth of commercial banks rose from P1,140 million in December 1968 to P1,294 million at the end of 1969, or an increase of P154 million compared to an increase

of P98 million in 1968.

As regards the rural banks, the C.B. reported their total resources amounted to P409 million as of July 31, 1969, an increase of P30 million or seven per cent from the 1968 level.

Outstanding loans went up by P26 million to P416 million and investments in government securities gained nominally by P0.5 million to P7 million.

Total deposit liabilities also expanded by P15 million to P183 million and net worth rose to P193 million.

## Savings Banks

Meanwhile, total loans granted by savings banks dropped by P38 million or 27 per cent as against the P15 million or 11 per cent expansion registered in 1968, the C.B. report said. Similarly, the growth in resources slowed down from 21 per cent in 1968 to only 16 per cent in 1969.

The P76 million expansion in resources in 1969 was brought about mainly by the P82 million increment in holdings of government securities.

The savings banks during the period under review were granted an additional P4.1 million emergency loans by the C.B. but repaid P27.5 million. As a result, outstanding emergency loans of these banks from the C.B. dropped by P23.4 million to P29.5 million at the end of 1969.

Loans outstanding increased slightly by P2 million to P275 million. Deposit liabilities improved by P82 million or 24 per cent as against a drop of P7 million or two per cent in 1968 while net worth decreased by P2 million or three per cent to P66 million.

Total resources of PSB increased by P2 million from the 1968 level. However, savings deposits decreased by P1 million to P58 million.

## Private Banks

Private development banks expanded by P14 million to reach P144 million in total assets in 1969. Total loans outstanding increased by P9 million to a level of P115 million and investments in securities rose by P0.1 million to P2 million.

Deposit liabilities likewise increased by P9 million to P54 million. Similarly, outstanding rediscounts with the Development Bank of the Philippines went up by P0.4 million to P25 million and capital assistance from this institution increased by P1 million to P25 million.

Net worth also grew by P4 million to P60 million.

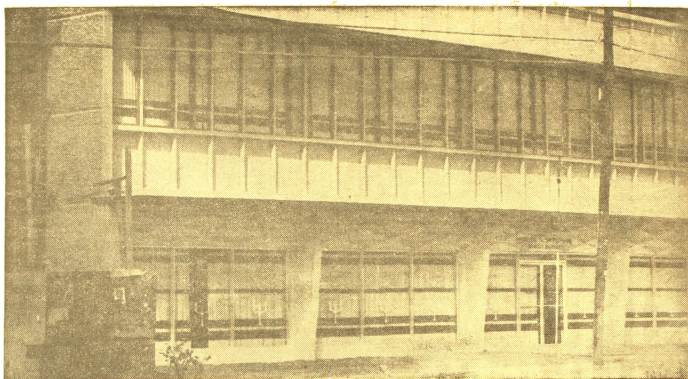
An interim study prepared by Syey, Gorra, Velasco & Co. for a three-month period ending March 31, 1970 said that total assets of commercial banking system were P8 billion; less than in Dec. 31, 1969.

## Largest Drop

The largest drop in total assets was registered by the Philippine National Bank manifested in its investments by P2 million and the drop in its cash and due from banks of P38 million.

The SGV study attributed the decline in total assets of PNB mainly to the reduction in its bills payable and "other liabilities" by P170 million.

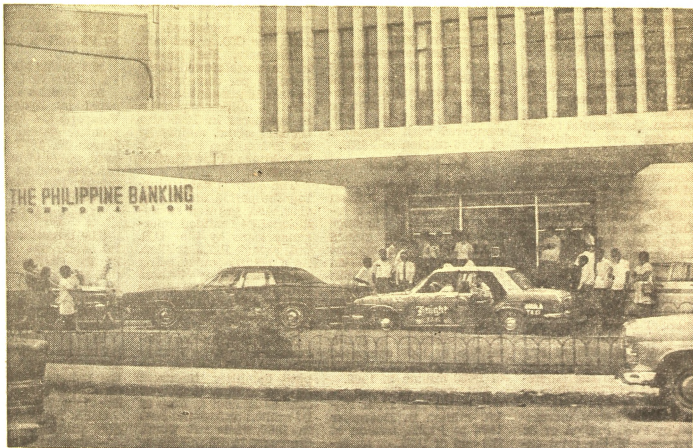
Other highlights of the SGV study are: —Five private development banks showed reductions in total assets of



**Equitable Bank Branch in Makati**



**Banco Filipino Provincial Branch**



**Philippine Banking Corporation Head Office at Port Area**

more than P10 million each, with one bank showing a drop of P43 million.

—The net decline in total assets of private domestic banks amounted to only P3 million. Principal cause of the decline was the drop in deposits with private domestic banks of P64 million, which was counterbalanced by additions to these banks' bills payable and "other liabilities" of P52 million and an increase in their net worth of P12 million.

—In contrast to domestic banks, the four branches of foreign banks registered net additions to total assets of P86 million during the quarter, with two banks accounting for most of this increase. Main sources of additions to the total assets of foreign banks were the increase in their deposit balances of P44 million and in their due to head office accounts of P25 million.

—Total liquid assets of the commercial banking system of P2,795 million as of March 31, fell short by P69 million of balances at year-end 1969. Of the 35 domestic banks, 25 showed declines in liquid assets. All foreign banks showed increase in liquid assets.

—The decline in liquid assets was mainly from cash and due from banks, which dropped by P126 million. The increase in cash and due from banks as of Dec. 31, 1969 from balances of the previous quarter was about P388 million.

—About P58 million was added to investments in bonds and other securities during the quarter, with a private bank showing an increase of P23 million; PNB, P14 million; and a foreign bank, P10 million. About half of the private domestic banks registered declines in investments.

—Loans outstanding of the commercial banking system amounting to about P7.9 billion as of March 31, comprise approximately 66 per cent of the banks' total assets. Private domestic banks hold about 55 per cent of the total loans; PNB, about 35 per cent.

—This quarter's increase of P110 million was due principally to loan additions from the private banks (domestic P45 million, foreign P50 million).

—PNB's net increment in total loans during the quarter amounted to only P18 million, after the substantial decline in its overdraft balances of P90 million. Loans and discounts as well as customers' liability acceptances of PNB rose by P57 million and P58 million respectively.

—As of March 31, deposits with the Philippine commercial banking system totalled P7.1 billion, of which 59 per cent is

with private domestic banks and 30 per cent with PNB.

—The net increment of P50 million in deposits with the commercial banking system resulted from additions to time and savings deposits of P115 million and deposits with the government of P39 million, after reductions in demand deposits and deposits of banks by P71 million and P33 million, respectively.

—Deposits with private domestic banks dropped by a net amount of P63 million; those with PNB and foreign banks rose by P69 million and P44 million, respectively.

—This quarter, PNB reduced its bills payable and "other liabilities by a substantial P170 million.

—Private domestic banks continued to liquidate their bills payable (by P45 million this quarter). Net additions to this group of account arose mainly from the incurrence of additional "other liabilities" of P50 million and additions to marginal deposits on letters of credit of P33 million.

An increase of P20 million during the first quarter of 1970 brought the total net worth of domestic commercial banks to about P1.2 million as of March 1970.

—Unused letters of credit rose by a substantial P1,484 million this quarter, with PNB accounting for P929 million of the increase. The increment

of P929 million is about 174 per cent of the additions to PNB's unused letters of credit for 1969.

—Unused letters of credit of private domestic banks rose by P326 million. Last year, unused letters of credit of these banks dropped by P68 million from the previous year.

—The significant increase in unused letters of credit may be attributed mainly to the floating exchange rate adopted on Feb. 21, 1970 and the simultaneous lifting of the ceiling on foreign currency letters of credit. The floating rate for the peso is around P6 to U.S. \$1 as compared to the parity rate of P3.90 to U.S. \$1.

## DOMESTIC CREDITS OUTSTANDING OF THE COMMERCIAL BANKING SYSTEM

1949-1970

(Amount in million pesos)

End of period	TOTAL				CLASSIFIED BY SECTOR				CLASSIFIED BY TYPE OF CREDIT			
	Amount		Per cent of total credits of the Banking System	Per cent average over 1949-1970	Public		Private		Demand deposits	Loans & advances	Government	Outstanding deposits of banks
	1949-1970	1970			Amount	Per cent of total	Amount	Per cent of total				
1949	439.6	81.7	—	—	91.2	13.8	348.4	65.2	441.0	269.3	224.4	116.9
1950	673.1	75.5	+ 2.0	108.7	16.1	584.4	85.9	10.8	72.1	292.1	261.1	47.8
1951	841.7	76.1	+25.0	89.1	10.6	752.6	89.4	63.1	320.4	324.7	324.8	132.8
1952	967.6	76.6	+ 3.1	114.4	13.2	753.2	66.8	79.7	265.4	311.8	311.8	108.0
1953	967.8	78.8	+11.3	132.2	13.7	835.6	86.3	90.9	394.9	342.6	137.4	144.0
1954	1,045.6	87	+ 7.4	121.9	11.7	923.7	88.3	101.1	427.6	368.2	136.3	156.3
1955	1,311.4	79.8	+25.7	228.7	17.4	1,082.7	82.0	223.4	444.0	421.3	222.7	207.0
1956	1,565.7	76.8	+19.4	343.9	22.0	1,221.8	78.0	232.4	545.4	396.3	181.6	161.6
1957	1,819.4	65.8	+ 3.4	161.8	10.0	1,657.6	90.9	121.2	683.2	392.6	222.1	178.0
1958	1,869.3	61.4	+ 3.1	184.2	9.8	1,585.1	90.2	111.5	739.2	603.5	173.1	144.0
1959	1,871.4	60.0	+12.2	175.8	9.4	1,695.6	90.6	113.8	708.0	723.5	164.0	144.0
1960	2,052.4	62.7	+ 8.6	187.2	9.1	1,865.2	90.9	133.1	953.5	744.2	221.6	161.6
1961	2,022.2	60.0	+17.3	320.4	17.2	2,502.8	82.8	435.8	1,209.3	939.5	389.5	207.0
1962	3,427.2	69.2	+13.2	426	12.3	3,001.2	87.7	378.6	1,544.2	1,025.5	408.9	207.0
1963	4,554.2	74.5	+32.9	609.5	13.4	3,944.7	86.6	468.7	2,122.7	1,343.0	624.5	207.0
1964	5,232.4	69.3	+14.9	717.7	13.6	4,514.7	86.4	476.7	2,423.0	1,515.4	791.3	207.0
1965	5,925.4	70.6	+11.5	1,001.8	18.9	4,923.6	81.1	620.8	2,327.0	1,658.8	803.6	207.0
1966	6,409.5	78.1	+14.4	1,135.0	17.5	5,274.5	82.5	795.4	3,221.1	1,551.1	917.6	207.0
1967	7,925.4	78.5	+21.8	1,622.8	20.9	6,302.6	79.1	1,062.6	4,175.1	1,962.7	971.6	207.0
1968	8,808.5	78.9	+11.2	1,872.2	21.3	6,936.3	78.7	1,217.5	4,391.2	1,833.7	964.0	207.0
1969	9,764.0	78.8	+10.9	2,496.3	25.6	7,267.7	74.4	1,628.7	5,500.7	2,725.5	884.1	207.0
1970 January	9,929.1	78.8	+ 8.7	2,214.8	26.0	7,714.3	77.0	1,682.9	5,468.3	1,971.4	892.5	207.0

SOURCES OF BASIC DATA: Statements of Conditions of the Commercial Banking System.  
 1. Consisting of all commercial banks and rural banks accepting demand deposits.  
 2. Including unused overdraft lines.

# THE CORNER BANK

During the recent wave of student demonstrations against the "establishment" — the government, the capitalists, the privileged elite, etc., it is refreshing to note that one bank continued to identify itself without any cry of dissent from the protestors.

This is not at all surprising since Provident Savings Bank — "The Corner Bank," has been closely identified with the masses from the time it first formally opened its doors to the public six years ago.

Indeed, it was established primarily to serve the banking needs of and help the "common tao." And it earned its name, "The Corner Bank," because it has chosen to establish its main office and later its branches where it is convenient and accessible to them — at the corner of the busiest streets.

With the sustained support and continued patronage of the so-called "bank crowd," Provident has been able to greatly expand its resources and now ranks among the

country's bigger and more solid savings banks.

From a modest start of P3 million, Provident's total resources soared, in a short span of six years, to its present total of P60 million. Within this same span of years, it was able to establish six extension offices to better serve its growing clientele. These branches are all conveniently located in Legarda, Central Market, Ylaya, Evangelista, Baclaran and Rizal Avenue and collec-

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**Faith**

the innocent face of a child mirrors her faith in life—  
 and in those whom she loves, whom she knows love her.  
 her eyes carry that expression of devotion, hope and inspiration.  
 at the CHINA BANK, we too have faith. we believe in the ability and aspirations of our people to achieve greatness. we have hope that the future of our beloved Filipinas will be bright. we have faith in her economy . . . that it will be prosperous. and we are happy—that as a bank, we are able to share in the shaping of our country's future. we have faith in God, we have faith in the Filipino.

**China Banking Corporation**  
 THE BANK YOU CAN REALLY BANK ON