

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 rate	Public		Private		Demand deposits	Time deposits	Government	Outstanding letters of credit
	1949	1970			Per cent of total	Per cent of total	Per cent of total	Per cent of total				
1949	439.6	81.7	—	—	91.2	13.8	348.4	85.2	441.0	269.3	222.4	119.0
1950	673.1	75.5	+ 2.0	108.7	16.1	584.4	86.8	107.8	72.1	292.1	261.1	47.8
1951	841.7	76.1	+25.0	89.1	10.6	752.6	89.8	63.1	320.4	324.7	324.8	132.8
1952	967.6	76.6	+ 3.1	114.4	13.2	753.2	86.8	79.7	365.4	311.8	318.0	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	—
1954	1,045.6	87	+ 7.4	121.9	11.7	923.7	88.3	101.1	427.6	368.2	136.3	—
1955	1,311.4	79.8	+25.7	228.7	17.4	1,082.7	82.6	223.4	444.0	421.3	222.7	—
1956	1,565.7	76.8	+19.4	343.9	22.0	1,221.8	78.0	223.4	545.4	396.3	181.6	—
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	—
1958	1,869.3	61.4	+ 3.1	184.2	9.8	1,585.1	90.2	111.5	739.2	605.5	173.1	—
1959	1,871.4	60.0	+12.2	175.8	9.4	1,695.6	90.6	113.8	708.5	723.5	164.4	—
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	—
1961	2,022.2	60.0	+17.3	320.4	17.2	2,503.8	82.8	435.8	1,259.3	939.5	389.5	—
1962	3,427.2	69.2	+13.2	426	12.3	3,001.2	87.9	378.6	1,544.2	1,025.5	408.9	—
1963	4,554.2	74.5	+32.9	609.5	13.4	3,944.7	86.6	468.7	2,122.7	1,343.3	624.5	—
1964	5,232.4	69.3	+14.9	711.7	13.6	4,520.7	86.4	476.7	2,423.0	1,515.4	791.3	—
1965	5,925.4	70.6	+11.5	1,001.8	18.9	4,923.6	81.1	620.8	2,329.7	1,658.8	893.6	—
1966	6,409.5	78.1	+14.4	1,135.0	17.5	5,274.5	82.5	795.4	3,221.1	1,550.1	917.6	—
1967	7,921.8	78.5	+21.8	1,622.8	20.9	6,299.0	79.1	1,062.6	4,175.1	1,982.7	971.6	—
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	—
1969	9,744.9	78.8	+10.9	2,496.3	25.6	7,248.7	74.4	1,628.7	4,530.7	1,722.5	884.1	—
1970 January	9,929.1	78.8	+ 8.7	2,214.8	26.0	7,714.3	71.0	1,682.9	4,608.3	1,871.4	889.5	—

SOURCES OF BASIC DATA: Statements of Conditions of the Commercial Banking System.
 † Consisting of all commercial banks and rural banks accepting demand deposits.
 ‡ 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-

(Continued on Page 16)

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

other equally mandatory instruments of credit control. The CB can still attain the desired goal by means of moral suasion.

This tool may take the form of published announcements, holding of conferences, meetings with the Bankers Association of the Philippines (BAP) and the like wherein plans and courses of action are proposed and discussed. The object is to seek the cooperation of banks in the realization of the objectives of the Central Bank to stabilize the currency and promote overall economic progress.

That this approach has proven successful in many cases in the past, in that the banking community has heeded the call of

support by the Central Bank, is due largely to the fact that appeals of this sort have instilled in the banks a sense of belonging and of being enthusiastic partners with the CB in the praiseworthy task of bringing about monetary stability and material welfare.

Open Market

Another important measure of credit control which is beginning to take roots in developing countries although still in its infancy in the Philippines is the traditional tool of open market operations. This instrument can very well serve as a brake to unwarranted expansion of credit in times of inflation and as an accelerator in

granting more credit in periods of deflation.

The first situation can be effected when the Central Bank shall not make purchases of securities in the open market or at best minimize such purchases or even sell its security holdings. On the other hand, the second situation, i.e., in case of declining money supply and big doses are needed to be injected into the economy, is realized when the CB undertakes more purchases, withholds sales of its security holdings or repurchases its bonds or certificates of indebtedness.

In this country open market operations has been resorted to not only to control credit but also

to make more people bank conscious since commercial banks serve as agents in the encashment of bonds, to encourage good savings habits and, most importantly, to finance economic development of the country.

In addition, when open market operations expand or restrict credit, bank reserves are either increased or decreased. When the Central Bank purchases securities in the open market the proceeds of the sale are credited to its member bank's deposit accounts at the Central Bank. This will increase the reserves of the banks because of an increase of the money available for circulation.

Conversely, when the CB sells securities in the open market, the deposit accounts of the member bank will be debited, resulting in the shrinkage of money supply and thereby in the bank reserves. Thus if the bank reserves are expanded member banks can provide more credit to the public and if bank reserves are reduced less credit is available.

Other Reasons

Besides the fact that open market operations as a device in controlling credit is comparatively of recent vintage in the Philippines, there are other reasons why it cannot be used extensively as yet in this country. For one thing, the market for securities is small and the country is still largely agricultural where it is difficult to develop among the people the consciousness of investing their money in bonds and securities.

For another thing, the people are not accustomed to buying and selling them and it is believed it would take some time to reorient their minds toward investment in securities. Nevertheless, education and moral suasion can be very useful measures that can bring about changes in this direction.

There are still other instruments that can control credit and which are better known as selective credit control measures such as the placing of ceilings on rediscounts of commercial banks and the requirement that commercial banks should maintain a one-to-one ratio between their actual foreign exchange assets and foreign exchange liabilities.

There are authorities, however, such as Dr. Gregorio S. Miranda, who claim that the former measure did not entirely curb lendings made by commercial banks and therefore not very effective in controlling credit. But the one-to-one ratio which was designed to check unnecessary imposts has been more effective

in regulating credit with the added advantage of reducing the amount of the foreign exchange liabilities of commercial banks with the corresponding increase in their foreign exchange assets.

Other Measures

Still in certain instances these traditional instruments of credit control may not be effective enough to cope with the situation, say a rapid skyrocketing in money supply or an unchecked decrease in the quantity of money in circulation, bringing about a serious case of deflation. To be sure, many central banks in the world, including ours, have invariably employed other measures, singly or collectively in conjunction with the traditional instruments.

These measures are the rationing of credit (i.e., placing a limit on discounts), prescribing minimum cash margins for opening letters of credit and the imposition of minimum ratios which capital and surplus of banks must bear to the volume of their assets.

By and large, however, all these credit control measures, despite their limitations imposed by circumstances, lack of fiscal restraint, the law and the usual unmet needs spending on developmental projects and public works, have contributed in one form or another toward the expansion of credit and the curbing of unwarranted expansion and consequently that too of the money supply.

This work on this matter, Business and Government, has been used as reference for this article.

The Corner Bank

(Continued from Page 5)
 account for 53 per cent of Provident's total number of depositors and 42 per cent of its total deposits.

To keep pace with the bank's growth, Provident has expanded its lending operations. At present, its total outstanding loans amount to over P41 million. A majority of these loans were granted for real estate development and housing construction as a response to the present need for housing facilities.

Provident today enjoys the trust and confidence of over 110,000 depositors who avail of the 12-hour service of the bank from Monday to Saturday. Such trust it has continuously nurtured through corded and better services and relentless efforts in looking for means to bring higher returns for the funds entrusted to it by these depositors.

PNB BANK MONEY ORDER (BMO)

are now available at the following:

• **2ND BULACAN DEVELOPMENT BANK**
 MacArthur Highway
 Meycauayan, Bulacan

and also at its Branches at:

Malolos, Valenzuela, (Polo) Bocaue, including its Extension Office at Meycauayan town proper

• **PASAY CITY DEVELOPMENT BANK**
 2462 Taft Avenue Extension
 Pasay City

and at its Extension Office in Marikina, Rizal

BMO IS EVERYWHERE FOR YOU!



PHILIPPINE NATIONAL BANK

124 Branches and Agencies throughout the Philippine
 Correspondent Banks throughout the World
 Cable Address: PHILNABANK