

Discussion Paper No. 9906

March 1999

**Philippine "Colonial Banking"
During the American Period**

by

*Yoshiko Nagano**

*Visiting Research Associate, School of Economics
University of the Philippines

Note: UPSE Discussion Papers are preliminary versions circulated privately to elicit critical comment. They are protected by the Copyright Law (PD No. 49) and not for quotation or reprinting without prior approval.

Abstract

This paper attempts to depict the general features of the structure of the banking sector in the Philippines during the American period. First, it illustrates how the banking institutions, either private or governmental (semi-governmental), existed in the Philippine economy during the American period. Second, it discusses how their activities were carried out during the American colonial period. Third, it shows what kind of relations the banking sector had with various production sectors at that time.

Philippine "Colonial Banking" During the American Period*

Yoshiko Nagano**

Introduction: An Approach to Colonial Banking History

This paper attempts to depict the general features of the structure of the banking sector in the Philippines during the American period. First, it illustrates how the banking institutions, either private or governmental (semi-governmental), existed in the Philippine economy during the American period. Second, it discusses how their activities were carried out during the American colonial period. Third, it shows what kind of relations the banking sector had with various production sectors at that time. If we define the Philippine colonial economy as an "export economy for primary commodities" or a "mono-culture typed economy," it is important to analyze what kind of impact the characteristics of Philippine "export economy" or "mono-culture typed economy" brought to its banking sector or vice versa.

When we review major studies on colonial banking history in East and Southeast Asia that came out in Japan, it is noticed that they usually define major western banks as "colonial banks" which contributed largely in the formation and development of colonial economies.

Takeshi Hamashita, in his book entitled: *International Impetus of Modern China* (in Japanese), defines that British "colonial banks" were those banks which were established under British capital in British colonies such as Canada, South America, Australia, India. Their distinctive feature lied its financial function to link directly between their head offices in Britain and branches in colonies. He examples the cases of British banks such as Oriental Banking Corporation and Chartered Bank of India, Australia and China, both of which headed offices in London keeping expanded network of branches in India, Ceylon, China and Southeast Asia (1).

* This is a part of the author's larger study on the Philippine banking history during the American Period sponsored by the Overseas Research Program of Kanagawa University in 1998-1999. The author has been affiliated with Center for Southeast Asian Studies, University of Wisconsin-Madison and the University of the Philippines School of Economics as visiting during the above period. The author appreciates very much the kind assistance extended to her from the staff of the above two institutions.

**Professor of International Relations, Faculty of Foreign Studies, Kanagawa University, Yokohama. Address: 3/27/1 Rokkakubashi, Kanagawa-ku, Yokohama 221-8686, Japan.
E-mail: ynagano@ma.kcom.nc.jp.

Kanji Ishii discusses in detail the operations of British banks in Asia in his paper entitled: "Reorganization of British Colonial Banks" (in Japanese). He does not explicitly define the term of "colonial banks"; however, since he includes Hongkong and Shanghai Banking Corporation among colonial banks which kept its head office in Hongkong. It means to say that Ishii includes in the category of colonial banks those that had head offices either in London or in Asia (2).

Yasuo Gonjo, in his study on *La Banque de L'Indochine*, discusses extensively its activities in the late 19th century to the early 20th century. He mentions that in France "colonial banks" or "banques coloniales" was the terms that defined the prerogative banks exercising the unique authority of issuing bank notes. The activities of these banks were limited within the colonies, however. During the early 1870s, colonial banks were established in French African colonies under the 1851 Banking Act. In these colonies France controlled the territory under its prerogatives and it was possible to place their banking systems under the strict control of French colonial governments. In Indochina, on the other hand, it was necessary to create a new colonial bank which not only served for the French territorial expansion policy in the future, but also to compete with British banks in Asia. *La Banque de L'Indochine* was established in this direction as a different type of French colonial bank in the 1870s(3).

Shoichi Namikata studies the activities of Japanese banks in Taiwan, Korea and Manchuria, in contrast with those of Western banks in Asia from the late 19th to the early 20th century. In his definition, "colonial (or overseas) banks" were the colonial branches of Western or Japanese banks which headed offices either in East Asia or in the West. Those major banks were the Chartered Bank of India, Australia, and China, the Hongkong and Shanghai Banking Corporation, *La Banque de l'Indochine*, *Deutsch-Asiatische Bank*, *La Banque Russo-Chinoise*, and the International Banking Corporation, among others. Namikata classifies most of these banks into the following three types. (1) Hongkong Shanghai Banking Corporation, that was established by Hongkong-based British prominent merchants. (2) *La Banque de l'Indochine* and *Deutsch-Asiatische Bank* in which major banks or agency houses based in Western countries mainly invested. (3) *La Banque Russo-Chinoise*, which was established under the joint investments by Russian banking capital (most of which was actually French origin) and Chinese government (4).

In the study of colonial banking history, it is significant to define the nature of those banks as "colonial banks," which were established by the investors from the countries that colonized those areas, because they played important roles in expanding their own economic interests in colonial economies. However, in the study of Philippine banking history at the colonial periods, a term of "colonial bank" seems not to have used so far. In the laws and regulations enacted at those period, the term of "colonial banks" was also not used, unlike in the case of France in the late 19th century. This peculiar phenomenon should be understood in the historical background that foreign banking institutions were not necessarily operated actively to protect their own economic interests in the

Philippines. During the American period the colonial government promoted to establish banking institutions for expanding export agriculture under Filipino land-ownership, rather than to protect American economic interest per se. This was different experience from those of the colonies (or dependencies) under Britain, France and Japan. The analysis of this distinctive feature of banking activities will serve to illustrate not only the characteristics of the American colonial policy toward the Philippines, but also the nature of politico-economic structure of the Philippines which in result forced the United States to choose such a policy.

Colonial economies in Asia, Latin America or Africa have been defined as "export economies" or "mono-culture typed economies." While their inner structures could be understood as "dual economies" or "plural economies," each colonial economy have had variety of experiences depending on the nature of its pre-colonial structure or its relation with the colonial master. In fact, whether they were successful in modernization and industrialization or not, largely depended on the characteristics of their economies at pre-independence which have served as colonial legacy long after independence. The primary motive of this paper is to discuss how the characteristics of Philippine colonial economy as a whole reflected the nature of banking sector during the American period. At the same time it also important to show how the banking sector influenced in the formation of the producing sectors in the colonial period.

Administration for Modern Banking Institutions

How did the colonial government regulate the operations of banks during the American period? It was in November 1900 that the Philippine Commission enacted Act No. 52 to start the supervision of the operations of banks in the Philippines. This act had the following regulations. (1) Insular Treasurer shall supervise banking operations every six months and submit its report to US Comptroller of the Currency. (2) Each bank or each branch of the foreign bank shall submit its report of operations to the Insular Treasurer in January, April, July and October, following the regulations of US National Bank Act (5).

In 1917 the Administration Code of 1917 (Act No. 2711) was enacted. Under this act the Bureau of Treasury was newly created to control currency and to supervise banking operations. In February 1929, Act No. 3519 was enacted and the system to supervise banking institutions was reorganized. By this act the Bureau of Banking was created in the Department of Treasury which assumed the former task of the Insular Treasury. Banking Commissioner had an authority to issue several regulations regarding banking operations and was obliged to examine them at least once a year. Even during the Commonwealth period, the Bureau of Banking continued to function in the same way (6).

Since its creation, the Bureau of Banking published its annual reports that contained various data on the regulations of banking industry as well as the development of banking sector from 1929 to 1940. On the other hand, the same publications were not available for the period before 1928. Insular Treasurer submitted annual reports; however, due to the variety of items to be dealt with, data on banking sector was not systematically reported. The limitation of data available from government publications being supplemented by other contemporary reports, we will discuss the changing trend of banking operations in general as well as the rise and fall of banking institutions during the American period.

Changing Trend of Banking Operations

Chart 1 shows the changing amount of assets, loans/discounts/overdrafts, and deposits in 1909-1938, taken from *the Annual Report of the Bank Commissioner of the Philippine Islands in 1938*. It should be noted that the method of compilation of the statistics was different between the periods before and after 1929. After 1929 the banking institutions included in Chart 1 were composed of savings and mortgage banks, commercial banks, trust companies and branches of foreign banks. However, before 1928, together with above four types of banking institutions, building and loan associations were included among banking institutions (During the 1910s insurance companies were also possibly added). At present the author has only data of the total assets of ten building and loan associations in the 1930s, whose amount reached at approximately 10 percent of the combined assets of savings and mortgage banks, commercial banks, trust companies and branches of foreign banks throughout the 1930s (7).

Taking into consideration of the nature of the statistics in Chart 1, we may see the following trends. The each amount of the three items such as assets, loans/discounts/overdrafts and deposits did not change before 1915. After 1916 all three items increased drastically and reached at peak in 1918-1920. Then in 1921-1922 they declined sharply, being stabilized only after 1925-1926, and increased later in the late 1930s. Why did they fluctuate in this way?

First, it is important to understand the above statistics in relation to the development of foreign trade. It was after the enactment of the Payne-Aldrich Tariff Act of 1909 and the Underwood-Simmons Tariff Act of 1913 that special trade relation between the Philippines and the United States was established. Under the preferential tariffs, the Philippines increased its exports to the United States tremendously, while massive US commodities were imported. The rapid increase of banking assets, deposits and loans/discounts/overdrafts shown in Chart 1 was the reflection of the development of Philippine foreign trade largely dependent on the US market.

Second, the currency policy was undertaken based on the gold-exchange standard. In 1903 the Philippine Coinage Act was enacted by the US Congress, in which the Silver

Certificate Reserve was created as currency reserve. On the other hand, the Philippine Commission enacted the Gold Standard Act in 1903 to create the Gold Standard Fund for stabilization of peso against US dollar. In 1918 by the Act No. 2776 these two currency reserve funds were combined into the Currency Reserve Fund and under the new currency law, the Philippine government (and the Philippine National Bank officials) took measures to increase currency circulation enormously through the operations of currency reserve. The drastic increase of banking assets etc. in 1918-21 was the result of a series of the mistaken policies taken by government officials as well as the bank (8).

Third, during the Great Depression, while the US-Philippine trade relations were modified under the Tydings-McDuffie Act of 1934, the currency system was transformed. Following the suspension of the gold standard system and the devaluation of US dollar in 1933-34, the Philippine government devaluated pesos and introduced the dollar exchange standard system in 1935. The effects of changing the currency system on the banking sector remained to be studied; however, the gradual increase of banking assets might be understood in the light of the change of currency system at that time.

Needless to say, the time series data in Chart 1 shows only the general trend of banking activities. In order to understand it more precisely, it is important to examine when and how the banking institutions were established during the American period. In the following section, we will trace the rise and fall of banking institutions from the end of Spanish period.

Establishing Banking Institutions

Table 1 lines up the names of thirty-three banks established in the Philippines from the late 19th century to the end of American period, showing their years of establishment, the nationalities of capital and their types. There were two banks that were not listed in Table 1. One of them was approved its operation but evidence was not available for its actual operation, and the other one had an record of re-opening in the 1920s, but the year of its establishment was unknown (9). With these two banks, the total number of banks established in the Philippines from the late 19th century to the early 1940s was counted at thirty-five, eighteen of which continued operation until 1940 (10).

First, as the nature of the thirty-three banks, it should be classified by type. There were four government-affiliated banks, thirteen commercial banks, two trust companies, two savings and mortgage banks, and twelve foreign banks. Among them, those banks that had operated until the end of the 1930s were three government-affiliated banks, five commercial banks, two trust companies, two savings and mortgage banks, and six foreign banks. Commercial banks and foreign banks shared the majority in number to be established, approximately a half of which were closed or merged.

Second, it is noteworthy that five banks established at the end of Spanish colonial period (two of them were British banks) and except one, four of them served as major banks and continued their operations throughout the American period.

Third, ten banks were established one after another in 1901-1908, but nine of them disappeared soon or later, by way of shutting down or merger. These banks were American, Filipino, Chinese or Japanese, with relative smaller capital under poor management.

Fourth, if we understand that the period from 1901 to 1908 was the first phase of establishing banks in the American period, the period from the late 1910s to the end of the 1920s might be considered as its second phase. During this period, eleven banks were newly established and five of them were shut down later. However the remaining six banks maintained their position as major banks throughout the American period, together with the four banks established in the Spanish period. The period from the late 1910s to the end of the 1920s was the most important time for the establishment of banks during the American period, when the Philippine economy was transformed into the US dependent structure.

Fifth, the late 1930s might be understood as the third phase in term of the establishment of banks. During this period, five private and smaller banks were opened by Filipinos, Manila-based Spaniards, and Chinese, together with one government-affiliated bank. As a new phenomenon, foreign banks in Taiwan under Japan and Netherlands East Indies also opened their branches in Manila. This was related to the rising of importance of Japan in Philippine foreign trade in the late 1930s.

Business Activities of Major Banks in 1940

Table 2 shows the business activities of sixteen banks in 1940, based on the date from the Annual Report of the Bank Commissioner of the Philippine Island in 1940. As shown in Table 1 eighteen banks operated in 1940; however, two government-affiliated banks such as the Postal Savings Bank and the Agricultural and Industrial Bank were excluded from Table 2. Postal Savings Bank, established in 1906, had not been supervised under the Bureau of Banking since 1930, while the Agricultural and Industrial Bank was newly opened in 1939 and its data on the activity in 1940 was not available from the above annual report.

Examining the number of head office and branches, the Philippine National Bank was the most prominent bank in 1940; it had a head office in Manila and fifty-eight branches, including local agencies and a foreign branch in New York. It was the biggest bank in the Philippines, in terms of the size of assets, the amount of loans & discounts, paid-up capital and deposit (private or commercial).

Domestic banks (established locally either by Filipino, Spanish or other foreign capital): There were major commercial banks such as the Bank of the Philippine Islands and the China Banking Corporation, while as trust companies, the Philippine Trust Company and the Peoples Bank and Trust Company were important. The Monte de Piedad and Savings Bank was the sole savings and mortgage bank until the Banco Hipotecario de Filipinas was open in 1940.

As shown by the study of Maria Teresa Colayco, the Bank of the Philippine Islands was the first commercial bank established in the Philippines. It was authorized to issue bank notes not only in the Spanish period, but also in the American period. It opened branches in Iloilo in 1897, in Zamboanga in 1912 and in Cebu 1924, expanding its operations for foreign exchange and discounting notes (11). Its assets, the amount of loans, discounts and overdrafts, paid-up capital and deposit ranked at the top among the commercial banks and trust companies in 1940, maintaining the prominent position among private banking institutions.

The Philippine Trust Company was established in 1916 by Manila-based Americans for trust business, and from 1920 it started operation for commercial banking. In early 1940s, the president of the company was American, but major stockholders were Filipinos (12). The China Banking Corporation was incorporated in 1920 by the capital of Manila-based Chinese merchants. It opened its overseas branches in Amoy in 1925 and Shanghai in 1929, almost monopolizing the trade and remittance business with China (13). On the other hand, the Peoples Bank and Trust Company started its business under American capital in 1926. In 1940 it had branches in the provinces of Pampanga, Laguna and Tarlac as well as in Baguio. In Baguio, its operation was concentrated in loan business for gold export to the United States (14).

The Monte de Piedad and Savings Bank was established in 1882. Its forerunner was Obras Pias, a credit association that was funded in 1594, being Catholic bequests as initial capital. The bank was first created for charity business for the poor, but later developed into a savings and mortgage bank (15).

Foreign Banks: Among six foreign banks in Table 2, two were British, one was American, two were Japanese, and one was Dutch. The major banks among them were the Chartered Bank of India, Australia and China, the Hongkong and Shanghai Banking Corporation (both British) and the National City Bank of New York (American).

As widely known, the Chartered Bank was the second British colonial bank established in Asia in 1853, which extended operations in India and Malay Peninsula. It opened branches in Manila in 1873 and in Iloilo in 1883, while agencies was opened in Cebu in 1900 and in Zamboanga in 1923 (closed in 1938)(16). The Hongkong and Shanghai Banking Corporation was incorporated in Hongkong in 1867. It opened a

branch in Manila in 1875 and an agency in Iloilo in 1883 (17). As shown in Table 2, in 1940 its assets and overdrafts reached 50 million pesos and 36 millions pesos respectively, keeping the top position among foreign banks.

On the other hand, the National City Bank of New York came to Manila only in 1930, by absorbing a Manila branch of the International Banking Corporation. The National City Bank had served a mother company of the International Banking Corporation in the United States since 1914. With this background, the National City Bank bought a Manila branch of the former. Since the merger, it aggressively penetrated into the business of foreign exchange that the two British banks had largely controlled (18).

As some other foreign exchange banks, the Yokohama Specie Bank, the Bank of Taiwan (both Japanese), the Nederlandsch Indische Handelsbank, N.V. were line up. They were instrumental in expanding Philippine trade with East and Southeast Asian countries.

Banking Business and Export Economy

How did the business activities of major banks related to the agricultural production for export and as well as export trade expansion in the Philippines? In this section, taking the examples of three banks, we will illustrate the relationship between the banking business and export economy in the Philippines during the American period.

Chart 2 shows the different roles of foreign banks, commercial banks and government-affiliated banks in their loan business. Three patterns of banking business will be shown below as the cases of the Hongkong Shanghai Bank, the Bank of the Philippine Islands and the Philippine National Bank.

Hongkong Shanghai Banking Corporation: Its major business activity during the American period was to provide loans for major foreign trading firms to purchase export crops from domestic producers (landowners or planters). In early 1900s among trading firms to which the bank provided loans, the most important ones were Warner, Barnes & Co., Smith, Bell & Co., Macleod & Co. (all three firms were British), Aldecoa & Co. and Compania Maritima. In the 1900s to 1910s the bank mostly offered loans for abaca trading business; however, from the 1920s lending services were offered for sugar and copra exporting business as well as rice milling increased. The bank offered loans to the Luzon Rice Mills and the Philippine Vegetable Oil Co. at this time. At Iloilo agency, most of the business was connected with sugar export and major trading firms to which the bank provided credits were Smith, Bell & Co., Ynchausti & Co., and Compania General de Tabacos de Filipinas (Tabacalera) (19).

Bank of the Philippine Islands: During the late 19th century this bank provided advances to American trading firms such as Russel & Sturgis Co. and Peele, Hubbell & Co., together with Tabacalera and Compania de los Tranvias de Filipinas. When the modernization of sugar mills started from the late 1910s to the 1920s, the bank not only provided crop loans to sugar planters, but also financed to the mills such as Victorias Milling Co., Inc., North Negros Sugar Co., Inc. and Asturias Sugar Central, Inc. In contrast with the case of the Hongkong Shanghai Banking Corporation, the Bank of the Philippine Islands provided agricultural loans directly to big landowners (planters) in various local areas (20).

Philippine National Bank: This government-affiliated bank was formally established in May 1916 under Act No. 2611 (National Bank Act)(21). Its task was threefold: first, as a development bank for providing loans for the production of primary commodities; second, as a commercial bank for accepting deposits, conducting foreign exchange transaction and discounting notes etc.; and third, as an official bank to deposit government funds and to issue bank notes.

As has been mentioned, under the gold exchange standard system, the Philippines maintained two currency reserves such as the Silver Certificate Reserve Fund and the Gold Standard Fund which were combined into the Currency Reserve Fund in 1918. The major part of the Currency Reserve Fund was deposited at the New York agency of the Philippine National Bank. Under confused and mistaken policies, large proportion of the currency fund was utilized for financing sugar mills and for providing loans for coconut mills and abaca traders. After the end of World War I, prices of commodities declined sharply. Abaca traders and sugar and coconut mill owners were heavily indebted to the bank, while currency reserve was totally exhausted. Facing the serious financial crisis, the Philippine government took drastic measures to rehabilitate the Philippine National Bank and to restore the currency reserve system. Through these measures, the business activities of the Philippine National Bank were stabilized by the late 1920s, which served as the biggest bank in the Philippines until the Japanese military invasion in 1941(22).

Conclusion

From what has been discussed above, the characteristics of the structure of Philippine banking sector during the American period might be summarized as follows.

First, among the banks survived throughout the American period, the Philippine National Bank was the biggest, in term of its size as well as the scope of its business activities. As local commercial banks, the Bank of Philippine Islands and the China Banking Corporation played an important role, while as foreign banks, the Chartered Bank, the Hongkong and Shanghai Banking Corporation and the National City Bank of New York were prominent. It is noteworthy here that among six banks mentioned above,

an American bank was only one, indicating the weakness of American banking interest toward the Philippines. In comparison with the cases of other colonies in Asia, it is the distinctive feature of Philippine banking system that its colonial master had only minor interest in the banking sector of its colony.

Second, in spite of the penetration of foreign banks in the Philippines, they could not monopolize the financial activities for export economy. The domestic banks such as the Philippine National Bank or the Bank of the Philippine Islands rather penetrated into export business not only through financing for trading firms but also through providing loans to local producers.

Third, modern banking institutions provided loans or advances only to major trading firms, large planters or mill owners for agricultural products for export. Small farmers or tenants were still forced to rely on usury in local areas. In this context, we might understand that the financial system in the Philippines developed its dual structure, dividing into the nationwide network among major modern banking institutions and the locally marginalized network of the usury system.

To conclude, the dual structure of financial system was largely observed in developing countries during the colonial period. What was peculiar in the Philippines was the absence of the monopolistic control of financial sector by its colonial master. Why was it so? This was because the financial system developed in accordance to the structure of production system in the Philippines. It was local landowners (or planters) who mainly controlled the export sectors and relatively minor investment by American capital was observed in the agricultural sector. In this situation, American banking capital was rather hesitant to invest in the Philippines. How should we call the nature of colonial banking sector during the American period? This shows a completely different picture from the banking sectors in British India or Ceylon (Sri Lanka) which were illustrated by John Maynard Keynes or H. A. de S. Gunasekera (23).

Note:

1. Takashi Hamashita, *International Impetus of Modern China: Tribute Trade System and Modern Asia* (in Japanese), Tokyo: University of Tokyo Press, 1990, pp. 157-160, 173.
2. Kanji Ishii, "Reorganization of British Colonial Banks: with Special Reference to Japan and China in the 1870s and 1880s (I) (II)," *Keizaigaku Roshu* (University of Tokyo, Faculty of Economics) (in Japanese), Vol. 45, Nos. 1 & 3 (April & October, 1979).
3. Yasuo Gonjo, *French Imperialism and Asia: A Study of La Banque de L'Indochine* (in Japanese), Tokyo: University of Tokyo Press, 1985, pp. 13-17.
4. Shoich Namikata, *A Historical Study of Financial Policy in Japanese Colonies in Asia* (in Japanese), Tokyo: Waseda University Press, 1985, pp. 29-40.
5. United States, War Department, *Report of the United States Philippine Commission to the Secretary of War for the Period from Dec. 1, 1900 to Oct. 15, 1901*, Washington, DC: Government Printing Office, 1901, Part 1, pp. 102-103.
6. Philippine Islands, War Department, *Report of the Governor-General of the Philippine Islands, 1918*, Washington, DC: Government Printing Office, 1919, p.131; Central Bank of the Philippines, *Central Bank*

of the Philippines, January 3, 1949-January 3, 1974, Manila, p. 143; Philippine Islands, Bureau of Banking, Annual Report of the Bank Commissioner of the Philippine Islands, 1929, Manila: Bureau of Printing, 1930, p. 5.

7. For details on building and loan associations, see Daniel F. Docppers, "Mortgage Loans and Lending Institutions in Pre-War Manila," *Philippine Studies*, Vol. 31, Second Quarter (1983), pp. 189-215.

8. Important studies on the Philippine currency policy during the American period are as follows. Edwin Walter Kemmerer, *Modern Currency Reform: a History and Discussion of Recent Currency Reforms in India, Port Rico, Philippine Islands, Straits Settlements and Mexico*, New York: Macmillan Co., 1919; George F. Luthringer, *The Gold-Exchange Standard in the Philippines*, Princeton: Princeton University Press, 1934.

9. Mauro Prieto established a short-lived with the government approval in 1913 under the Act No. 2215. See Augusto P. Espiritu and Mila Magno-Mijares, *Rural Banking*, Manila, 1957, p.5. A record remains that Central Luzon Agricultural Students' Bank was reopened in 1925, however, its year of establishment and business activity were unknown. Philippine Islands, *Annual Report of the Governor-General of the Philippine Islands, 1925*, Washington, DC: Government Printing Office, 1927, p.107.

10. Rodriguez Bank, though it was not modern bank, but a small lending institution, was established in 1830, but was dissolved later under the stiff competition. See Antonio M. Regidor, and J. Warren Mason, "Commercial Progress in the Philippines," Galang M. Zailo ed., *Encyclopedia of the Philippines*, 3rd ed., Manila: Exquiql Floro, 1950, Vol. 5, pp. 104-106. Since the mid-19th century, the Oriental Banking Corporation, which was first established a branch in China as British bank, assigned its agent in Manila for foreign exchange and loan business, but withdrew from its business in 1884. See Frank H.H. King, *The Hongkong Bank in the Period of Imperialism and War, 1895-1918: Wayfoong, the Focus of Wealth (The History of the Hongkong and Shanghai Banking Corporation: Vol. II)*, Cambridge: Cambridge University Press, 1988, pp. 103-104.

11. Maria Teresa Colayco, *A Tradition of Leadership: Bank of the Philippine Islands*, Manila: Bank of the Philippine Islands, 1984, pp.63, 83, 96.

12. Mary Gracc A. Tirona, "Financial Entrepreneurship and Monopoly Capital," *Journal of History*, Vols. 32 & 33 (1987 & 1988), pp. 34-64. Seiichi Nawata, *Philippine Currency and Finance* (in Japanese), Tokyo: Toa Kenkyujo, 1943, pp.122-123.

13. "China Banking Corporation: Golden Anniversary," *Chronicle Business Report*, Aug. 16, 1970; Virginia Benitez Licuanan, *Money in the Bank: The Story of Money and Banking in the Philippines and the PCI Bank Story*, Manila: PCIBank Human Resources Development Foundation, 1985, pp. 100-103.

14. Colayco, pp. 171-179; Nawata, pp. 122.

15. "Eighty Years of Public Service": *A Brief History of the Monte de Piedad & Savings Bank*, Manila, ca1962.

16. Compton Mackenzie, *Realms of Silver: One Hundred Years of Banking in the East*, London: Routledge & Kegan Paul, 1954, pp. 132-141.

17. King, p. 115.

18. "In the Lives of These Peoples, There Is a Bank...," *Citibank: A Manila Chronicle Special Report*, 1971.

19. Roy C. Ybancz, "The Hongkong Bank in the Philippines, 1899-1941," Frank H.H. King ed., *Eastern Banking: Essays in the History of the Hongkong and Shanghai Banking Corporation*, London: Athlone Press, 1983, pp. 451-466.

20. Colayco, pp. 39-40, 48-49, 52-53, 84; Araceli P. Vergara, "The Bank of the Philippine Islands," College of Business Administration, University of the Philippines, Diliman, 1954 (unpublished), pp. 34-45; *Banco de las Islas Filipinas, LXXV Anniversario*, Manila: 1928, pp. 66-68.

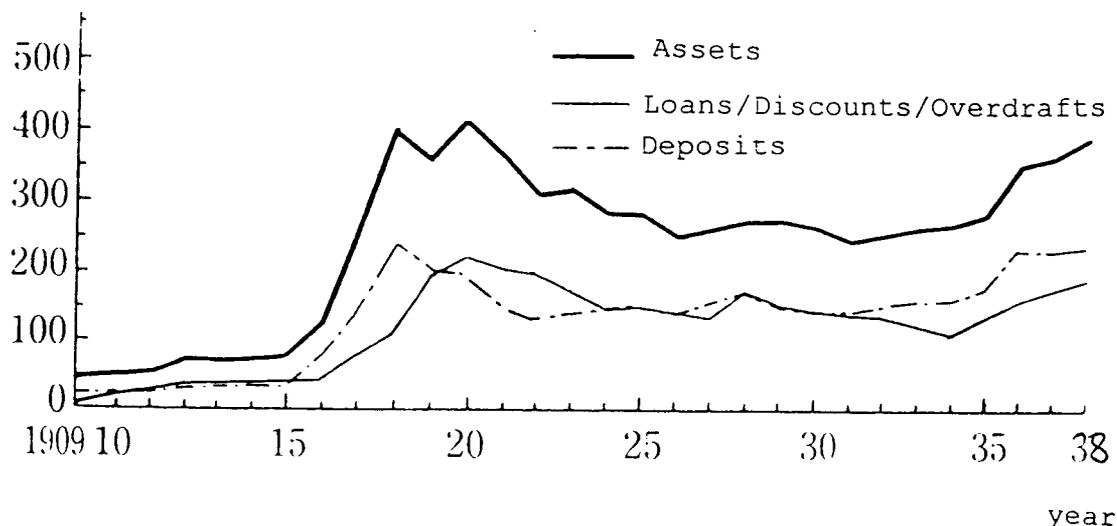
21. Its forerunner was the Agricultural Bank of the Philippine Government. For details, see Yoshiko Nagano, "The Agricultural Bank of the Philippine Government: 1908-1916," *Journal of Southeast Asian Studies*, Vol. 28, No. 2 (Sept. 1997), pp. 301-323.

22. Luthringer, pp. 115-118; Peter W. Stanley, *A Nation in the Making: The Philippines and the United States, 1899-1921*, Cambridge, Mass.: Harvard University Press, 1974, pp. 237-248.

23. J. M. Keynes, *Indian Currency and Finance*, 1st ed., 1913; H.A. de S. Gunasekera, *From Dependent Currency to Central Banking in Ceylon: An Analysis of Monetary Experience, 1825-1957*, London: London School of Economics and Political Science, 1962.

Chart 1 Aggregate Amount of Assets, Loans/Discounts/
Overdrafts and Deposits in Banks in the
Philippines, 1909-1938

million pesos



Source: Philippine Islands, Bureau of Banking, Annual Report of
the Bank Commissioner of the Philippine Islands, 1938,
Manila: Bureau of Printing, 1939, p. 16.

Table 1 Process of the Establishment of Banks in the Phil

	Year of establ ment	Nationali ment
The End of Spanish Period		
[1] Banco Espanol de Isabel II (Bank of the Philippine Islands)	1851	Spanish***
[2] Chartered Bank of India, Australia and China (Manila branch)	1873	British
[3] Hongkong and Shanghai Banking Corporation	1875	British(in
[4] Monte de Piedad y Caja de Ahorros de Manila (Monte de Piedad and Savings Bank)	1882	Spanish***
[5] Banco Peninsular Ultramarino de Madrid (Manila branch)	1883	Spanish
First Phase of American Period		
[6] American Bank	1901	American
[7] International Banking Corporation (Manila branch)	1902	American
[8] Guaranty Trust Co. (Manila branch)	1902	American
[9] Wai Hung Bank	1902	Chinese
[10] Abrews, Newberry and Reyes Bank	1902	Filipino
[11] Bank of Pangasinan	[1902,04,05]**	Filipino
[12] Bank of Zamboanga	[1902,04,05]**	Filipino
[13] Postal Savings Bank	1906	Filipino
[14] S. Mikasa Bank	1906	Japanese
[15] Agricultural Bank of the Philippine Islands	1908	Filipino
Second Phase of American Period		
[16] Philippine National Bank	1916	Filipino
[17] Philippine Trust Co.	1916	Filipino***
[18] Yokohama Specie Bank (Manila branch)	1918	Japanese
[19] Asia Banking Corporation (Manila branch)	1919	American
[20] American Foreign Banking Corporation (Manila branch)	1920	American
[21] China Banking Corporation	1920	Chinese
[22] Chinese-American Bank of Commerce of Peking (Manila branch)	1920	Chinese
[23] Cabanatuan Bank	1923	Filipino
[24] Mercantile Bank of China	1924	Chinese
[25] Peoples Bank of Trust Co.	1926	American
[26] National City Bank of New York (Manila branch)	1930	American
Third Phase of American Period		
[27] Savings Bank of the Commonwealth	1937	Filipino
[28] Nederlandsch Indische Handelsbank, N.V. (Manila branch)	1937	Dutch (In Nether
[29] Philippine Bank of Commerce	1938	Filipino
[30] Bank of Taiwan (Manila branch)	1938	Japanese
[31] Philippine Bank of Communications	1939	China
[32] Agricultural and Industrial Bank	1939	Filipino
[33] Banco Hipotecario de Filipinas	1940	Spanish (& Filipino

Source: H.P. Vibal, "Philippine Banking History," *Banking, Finance and Inve*
Mary Grace A. Tirona, "Financial Entrepreneurship and Monopoly
Philippine Islands, Bureau of Banking, *Annual Reports of the Ban*

Note*3: Government-affiliated Bank; C: Commercial Bank; T: Trust Company;

** Year of establishment varies in different sources.

Major stockholder of the bank around 1940 was the Archbishop of Mani
Islands, Manila: Bank of the Philippine Islands, 1984, pp. 116-117.

Philippines, 1851-1940

ty	Type *	Other remarks (the number indicates the number of the bank in the table)
(in Phil.	C	
Hongkong	F	
(in Phil.	F	
	S	
	F	closed in 1887
(in Phil.	C	locally incorporated, closed in 1905
	F	closed in 1930, merged in [26]
	F	closed in 1904, merged in [7]
	C	closed in 1905
	C	closed in 1902
	C	closed in 1905, reopened in 1917, closed again in 1919
	C	closed in 1908-09
(in Phil.	G	
	C	orderd to be closed in 1906
	G	merged in [16] in 1916
(in Phil.	G	
(in US)	T	
	F	
	F	closed in 1924, merged in [7]
	F	closed in 1920, merged in [22]
(in Phil.	C	
	F	closed in 1924, merged in [7]
	C	shortly-lived
(in Phil.	C	orderd to be closed in 1931
	T	locally incorporated
	F	
land East Indies)	C	became the Bank of Commonwealth in 1939
	F	
in Taiwan	C	
	F	
	C	locally incorporated by the Chinese Bank of Communications
inPhil.)	G	
	S	Andres Soriano y Roxas was the chairman

tments Annual & Directory, 1959, Mani , 1960, pp. 52-53;
 apital," *Jouranl of History*, Vols. 33 & 33 (1987 & 1988), pp. 34-64.
 k Commissioner of the Philippine Islands, Manila: Bureau of Printing, 1930
 S: Savings & Mortgage Bank; F: Foregin Bank
 la. See Maria Teresa Colayco, *A Tradition of Leadership: Bank of the Philip*

**Table 2 The Number of Branches and Several Items of Balance Sheet of Ba
the Philippines as of June 30, 1940**

Name of Bank	Total number of head office and branches	Assets 1000pesos	%	Loan & Discount 1000pesos	%
A. Government-Affiliated Bank					
1. Philippine National Bank	59	144,114	37.2%	72,479	59.3%
B. Commercial Banks & Trust Companies					
2. Bank of the Philippine Islands	4	38,442	9.9%	7,177	5.9%
3. Philippine Trust Company	5	11,176	2.9%	4,821	3.9%
4. China Banking Corporation	3	33,480	8.6%	4,778	3.9%
5. Peoples Bank and Trust Company	5	11,316	2.9%	2,513	2.1%
6. Philippine Bank of Commerce	1	3,637	0.9%	1,002	0.8%
7. Philippine Bank of Communications	1	8,076	2.1%	560	0.5%
8. Bank of the Commonwealth	1	904	0.2%	277	0.2%
C. Savings & Mortgage Banks					
9. Monte de Piedad and Savings Bank	1	10,764	2.8%	5,586	4.6%
10. Banco Hipotecario de Filipinas	1	873	0.2%	670	0.5%
D. Foreign Banks					
11. Chartered Bank of India, Australia and China	3	23,292	6.0%	695	0.6%
12. Hongkong and Shanghai Banking Corporation	2	47,962	9.4%	4,200	3.4%
13. National City Bank of New York	1	36,509	12.4%	11,083	9.1%
14. Yokohama Specie Bank	1	10,250	2.6%	3,732	3.1%
15. Nederlandsch Indische Handelsbank, N.V.	1	4,780	1.2%	1,740	1.4%
16. Bank of Taiwan	1	1,639	0.4%	945	0.8%
Total	90	387,214	100.0%	122,258	100.0%

Source Philippine Islands, Bureau of Banking, Annual Report of the Bank Commissioner of the Philippine

Notes: [1] Including 47 agencies and one foreign branch.

[4] Capital account amounted one million pesos.

[2] Including 4 agencies. [3] Includ

[5] Capital assigned amounted a half

nks in

Overdraft 1000pesos	%	Paid-up Capital 1000pesos	%	Deposit (commercial) 1000pesos	%
10,918	11.7%	10,000	35.2%	35,386	21.5%
16,733	17.9%	6,750	23.7%	24,187	14.7%
2,371	2.5%	1,000	3.5%	9,338	5.7%
2,826	3.0%	5,713	20.0%	14,459	8.8%
3,021	3.2%	1,000	3.5%	9,572	5.8%
628	0.7%	612	2.2%	2,705	1.6%
151	0.2%	2,000	7.0%	4,996	3.0%
436	0.5%	500	1.8%	374	0.2%
		853	3.0%	8,899	5.4%
				16	0.0%
10,977	11.7%			12,032	7.3%
35,615	38.0%	[4]		13,724	8.3%
5,932	6.3%			24,663	15.0%
3,761	4.0%			2,915	1.8%
189	0.2%	[5]		970	0.6%
60	0.1%	[5]		294	0.2%
93,618	100.0%	28,428	100.0%	164,530	100.0%

Islands, 1940, Manila: Bureau of Printing, 1940, pp. 9, 42-57.

ing 2 foreignbranches.
million pesos.

Chart 2 Relations between Major Banks and Traders or Producers

