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# The Emergence of Modern Banking System in the Philippines during the American Colonial Period

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# The Emergence of Modern Banking System in the Philippines during the American Colonial Period

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Abstract:

This paper aims to map the emergence and development of modern banking system in the Philippines during the American colonial period. First, the Philippine foreign trade structure under American rule is briefly surveyed. Second, the process of the enactment of various banking laws and the characteristics of such laws are examined. Third, the emergence and development of the modern banking sector is traced to their important beginnings and tracked in their later stages, and fourth, the roles of foreign exchange banks, commercial banks, and government banks in the export economy are discussed through a critical consideration of certain and exemplary case studies.

## *Introduction*

As has widely been discussed, the export sector of the Philippine economy developed from the strengthening of the trade relationship between the Philippines and the United States, particularly after World War I. In comparison with export economies in other Southeast Asian countries, the Philippines neither saw the overwhelming penetration of capital from its colonial master nor the decisive impact of overseas Chinese in the export economy. It was rather Filipino and Spanish landowners or entrepreneurs who played the major role in developing the primary commodity industries in the Philippines. How did, then, the modern banking sector emerge and expand in the Philippines, with the rise of the export economy in the first half of the twentieth century? How did these distinctive features of the export economy reflect on the development of the modern banking sector in the Philippines? How did the emergence of modern banks affect the producing structure of the Philippine economy?

In this paper, first, the Philippine foreign trade structure under American rule is briefly surveyed. Second, the process of the enactment of various banking laws and the characteristics of such laws are examined. Third, the emergence and development of the modern banking sector is traced to their important beginnings and tracked in their later stages, and fourth, the roles of foreign exchange banks, commercial banks, and government banks in the export economy are discussed through a critical consideration of certain and exemplary case studies. In this process, it is hoped that the conjunction between the modern banking business and the indigenous financial system in the Philippines is accordingly mapped and elaborated.

## *General Features of Philippine Trade and Investment under American Rule*

The Philippine economy was integrated into the British-led world market in the late nineteenth century and saw expansion of export crop production like Manila hemp, sugar and tobacco under Spanish rule. The rise of the export economy and the development of commercial agriculture brought about the formation of a landed elite and increasing tenancy and landlessness for many. American economic policy toward the Philippines aimed to delink the Philippines from the British overseas economic sphere in Asia and to integrate it into its own expanding one. The implementation of this American economic policy toward its major colony in the first half of the twentieth century wrought enormous impact on the Philippine economy, itself already undergoing transformation since the end of Spanish rule.

It was after the enactment of the Payne-Aldrich Tariff Act of 1909 and the Underwood-Simmons Tariff Act of 1913 that the major direction of the U.S.-Philippine trade relationship was established. From the early 1910s on, the Philippine economy was effectively tethered to the U.S. economy under conditionalities of "mutual free trade." Trade between the two countries grew rapidly, especially with the opening of the Panama Canal in 1914, which drastically shortened the distance of the sea lane between the Philippines and the eastern coast of the United States. The U.S.-Philippine preferential trade structure lasted until 1934 when the Tydings-McDuffie Act was enacted in the wake of the Great Depression.[1] Through this process, the Philippine economy was totally integrated into the U.S. economic sphere, becoming a major exporter of agricultural products to the United States and dependent importer of industrial goods from the latter.[2]

Table II-1 shows the total amounts of Philippine exports and imports, and the share of major trading partners in Philippine foreign trade in 1903-1940. Philippine trade, both in exports and imports, steadily increased from the early twentieth century to the end of the 1920s. Its aggregate amount swelled from 60 million pesos to 250-300 million pesos during this period. The 1910s saw a sharp increase in the amount of Philippine foreign trade. The average amount of exports and imports increased by 1.5 times between 1906-1901 and 1911-1915, while it increased by 1.8 to 2.2 times between 1911-1915 and 1916-1920. With the economic boom spurred by World War I, the amount of trade in the late 1910s rapidly ballooned. A sharp decline of such trade by the

1930s is registered given the global and lingering effects of the Depression.

Significant shifts in the Philippines' trading patterns with partners and among foremost trade partners also occurred throughout first half of the twentieth century. Table II-1 shows that until the first half of the 1910s, its major trade partners were Britain, France, and French Indochina. During this period, Philippine trade with Great Britain comprised 15-30 percent of its total exports and 10-20 percent of its total imports. Trade with France made up over 10 percent of total Philippine exports, while that with French Indochina chalked up a 10-20 percent share of total imports. But from the late 1910s on, the share of these three countries declined drastically, while that of the United States increased sharply. Indeed, trade with the United States comprised over 60 percent of both Philippine exports and imports beginning in the late 1910s, with its share peaking at a high 70-80 percent of Philippine exports by the late 1920s. It is also noteworthy that Philippine trade with Japan increased from the late 1910s, approximating a 10 percent share of total Philippine imports.

The U.S. domination of Philippine foreign trade after World War I is also emphatically evidenced by the data on the major Philippine export products to the United States. Table II-2 shows the amount of major export products and the share of the United States by product. The major export products of the Philippines in 1901-1940 were Manila hemp (*abaca*), sugar, and coconut products (copra and coconut oil). The share of these major products, considered in terms of total exports, changed drastically in forty years, as shown in the phenomenal rise of sugar and coconut oil exports, which were almost all solely to the United States by the end of the 1920s. Sugar, for example, comprised 40-50 percent of total exports in the 1930s, becoming the Philippines' top export product. Manila hemp maintained the top position in Philippine exports from the late nineteenth century until the 1910s but began seeing a decline in its share since the early 1920s, with incomes from its export even falling below that of coconut products (copra made by broiling coconut shell and coconut oil) from the late 1920s onwards.

The shifts in the shares of these major export products were a clear reflection of the development of the processing sectors in primary commodities for Philippine exports. In the case of the sugar industry, the modernization of its manufacturing sector accelerated from the 1910s; larger sugar mills, with modern equipment, and thenceafter called “centrals,” were established in sugar producing areas one after another, replacing the old smaller type of sugar mills operating since the late nineteenth century.[3] For the coconut industry, copra was exported as the raw material for vegetable oil beginning in the late nineteenth century. After the late 1910s, coconut mills were set up to process copra and to make coconut oil. The amount of and income from exports of coconut oil exceeded those of copra by the 1920s.[4]

The preferential tariff agreements with the United States indisputably stimulated the development of the processing sectors in primary Philippine commodities, bringing about the rise of entrepreneurs in the Philippines, a development beyond the scope of the account here.[5] Table II-3 shows the amount of investments in major export industries in 1935, and gives us the general picture of such capital outlays in the Philippine export sector. Unsurprisingly, American investments took the dominant position in the development of mills, refineries (or factories) etc.; however, Filipino investments in the sugar industry, and Filipino or Spanish investments in the tobacco industry, outshadowed their American counterparts. Particularly noteworthy was the Filipino share of nearly 50 percent in sugar mills investments, most of which were financed by the Philippine National Bank.[6] Spanish investments also showed considerable exposures in sugar mills, but one should not count them as “foreign investments” because most of these could be traced back to the Spanish colonial period and had become indigenized, and on such account, may now count as domestic capital. In the tobacco industry, however, a major Spanish tobacco company named Compañía General de Tabacos de Filipinas (Tabacalera) held the prominent position in industrial investments, and with its headquarters in Barcelona, Tabacalera, could still therefore qualify as “foreign investment.”[7]

In land and improvements (agricultural farms or plantations), Filipinos dominated investment across all of the major export industries. Because the Philippines was the one Southeast Asian country where large estates (like *haciendas* or plantations) arouse and developed, most of these investments came from its emergent *hacendero* class. These big landowners were generally Chinese or Spanish *mestizos* (mixed-blood

Filipinos) and some of them became entrepreneurs in the processing industries of primary commodities, together with American and Spanish entrepreneurs. In the Philippines, Chinese or Spanish *mestizo* families formed the upper-class stratum of society, the product of strategic intermarriages during the Spanish colonial period and with their economic activities becoming instrumental in Philippine capital formation during the American colonial period.[8] In this context, we might characterize the Philippine export economy under American rule as landlord class-initiated, with the predominance of domestic capital investment.

How did the U.S.-dependent foreign trade structure and the landlord class-initiated export economy relate to the emergence and development of the modern banking sector in the Philippines? In addressing this question, one must first discuss the enactment of banking laws by the Philippine government.

### *Enactment of Banking Laws*

As has been briefly noted in the previous chapter, at the onset of the U.S. occupation it was the Philippine Commission that governed the islands under temporary military rule. The Philippine Commission organized the administrative institutions by establishing various bureaus including the Bureau of the Treasury which took charge of currency and banking matters. In November 1900, the Philippine Commission enacted Act No. 52, providing for the supervision of bank operations in the Philippine and stipulating that: (1) the Insular Treasurer would supervise banking operations and submit every six months its report to the Philippine Commission and to the U.S. Comptroller of the Currency; and (2) each bank or each branch of a foreign bank would submit its report of operations to the Insular Treasurer in January, April, July and October, following the regulations of the U.S. National Bank Act.[9] After the transition to civil government in July 1901, four administrative departments were set up: the Department of Interior, the Department of Commerce and Police, the Department of Finance and Justice and the Department of Public Instruction. Along with other bureaus, the Bureau of the Treasury was placed under the jurisdiction of the Department of Finance and Justice. This administrative structure was confirmed by the Philippine Organic Act of July 1902 and, after further revisions in the years of 1905, 1908 and 1910, such a structure in place had the effect of putting Philippine governance on a firm footing by 1912.[10]

In the year following the enactment of the Jones Act of 1916, which sought to prepare the Philippines for eventual independence, the Administrative Code of 1917 (Act No. 2711) was implemented. This act split the Department of Finance and Justice into a separate Department of Finance and a separate Department of Justice, and the Bureau of the Treasury was integrated into the former for currency control and the supervision of banking operations.[11] In February 1929, Act No. 3519 reorganized the system of supervision for banking institutions. With this act, the Bureau of Banking was created and placed under the Department of Finance to discharge supervisory authority over banking institutions, a mandate formerly held by the Bureau of the Treasury. The Banking Commissioner was granted the power to issue several regulations regarding banking operations and was obligated to review and examine them at least once a year.[12] In November 1935 the Philippine Commonwealth was inaugurated to prepare Filipinos for independence within a ten-year transitional period from that date. Under the Commonwealth government, the Bureau of Banking still continued to function in the same capacity as described.

The first Philippine banking law under the American rule was the Corporation Law (Act No. 1459) of March 1906.[13] This law was amended several times and saw its final revision as Act No. 3610 in November 1929.[14] A Banking Law (Act No. 3154) was enacted in March 1924, while a law for the regulation of foreign banking business was created in February 1929 as Act No. 3520.

The Banking Law (Act No. 3154) contained the following major stipulations: (1) banks allowed to operate ought to guarantee a minimum subscribed capital of 500,000 pesos or more, 50 percent or more of which should have been paid in cash (Sec. 1); and (2) banks organized under this Act would have powers to carry on all kinds of banking business such as the discounting and negotiating of promissory notes, drafts, bills of exchange; the receipt and stewardship of deposits; the buying and selling of exchange, and the issuance of loans on personal security or real estate; additionally, such banks were disallowed from investing more than 60 percent of their paid-up capital and 50 percent of the money received for deposits in loans on real estate, with the further specification that no loan would be given a grace period longer than one year (Sec. 2); (3) said banks were authorized to purchase or discount promissory notes, drafts, and bills of exchange, issued or drawn for agricultural, industrial or commercial purposes and to make available loans on, or discount notes secured by, harvested and stored crops, provided no loans on the security of harvested and stored crops would exceed 60 percent of the market value; in like manner, they could make loans to agriculturalists on standing crops such as rice, copra, sugar, tobacco, corn etc., provided these do not exceed 50 percent of the estimated value of crops (Sec. 3).[15]

The revised Corporation Law (Act No. 3610) classified banking institutions into four categories: “saving and mortgage bank,” “commercial banking corporation,” “trust corporation,” and “building and loan association” and drew up regulations pertinent to each class. The saving and mortgage bank was organized for the purpose of accumulating the small savings of depositors and investing them, together with its capital, in bonds or in loans secured by bonds, bullion or real-estate mortgages. The commercial banking corporation was authorized to receive money on deposit and use it, together with its own capital, for the purpose of making loans, the maintenance of a note circulation, and the purchase, sale or collection of bills of exchange. The trust corporation was organized for the purpose of administering any trusts, or holding property in trust or on deposit, for the use, benefit, or on behalf of others. The building and loan association was to accumulate the savings of its stockholders, encourage home building among its stockholders, and to loan its funds to them.[16]

Act No. 3520 laid down the following regulations for the branches or agencies of foreign banks: (1) that foreign banks would be permitted to conduct business in the Philippines on the condition that they keep at least 90 percent of the deposits payable within the Philippines (Sec. 1); (2) that the total liabilities to a branch of a foreign bank doing business in the Philippines would not exceed an amount of 5 percent of its average deposits payable within the Philippine Islands during the preceding calendar year, plus 15 percent of the amount due from such branch to the home office and branches outside the Philippines, after deducting from such amount sums due such branch from the home office and outside branches; furthermore, the discount of bills of exchange or commercial and business papers would not be considered as money borrowed as explained in this section (Sec. 2); (3) that if a foreign bank has more than one branch or agency in the Philippines, the accounts of all branches or agencies would be consolidated (Sec. 3).[17]

In sum, the noteworthy features and effects of banking regulations in the Philippines, specifically, Act No. 3154, Act No. 3610, and Act No. 3520, may be considered in three ways.

First, while the Banking Law (Act No. 3154) signalled the importance conferred on agricultural loans given its detailed regulations, Act No. 3610 put a premium on commercial loans as well, indicating the primary importance of the business of the saving and mortgage bank and the commercial banking corporation, with some regulations concerning loans on real estate (as collaterals) even without specification of agricultural loans on the security of harvested and stored crops. However, as will be discussed later in this chapter, this does not mean that commercial banks did not provide agricultural loans. The major producing activity in the 1920s and 1930s in the Philippines was agriculture, with special emphasis on sugar, coconut products, and Manila hemp for export. In all probability, therefore, major commercial banks provided loans for export agriculture and foreign trading business on the securities of real estates, shipping papers or warehouse certificates of export products, while the branches and agencies of foreign banks offered ban services to foreign traders. .

Second, Act No. 3154 ruled that the maximum period of loans on the securities of real estate would be one year, while Act No. 3160 declared that the saving and mortgage bank could give loans from five to ten years, and the commercial banking corporation, for five years. This relatively shorter period for loans that private banks could make available presented some difficulties to local entrepreneurs committed to larger industrial investments because of the dependence on loans from private banks that it implied. The industrial investments in primary commodities, particularly in sugar manufacturing, needed longer lending terms of ten to twenty years. But the private banks themselves could not offer such longer-term loans to local entrepreneurs or investors due to the aforementioned legal constraints imposed by the Philippine government. Borrowers now needed to seek loan services suited to their requirements from other financial institutions able to offer them such preferable or better options.

Third, Act No. 3610 recognized the building and loan association, giving it the official standing it required to count among the financial institutions allowed to operate in the Philippines. Modeled after the mutual building and loan association that was developed as a non-banking financial institution in the United States, and originating in Britain, its main activity was to provide loans for housing to the urban population, and thus its relevance was to the construction business but not to agriculture or agro-related industries.[18] The building and loan association is therefore excluded from the discussion that follows on the development of the banking sector in the Philippines.

### *The Development of the Modern Banking Sector*

Since its creation, the Bureau of Banking published annual reports replete with various data on the regulations that were laid down for the banking industry, and on the development of the banking sector from 1929 to 1940, more generally. Such sources are not available for the period before 1928. The Insular Treasurer's annually submitted reports could be culled for banking-related information for this period not covered by the Bureau's publications but given the varieties of items that the Insular Treasurer had to account for, data on the banking sector were not systematically reported. With the limited data available from government publications being supplemented by information from other contemporary reports, we consider the changing trends in banking operations, in particular, and the rise and fall of banking institutions, in general, during the American period.

Chart II-1 shows the changing amounts in assets, loan/discounts/overdrafts, and deposits for the years 1909-1938, taken from the *Annual Report of the Bank Commissioner of the Philippine Islands, 1938.* It should first be noted that the method of compilation of the statistical information was different between the periods before and after 1929. After 1929, the banking institutions included in Chart II-1 consisted of savings and mortgage banks, commercial banks, trust companies, and branches of foreign banks. Before 1929, together with these four types of banking institutions, building and loan associations were included (during the 1910s, insurance companies were also possibly added).[19] Certain trends are immediately discernible from the statistical data compiled in Chart II-1. Each amount for the three items (assets, loans/discounts/overdrafts and deposits) reflected no change before 1915. After 1916, all three items increased drastically and reached their peak in 1918-1920. Then in 1921-1922 they declined sharply, stabilized only after 1925-1926, and increased again in the late 1930s. Why did they fluctuate in this manner?

First, it is important to regard such statistical data in relation to the development of foreign trade in general. The rapid increase of banking assets, deposits, and loans/discounts/overdrafts in the late 1910s amply testified to the development of a Philippine foreign trade largely dependent on the U.S. market. Second, Philippine currency policy was established in 1903, based on the gold exchange standard with two currency reserves; however, the two currency reserve funds were combined into a single Currency Reserve Fund in 1918. The drastic increase in banking assets, loans/discounts/overdrafts, or deposits for the years 1918-1921 was the result of a series of mistaken policies on currency management adopted by the Philippine Treasury as well as by the Philippine National Bank. Third, the gradual increase in banking assets by the late 1930s might be understood as the result of the recovery from the depression, in general, and the 1937 gold mining boom, in particular.[20]

Needless to say, the time series data in Chart II-1 merely index the general trend of banking activities. To understand such a trend more precisely, it is important to examine when and how the banking institutions were established during the American colonial period. Table II-4 enumerates the thirty-three banks established in the Philippines from the late nineteenth century to the early 1940s, listing their years of establishment, the nationalities of capital, and their institutional types. Two banks were not listed here, one of which was approved for operation but information as to when it actually operated is unavailable, and the other one is recorded as re-opening in the 1920s but the year of its establishment is unknown.[21] With these two, banks established in the Philippines from the late nineteenth century to the early 1940s give a total count of thirty-five, eighteen of which continued their operations until 1940.[22]

These banks may be classified by type of institution: four of them were government-affiliated banks, thirteen commercial banks, two trust companies, two savings and mortgage banks, and twelve foreign banks. Of these, three government-affiliated banks, five commercial banks, two trust companies, two savings and mortgage banks, and six foreign banks operated until the end of the 1930s. Commercial banks and foreign banks composed the majority of those established, approximately a half of which eventually closed or merged. Notably, out of five banks established at the end of Spanish colonial period (two of them were British banks), four served as major banks and continued their operations throughout the American period.[23] In 1901-1908, 10 banks were established one after the other, but nine of them ceased operations sooner or later, again through shutdowns or mergers. These were American, Filipino, Chinese, or Japanese banks with relatively smaller capital and were poorly managed.

As shown in Table II-4, while the period from 1901 to 1908 is placed as the first phase of establishing banks in the American period, the period from the late 1910s to the end of 1920s might be classified as its second phase. During the latter period, eleven new banks were established, five of which subsequently closed shop, even as the remaining six banks maintained their position as major banks throughout the American period, together with four other banks that date back to the Spanish era. The period from the late 1910s to the end of the 1920s was the most important for the establishment of banks under the Americans, as this was the decade or so when the Philippine export economy became dependent on United States markets. The late 1930s might be understood as the third phase, when four private and smaller banks were opened by Filipinos, Manila-based Spaniards and Chinese, along with the opening of one government-affiliated bank.[24] As a new phenomenon, foreign banks in Taiwan (then under Japan) and Netherlands East Indies also opened their branches in Manila, while a Chinese bank incorporated a local bank as its subsidiary. This regional banking expansion reflected the increasing importance of Asian markets like Japan for Philippine foreign trade in the late 1930s.

Table II-5 shows the business activities of sixteen banks in 1940, based on the data from the *Annual Report of the Bank Commissioner of the Philippine Islands, 1940*. As shown in Table 1, eighteen banks operated in 1940; however, two government-affiliated banks – the Postal Savings Bank and the Agricultural and Industrial Bank – were excluded from Table 5.[25]

With a head office in Manila and 58 branches, including local agencies and a foreign agency in New York, the Philippine National Bank was the most prominent bank in 1940. It was, indeed, the biggest bank in the Philippines in terms of both size and assets, or the amount of loans and discounts, paid-up capital, and deposit (private or commercial) it held. Other major domestic banks (established locally either by Filipino or Spanish/other foreign, investors) were 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 as preeminent. The Monte de Piedad and Savings Bank was the sole savings and mortgage bank until the Banco Hipotecario de Filipinas opened in 1940.

The Bank of the Philippine Islands was the first commercial bank established in the Philippines. It was authorized to issue bank notes both during the Spanish and American periods. It opened branches in Iloilo in 1897, in Zamboanga in 1912, and in Cebu in 1924, eventually expanding its operations to include foreign exchange and discounting notes. Its assets, amount of loans, discounts and overdrafts, paid-up capital, and deposits ranked at the top of commercial banks and trust companies in 1940.[26] The China Banking Corporation was incorporated in 1920 by Manila-based Chinese merchants. It opened its overseas branches in Amoy in 1925 and Shanghai in 1929, and almost monopolized the trade and remittance business with China.[27]

The Philippine Trust Company was established in 1916 by Manila-based

Americans for trust business and started its operations in commercial banking by 1920. In the early 1940s, the president of the company was an American, but the major stockholders were Filipinos.[28] The Peoples Bank and Trust Company commenced its business under American capital in 1926. In 1940, it opened branches in the provinces of Pampanga, Laguna and Tarlac, as well as in Baguio, where it specialized in the business of giving out loans for the export of gold to the United States.[29] The Monte de Piedad and Savings Bank was established in 1881, with its initial capitalization drawn from the commutation of some trust funds (*obras*) by the Archbishop of Manila. It was first created to provide for the charity needs of the poor, but later developed into a savings and mortgage bank with pawnshopping operations.[30]

Among the six foreign banks in Table II-5, 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 is widely known, the Chartered Bank was the second British bank to establish a branch in Asia in 1853, with extensive operations in India and the Malay Peninsula. It also opened a branch in Manila in 1873, while agencies were opened in Iloilo in 1883 (closed once in 1885 and reopened in 1911), in Cebu in 1900 and in Zamboanga in 1923 (closed in 1938).[31] The Hongkong and Shanghai Banking Corporation, incorporated in Hongkong in 1867, opened a branch in Manila in 1875 and an agency in Iloilo in 1883.[32] As shown in Table 5, in 1940 its assets and overdrafts reached nearly 48 million pesos and 36 million pesos, respectively, and thus the top position among foreign banks.

The National City Bank of New York came to Manila only in 1930, when it absorbed a Manila branch of the International Banking Corporation. The National City Bank had served as a mother company of the International Banking Corporation in the United States since 1915. With the Manila merger, and the dollars it brought from the United States, it aggressively made inroads into the foreign exchange business in the Philippines previously dominated by the British banks (Chartered, Hongkong & Shanghai).[33] In 1930, along with a Manila branch, an agency was opened in Cebu, which was turned into a branch in 1931 but which closed shop by 1934.[34] The other foreign exchange banks that were opened in this period included the Yokohama Specie Bank, the Bank of Taiwan (both Japanese), and the Nederlandsch Indiche Handelsbank, N.V.[35] These bans proved instrumental in expanding Philippine trade with East and Southeast Asian countries.[36]

### *The Banking Business and the Export Economy*

In what specific ways did the business activities of major banks relate to export-oriented agricultural production? Chart II-2 shows the different roles played by foreign banks, commercial banks, and government-affiliated banks in the export sector through their loan business. It also suggests that while the branches of foreign banks and the domestic major banks expanded their nationwide financial networks during this period, Filipino or Chinese merchants and usurers established their own regional or local counterparts to them. No linkages between the nationwide networks of major banks and the regional networks of Filipino or Chinese local merchants and usurers seemed to have existed; instead they seemed to have been segmented each from other, from all indications.[37] It is obvious then that Philippine finance during this period possessed a "dual structure," something similar to counterparts in other Southeast Asian countries under colonial rule. In what follows, while considering the general characteristics of the Philippine financial structure, we illustrate the relationship between the banking business and export economy by way of comparative case study of three different kinds of banks: the Hongkong and Shanghai Bank (for foreign banks), the Bank of the Philippine Islands (for domestic banks), and the Philippine National Bank (for government-affiliated banks).

**Hongkong and Shanghai Banking Corporation**: This British bank occupied the paramount position in the Philippine banking sector in the early period of American colonial rule. In 1906-1908, the assets of the Bank's Manila and Iloilo branches comprised 40 percent of the total resources in Philippine banking, although this percentage share declined to around 10 percent in 1916-1918 with the subsequent boom in the establishment of various banks and the expansion of their respective operations.[38] The Bank, however, continued its domination of the field until the outbreak of World War II. It was designated as government depository at the onset of the American rule in the Philippines, along with the Chartered Bank. When the International Banking Corporation and the Guaranty Trust Co. opened its Philippine branches in 1902, this bank also became a government depository. The designation of these banks as government depositories ended with the institution of the Philippine National Bank in 1916.[39] The major business activities of the Hongkong Bank branches in the first half of the twentieth century were foreign exchange, and loan business with foreign trading firms, which were also its emphases toward the end of the Spanish colonial period.

During the late nineteenth century, the funding for foreign trade in the Philippines was mostly sourced from Hongkong. In the 1880s and 1890s the Hongkong Bank granted credits by commodities and the discounting of promissory notes, while also providing loans with agricultural crops as their collaterals to foreign trading firms (agency houses), or larger domestic merchants who dealt in the trading of export crops like sugar, Manila hemp, copra, tobacco or coffee.[40] In the early 1900s, among the trading firms to which the bank made loans, the most important ones were Warner, Barnes & Co., Smith, Bell & Co., Macleod & Co. (all three firms were British), Aldecoa & Co. and Compañía Maritima. These five companies alone are credited with 83 percent of the bank's outstanding loans and overdrafts in 1904. The Bank's loan portfolio comprised 42 percent of its entire assets in 1904, demonstrating the importance of the lending business to the bank's operations. This concentration on the credit facility which characterized its activities throughout the American period, in fact, earned for the bank a great deal of criticism.[41]

Needless to say, the Bank further expanded its scope of operations through other activities like deposit taking and transactions in bills of exchange. Among the Bank's major clients were an American construction company, Atlantic Gulf & Pacific Co., a Spanish trading firm, Ynchausti & Co. and a Spanish tobacco company, Compañía General de Tabacos de Filipinas (Tabacalera). It also invested in the Manila-Dagupan Railway in 1906.[42] From the 1900s to 1910s, the Bank mostly made loans available to those in the abaca trading business. However, from the 1920s on, lending services for sugar and copra exporting businesses, as well as those in rice milling, increased. For instance, the bank offered loans to the Luzon Rice Mills and the Philippine Vegetable Oil Co. at this time. Much of the Iloilo branch business was connected to sugar exporting, and as in Manila, the major clients of this Iloilo branch were Warner, Barnes & Co., Smith, Bell & Co., Ynchausti & Co., together with local traders like Levy Hermanos, Lizarraga Hermanos, Gregorio Montinola, Jose Araneta and Tabacalera. The operation of Iloilo branch was limited, accounting for about 10 percent of the Manila total; however, it laid down the Bank's crucial linkages with the sugar industry in Negros Island, the sugarlandia of the Philippines.[43]

**Bank of the Philippine Islands**: The Bank was established as Banco Español Filipino de Isabel II in 1851, with the approval of the Spanish colonial government, over twenty years since the King of Spain promulgated a decree establishing a public bank in 1828. The Bank was originally organized as a limited stock company. Its charter provided for a 25-year term that could be renewed, and granted the Bank the exclusive privilege of issuing notes, up to the total amount equivalent to three-fourths of its paid-in capital. The charter also required that the bank should maintain cash at least one-third the value of the notes in circulation. Banking operations began with the *obras pías* or pious foundations providing the main sources for the Bank's capital funds.[44] A Royal Decree in 1854 approved the Bank's By-Laws and authorization to engage in drafts and bills of exchange was granted to the Bank in 1858. In 1869 the Spanish Governor-General ordered that the Bank be renamed the Banco Español Filipino, deleting "Isabel II" given the political change in Spain. Then with two Royal Decrees of 1876 and 1896, the Bank gained a 25-year extension on its franchise.[45]

Thus, the Banco Español Filipino was the only bank that had authority to issue notes under the Royal Decree of the Spanish government by the time the United States annexed the Philippines. Under the new colonial master, various discussions were conducted regarding the Bank's right to issue note. However, with strong backing from the Archbishop of Manila as guardian of the *obras pías* and from William H. Taft, the first American Governor-General (and who later became U.S. Secretary of War), the

Bank was reorganized under the Act No. 1790 in 1907. With this Act the Bank was granted the franchise to conduct business as a commercial bank, invested with the right to issue notes. In 1912 the Bank became officially known as the Bank of the Philippine Islands.[46] Chart II-3 discloses paid-up capital, deposits, and loans/discounts/overdrafts of the Bank from the early 1850s to the mid-1920s and shows the sharp expansion in the bank's business, mirroring the spike in the exporting of primary commodities under the U.S.-Philippine special trade agreement.

Major clients of the Bank in the late nineteenth century included American agency houses like Russell & Sturgis or Peele, Hubbell & Co., the Spanish tobacco firm Tabacalera, and the Compañía de los Tranvias de Filipinas, a railway company that had been set up by Spaniards residing in the Philippines.[47] In Negros or Panay Islands, the Bank made crop loans available to the landowners or planters of sugarcane farms, after large sugar mills called centrals were established one another between the late 1910s and 1920s. Since then, the Bank also extended credit assistance to Victorias Milling Co., Inc., North Negros Sugar Co., Inc. and Asturias Sugar Central, Inc.[48] It can be inferred from the fact of the Bank's establishment of its first branch in Iloilo in 1897 that loans provided to sugar produces accounted for a considerable portion of the Bank's business. However, the Great Depression adversely affected the Bank; in 1937, for example, sugar and rice harvests in Negros and Panay islands declined, reducing the Iloilo branch's transactions. In Zamboanga copra prices dropped and had equally negative impact on the Bank's business, even as the Bank extended its operations to Cebu for copra and Manila hemp transactions involving the direct shipment of these export crops to the United States from this port city.[49]

**Philippine National Bank**: This government-affiliated Bank proved to the biggest player in financing the export sector of the Philippine economy. The general features of Bank are just quickly discussed here to complete the comparison with Hongkong & Shanghai and BPI.

The Bank was formally established in May 1916 under Act No. 2611 (National Bank Act), superseding its short-lived forerunner, the Agricultural Bank of the Philippine Government (1908-1916). Authorized capital for this bank was set at 20 million pesos, 50.5 percent of which was to be raised by the Philippine government. The government stock subscription to the Bank was made in two forms: first, by the transfer of the assets of the Agricultural Bank to it; and second, by subscription of actual cash to the capital stock. The initial subscription of the Bank was to one million pesos and, with the net assets of the Agricultural Bank, the total paid-up capital amounted to three million pesos. Afterward the paid-up capital of the Bank rose rapidly, reaching 35 million pesos in 1922-1923 under what later turned out to be slipshod management that reduced it to ten million pesos.[50]

The task of the Philippine National Bank was threefold: first, as a development bank providing loans for the production of primary commodities; second, as a commercial bank accepting deposits, conducting foreign exchange transactions and discounting notes, etc; and third, as an official bank for the depositing of government funds and for the issuance of bank notes. As shown in Table II-5 and Chart II-2, with the biggest nationwide network and resources among the banks in the Philippines, it directly provided loans to big landowners, mill owners, and traders engaged in the production and exportation of the primary commodities like sugar, coconut products, and Manila hemp. The Bank's lending business was of such scale as to dwarf that of the other major foreign and domestic banks. It is therefore no exaggeration to say that the Philippine National Bank served as the pillar of the modern banking sector in the Philippine export economy from the late 1910s to the early 1940s.

From the foregoing discussion, the characteristics of the structure of the Philippine banking sector during the American period may now be synthesized in three ways. First, among the banks that survived throughout the American period, the Philippine National Bank was the largest in terms of its size and the range of its business activities. As local commercial banks, the Bank of the Philippine Islands and the China Banking Corporation undoubtedly played significant roles, while as foreign banks, the Chartered Bank, the Hongkong and Shanghai Banking Corporation and the National City Bank of New York were equally preeminent. It is noteworthy here that among the six banks discussed above for their importance in Philippine finance development, there was only one American bank, indicating the weakness of American banking interest in the Philippines. In comparison with other colonies in Asia, a distinctive feature of the Philippine banking system during the American colonial period was that its colonial master showed little interest and only maintained a token presence in the banking sector of its colony.

Second, despite the penetration of foreign banks into Philippine capital markets, none of them could establish monopoly over the financial activities of growing export economy. Domestic banks such as the Philippine National Bank or the Bank of the Philippine Islands dominated the financing of the export business not only by subsidizing trading firms but also by providing loans to local producers. Third, modern banking institutions provided loans or advances only to major trading firms, larger planters, or mill owners dealing in agricultural products for export. Small farmers or tenants were still forced to rely on usury in local areas.[51] The financial system in the Philippines developed a dual structure, segmenting into a nationwide network among major modern banking institutions and the locally marginalized network of the usury system.

The dual structure of the financial system was largely observed in Southeast Asian countries during the colonial period. What was peculiar to the Philippines was the absence of the monopolistic control of the financial sector by its colonial master. This is because the financial system developed according to the structure of the production system in the Philippines. It was the local landowners or planters who mainly controlled the export sectors, and only minor investment by American capital could be observed in the agricultural sector. It seemed then that American banking capital was rather hesitant to invest in the Philippines on this account and once the modern banking sector was established in this way in the Philippines, it could only influence the production system of primary commodities by promoting its fossilization through disinvestment. Herein lies the importance of analyzing the nature of the Philippine National Bank throughout this book so as to understand how it constituted the bedrock of the Philippine political economy under the American rule.

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Notes:

[1] For a useful study on American tariff policy toward the Philippines, see Abelarde (1947).

[2] For details see Nagano (1986), chap. 1.

[3] Ibid., chap. 3. See also Larkin (1993), chap. 5.

[4] Hawes (1987), 59-60.

[5] For the formation of entrepreneurs and the development of haciendas in the Philippine sugar industry, see Nagano (1986), chaps. 3-6; Larkin (1993), chap. 3.

[6] For the oligopolistic structure of Philippine sugar industry, see Nagano (1988), 170-181.

[7] For the business activities of Tabacalera, see Raventos (1981), an excellent company history. Spanish capital, at this time, is hence classifiable into two categories, that is, "domestic investment" for those firms established in the Philippines and "foreign investment" for those whose headquarters were based in Spain. If Filipino and Philippine-based Spanish investments were lumped together as "domestic" in nature, both in combination would compose approximately 70 percent of the total investments in sugar mills.

[8] In other parts of colonial Southeast Asia like British Malaya, by contrast, it was the overseas Chinese who played the pivotal role in capital formation in, say, its own tin industry. For the formation of Chinese mestizos in the Philippines, see Wickberg (1965).

[9] United States, War Department (1901), pt. 1, 102-103; Nawata (1943), 104-105.

[10] "Appendix C: Organic Act of the Philippine Islands, Public – No. 235," In Kalaw (1916), 273; Elliot (1968), 6, 8, 100-102; Kalaw (1926), 298; Barrows (1914), 14-16.

[11] Philippine Islands, Governor General (1919), 131; Central Bank of the Philippines (1974), 143.

[12] Philippine Islands, Bureau of Banking (1930), 5; Nawata (1943), 111.

[13] Stine (1966), 108; Central Bank of the Philippines (1974), 142. For the regulations on banking in the Corporate Law of 1906, see Villalon (1926), 27-50.

[14] Philippine Islands, Bureau of Banking (1935), 46-71.

[15] Ibid., 33-37.

[16] Ibid., 46-71.

[17] Ibid., 43-45.

[18] For details, see Doeppers (1983), 189-215.

[19] Philippine Islands, Bureau of the Treasury (1925), 79-80; Philippine Islands, Bureau of Commerce and Industry (1918), 78-79. In the latter document, some insurance companies were listed as among the banks in operation. At present, this author only has the data for the total assets of ten building and loan associations in the 1930s, the amount of which was approximately 10 percent of the combined assets of savings and mortgage banks, commercial banks, trust companies, and branches of foreign banks throughout the 1930s. Philippine Islands, Bureau of Banking (1933), 13; Philippines (Commonwealth), Bureau of Banking (1938), 34.

[20] This author relies on the comments from Dr. Benito J. Legarda, Jr. for the observation on the situation in the late 1930s. Email communication with Benito J. Legarda, Jr. (April 9, 1999).

[21] Mauro Prieto established a short-lived bank with government approval in 1913 under Act No. 2215, see Espiritu and Magno-Mijares (1957), 5. One record states that the Central Luzon Agricultural Students' Bank was reopened in 1925. However, its year of establishment and business activity remain unknown, see Philippine Islands, Governor General (1927), 107.

[22] Abreu, Newberry and Reyes Bank was the first bank established by Filipinos in 1902 and was dissolved in the same year, see *Memoirs of Victor Buencamino* (1977), 21-22. Rodriguez Bank, although it was not a modern bank, but a small lending institution, was established in 1830, but was dissolved later due to stiff competition, see Regidor and Mason (1950), vol. V: 104-106; Licuanan (1985), 64-66. Since the mid-nineteenth century, the Oriental Banking Corporation, which first established a branch in China as a British bank, assigned its agent in Manila for foreign exchange and loan business, but withdrew from business in 1884, see King (1988), 103-104.

[23] For details about the Manila branch of Banco Peninsular Ultramarino de Madrid, see Herrera (1883). For a general review on the development of Philippine banking sector in the nineteenth century, see Balanon (n.d.).

[24] For the Philippine Bank of Commerce, see Licuanan (1988), chap. 1: Reyes-McMurray (1998), 92-93.

[25] Postal Savings Bank, established in 1906, had not been supervised by the Bureau of Banking since 1930, while the Agricultural and Industrial Bank was newly opened in 1939 and data on its activities in 1940 are missing from said annual report. For the establishment of the Philippine Postal Savings Bank, see Kemmerer (1907). With Act No. 1493, the Postal Savings Bank was established under the supervision of the Bureau of Posts. Within a year it had a nationwide network of 233 offices and at its peak in 1930 had 983 branches. See Doeppers (1983), 191-195; Tirona (1987-1988), 60. The Agricultural and Industrial Bank was established by Commonwealth Act No. 459, stipulating for the bank a capital of 150 million pesos, with exclusive subscription by the Philippine government, with 25 million pesos payable upon subscription. Philippines (Commonwealth), Bureau of Banking (1940), 21-22.

[26] United States, War Department (1901), pt. 2: 468-470; Conant (1901), 51-55; Ide (1907), 27-32; Colayco (1984), 63, 83, 96. The major stockholder of the Bank of the Philippine Islands around 1940 was the Archbishop of Manila, which was also true of the Philippine Trust Company and the Monte de Piedad and Savings Bank. Ibid., pp. 116, 127.

[27] Tirona (1987-88), 61; Nawata (1943), 122-123; *Firipin ni okeru Ginko-hattatsushi* (1942), 12; *Senzen ni okeru Hito no Zaisei, Kinyu, Tsuka, Boeki-ippan* (1942), 16.

[28] "China Banking Corporation: Golden Anniversary" (1970), 8, 10. For the China Banking Corporation, see Wong (1999), 132-142. Wong gives the date of the establishment of this bank as 1928. For the articles of this bank, see China Banking Corporation, Manila, P. I. (1920).

[29] *Firipin ni okeru Ginko-hattatsushi* (1942), 122. For Peoples Bank and Trust Company, see Colayco (1984), 171-179.

[30] *"Eighty Years of Public Service"* (1962); Vibal (1960), 52, 75; "Monte de Piedad's 106th Year" (1988), 17-20; email communication with Benito J. Legarda, Jr. (April 9, 1999).

[31] Mackenzie (1954), 132-141, 217: United States, War Department (1901), pt. 2, 471; Hamashita (1990), 157-159, 201-202; Philippines (Commonwealth), Bureau of Banking (1939), 15.

[32] King (1988), 103, 115; Hamashita (1990), 201; Legarda (1999), 208.

[33] Bankers Association of the Philippines (1957), 74; Ji (2003), 152. Some other 7 sources give the year of the merger of the International Banking Corporation with the National City Bank of New York as 1914. For example, see "In the Lives of These People, There Is a Bank..."(1971); Tirona (1987-1988), 60.

[34] Philippine Islands, Bureau of Banking (1931), 5; Philippine Islands, Bureau of Banking (1932), 5; Philippine Islands, Bureau of Banking (1935), 8.

[35] Espiritu and Magno-Mijares (1957), 11: Hamashita (1990), 202-203.

[36] For the controls on the banking sector under Japanese rule, see “III Rehabilitation of Philippine Banking Structure” in Romualdez (1962), 475-494.

[37] For the financial network of Chinese in the Philippines during the American period, see Wong (1999), Part Two.

[38] Ybañez (1983), 451; King (1988), 118.

[39] Ybañez (1983), 437-442; King (1988), 111-114.

[40] Ibid., 102-108.

[41] Ybañez (1983), 453-454; King (1988), 119-120.

[42] Ybañez (1983), 454; King (1988), 120-121.

[43] Ybañez (1983), 456, 464-466; King (1988a), 535-539.

[44] *Banco de las Islas Filipinas* (1928), 1-3; Colayco (1984), 18, 23-26; Legarda (1999), 208-211.

[45] *Banco de las Islas Filipinas* (1928), 14-17, 23, 25, 43; Colayco (1984), 30, 36, 40, 57-58.

[46] *Banco de las Islas Filipinas* (1928), 56-57, 62-63: Colyaco (1984), 79-80, 83; “Charter of the Bank of the Philippine Islands” (n.d.), 13-45; "The Bank of the Philippine Islands" (1918), 372. The Act No. 3330 of 1928 limited the maximum amount for the issuance of bank notes by the Bank to nine million pesos and stipulated that all of its bank notes were to be retired within fifteen years. See Nawata (1943), 47-48.

[47] Colayco (1984), 39-40, 48-49, 52-53.

[48] *Banco de las Islas Filipinas*, 66-68; Colyaco (1984), 84; Vergara (1954), 34-35.

[49] Colayco (1984), 105.

[50] "Act No. 2612" (1916), 1097-1102; Willis (1917), 415-416; Nagano (1993), 218-219.

[51] However, the Philippine government showed some interest in establishing cooperative-type rural

credit institutions among small farmers. In 1915, Act No. 2508, known as the Rural Credit Law, was enacted and in 1924 Act No. 3154, known as the Guanco Act, was passed. These two laws promoted the establishment of small scale financial institutions. In 1931 the Act No. 3895 and Act No. 3896 were enacted; The former urged the Philippine National Bank to organize agricultural financial institutions in ten rural areas, while the latter encouraged the setting up of rural banks by smaller private capitalists. Yet only seven financial institutions were created under the former act, while only two rural banks got put up with the latter act. Espiritu and Magno-Mijares 1957), 10-11; Balmaceda (1924), 5-16; Galang (1938), 109-113.

Table II-1 Philippine Foreign Trade by Country, 1903-1940

1. Export

| Year(1) | Average annual amount (1000 pesos) | Europe | | | | | | America | | | | Asia | | | | | | | | | Austra-lia | Others(5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Great Britain(2) | Spain | France | Germany | Others | Sub-total | United States | Canada | Hawaii & Guam (3) | Sub-total | China | Hong-kong | Japan | Kwan-tung | "British East Indies"(4) | French East Indies | Dutch East Indies | Thailand | Sub-total | | |
| 1903～05 | 63,334 | 28.1 | 3.9 | 7.3 | 0.8 | 0.7 | 40.8 | 41.6 | 0.0 | | 41.6 | 2.3 | 7.2 | 3.3 | | 2.1 | 0.0 | 0.1 | | 15.0 | 1.4 | 1.1 |
| 1906～10 | 69,558 | 21.2 | 5.4 | 13.2 | 2.0 | 3.6 | 45.4 | 37.2 | 0.1 | 0.1 | 37.4 | 4.6 | 6.4 | 1.1 | | 2.4 | 0.1 | 0.1 | 0.0 | 14.7 | 1.4 | 1.1 |
| 1911～15 | 100,014 | 16.6 | 4.8 | 12.8 | 2.3 | 3.7 | 40.2 | 42.9 | 0.1 | 0.2 | 43.2 | 2.4 | 4.5 | 5.5 | | 2.3 | 0.0 | 0.1 | 0.0 | 14.8 | 1.1 | 0.5 |
| 1916～20 | 225,991 | 12.5 | 3.1 | 1.9 | 0.2 | 3.3 | 21.0 | 61.9 | | 0.3 | 62.2 | 2.4 | 5.1 | 6.1 | 0.0 | 1.3 | 0.6 | 0.3 | 0.0 | 15.8 | 0.8 | 0.2 |
| 1921～25 | 235,469 | 6.4 | 3.6 | 1.9 | 2.2 | 4.7 | 18.8 | 68.9 | | 0.4 | 69.3 | 2.1 | 2.3 | 5.5 | 0.0 | 0.9 | 0.0 | 0.2 | 0.0 | 11.0 | 0.6 | 0.3 |
| 1926～30 | 298,051 | 4.7 | 3.5 | 1.5 | 2.0 | 3.3 | 15.0 | 75.3 | | 0.4 | 75.7 | 2.0 | 0.8 | 4.5 | 0.0 | 0.8 | 0.0 | 0.2 | 0.1 | 8.4 | 0.4 | 0.5 |
| 1931～35 | 203,892 | 2.5 | 2.7 | 1.6 | 1.0 | 1.7 | 9.5 | 83.2 | | 0.4 | 83.6 | 0.9 | 0.5 | 3.7 | 0.0 | 0.3 | 0.0 | 0.2 | 0.1 | 5.7 | 0.2 | 1.0 |
| 1936～40 | 233,975 | 3.2 | 0.7 | 1.3 | 1.1 | 3.8 | 10.1 | 77.9 | | 0.5 | 78.4 | 0.8 | 0.7 | 6.4 | 0.1 | 0.5 | 0.0 | 0.3 | 0.1 | 8.9 | 0.4 | 2.2 |

2. Import

| Year(1) | Average annual amount (1000 pesos) | Europe | | | | | | America | | | | Asia | | | | | | | | | Austra-lia | Others(5) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Great Britain(2) | Spain | France | Germany | Others | Sub-total | United States | Canada | Hawaii & Guam (3) | Sub-total | China | Hong-kong | Japan | Kwan-tung | "British East Indies"(4) | French East Indies | Dutch East Indies | Thailand | Sub-total | | |
| 1903～05 | 62,293 | 15.1 | 6.4 | 3.3 | 5.0 | 3.2 | 33.0 | 15.5 | 0.0 | | 15.5 | 11.3 | 1.1 | 2.7 | | 7.2 | 21.3 | 0.2 | | 43.8 | 3.7 | 4.0 |
| 1906～10 | 66,739 | 17.9 | 4.6 | 2.8 | 5.6 | 4.0 | 34.9 | 24.7 | 0.1 | 0.0 | 24.8 | 7.6 | 1.3 | 4.5 | | 3.5 | 14.9 | 0.8 | 0.4 | 33.0 | 6.5 | 0.8 |
| 1911～15 | 104,362 | 9.4 | 2.3 | 2.3 | 4.0 | 2.3 | 20.3 | 46.2 | 0.1 | 0.6 | 46.9 | 4.2 | 1.0 | 6.3 | | 2.2 | 11.9 | 0.9 | 0.7 | 27.2 | 4.8 | 0.9 |
| 1916～20 | 191,188 | 3.3 | 0.8 | 1.2 | 0.2 | 1.1 | 6.6 | 60.1 | | 1.0 | 61.1 | 6.6 | 0.2 | 11.2 | 0.1 | 1.9 | 5.7 | 1.9 | 1.5 | 29.1 | 3.1 | 0.1 |
| 1921～25 | 204,512 | 4.7 | 0.6 | 1.0 | 1.5 | 2.2 | 10.0 | 59.1 | | 0.7 | 59.8 | 7.2 | 0.4 | 9.1 | 0.5 | 1.7 | 5.2 | 2.9 | 0.5 | 27.5 | 2.5 | 0.2 |
| 1926～30 | 256,024 | 4.3 | 0.7 | 1.1 | 3.3 | 3.2 | 12.6 | 62.1 | | 0.5 | 62.6 | 5.1 | 0.2 | 9.5 | 0.6 | 2.3 | 2.3 | 2.3 | 0.1 | 22.4 | 1.7 | 0.7 |
| 1931～35 | 166,026 | 2.9 | 0.5 | 1.0 | 3.9 | 3.9 | 12.2 | 64.0 | | 0.3 | 64.3 | 4.9 | 0.1 | 10.9 | 0.4 | 2.1 | 0.5 | 2.2 | 0.0 | 21.1 | 1.5 | 0.9 |
| 1936～40 | 214,927 | 2.3 | 0.1 | 0.7 | 3.0 | 5.2 | 11.3 | 66.1 | | 0.3 | 66.4 | 2.5 | 0.7 | 9.8 | 0.1 | 1.9 | 1.2 | 2.2 | 0.6 | 19.0 | 1.9 | 1.4 |

Source: 1903～40：Philippine Islands, Bureau of Commerce and Industry, *Statistical Bulletin No. 3: Philippine Islands 1920,* Manila: Bureau of Printing, 1921, pp. 125-135.
1921～40：Philippine Islands and Philippines (Commonwealth), Bureau of Customs, *Annual Report of the Insular Collector of Customs,* Manila: Burea of Printin

Note: (1) Calender year. For the year 1939 from January to June only. For the year 1940 the fiscal year from July 1939 to June 1940.
(2) Ireland is included in 1921-1940.
(3) Hawai only in 1903-1920.
(4) British colonies in Asia like Singapore.
(5) In original sources, "All other" that might also include some coutries in Europe, America or Asia.

Table II-2 The Share of Major Export Products in Total Export of the Philippines and the Share of the United Sates in Major Philippine Export Products, 1901-1940

| Year (1) | Share of Major Export Products in Total Export of the Philippines (%) | | | | | | Share of the Unites Sate in Major Philippine Export Products (%) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Manila hemp | Sugar | Copra | Coconut oil | Tobacco | Total | Manila hemp | Sugar | Copra | Coconut oil | Tobacco |
| 1901～05 | 67.5 | 11.6 | 8.9 | 0.0 | 7.5 | 95.5 | 50.4 | 26.5 | 0.2 | 0.0 | 0.3 |
| 1906～10 | 51.8 | 15.6 | 18.9 | 0.3 | 9.2 | 95.8 | 52.8 | 42.7 | 4.5 | 51.6 | 14.7 |
| 1911～15 | 39.2 | 20.2 | 22.4 | 2.6 | 8.8 | 93.2 | 49.2 | 63.8 | 14.3 | 98.8 | 31.1 |
| 1916～20 | 35.5 | 19.5 | 5.8 | 17.8 | 10.6 | 89.2 | 58.0 | 58.8 | 53.7 | 84.7 | 46.7 |
| 1921～25 | 20.4 | 29.2 | 13.5 | 14.7 | 8.2 | 86.0 | 50.3 | 84.5 | 60.1 | 95.9 | 44.5 |
| 1926～30 | 18.2 | 31.6 | 12.0 | 15.9 | 5.8 | 83.5 | 42.9 | 96.3 | 77.0 | 98.8 | 42.2 |
| 1931～35 | 8.1 | 53.2 | 8.4 | 10.1 | 6.0 | 85.8 | 30.5 | 100.0 | 65.5 | 95.0 | 49.2 |
| 1936～40 | 10.9 | 42.4 | 10.6 | 9.9 | 4.4 | 78.2 | 31.9 | 99.9 | 68.9 | 94.2 | 48.6 |

Source: Philippines (Commonwealth), Bureau of Customs, *Annual Report of the Bureau of Customs, 1940* , Manila: Bureau of Printing, 1941, pp.101-111.

Note: (1) Calender year. For the year 1939 from January to June only. For the year 1940, the fiscal year (from July 1939 to June 1940).

Table II-3 Investment in Major Export Industries (as of July 31, 1935)

| | Nationality | Land and improvemet 1 million pesos (%)(1) | | Mills, refineries, etc. 1 million pesos (%)(1) | | Total 1 million pesos (%)(1) | |
|---|---|---|---|---|---|---|---|
| Sugar | Philippine | 340.9 | ( 94.0) | 79.7 | (47.4)(2) | 420.6 | ( 79.3) |
| | American | 10.9 | ( 3.0) | 44.9 | ( 26.7) | 55.7 | ( 10.5) |
| | Spanish | 7.3 | ( 2.0) | 40.0 | ( 23.8) | 47.3 | ( 8.9) |
| | Others | 3.6 | ( 1.0) | 3.6 | ( 2.1) | 7.2 | ( 1.4) |
| | Total | 362.6 | (100.0) | 168.1 | (100.0) | 530.7 | (100.0) |
| Coconuts | Philippine | 389.3 | ( 93.0) | 1.8 | ( 7.6) | 391.1 | ( 88.4) |
| | American | 16.8 | ( 4.0) | 11.1 | ( 46.6) | 27.8 | ( 6.3) |
| | Spanish | 8.4 | ( 2.0) | 1.1 | ( 4.6) | 9.4 | ( 2.1) |
| | British | --- | | 7.0 | ( 29.4) | 7.0 | ( 1.6) |
| | Others | 4.2 | ( 1.0) | 2.9 | ( 12.2) | 7.0 | ( 1.6) |
| | Total | 418.6 | (100.0) | 23.8 | (100.0) | 442.4 | (100.0) |
| Manila hemp | Philippine | 352.5 | ( 94.2) | 2.0 | ( 12.8) | 354.5 | ( 90.9) |
| | American | 11.0 | ( 2.9) | 7.9 | ( 50.6) | 18.9 | ( 4.8) |
| | Japanese | 7.3 | ( 2.0) | 1.5 | ( 9.6) | 8.8 | ( 2.3) |
| | British | --- | | 2.8 | ( 17.9) | 2.8 | ( 0.7) |
| | Others | 3.7 | ( 1.0) | 1.4 | ( 9.0) | 5.1 | ( 1.3) |
| | Total | 374.5 | (100.0) | 15.6 | (100.0) | 390.1 | (100.0) |
| Tobacco | Philippine | 40.7 | ( 96.9) | 0.2 | ( 1.1) | 40.9 | ( 67.6) |
| | Spanish | 0.8 | ( 1.9) | 12.1 | ( 65.4) | 12.9 | ( 21.3) |
| | Others | 0.4 | ( 1.0) | 6.2 | ( 33.5) | 6.7 | ( 11.1) |
| | Total | 42.0 | (100.0) | 18.5 | (100.0) | 60.5 | (100.0) |

Source: Philippines (Commonwealth), Department of Agriculture and Commerce, *The Philippine Statistical Review* , vol. III, no. 4 (1936), p. 310.

Note: (1) Due to rounding error, in some cases the total cannot be equal to the aggregate figures of the amount of each item.

(2) Including the invesment of 37, 700,000 pesos by the Philippine National Bank.

Table II-4 Process of the Establishment of Banks in the Philippines, 1851-1940

| Name of the Bank | Year of establish-ment | Nationality | Type (1) | Other remarks (the number indicates the number of the bank in the table) |
|---|---|---|---|---|
| **The End of Spanish Period** | | | | |
| 1. Banco Español de Isabel II (Bank of the Philippine Islands, BPI) | 1851 | Spanish (in Philippines)(3) | C | |
| 2. Chartered Bank of India, Australia and China (Manila branch) | 1873 | British | F | |
| 3. Hongkong and Shanghai Banking Corporation | 1875 | British (in Hongkong) | F | |
| 4. Monte de Piedad y Caja de Ahorros de Manila (Monte de Piedad and Savings Bank) | 1882 | Spanish (in Philippines)(3) | S | |
| 5. Banco Peninsular Ultramario de Madrid（Manila branch) | 1883 | Spanish | F | closed in 1887 |
| **First Phase of American Period** | | | | |
| 6. American Bank | 1901 | American | C | locally incorporated, closed in 1905 |
| 7. International Banking Corporation (Manila branch) | 1902 | American | F | closed in 1930, merged in (26) |
| 8. Guranty Trust Co. (Manila branch) | 1902 | American | F | closed in 1930, merged in (7) |
| 9. Wai Hung Bank | 1902 | Chinese (in Philippines) | C | closed in 1905 |
| 10. Abreu, Newberry and Reyes Bank | 1902 | Filipino | C | closed in 1902 |
| 11. Bank of Pangasinan | (1902,04,05) (2) | Filipino | C | closed in 1905, reopened in 1917, closed again in 1919 |
| 12. Bank of Zamboanga | (1902,04,05) (2) | Filipino | C | closed in 1908-1909 |
| 13. Postal Savings Bank | 1906 | Filipino | G | excluded from the supervison of the Bureau of Banking in 1930 |
| 14. S. Misaka Bank | 1906 | Japanese (in Philippines) | C | ordered to be closed in 1906 |
| 15. Agricultural Bank of the Philippine Government | 1908 | Filipino | G | merged with (16) in 1916 |
| **Second Phase of American Period** | | | | |
| 16. Philippine National Bank | 1916 | Filipino | G | |
| 17. Philippine Trust Co. | 1916 | Filipino (3) | T | |
| 18. Yokohama Specie Bank (Manila branch) | 1918 | Japanese | F | |
| 19. Asia Banking Corporation (Manila branch) | 1919 | American | F | closed in 1924, merged with (7) |
| 20. American Foreign Banking Corporation (Manila branch) | 1920 | American | F | closed in 1920, merged with (22) |
| 21. China Banking Corporation | 1920 | Chinese (in Philippines) | C | |
| 22. Chinese-American Bank of Commerce of Peking (Manila branch) | 1920 | Chinese (in U.S.) | F | closed in 1924, merged with (7) |
| 23. Cabanatuan Bank | 1923 | Filipino | C | short-lived |
| 24. Mercantile Bank of China | 1924 | Chinese (in Philippines) | C | ordered to be closed in 1931 |
| 25. Peoples Bank of Trust Co. | 1926 | American | T | locally incorporated |
| 26.National City of Bank of New York (Manila branch) | 1930 | American | F | |
| **Third Phase of American Period** | | | | |
| 27. Savings Bank of the Commonwealth | 1937 | Filipino | C | became the Bank of Commonwealth in 1939 |
| 28. Nederlandsch Indische Handelsbank, N.V. (Manila branch) | 1937 | Dutch (in Netherland East Indies) | F | |
| 29. Philippine Bank of Commerce | 1938 | Filipino | C | |
| 30. Bank of Taiwain (Manila branch) | 1938 | Japanese (in Taiwan) | F | |
| 31.Philippine Bank of Communications | 1939 | China | C | locally incorporated by the Chinese Bank of Communications |
| 32. Agricultural and Industrial Bank | 1939 | Filipino | G | |
| 33. Banco Hipotecario de Filipinas | 1940 | Spanish & Filipino (in Philippines) | S | Andres Soriano y Roxas was the chairman |

Source: H.P. Vibal, "Philippine Banking History," *Banking, Finance and Investments Annual & Directory for 1959* , Manila, 1960, pp. 52-53;
Seiichi Nawata,*Firipin no Tsuka oyobi Kinyu[Philippine Currency and Finance]* , Tokyo: Toa Kenkyujo, 1943,.pp. 101-104;
Mary Grace A. Tirona, "Financial Entrepreneurship and Monopoly Capitalism,"*Journal of History* , vols. 32-33 (1987-1988), pp. 34-64;
Philippine Islands, Bureau of Banking, *Annual Report of the Bank Commissioner of the Philippine Islands, 1929-1934, Manila: Bureau of Banking, 1930-1935;*
Philippines (Commonwealth), Bureau of Banking, *Annual Report of the Bank Commissioner of the Philippines, 1935-1940* , Manila: Bureau of Printing, 1936-1941.

Note: (1) G: Government-affiliated bank; C: Commercial Bank; T: Trust Company; S: Savings & Mortgage Bank; F: Foreign Bank
(2) Year of establishment varies in different sources.
(3) Major stockholder of the bank around 1940 was the Archbishop of Manila. See Maria Teresa Colayco, *Tradition of Leadership: of the Philippine Islands*, Manila, Bank of the Philippine Islands, pp, 116, 127.

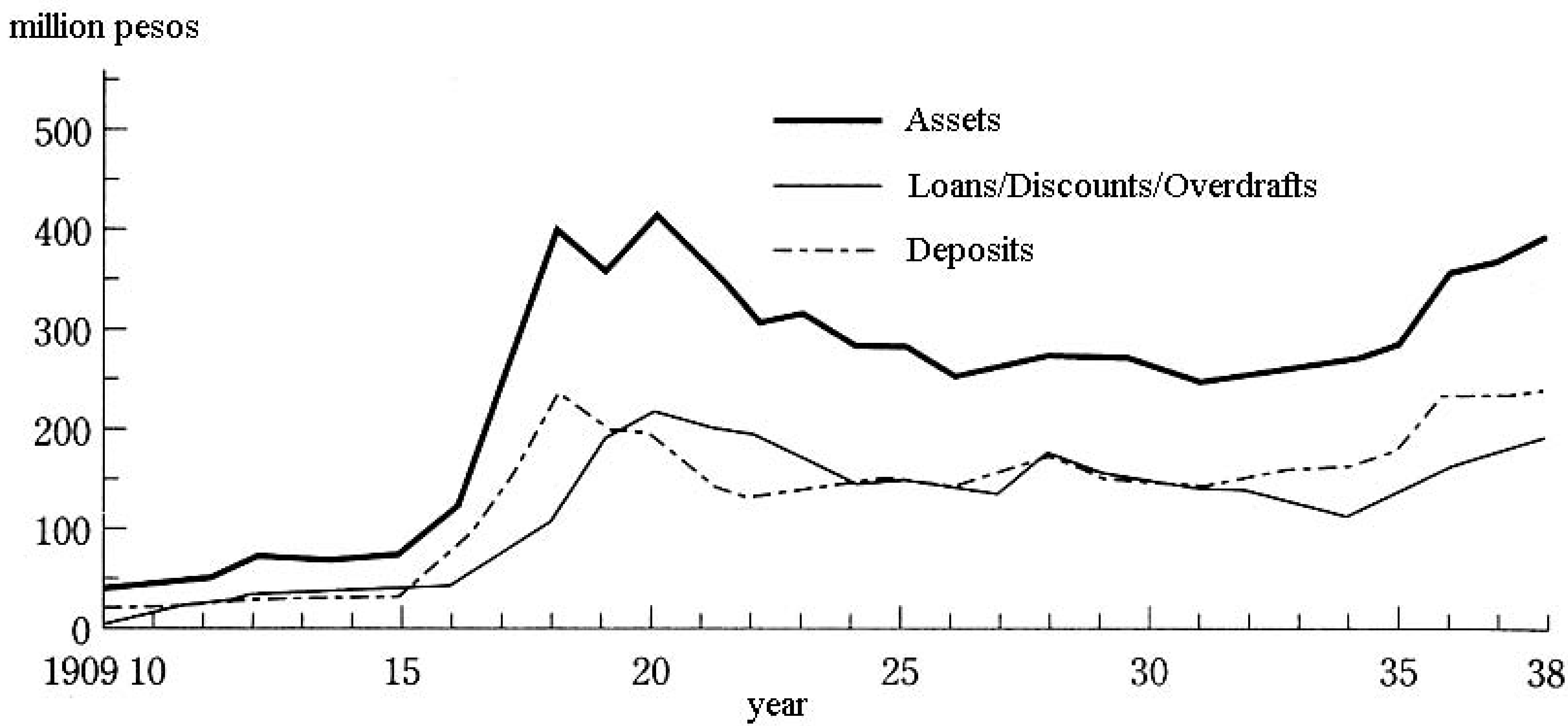
Table II-5 Number of Branches and Several Items of Balance Sheet of Banks in the Philippines (as of June 30, 1940)

| Name of Bank | Total number of head office and branches | Assets | Loans & Discounts | Overdrafts | Paid-up capital | Deposits (commercial) |
|---|---|---|---|---|---|---|
| | | 1,000 pesos (%) | 1,000 pesos (%) | 1,000 pesos (%) | 1,000 pesos (%) | 1,000 pesos (%) |
| **A. Government-affiliated Bank** | | | | | | |
| 1. Philippine National Bank | 59(1) | 144,114 (37.2) | 72,479 (59.3) | 10,918 (11.7) | 10,000 (35.2) | 35, 386 (21.5) |
| **B. Commercial Banks and Trust Companies** | | | | | | |
| 2. Bank of the Philippine Islands | 4 | 38,442 ( 9.9) | 7,177 ( 5.9) | 16,733 (17.9) | 6,750 (23.7) | 24,187 (14.7) |
| 3. Philippine Trust Company | 5(2) | 11,176 ( 2.9) | 4,821 ( 3.9) | 2,371 ( 2.5) | 1,000 ( 3.5) | 9,338 ( 5.7) |
| 4. China Banking Corporation | 3(3) | 33,480 ( 8.6) | 4,778 ( 3.9) | 2,826 ( 3.0) | 5,713 (20.1) | 14,459 ( 8.8) |
| 5. Peoples Bank and Trust Company | 5 | 11,316 ( 2.9) | 2,513 ( 2.1) | 3,021 ( 3.2) | 1,000 ( 3.5) | 9,572 ( 5.8) |
| 6. Philippine Bank of Commerce | 1 | 3,637 ( 0.9) | 1,002 ( 0.8) | 628 ( 0.7) | 612 ( 2.2) | 2,705 ( 1.6) |
| 7. Philippine Bank of Communications | 1 | 8,076 ( 2.1) | 560 ( 0.5) | 151 ( 0.2) | 2,000 ( 7.0) | 4,996 ( 3.0) |
| 8. Bank of the Commonwealth | 1 | 904 ( 0.2) | 277 ( 0.2) | 436 ( 0.5) | 500 ( 1.8) | 374 ( 0.2) |
| **C. Savings & Mortgage Banks** | | | | | | |
| 9. Monte de Piedad and Savings Bank | 1 | 10,764 ( 2.8) | 5,586 ( 4.6) | —— | —— | 8,899 ( 5.4) |
| 10. Banco Hipotercario de Filipinas | 1 | 873 ( 0.2) | 670 ( 0.5) | —— | 853 ( 3.0) | 16 ( 0.0) |
| **D. Foreign Banks** | | | | | | |
| 11. Chartered Bank of India, Australia and China | 3 | 23,292 ( 6.0) | 695 ( 0.6) | 10,977 (11.7) | —— | 12,032 ( 7.3) |
| 12. Hongkong and Shanghai Banking Corporation | 2 | 47,962 ( 12.4) | 4,200 ( 3.4) | 35,615 (38.0) | —— (4) | 13,724 ( 8.3) |
| 13. National City Bank of New York | 1 | 36,509 (9.4) | 11,083 ( 9.1) | 5,932 ( 6.3) | —— | 24,663 (15.0) |
| 14. Yokohama Specie Bank | 1 | 10,250 ( 2.6) | 3,732 ( 3.1) | 3,761 ( 4.0) | —— | 2,915 ( 1.8) |
| 15. Nederlandsch Indische Handelsbank, N.V. | 1 | 4,780 ( 1.2) | 1,740 ( 1.4) | 189 ( 0.2) | —— (5) | 970 ( 0.6) |
| 16. Bank of Taiwan | 1 | 1,639 ( 0.4) | 945 ( 0.8) | 60 ( 0.2) | —— (5) | 294 ( 0.2) |
| Total | 90 | 387,214 (100.0) | 122,258(100.0) | 93,618 (100.0) | 28,428 (100.0) | 164,530 (100.0) |

Source: Philippines (Commonwealth), Bureau of Banking, *Annual Report of the Bank Commissioner of the Philippines*, *1940*, Manila: Bureau of Printing, 1941, pp. 9, 42-57.

Note: (1) Including 47 agencies and one foreign branch.
(2) Including 4 agencies.
(3) Including 2 foreign branches.
(4) Capital account amounted at one one millione pesos.
(5) Capital assigned amounted at a half million pesos.

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




Source: Philippines (Commonwealth), Bureau of Banking, *Annual Report of the Bank Commissioners of the Phillipine Islands, 1938*, Manila, Bureau of Banking, 1939, p. 16.

Chart II-2
Relations between Major Banks and
Traders and Producers

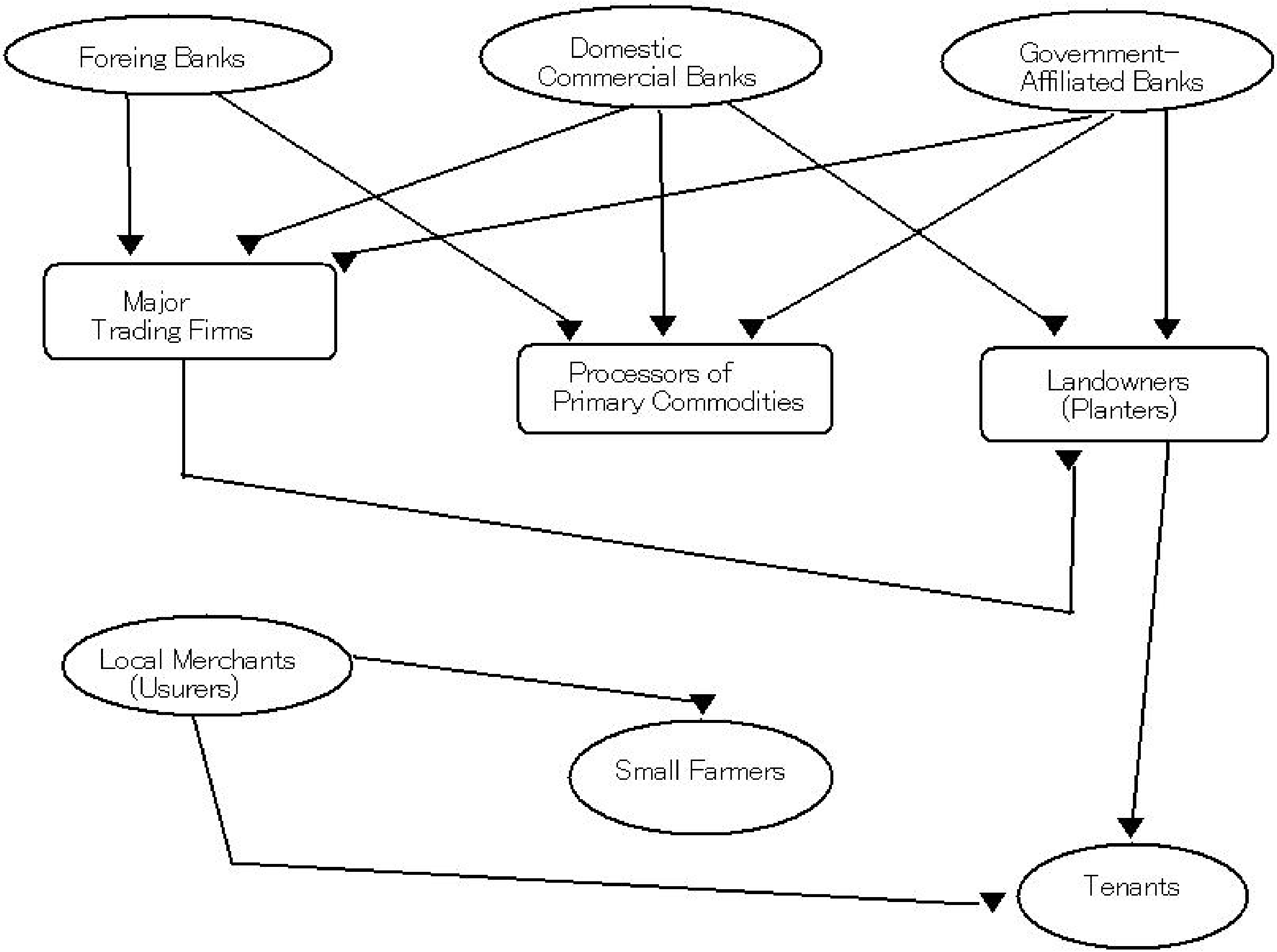
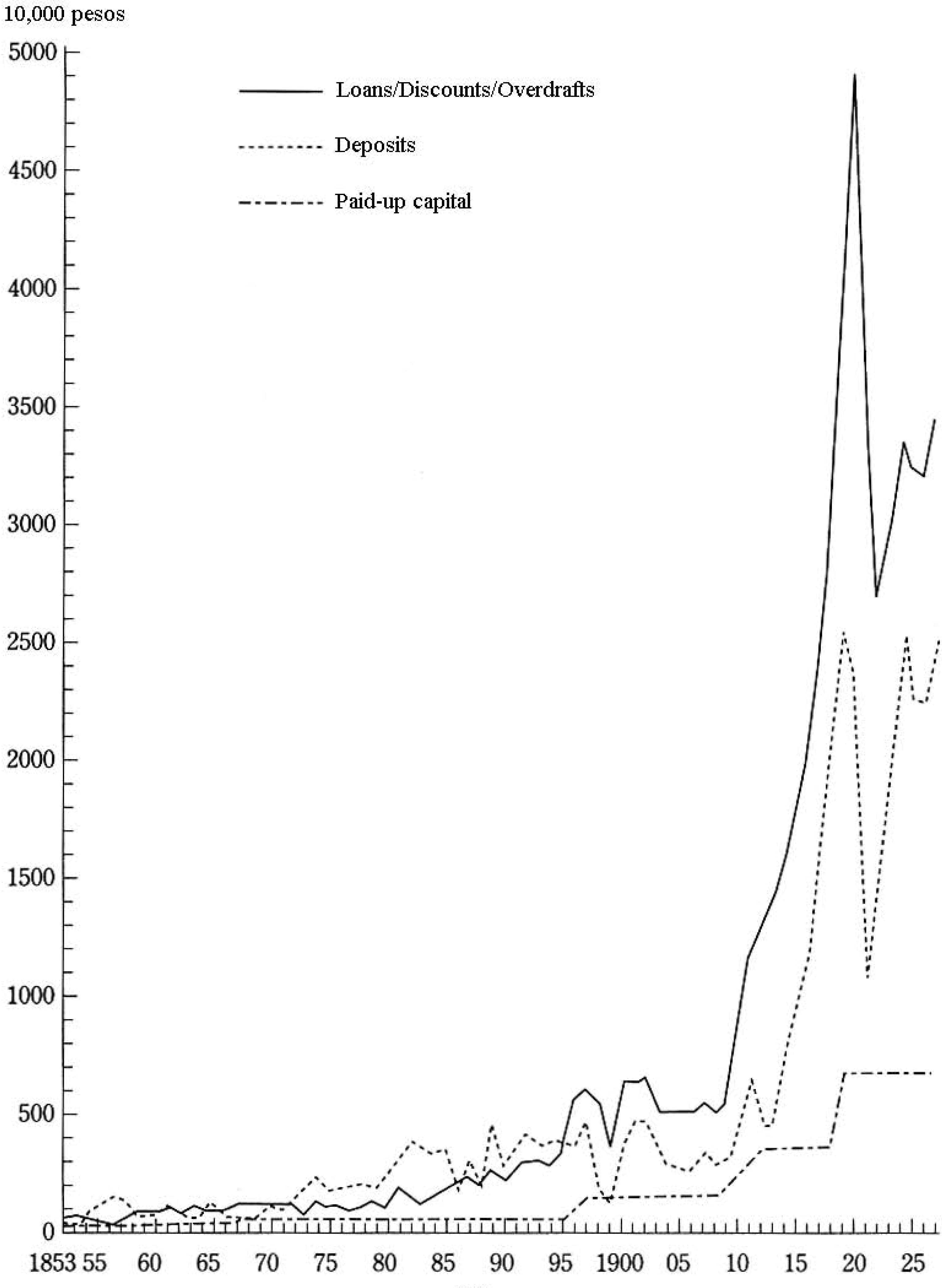


**Chart II-3 Paid-up Capital, Loans/Discounts/Overdrafts, Deposits of the Bank of the Philippine Islands, 1853-1927**




Source: *Banco de Islas Filipinas, LXXV Aniversario, Remembratorio del primer banco establecide en el Extremo Oriente*, [Manila], [1928], drawn from graphs at the end of the book.