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The Philippine National Bank and Credit Inflation after World War I

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Abstract:
This paper discusses the mismanagement of the Philippine National Bank during the financial crisis of 1919–1922, with special reference to its extravagant commercial and industrial loans. First, it examines the financial condition of the Bank from about 1913 through the early 1920s against the background of the expansion of loan business and the export boom. Second, the Bank's role is discussed in the light of the development of three major export sectors: Manila hemp (*abaca*) trading, coconut processing, and sugar processing. Third, the blatant illegitimacy of the Bank's lending is detailed, given the virtual across-the-board direct involvement of the Bank's board members in the ownership and management of the companies active in these businesses.

Introduction

This paper discusses the mismanagement of the Philippine National Bank during the financial crisis, with special reference to its extravagant commercial and industrial loans. It also reviews the contemporary debates on the remedies for the Bank's slipshod business practice. The crisis of the Philippine National Bank and the drain of the currency reserve were two sides of the same coin of the Philippine financial crisis in 1919–1922. During World War I, a large part of the currency reserve of the Philippine government was deposited at the New York agency of the National Bank, but it was transferred to Manila in order to provide massive loans for Philippine businesses. The bank extended these loans to companies, landowners, and entrepreneurs engaged in the export business of primary commodities that had swollen enormously during and since the war years.

First, this paper examines the financial condition of the Philippine National Bank from about 1913 through the early 1920s against the background of the expansion of loan business and the export boom. Second, I discuss the Bank's role in the development of three major export sectors: Manila hemp (*abaca*) trading, coconut processing, and sugar processing. Third, I detail the blatant illegitimacy of the Bank's lending, given the virtual across-the-board direct involvement of the Bank's board members in the ownership and management of the companies active in these businesses.

The Financial Condition of the Philippine National Bank

The "free trade" relationship between the Philippines and the United States was established by two acts of the U.S. Congress, the Payne-Aldrich Tariff Act of 1909 and the Underwood-Simmons Tariff Act of 1913. This trade relationship tied the Philippine economy to the U.S. trade sphere, based on the export of Manila hemp, sugar, and coconut products (copra and coconut oil) to the United States as well as the import of industrial products from the latter. After the outbreak of World War I, Philippine foreign trade expanded rapidly. During the war years, the Philippines' export revenue increased tremendously, due not only to the increase in volume but also to skyrocketing prices.

Table III-1 shows the average volume and revenue of exports of Manila hemp, sugar, and coconut oil during the 8-year period 1911–1918. In the four years of 1915–1918, the average revenue from the export of Manila hemp and sugar was double that of the prior 4-year average. In a phenomenal growth, the average revenue from coconut oil exports during 1915–1918 jumped to 11 times, and the volume ballooned to 13 times that of the prior four years, due to rapid development in the coconut process industry at this period to meet a growing demand in the United States. This huge expansion in the export of primary commodities inevitably augmented domestic commercial activities. The value of merchandise sold in the Philippines increased from approximately 488 million pesos in 1915 to 1,327 million pesos in 1918. In 1915, 114 new domestic corporations were registered to do business in the Philippines, with an authorized capital of nearly 13 million pesos. In 1918, 299 corporations were registered, nominally capitalized over 72 million pesos. The resources of commercial banks, 63.7 million pesos in 1913, increased to nearly 400 million pesos by the end of 1918. [1]

What role did the Philippine National Bank play during the export boom of primary commodities after the outbreak of World War I? Table III-2 shows the annual change in the financial statements of the Philippine National Bank during the 10-year period 1916–1925. Assets increased from approximately 50 million pesos in 1916 to 223 million pesos in 1919 and then to a high of 288 million pesos in 1920. However, after the reform of the National Bank in 1921, a drastic decline in bank assets set in, reaching a low of 129 million pesos in 1925. Throughout the period loans and discounts maintained the largest share of assets, from 26 percent in 1916, swelling to 56 percent in 1918 and to 58 percent in 1919. The amount of loans and discounts then declined under the bank reform of the early 1920s, but to a lesser degree than that of the assets overall; its percentage of the assets actually increased sharply, finally settling at around 60 percent by 1925. On the liability side, the larger percentage of deposits to 1920 is notable. For example, in 1919 paid-up capital represented only five percent of liabilities as against 60 percent for deposits. After that, due to the increase in bank note circulation, the percentage of deposits decreased, but without losing its strong liability presence. It is also noteworthy that the amount of loans and discounts exceeded that of deposits in 1920.

H. Parker Willis was the first president of the National Bank, followed by Samuel Ferguson, who served for a little over a year until March 1918. Ferguson was succeeded by Venancio Concepcion, the first Filipino president of the National Bank. It was during Concepcion's term, between 1918 and 1920, that massive loans were extended to companies engaged in the production and export of primary commodities, bringing the bank to the brink of insolvency. After the war prices of primary commodities collapsed, and in November 1920 Concepcion resigned in recognition of his responsibility for the Bank's mismanagement. [2]

However, even before his resignation the near bankruptcy of the National Bank caught the attention of Newton D. Baker, the U.S. Secretary of War. In 1919 Baker sent Francis Coates, Jr. to Manila to investigate the Philippine National Bank. One of three reports that Coates submitted to the Bureau of Insular Affairs (BIA) in Washington was the "Report of an Examination of the Philippine National Bank Manila, P. I. as of at Close of Business Nov. 30, 1919" (hereafter cited as the Coates Report of 1920). This report presented the results of Coates's investigation from November 30, 1919 to April 11, 1920, exposing the reckless loan business of the Bank. [3] Later, the prestigious accounting firm of Haskins & Sells also examined the management of the Bank and submitted its report to the BIA in 1922 ("Haskins & Sells Report of Examination of P. N. B. as of May 19, 1921," hereafter cited as the Haskins & Sells Report of 1922). [4] The reports by Coates and Haskins & Sells revealed that massive lending services were provided for Manila hemp trading, the coconut oil industry, and sugar processing. In the loan business of the Bank, Filipino firms largely benefited; however, American firms also enjoyed privileges through their special connection with American bank officials.

Extravagant Loan Business

Manila hemp trading: The Manila hemp industry was the most detrimentally affected by the end of World War I. As has been mentioned earlier, among major export commodities Manila hemp had the largest share, comprising 30–40 percent of the total export of the Philippines during World War I (See Table III-1). The crash of export prices of Manila hemp as well as the sharp decline in its export brought the Manila hemp trading firms to ruin. In spite of this rapid change in circumstances during 1918–1919, the Philippine National Bank continued to finance hemp trading firms with irrecoverable loans. The Coates Report of 1920 provided precise information on the Bank's loans to trading firms for Manila hemp like the Philippine Fiber and Produce Co., G. Martini Ltd., U. de Poli, Babcock & Templeton, and the Compañía Mercantil de Filipinas. Among them, the Philippine Fiber and Produce Co., G. Martini Ltd., and U. de Poli incurred huge indebtedness to the Bank as a result of irrecoverable loans provided to them. [5]

For example, between December 1917 and July 1918, the National Bank approved loans or credits of 1.65 million pesos to the Philippine Fiber and Produce Co., with *quedans* (warehouse receipts) and other assets as collateral. However, by March 1919 the credit offered to the firm had reached 4.6 million pesos, or 2.8 times the original plan. The president of the company, a certain Kaufman, disclosed the following transactions. The company obtained a credit of one million pesos from the bank in July 1917, with *quedans* as collateral. After Kaufman's return to his home country in March 1918, a certain Wicks took over the company's management. Wicks negotiated with an American vice-president of the Philippine National Bank, J. Elmer Delaney, who approved a credit of four million pesos for the company. As of November 30, 1919, the indebtedness of the company to the Bank amounted to 2.3 million pesos, which was much larger than its collateral. [6]

For U. de Poli, the National Bank approved credits of 300,000 pesos with *quedans* as collateral in 1918. This firm also received from the Bank demand drafts of 250,000 pesos, time loans of 150,000 pesos, an overdraft of 596,200 pesos and other credits amounting to 179,300 pesos—a total of 1,175,500 pesos in credit. The collaterals the firm offered for these credits were tobacco (16,449 quintals [one quintal = 46kg]), maguey fiber (2,095 bales), and Manila hemp (3,455 bales, 1,200 piculs [one picul = 63.25 kg], and 3,982 kilos).[7]

The difficulties of G. Martini Ltd. were even more serious. This firm first applied for credit of 200,000 pesos, but the Bank declined the loan. However, in March 1917 the company obtained a modest credit service of 100,000 pesos from the Bank. Then, as the price of Manila hemp rose after the United States entered World War I, the Bank approved a loan of 3.5 to 4 million pesos to Martini as an advance for purchasing Manila hemp from local producers, on the condition that it should be paid back within six months. Although Bank President Samuel Ferguson, recognizing the riskiness of such a large loan, recommended to the Bank's board of directors that the amount be reduced to a mere 390,000 pesos, the Bank approved credit lines of 2.69 million pesos five times during the first half of 1918. From October to November of the same year, the firm applied for a credit of three million pesos in order to expand its export business to the United States, but this was rejected. Nonetheless, at the end of November, the Bank's board once again approved a credit line for the firm, this time for two million pesos. The board accepted the opinion of Vice-President J. Elmer Delaney and President Concepcion that, by supporting the business expansion of G. Martini Ltd., skyrocketing prices could be contained. By that time the indebtedness of the firm to the Bank had ballooned to 4.6 million pesos.[8]

When World War I ended in mid-November 1918, the export prices of Manila hemp collapsed. G. Martini Ltd., its business threatened, requested additional loans from the Bank in January 1919, but in vain. By that time, the firm owed the Bank 2.5 million pesos and nearly 700,000 pesos to five other banks. The firm also held unsold stock of Manila hemp valued at 1.32 million pesos. Without seeing any chance of improvement, the Bank took over the properties of G. Martini Ltd. in July 1919. The credits that the Bank had extended to the firm as of November 1919 amounted to 8.5 million pesos, including overdrafts of two million pesos and unmatured foreign bills of four million pesos.[9] The Coates Report of 1920 also disclosed a further complication: that the

National Bank itself became directly involved in Manila hemp transactions in order to keep its losses to a minimum. To disguise its direct involvement, in February and March 1919 the Bank provided loans to two trading firms, V. Madrigal & Co. and Fernandez Hermanos, amounting to 2.63 million pesos. These two firms were managed by two directors of the Bank. The two "firms" purchased Manila hemp to sustain prices that had already sharply declined. The market value of the collateralized hemp of the two firms was 1.36 million pesos, only half of the amount of the loans, incurring the greatest losses to the Bank.[10]

The Coates Report of 1920 noted: "[T]he names of Madrigal and Fernandez were used to disguise the transactions so that the public would not know that the bank or government were behind the deal—that the notes were 'dummy note' and while both makers are amply responsible, and might be so held—that the loss would be borne by either the government or the bank, as to be later decided."[11] Table III-3 shows the amount of outstanding loans and losses of the trading firms for Manila hemp to as of May 1921. The Bank's losses reached 10 million pesos, indicating the gravity of its irresponsible management.

Coconut processing: This industry grew rapidly during World War I. The first coconut processing mill in the Philippines had been established in 1906. In the beginning, coconut oil was produced mainly for the domestic market. However, at the outbreak of World War I more than thirty coconut processing mills, large and small, were established in the vicinity of Manila by American or Filipino entrepreneurs. After the war, exports declined sharply and many mills were closed. It was not until 1921, when the United States imposed an import tax on coconut oil from other countries, that the Philippine export of coconut oil was revitalized.[12]

Most of the coconut mills established in the Philippines during World War I obtained large and often questionable financial support from the National Bank. Due to the crash of the export market after the war, these coconut mills suddenly faced financial difficulties as they fell behind in their loan repayment schedules. For example, as of June 1919, the Philippine Vegetable Oil Co., the largest coconut mill in the Philippines,[13] had credits of 26 million pesos from the Bank, with collaterals in *quedans*, as well as overdrafts and time papers. Of this 26 million pesos, only 3.6 million had been authorized by the Bank's board. Eleven million pesos had been provided as a "blanket mortgage"; that is, the real estate and chattel mortgage or vessels that the company held both in the Philippines and the United States should have been recorded as mortgages for 11 million pesos. However, with the exception of the company's two steamers, the mortgages were not properly recorded at the Bank and the Bank did not acquire definite title to the property as collateral for its loans.[14]

The Cristobal Oil Co. also benefited initially from the rampant loan business of the National Bank. Through its stockholders and management, this company was closely associated with two other companies, the Compañía Mercantil de Filipinas and the Compañía Naviera de Filipinas. The stockholders of all three companies included Filipino and American board members of the National Bank. In early 1918 Cristobal had a capital of about 910,000 pesos with fixed assets of 340,000 pesos. Then, under a "reorganization," the fixed assets were inflated ten times in the book, showing nearly 3.3 million pesos. Thus, together with 1.53 million pesos of the "good-will account" of the directors of the corporation which was created by another tactic to inflate the assets, the company's capital ballooned to four million pesos by the end of July 1918. In 1919 it acquired loans from the National Bank totaling 1.5 million pesos with collaterals of mortgage on plant (600,000 pesos), the Philippine Guarantee Co. (200,000 pesos), copra (41,600 piculs), and coconut oil (300 tons); however, only one million pesos was evidently authorized by the Bank's board in July 1919.[15]

Based on data from the Haskins & Sells Report of 1922, Table III-4 and III-5 illustrate the overall picture of loans of the Philippine National Bank provided to coconut oil companies in 1921 and 1922. Table III-4 shows that, as of February 1922, twelve mills owed a total of 23.7 million pesos to the Bank. Of twelve mills, the Philippine Vegetable Oil Co., the Philippine Manufacturing Co., and the Cristobal Oil Co. were the most indebted. The Philippine Vegetable Oil Co., a Filipino firm, accumulated debts of 17.2 million pesos to the Bank, while the Philippine Manufacturing Co. (American)[16] and the Cristobal Oil Co. (Filipino) owed the Bank 2.7 million pesos and 1.7 million pesos respectively. The total liabilities of the above twelve mills, which included debts to the National Bank as well as other loans and unpaid accounts, amounted to 51.8 million pesos, as against total assets of 21 million pesos.[17] These figures clearly show that the above twelve mills received massive loans far beyond their ability to repay.

Table III-5 specifically shows the amounts of loans of eleven coconut oil companies in the National Bank as of May 1921. The Philippine Vegetable Oil Co. obtained the largest loan, over 12 million pesos, followed by the Philippine Manufacturing Co. and the Cristobal Oil Co. at 664,200 and 569,000 pesos respectively. In May 1921, the Philippine Vegetable Oil Co. was already in the hands of a receiver, and the Bank's board was considering whether some other coconut oil companies should be sold either to the Bank itself or to other creditors.[18] According to the Bank's annual report of 1922, the Bank was holding assets of fourteen coconut oil companies in pledge as of the end of the year. Among them, only five still maintained efficient production capacity. When the remaining nine companies declared no possibility of further profitability, the Bank shut them down and dismantled their machinery for sale.[19]

In March 1925 Rafael Corpus, at that time president of the National Bank, sent a report to Manuel L. Quezon, president of the Senate, on the operation and condition of the Bank. Corpus wrote that, of fifteen coconut oil companies indebted to the Bank for a total of over 24 million pesos at the beginning of 1922, all had been taken over by the Bank except two companies against which foreclosure proceedings were pending in court. Corpus continued: "A number of these mills has[sic] been dismantled and the salvaged materials and machinery are being sold from time to time; two of these mills are leased and another one was sold. At this writing, the sale of one other mill is being consummated with the present lessee. The old storage plant in San Francisco, California, has been sold for forty thousand dollars ($40,000): Every effort is being made to dispose of these oil properties in the most advantageous way at an early date. Loans to these companies have substantially been decreased from ₱17,761,267.00 on December 31, 1923, to ₱5,566,733 on December 31, 1924."[20]

Furthermore, the annual report of the National Bank in 1925 showed that the indebtedness of the coconut mills to the Bank had decreased to 2.32 million pesos by the end of 1925: the Philippine Manufacturing Co. owed 1.12 million pesos, while the Philippine Vegetable Oil Co. and the Cristobal Oil Co. were indebted in about 730,000 pesos and 480,000 pesos respectively.[21] As a new export boom began in the late 1920s, it was rather American, British, and German corporations that entered into the Philippine coconut industry, while the Philippine National Bank gradually retreated from loan business for this industry.[22]

Sugar processing: The first "sugar central," a larger sugar processing mill with modern equipment, was established by the Mindoro Development Co., an American firm which bought the San Jose Estate of 22,500 hectares in Mindoro, one of the former Spanish friar lands. Its operation began in crop year crop year 1912–13.[23] Subsequently, many sugar centrals were established in rapid succession by American, Filipino, and Spanish entrepreneurs in the islands of Luzon and Negros. The number of operating sugar mills increased from three to sixteen during the 1910s and from 22 to 42 during the 1920s, reaching 45 by the early 1930s. During the modernization of sugar processing, there were two periods of the boom for the establishment of sugar centrals. The first was toward the end of the 1910s when sugar prices increased rapidly after the U.S. entry into World War I, and the second was the late 1920s when the United States became almost the sole export market for Philippine sugar. Of 39 sugar centrals operated in crop year crop year 1924–25, 18 mills were Filipino, 10 were American and another 10 were Spanish, and one was Spanish-Filipino. The massive loans provided by the National Bank during the first boom made it possible to establish a larger number of Filipino sugar centrals by the early 1920s.[24]

It is noteworthy that the National Bank extended loans to the sugar processing industry from the very beginning. Immediately after the opening of the National Bank in 1916, even before its first president H. Parker Willis arrived in Manila, a loan of 1.5 million pesos to the Mindoro Development Co. was approved under the recommendation of Governor-General Francis Burton Harrison. This loan was initially provided by the International Banking Corporation, an American bank. Just before Willis assumed the presidency of the National Bank, Samuel Ferguson, vice president of the Bank, informed the International Banking Corporation that, out of 1.5 million pesos of the loan to the Mindoro Development Co., the Philippine National Bank was prepared to shoulder one million pesos, composed of an ordinary loan of 600,000 pesos with an advance of 400,000 pesos. Section of 37 of Act No. 2621 (National Bank Act of 1916) provided that the Bank could approve a loan of up to 1.5 million pesos under special circumstances. However, Willis expressed apprehension about this particular transaction.[25]

The Coates Report of 1920 provided detailed data regarding the Bank's loans to the Mindoro Development Co. The first agricultural loan made by the Bank to this company, as has been mentioned above —Loan No. 1, for one million pesos—was paid up on April 30, 1919. However, the company had obtained an additional loan of 800,000 pesos in July 1918, and between October 1918 and July 1919 it received six further advances amounting to 395,000 pesos. These advances (evidently capital loans) were provided without formal authorization of the board of directors of the Bank. They were given under personal judgments of President Concepcion and Vice-President Delaney. The company ostensibly needed these advances for running expenses, but they were not properly secured. Demands for payment were made repeatedly but without result. The president of the company stated that "the loan was to be paid as soon as certain shipments of sugar arrived in Manila for the Japan markets, which shipments it was stated were due to arrive in the fall of 1919."[26]

Among the American-owned sugar centrals, the Calamba Sugar Estate also received credits from the National Bank. It obtained a demand bill of 500, 000 pesos from the Bank in November 1919. This line of credit was authorized on the basis of *quedans* as collateral, but Coates's investigation showed that in reality the loan was provided without proper security, only with the note of discount from the president and the secretary of the Bank.[27]

It was the Filipino-owned sugar mills that enjoyed the largest lending services from the National Bank. Taken from the Coates Report of 1920, Table III-6 shows the lending services of the Bank to eleven sugar mills as of November 1919. Ten of the mills were Filipino and one (Palma Central) was Spanish. The total amount of their borrowing reached approximately 13 million pesos, 15 percent of which represented agricultural loans, 74 percent other loans and overdrafts, and 11 percent letters of credit. All eleven sugar mills received loans from the Bank between May 1918 and March 1919, during the term of Bank President Concepcion. The Bacolod-Murcia Milling Co., the Isabela Sugar Co., the Talisay-Silay Milling Co., and the Ma-ao Sugar Central Co. enjoyed the biggest loans or overdrafts, all without secured collateral. The Coates Report of 1920 pointed out that 10 million pesos in loans to six sugar mills—the Bacolod-Murcia Milling Co., the Central Azucarera de Bais, the Talisay-Silay Milling Co., the Ma-ao Sugar Central Co., the Binalbagan Estate Co. and the Pampanga Sugar Development Co.—were unlisted in the Bank's books or financial statements.[28]

The following details describe the outstanding loans of nine sugar mills at the Bank as reported in the Coates Report of 1920.

Hinigaran Sugar Plantation: A loan of 710,000 pesos was provided by the Bank for the term of 20 years. Capitalized at 140,000 pesos, Senator E. Guanco and his father were its principal owners. The lands of the company were subject to inundation. A large amount of sugar cane had been destroyed in the last flood and the company faced financial difficulties. A loan of 73,179 pesos and its interest, due November 30, 1919, had not been paid.[29]

Kabankalan Sugar Company: Incorporated in January 1919, this company owed one million pesos to the Bank. Its term was 20 years.[30]

Bacolod-Murcia Milling Co.: In March 1919, a loan of 2,169,000 pesos was approved by the Bank to this company capitalized at only 1,039.50 pesos. The security offered was 10,779 hectares of land owned by sugar planters and company stockholders. The loan was approved without proper assessment of the land's value. As of November 1919, 1,127,600 pesos of the loan had been advanced, 450,000 pesos of which was issued as a demand note with 21,400 pesos of interest due April 1919. The central was not yet completed; machinery was on order, undelivered, on advances made by the Bank.[31]

Central Azucarera de Bais: This firm applied for an industrial loan of 500,000 pesos in December 1918, to be used in the purchase of machinery, with security of

1,275,000 pesos in assets. The loan was approved by the Bank for a period of one year. However, no appraisal of the pledged property was filed and the loan was past due. At the time of investigation, the firm had an overdraft of 490,563.67 pesos, but its paid-up capital was only 37,500 pesos.[32]

Isabela Sugar Co.: A loan was authorized in April 1918, on the condition that the Bank should purchase 1.5 million pesos in company bonds and the proceeds would be used by the company for the purchase of 6,000 hectares of agricultural land and to finance the importation of sugar machinery. However, in November 1919, thirteen months after the loan was negotiated, certain irregularities in connection with a mortgage were discovered. The mortgage did not cover any property belonging to the company, but, instead, certain haciendas attached to the company's central. The Bank made a resolution to authorize the loan, provided that the mortgage should cover land, buildings, machinery, and improvements belonging to the company. Meanwhile, due to serious discord between the stockholders and the management of the central, its operation was to be taken over and managed by the Bank. The subscribed capital and paid-up capital of this company were 9,000 pesos and 6,000 pesos respectively.[33]

Ma-ao Sugar Central Co.: As shown in Table III-6, the Bank's loan offered to this company reached 4,662,000 pesos, the largest among the eleven listed sugar mills. The company's paid-up capital was only 25,000 pesos. The security for the loan was 20,478 hectares of land valued at 9 million pesos and machinery valued at 3 million pesos. Based on this security, the maximum loan could be calculated at 7,229,030 pesos. No re-appraisal on the land actually covered by mortgage was made by the Bank. However, the correct calculation by the investigation showed that the value of the mortgages was 5,183,030 pesos.[34]

Palma Central: A loan of 600,000 pesos was authorized by the Bank in January 1919. However, as of November 1919, this appeared as an overdraft of 606,548.45 pesos (see Table III-6). No report was made of this irregularity.[35]

Talisay-Silay Milling Company: The Bank offered credit of 1,076,600 pesos to this company, including a demand note of 400,000 pesos and an overdraft of 676,600 pesos. The paid-up capital of the company was only 1,450 pesos. The stated mortgage value was 1,450,000 pesos on land appraised at 2,430,000 pesos.[36]

Binalbagan Estate, Inc.: The Bank advanced 862,000 pesos to this company. This advance was made in the form of "customer's liability" under a letter of credit. However, the Bank had taken no mortgage or other security at the time this advance was made, and late in January 1920 the Bank made a further advance in the form of a demand loan of 1,120,500.50 pesos without security.[37]

The loans of the sugar centrals ballooned further after 1919. The Bank continued to support these sugar centrals by additional lending to complete the construction of the mills and to start their operation, but in vain. In May 1921, the board of directors of the Bank passed a resolution to organize the Philippine Sugar Centrals Agency to bring six sugar centrals under its direct control. These six sugar centrals were the Bacolod-Murcia Milling Co., the Isabela Sugar Co., the Ma-ao Sugar Central Co., the Pampanga Sugar Development Co., the Talisay-Silay Milling Co., and the Binalbagan Estate, Inc. The supervising contract between the six sugar centrals and the Bank was concluded in August 1921. Later, these sugar centrals were called "Bank Centrals." The power given to the Sugar Centrals Agency was stated as effective for five years or until loans secured by the centrals were fully paid.[38]

Table III-7 shows the liabilities of seven sugar centrals and the Sugar Centrals Agency to the National Bank as of February 1922, based on data from the Report of Haskins & Sells of 1922. This report stated that the total debts reached over 40 million pesos, and that it was doubtful if even 25 million pesos could be recovered. These sugar mills were constructed mostly during 1918, 1919, and 1920, when materials, freight, and labor costs were considerably higher than normal. The administration and control of the construction program were neither efficient nor economical. The Report of Haskins & Sells of 1922 confirmed: "The book value of the plants is about ₱34,000,000.00 but it is doubtful whether ₱15,000,000.00 could be obtained by their sale. In addition to mortgages held upon the plants and equipment the bank holds real estate mortgages upon cane lands supplying the mills aggregating 37,847 hectares in Occidental Negros and 14,240 hectares in San Fernando [Pampanga], equal to about 128,700 acres in all . . . . The planters who own these cane lands as well as the majority of the shares of the sugar companies owe the bank well over ₱10,000,000.00 individually, secured by sugar shipments, lands and personal properties."[39]

Under the management of the Sugar Centrals Agency, the Pampanga Sugar Development Co. and the Talisay-Silay Milling Co. decreased their debts rapidly and paid their debts fully by the end of the 1920s. However, the debts of the other four mills actually increased during the 1920s and it was not until the late 1930s that they finished paying their debts to the Bank.[40]

On the Illegitimacy of the Directors' Related Liabilities to the National Bank

As pointed out by the Coates Report of 1920, Act No. 2747 (the revised Philippine National Bank Act of 1918) had two provisions: (1) "The National Bank shall not, directly or indirectly, grant loans to any of the members of the board of directors of the bank nor to agents of the branch banks" (Sec. 35); (2) "Any persons who shall violate any of the provisions of this Act shall be punished by a fine not to exceed ten thousand pesos, or by imprisonment not to exceed five years, or by both such fine and imprisonment" (Sec. 49).[41] This shows that, as a modern banking system, the Philippine National Bank was prohibited from offering its loan business to corporations with which the Bank's directors or other Bank agents were affiliated. However, in defiance of these regulations, massive loans were in fact provided by the Bank to its board members' affiliated corporations. The Coates Report described fourteen of these violations in detail. However, the report was merely preliminary, the result of only four and a half months' investigation. Moreover, due to various obstacles, Coates's survey was confined to an examination of the records in Manila, and information on the operations of various branches and agencies of the Bank was obtained only by correspondence. Coates made it clear that his report was not complete, and that further investigation would be necessary.[42]

Presumably in response to Coates's determination, a separate report was prepared in November 1923 by the Philippine government regarding the irregularities of loans provided to corporations with which board members of the Bank were affiliated. This report, written by F. C. Fisher and Michael Camus, was entitled “Report Concerning Liability, Civil or Criminal of Former Directors of the Philippine National Bank Arising from Commissions Connected with the Management of its Affairs.” Over three hundred pages long, the report was in two parts. The first part discussed the illegitimacy of the loan to the Bank’s board member–affiliated corporations, and the second part described various cases of violation of the Bank’s regulations on loan service to the above corporations.[43] The following are two cases among them.

Compañía Naviera de Filipinas: This company was founded in May 1918. Its president was Vicente Singson Encarnacion and the treasurer was Carlos Cuyugan. Singson Encarnacion also served on the board of the National Bank. The company had paid-up capital of one million pesos that was fully deposited with the Bank. Upon its organization, it sought 175,000 pesos from the Bank for the purchase of a steamer. The requested loan, representing 70 percent of the purchase value of the steamer, was approved by the Bank’s board. Singson Encarnacion was present at the board meeting, but did not vote on the matter of the loan to his company. In June of the same year, the company applied to the Bank for another loan of 50 to 75 percent of the purchase price of two wooden ships. This loan, of one million pesos, was also approved by the board. For these two loans, the three ships were mortgaged at a total value of 1,054,000 pesos in wartime prices. After the war, in July 1919, this security was devalued to 395,000 pesos. As the company fell into financial difficulties, the Bank’s mortgages on two of the ships were foreclosed and bought in 1921 by the National Exchange Company, a subsidiary corporation controlled by the Bank, for 150,000 pesos. The books of the Bank showed that, as of November 1923, the total advances to the company by the Bank amounted to 1,349,455 pesos.[44]

The report of Fisher and Camus stated that directors J. Elmer Delaney, R. J. Fernandez, Vicente Madrigal, Fred N. Berry, and Archibald Harrison, all of whom had approved the first loan of 175,000 pesos in violation of the Bank’s charter, should be jointly and severally liable with Singson Encarnacion for the balance due on the loan. With regard to the second loan of one million pesos, because Director Fernandez was absent at the board meeting when it was approved, he could not be liable unless independent evidence could be found to show that he was a stockholder in this company and directly participated in granting the illegal loan.[45]

Compañía Mercantil de Filipinas: As has been mentioned above, this company was one of the Manila hemp traders that maintained credits at the National Bank. Incorporated on March 14, 1917, it had authorized capital of 40,000 pesos and subscribed capital of 8,000 pesos. Two weeks after the company's incorporation, the authorized capital was increased to 250,000 pesos with a paid-up capital of 35,500 pesos. In May 1918 the capital stock of the company was increased to one million pesos, of which 600,000 pesos were paid up. Vicente Singson Encarnacion and Vicente Madrigal, board members of the Bank, were the subscribers of the increased capital stock, the former for 22,000 pesos and the latter for 5,000 pesos. Both were also members of the board of directors of this company. It is not clear when Singson Encarnacion first became a stockholder in the company. His connection with the company first appeared in the public record as a stockholder at its meeting in May 1918; however, he was almost certainly a stockholder prior to that time. The minutes of the board meeting of the National Bank in May 1918 showed that Singson Encarnacion personally requested the board to make a loan of one million pesos to the company, but refrained from voting on the proposition upon the ground that he was an "officer" of the borrowing company. On the other hand, there was no evidence that Madrigal was a stockholder of the company prior to the increase of the capital stock authorized at the meeting of the stockholders in May 1918.[46]

The National Bank offered loans and financial support to this company from May 1918 to January 1920. The first loan was approved on May 18, 1918. Bank President Concepcion submitted a report to the Bank's board that stated: "Senator Singson Encarnacion solicits the financial help of the Bank for Compañía Mercantil de Filipinas to absorb the assets and business of Froehlich & Kuttner and increase its capital and surplus to ₱570,000 fully paid. For this purpose, a loan of ₱1,000,000 is requested at an annual interest of 7%, guaranteed by the two combined concerns mentioned above, which amount to approximately ₱2,000,000. Senator Singson anticipates the liquidation of the loan within 18 months, more or less. Approved."[47] According to the minutes of a Bank board meeting, a second loan was approved on October 30, 1918 as an overdraft line of ₱750,000, and a third credit of ₱500,000 was approved in the form of rediscounts and commercial letters of credit.[48] On August 6, 1919, in a re-arrangement of financial support, the Bank approved the company's proposal to set its merchandise in stock (Manila hemp) as security for its outstanding indebtedness to the Bank.[49]

On January 9, 1920, at the Bank's board meeting, President Concepcion submitted a report regarding the financial condition of the company. It stated that on August 20, 1919, an overdraft of 2.4 million pesos had been allowed for this company against pledge of its stock of merchandise, on the condition that it would pay 700,000 pesos on or before November 30, 1919. The company would then continue making payments at the rate of 100,000 pesos monthly so that the amount due should be reduced to one million pesos payable on demand on June 30, 1920. However, in view of the fact that the said conditions were not duly complied with, the company was required to pay the difference of 329,496.65 pesos. In order to cope with this situation, the company requested that its overdraft line be fixed at 2,082,500 pesos and that from January 1920 it would gradually reduce its obligation to the Bank.[50]

As of March 31, 1919, the net worth of the company was 792,289.02 pesos, of which 650,000 pesos was capital and 63,138.99 pesos surplus, with 97,150.25 pesos in reserve. The total outstanding indebtedness of the company to the Bank was 2,757,565.72 pesos, of which 2,093,860.19 pesos was overdraft. Furthermore, the company owed to three local branches of the Bank; in Cebu 125,000 pesos (overdraft) and 50,000 pesos (rediscounting), in Iloilo 157,500 pesos (overdraft) and in Aparri 35,000 pesos (overdraft).[51]

Later documents obtained by the Bank showed that the company adopted a resolution at its board meeting of December 16, 1922 which stated that, as of October 16, 1922, the company was indebted to the Bank in the amount of 1,252,884.95 pesos. The Bank had demanded the liquidation of this long overdue obligation, but the company had no funds to pay it. In this situation, the company agreed to liquidate all its properties and pay the Bank. On the same day, upon this resolution, a contract was signed by Singson Encarnacion for the company and E. W. Wilson, general manager of the Bank, that the company should transfer all its property to the Bank as full payment of its debts.[52]

What opinion did then the report by Fisher and Camus disclose on the illegitimacy on the loan business of the Bank to the Compañía Mercantil de Filipinas? The report argued that the case of the Compañía Mercantil was practically identical with that of the Compañía Naviera and the same conclusion could be reached regarding the criminal liability of the directors by whom the loans were authorized. As for civil liability, in the case of Singson Encarnacion, who was director of the Compañía Mercantil as well as of the Bank, the repayment of the indirect loan to himself should be examined. On the other hand, the case of other directors of the Bank must be investigated on the ground that they authorized the loans knowing the relationship of Singson Encarnacion with the Compañía Mercantil. The report concluded that all of the directors of the Bank should be jointly and severally liable for the payment of the unpaid balance, unless that liability had been affected by the above contract of December 16, 1922.[53]

The report by Fisher and Camus went on: "There is no doubt, we believe, that if the contract of December 16th, 1922, constitutes a valid discharge of the debt of the Compañía Mercantil to the Philippine National Bank, it likewise constituted a discharge of the liability of Mr. Singson as the indirect borrower of the money, and of the other Directors of the Bank jointly and severally bound with him."[54] However, careful examination of the minutes of the board of directors showed that no record remained to disclose any prior authority to E. W. Wilson, the Bank's general manager, to discharge the debt of the Compañía Mercantil. Therefore, the question was whether Wilson was legally authorized to bind the Bank by the contract with the Compañía Mercantil or not.[55]

The report further argued that General Manager Wilson understood that the debtor corporation was absolutely insolvent, yet never considered the possible effect of a complete discharge of the Compañía Mercantil from all liability to the Bank upon the personal responsibility of directors, either of the Compañía Mercantil or of the Bank. Wilson also did not recognize that his authority as general manager should be bound by the decision at the meeting of the board of directors of the Bank. Citing court cases in the United States, Fisher and Camus disclosed their view that the charter of the Philippine National Bank provided that, when its president or general manager concluded a contract with its creditors, he was required to secure the "advice and consent" of its board of directors. In the light of this interpretation, the validity of the contract between the Bank and the Compañía Mercantil of December 16, 1922, which Wilson undertook, should be in very grave doubt.[56] The report concluded: "In the absence of a direct ruling by our Supreme Court, we hesitate to give a definite opinion as to what the outcome of the litigation would be, but we are strongly inclined to the belief that the attempted discharge would be regarded by the courts as invalid."[57] If such litigation were undertaken, as the report suggested, then not only Singson Encarnacion, director of both the Bank and the Compañía Mercantil, but also the other directors of the Bank who consented to the making of loans to this company, should take unqualified responsibility for the unpaid balance of its debt.[58]

In examining the report by Fisher and Camus, it is important to consider the reasons why there were so many cases of violation of the National Bank's regulations prohibiting loans to companies in which board members of the Bank were stockholders or managers. What was the socioeconomic background to these irregularities of the National Bank in the light of modern banking practice in the Philippines?

By way of answer to this question we may find clues in the money-lending practices of the Chinese banking business in the Philippines. In Wong Kwok-Chu's *The Chinese in the Philippine Economy: 1898-1941,* Chapter 5, "Credit and Banking," illustrates the distinctive features of the Chinese banking business in the Philippines. According to Wong, commercial business was conducted based on *xinyong* (trustworthiness) and personal relationships among the Chinese community in the Philippines. With the commercial expansion of the U.S. colony, money transactions that had previously been conducted through verbal promises took the form of "promissory notes" (*jie ju*)—written promises made by a debtor to pay a creditor some amount of money, specifying the principal and interest and due dates. The use of promissory notes became the basis of Chinese money transactions and remittances to China. While in

British Malaya or Thailand Chinese merchants were able to obtain ample credits from Western banks, commercial banks in the Philippines were not active in providing credit services to the Chinese. This was the background when the China Banking Corporation (CBC) was founded in the Philippines in 1920.[59]

Most stockholders of the CBC were Chinese living in the Philippines. In 1921 the CBC was owned collectively by 500 Chinese resident merchants. In 1937, 91 percent of the stocks were owned by Chinese and the remaining nine percent by Filipinos, Americans, and others. Its paid-up capital had increased from 2.9 million pesos in 1920 to 5.7 million pesos in 1924, and the latter figure remained the same until 1941. From 1924 to 1935, the percentage of the combined shareholding among eleven board members increased from 26 percent to 47 percent. The single biggest stockholder held one million pesos throughout this period.[60] It is noteworthy that the CBC granted large loans, discounts, and overdrafts to its directors. Wong calculates that "[t]he percentage of directors' related loans relative to total loans and total deposit between 1923 and 1940 was on average 47.3 percent and 47.6 percent, respectively."[61]

Another Philippine Chinese bank, the Mercantile Bank of China (MBC), as Wong shows, was incorporated in Manila in 1924, with authorized capital of 2 million pesos, half of which was paid up. During the period 1924–1931, eleven Chinese directors of the board shared 20–25 percent of its total paid-up capital. Unlike CBC, MBC had no single major shareholder among its directors. In 1926 this bank had about 300 shareholders, mostly Chinese. However, MBC also granted a high percentage of loans to its directors. The total direct and indirect liabilities of its directors made up 44 percent of the total deposits in 1926; this figure grew to around 80 percent by 1931.[62]

Both the CBC and the MBC continued to grant a higher percentage of loans to their directors, despite official bank examiners' frequent criticism of such a lending policy in their reports. In Wong's view, this lending policy can be justified because these banks were founded primarily to meet the needs of Chinese businessmen. For these banks, "*xinyong* and close personal relations were deemed more important than rational credit analysis and sufficient collateral."[63] Thus, despite repeated official criticism and warnings on violation of banking regulations, the CBC and the MBC maintained the high percentage of loans to directors throughout the 1920s.

We might discover here some common points between the findings from these case studies of Chinese banks and the report by Fisher and Camus regarding the irregularities of the loan business of the Philippine National Bank to its directors. The National Bank was founded as a modern banking system that should be managed with strict professionalism. Yet, in its actual practices, various loan transactions were conducted under the sole decision of its president or general manager, even with inadequate collateral. In previous studies of Philippine banking history, these practices have been characterized as deviations—"corruption" or "violation of regulations"—from the proper governance of modern banking management. The slipshod management of the National Bank could be regarded as an exceptional phenomenon at the time of a rising market in export-oriented primary commodities during World War I. However, if we place the irregularities of the loan business of the National Bank alongside Chinese banking practices based on *xinyong* and close personal relations, this might make it possible for us to understand them in the context of historical and traditional money-lending practices in the Philippines.

The Philippine economy was incorporated into the British-led world economy from the late nineteenth century. With the expansion of the country's export economy, a domestic commercial and financial network was established with British and Spanish banks at its center. Under this financial umbrella, British or American agency houses and Spanish or Chinese traders conducted business through various local networks: numerous middle-sized or smaller Chinese merchants or usurers who lent funds for agricultural production and bought the products. Within these networks, lending services were provided setting standing crops as collateral, without accurate information or papers on the price or size of land as security. Personal ties and connections were also efficiently used by Chinese merchants or usurers for the expansion of their financial network. This kind of commercial and financial business practice continued in the Philippines into the early twentieth century. In this context, such peculiar lending practices of the Philippine National Bank as director-related liabilities may be understood rather as the "rational" banking service of the Philippines, following traditional business practice based on *xinyong* and close personal relations that had been well-rooted since the nineteenth century. This insight may help us to understand why the National Bank continued to protect the economic interests of Filipino elites through director-interlocking relationships even after its rehabilitation in the 1920s.[64]

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[1] Stanley (1974), 237–238.

[2] Ibid., 240–241.

[3] Coates (1920), 1–4.

[4] Haskins & Sells (1922). This is the commissioned investigation report on the accounts of the Philippine National Bank assigned to the firm of Haskins & Sells by the Wood-Forbes Mission. See Luthringer (1934), 154.

[5] Coates (1920), 19.

[6] Ibid., 19–21.

[7] Ibid., 21–22.

[8] Ibid., 22–35.

[9] Ibid., 35–38.

[10] Ibid., 59–62.

[11] Ibid., 61.

[12] Hawes (1987), 59–60; Sullivan (1992), chap. 8.

[13] This company was founded by Germans in 1910. In 1914 Philip C. Whitaker, an American financial adviser for the Archdiocese of Manila, persuaded the Archbishop to acquire the company. As a result, the stocks of the company were distributed to bishops and priests throughout the Philippines. The company expanded its production, establishing a new mill by importing equipments from the United States, yet its capacity could not meet the larger export demand of coconut oil. It was after the war was over and prices of coconut oil crashed that the extravagant management of the company was revealed. Gleeck (1975), 74–75.

[14] Coates (1920), 114–116.

[15] Ibid., 52–57.

[16] Following the Philippine Vegetable Oil Co., this company was established in 1914 as the second coconut mill in the Philippines. It was ultimately bought out by the American firm Procter & Gamble in 1935. Tiglao (1981), 2–3; Yoshihara (1985), 61.

[17] Haskins & Sells (1922), 7.

[18] A. R. Franklin, "Memo Re Philippine National Bank Loans to Oil Companies," 2, BIA 6769-708B.

[19] Philippine National Bank (1923), 8, BIA 6769-711G.

[20] Corpus to Quezon (Mar. 3, 1925), 3, Philippine National Library, Manuel L. Quezon Papers, Series VII, Subject File (hereafter cited as "QP"), Box 447.

[21] "Report on Philippine National Bank, Manila, Philippine Islands as of December 31, 1925," 14, BIA 6769-750.

[22] The Philippine Vegetable Oil Co. was later absorbed by a British-German firm, the Philippine Refining Co. Since then, the Philippine Refining Co. and the

Philippine Manufacturing Co. have remained the two major enterprises of the Philippine coconut processing industry. Gleeck (1975), 75; Yoshihara (1985), 78–79.

23 For the establishment and management of the Mindoro Development Co., see Nagano (1986), 60–80; Schult (1991), 458–474; Sullivan (1992), 128–136.

24 Nagano (1986), 97–101.

25 Willis to McIntyre (Apr. 23, 1916), BIA 6769-143.

26 Coates (1920), 145–146.

27 Ibid., 126.

28 Ibid., 86.

29 Ibid., 89–90.

30 Ibid., 90.

31 Ibid., 90–92.

32 Ibid., 92.

33 Ibid., 92–93.

34 Ibid., 93–94.

35 Ibid., 94.

36 Ibid.

37 Ibid.

38 Nagano (1993), 225–226.

39 Haskins & Sells(1922), 7. See also "Memo Re Sugar Centrals Controlled by P.N.B.," BIA 6769-708B.

40 Nagano (1993), 226–227.

41 Coates (1920), 44.

42 Ibid., 3.

43 F. C. Fisher and Michael Camus, "Report Concerning Liability, Civil or Criminal of Former Directors of the Philippine National Bank Arising from Commissions Connected with the Management of its Affairs" (Nov. 28, 1923), QP, Box 445. For a study that discusses the problems of the National Bank's loans based on this report, see McCoy and Roces (1985), 320–325. See also McCoy (2009), 272.

[44] Fisher and Camus, "Report Concerning Liability, Civil or Criminal," 152–155.

[45] Ibid., 156–159.

[46] Ibid., pp. 168–170. Vicente Singson Encarnacion was president of Compañía Mercantil de Filipinas and Vicente Madrigal was its director. Coates (1920), 48, 50.

[47] Fisher and Camus, "Report Concerning the Liability, Civil or Criminal," 160-161.

[48] Ibid., 161–162.

[49] Ibid., 162–163.

[50] Ibid., 163–164.

[51] Ibid., 165.

[52] Ibid., 170–172. From the time of its establishment, the highest executive position of the National Bank had been president; however, during 1921 the title was changed to "general manager." Philippine National Bank, Manila, P. I., July 1, 1936, 11, Harry S. Truman Library, J. Weldon Jones Papers, Box 41.

[53] Fisher and Camus, "Report Concerning the Liability, Civil or Criminal," 172–173.

[54] Ibid., 173.

[55] Ibid., 174.

[56] Ibid., 180–184.

[57] Ibid., 185.

[58] Ibid.

[59] Wong (1999), 121–132.

[60] Ibid., 132–142.

[61] Ibid., 139.

[62] Ibid., 142–146.

[63] Ibid., 147.

[64] The massive loan practice to the director- related corporations became an issue once more in the Philippines after World War II, when loans to directors, officers, stockholders, and related interests (called "DOSRI loans") were brought to light. DOSRI loans were regulated by the General Banking Act of 1948. In 1964 the Central Bank issued a circular to specify the requirement. In 1965, anti-DOSRI provisions were applied to the loans that were provided to corporations in which bank directors, officers, and stockholders held equity. Yet, DOSRI loans never disappeared. Hutchcroft (1998), 106–107.

Table III-1 Export of Manila Hemp, Sugar and Coconut Oil (1911–1918)

	1911–1914 (average)		1915–1918 (average)	
	Volume (tons)	Revenue (1000 pesos)	Volume (tons)	Revenue (1000 pesos)
Manila hemp	139,887	38,438	154,508	76,515
Sugar	199,988	19,484	256,917	28,990
Coconut oil	4,239	1,883	47,509	24,910

Source : Stanley (1974), p, 238; Philippine (Commonwealth), Bureau of Customs (1941), pp. 101-105.

Table III-2 Financial Statements of the Philippine National Bank, 1916–1925

(in 1,000 pesos)

Year (Dec. 31)	Assets (or Liabilities) (%)	Loans and Discounts[1] (%)	Paid-Up Capital (%)	Deposits (%)	Bank Note Circulation (%)
1916	50,786.5 (100.0)	13,012.6 (25.6)	4,364.4 (8.6)	42,341.1 (83.4)	520.0 (1.0)
1917	138,276.1 (100.0)	40,766.9 (29.5)	7,395.3 (5.3)	102,037.3 (73.8)	4,560.0 (3.3)
1918	248,798.1 (100.0)	139,193.4 (55.9)	9,210.3 (3.7)	186,182.3 (74.8)	4,407.4 (1.8)
1919	223,141.7 (100.0)	130,344.8 (58.4)	10,977.4 (4.9)	134,726.4 (60.4)	14,082.5 (6.3)
1920	288,441.4 (100.0)	151,506.8 (52.5)	12,216.2 (4.2)	134,728.9 (46.7)	24,370.9 (8.4)
1921	185,631.1(100.0)	122,031.8 (65.7)	35,300.0 (19.0)	84,390.1 (45.5)	32,704.5 (17.6)
1922	149,429.6 (100.0)	130,671.9 (87.4)	35,300.0 (23.6)	76,670.8 (51.3)	31,885.7 (21.3)
1923	146,905.8 (100.0)	122,505.1 (83.4)	35,300.0 (24.0)	72,700.4 (49.5)	31,639.0 (21.5)
1924	132,573.3 (100.0)	80,156.9 (60.5)	10,000.0 (7.5)	46,386.9 (35.9)	31,773.9 (24.0)
1925	129,340.5 (100.0)	80,577.4 (62.3)	10,000.0 (7.7)	51,139.2 (39.5)	30,540.1 (23.6)

Source : United States National Archives, Record Group 350, Records of the Bureau of Insular Affairs (hereafter cited as BIA), 6769-187A, 6769 with 187, 6769-190A.

[1]For some years, overdrafts were included.

Table III-3 Estimated Losses of Loans and Discounts of Manila Hemp Trading Firms to the Philippine National Bank (May 19, 1921)

(in 1,000 pesos)

Name of Corporation	Estimated Recoverable	Estimated Loss
1. G. Martini Ltd.	4,923.8	4,923.8
2. Philippine Fiber & Produce Co.	2,161.9	2,106.9
3. U. de Poli	1,362.0	1,317.0
4. Sundry hemp purchases		
Fernandez Hermanos	1,186.9	
Madrigal & Co.	1,031.2	
G. Martini Ltd.	21.2	
Estimated accrued interest	330.0	
Sub-total	2,569.30	1,694.3
Total	11,017.0	10,042.0

Source : Haskins & Sells (1922), Exhibit: General Sheets, May 19, 1921, and Consolidation.

Table III-4 The Liabilities of Coconut Oil Companies to the Philippine National Bank (February 1922)

(in 1,000 pesos)

Name of Corporation	Liabilities
1. Philippine Vegetable Oil Co,	17,251.0
2. Philippine Manufacturing Co.	2,736.0
3. Cristobal Oil Co.	1,690.0
4. Copra Products	612.0
5. Philippine Oil Products Co.	385.0
6. Philippine American Oil Co.	320.0
7. Manila Cocoanut Oil Co.	208.0
8. Manila Oil Refining & By-Products Co.	187.0
9. Central Oil Corporation	143.0
10. Laguna Cocoanut Oil Co.	90.0
11. Insular Philippine Cocoanut Oil Co.	47.0
12. National Cocoanut Oil Co.	41.0
Total	23,710.0

Source : Haskins & Sells (1922), p. 7.

Table III-5 Estimated Losses of Loans and Discounts of Coconut Oil Companies to the Philippine National Bank (May 19, 1921)

(in 1,000 pesos)

Name of Corporation	Estimated Loss
1. Philippine Vegetable Co.	12,297.2
2. Philippine Manufacturing Co.	664.2
3. Cristobal Oil. Co.	559.0
4. Philippine American Oil Co.	270.4
5. Philippine Oil Products Co.	172.4
6. Manila Oil Refining & By-Products Co.	137.0
7. Central Oil Corporation	99.6
8. Laguna Cocoanut Oil Co.	90.0
9. Insular Philippine Cocoanut Oil Co.	26.4
10.Manila Cocoanut Oil Co.	30.0
11.Copra Products	20.0
Total	14,366.2

Source : Haskins & Sells (1922), Exhibit: General Balance Sheets, May 19, 1921, Consolidation.

Table III-6 Loans and Credits to Sugar Centrals Provided by the Philippine National Bank (Outstanding as of November 29, 1919)

(in 1,000 pesos, %)

Name of Corporation	Amount Authorized	Date Authorized
1. Agricultural Loans		
Hinigaran Sugar Plantation	710.0 (5.5)	Nov. 29, 1918
Gomez Hermanos	281.8 (2.2)	May 31, 1918
Kabankalan Sugar Co.	1,000. (7.7)	Feb. 22, 1918
Sub-total	1,991.8 (15.4)	
2. Other Loans and Overdrafts		
Bacolod-Murcia Milling Co.	1,127.6 (8.7)	Mar. 5, 1919
Central Azucarera de Bais	490.6 (3.8)	Nov. 23, 1918
Isabela Sugar Co.	1,599.9 (12.3)	unknown
Palma Central	606.5 (4.7)	Dec. 19, 1918
Talisay-Silay Milling Co.	1,076.7 (8.3)	Mar. 5, 1919
Ma-ao Sugar Central Co.	4,662.0 (35.9)	Mar. 24, 1919
Sub-total	9,563.3 (73.7)	
3. Letters of Credit		
Binalbagan Estate, Inc.	862.0 (6.6)	Mar. 24, 1919
Pampanga Sugar Development Co.	553.6 (4.3)	Mar. 5, 1919
Sub-total	1,415.6 (10.9)	
Total	2,970.7 (100.0)	

Source : Coates (1920), p.85.

Table III-7 The Liabilities of Sugar Centrals and the Philippine Sugar Centrals Agency (February 1922)[1]

(in 1,000 pesos)

Name of Corporation	Liabilities
Binalbagan Estate, Inc.	9,300
Ma-ao Sugar Central	9,400
Talisay-Silay Milling Co.	5,610
Pampanga Sugar Development Co.	5,360
Bacolod-Murcia Milling Co.	5,310
Isabela Sugar Co.	3,160
Palma Central	1,090
Philippine Sugar Centrals Agency	1,700
Total	40,930

Source : Haskins & Sells (1922), p. 5.