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9. ABSTRACT
Small-scale manufacturing industries in the Philippines in recent years have declined in efficiency, in terms of value added per worker, compared to large-scale manufacturers which are producing an ever larger share of total manufacturing output. In the absence of an effective program to assist small-scale firms, this trend will continue. The recent emphasis by the Philippine government on development of the small-scale industry sector suggests that necessary assistance for small firms will be forthcoming, but it is premature to assess whether the programs being initiated will be effective. The dominance of the executive branch in government policymaking complicates the longer-term outlook, since leadership changes tend to produce discontinuities in programs. Most (some 52%) of the financial assets in the Philippines are owned by government institutions. Thus, much resource allocation is linked directly to government policies. Management of the government-owned and operated financial institutions depends on the administration in power. Unlike the U.S. Federal Reserve System, these institutions appear to have relatively little independence. Thus their policies are subject to quick change to accommodate changing objectives of the national administration. This can also produce poor price-level stability. The artificially low institutional lending rates prevailing in the Philippines have contributed to overly capital-intensive productive processes. However, allowing interest rates to rise to free-market levels is not likely to change resource allocations appreciably. On the supply side, some financial intermediaries and private lenders have effectively evaded interest rate ceilings. Further, with private sector savings rebounding from 4.6% to 8.6% of GNP in 1973, additional large savings gains are not very likely. On the demand side, fund flows are closely regulated by government policies. These policies consider rate of return as the fifth in importance of five criteria for lending. Therefore, higher interest rates are

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not likely to significantly affect the allocation of funds by the government's financial institutions, but only the magnitude of intergovernmental transfer of funds. Programs to develop small-scale industry need to emphasize improvement in the efficiency of small firms. The types of industries that could benefit the nation's economy by being efficient need to be identified and selected for assistance. An indiscriminate program of blanket assistance to small industries would adversely affect the existing cost/benefit ratios for small-scale industry development. Emphasis needs to be placed on a complete assistance package for small firms, i.e., organizational, technical, and financial, because the loan delinquency rate of 10.7%, as of June 30, 1975, for the UP-ISSI/SSS supervised credit program, one of the better programs prior to its discontinuance in 1974, was still well above that experienced, for example, by the U.S. SBA. The cumulative loss rate for the U.S. SBA loan programs was 2.6% at the end of 1974.

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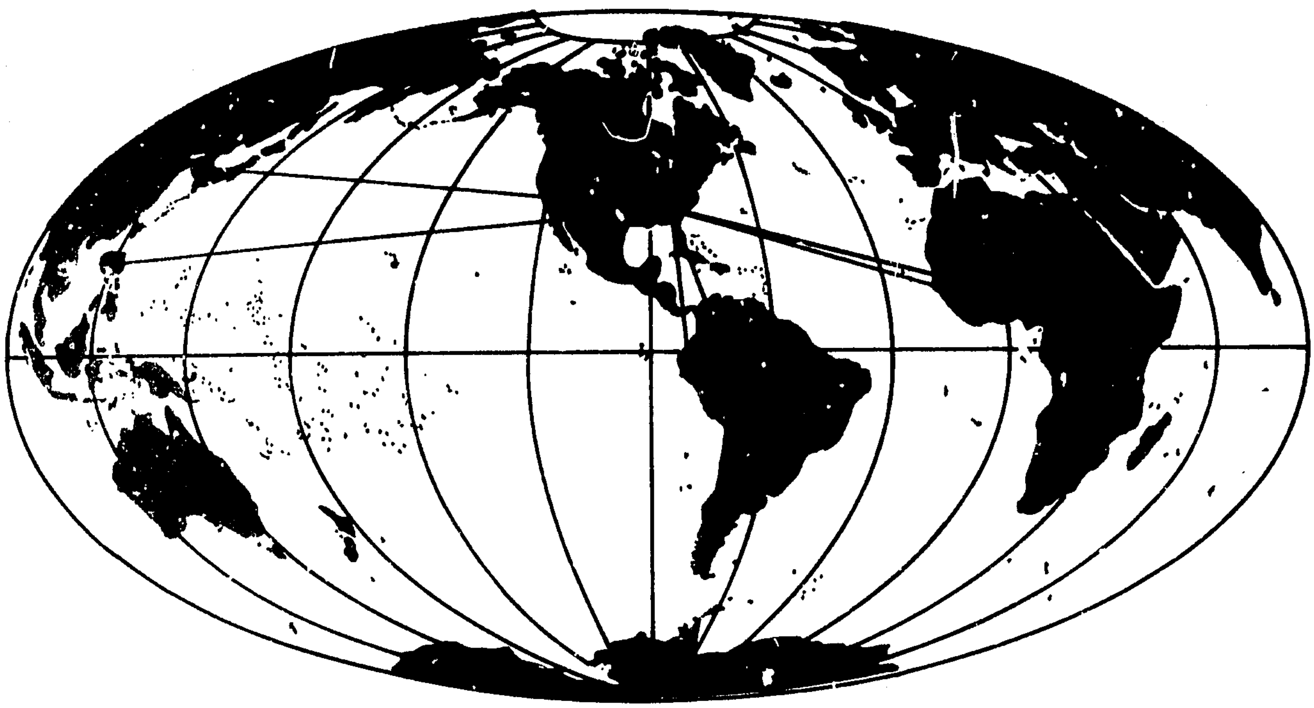
# EMPLOYMENT GENERATION THROUGH STIMULATION OF SMALL INDUSTRIES



## FINANCE AND SMALL–SCALE INDUSTRY LENDING IN THE PHILIPPINES 1967–1973

GEORGIA INSTITUTE OF TECHNOLOGY
ATLANTA, GEORGIA 30332

Project B-414

# FINANCE AND SMALL-SCALE INDUSTRY LENDING IN THE PHILIPPINES 1967-1973

by

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## SUMMARY AND CONCLUSIONS

Small-scale manufacturing industries in the Philippines in recent years have shown a declining relative efficiency, in terms of value added per worker. Large-scale manufacturers are taking an ever larger share of total manufacturing output (measured by value added) and, in the absence of an effective program to assist small-scale firms, this trend may be expected to continue.

The recent developmental emphasis on the small-scale industry sector by the Philippine government suggests that the assistance necessary for small firms will be forthcoming, but it is premature to assess whether the programs being initiated will be effective. Complicating the longer-term outlook is the dominance of the executive branch in governmental policymaking. This, of course, tends to make for discontinuities in programs, as leadership changes.

One need only examine the organizational structure of the principal financial institutions of the economy to appreciate the importance and potential changeability of governmental policies. Most (some 52%) of the financial assets in the Philippines are owned by governmental institutions. Thus, much resource allocation is linked directly to governmental policies. Furthermore, the management of the government-owned and operated financial institutions depends upon the administration in power. These institutions appear to have relatively little independence. (The U.S. Federal Reserve System, by contrast, is relatively independent of the executive branch of government.) Given this dependent status, their policies are probably subject to quick change to accommodate changing objectives of the national administration. Poor price-level stability also seems likely from this type of institutional structure.

The artificially low institutional lending rates prevailing in the Philippines have been a factor contributing to overly capital-intensive productive processes. Allowing interest rates to rise to free market levels, however, is not likely to change resource allocations appreciably. On the supply side, some financial intermediaries have effectively evaded interest rate ceilings, as have the private lenders. Furthermore, with private sector savings rebounding from 4.6% to 8.6% of GNP in 1973, additional large savings gains are not very likely. On the demand side, funds flows are closely regulated by governmental policies. These policies consider rate of return as the fifth in importance of five criteria for lending. Therefore, higher interest rates are not likely to significantly affect the funds allocations made by the government's financial institutions, but only the magnitude of intergovernmental funds transfers. Private financial institutions have been closer to market interest rates with "add-ons," so changes in fund allocations there would probably not be too great and private lenders, of course, would be essentially unaffected. Thus, the net result of higher interest rates in the short run would be small. In the long run, however, capital/labor ratios could be expected to change, but sectoral allocations per se need not.

Programs to develop small-scale industry need to emphasize improvement in the relative efficiency of small firms. The types of small industries that could benefit the nation's economy by being efficient if developed need to be identified and selected for assistance. An indiscriminate program of blanket assistance to small industries would adversely affect the existing cost/benefit ratios for small-scale industry development.

Of particular importance would appear to be more emphasis on a complete assistance package for small firms, i.e., organizational, technical, and financial, because the loan delinquency rate of 10.7%, as of June 30, 1975, for the UP-ISSI/SSS supervised credit program, one of the better programs prior to its discontinuance in 1974, was still well above that experienced, for example, by the U.S. Small Business Administration. The cumulative loss rate for the U.S. SBA loan programs was 2.6% at the end of 1974.

## INTRODUCTION

As a nation's aggregate and per capita real income and wealth grow over time, a corresponding growth in its financial sector may also be observed. The finance sector is a complex of markets for financial assets and services. It typically has a superstructure of regulatory authorities imposing policies and controls. At an elementary theoretical level, it seems reasonable to assume that the development of a primitive economy into a market economy with its attendant advantages of specialization and division of labor requires a growth in the use of money. Financial intermediaries[1/] become an integral part of the process producing a market economy. They provide the means whereby deficit spending units are financed by surplus spending units. The extent to which this takes place defines the market limit for financial intermediation. Such intermediaries extend the financial market by attracting the assets of small savers. These small savings are then massed to provide investment funds.

Financial intermediaries acquire assets by issuing claims against themselves, and may be classed as either banks or non-banks. Modern financial development has started everywhere with banks. Banks acquire assets and pay for them with deposit claims (money in the case of demand deposits). The non-bank intermediaries, by contrast, issue non-money claims (savings and loan share accounts, etc.). The difference between what financial intermediaries earn on the assets they acquire and the amount they pay to savers is their gross margin. The growth in the types of financial intermediaries over time broadens the menu of financial assets available to savers and stimulates total savings. Savings

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[1/] Financial intermediaries acquire primary assets by issuing indirect securities or financial assets. Commercial banks, savings and loan associations, insurance companies, mutual savings banks, investment companies, pension funds, government lending agencies, and others all do this.

permit a growth in capital stock.[2/] Obviously, a growing per capita income needs a growing capital stock.[3/]

Returning to the empirical evidence on changes in the financial structure (or financial development) as economic development occurs, the following has been reported by Goldsmith.[4/]

1. The economic development of a nation sees a growth in financial structure that is more rapid than the growth of national product and wealth. This continues until the FIR (financial interrelations ratio or total value of financial assets at a point in time divided by national wealth, defined as the total value of tangible assets plus net foreign balance) reaches a value between 1 and 1½, at which point it levels off. The LDC's typically have a low FIR.

2. The size of a nation's financial structure depends primarily upon the degree of separation between savers and investors, i.e., if all spending units had a balanced budget on income and product account, financial intermediation would fall to zero.

3. Financial institutions' share in the issuance and ownership of financial assets has increased during the economic development of most countries.

4. The share of the banking system in the assets of all financial institutions is lower in the developed economies than in the less-developed countries.

5. Institutionalization of the saving-investment process has favored the growth of claims rather than equities.

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2/ It is assumed that in most less-developed countries (LDC's), capital cannot be created by the monetary authority simply extending credit, i.e., the classical rather than the Keynesian model is more relevant. Central planning, fiscal techniques, and inflation are alternatives (not necessarily exclusive) to financial intermediation, but efficient financial intermediaries may be more effective in performing the allocation function as well as redistributing the benefits of larger returns.

3/ For an excellent review of macroeconomics and growth theory, see R. D. G. Allen, Macro-Economic Theory: A Mathematical Treatment, New York: St. Martins Press, 1967.

4/ Raymond W. Goldsmith, Financial Structure and Development, New Haven: Yale University Press, 1969.

6. Foreign sources of funds have been important to most countries at some stage in their development.

7. Interest costs are typically lower in developed economies than in underdeveloped economies.

The implications of these findings for policymakers in LDC's seem obvious. Further, the ease and relatively low cost of establishing financial institutions as compared to transferring industrial or agricultural technologies enhance their attractiveness. The degree to which governmental policy should aid capital market development, however, remains unsettled. At issue is the question of whether capital market development should be demand-following or supply-leading.[5/] More fundamentally, what is the direction of causation in the financial development process?

While an answer to the latter question does not seem possible, the interest in and literature on money and financial intermediaries have been mushrooming in recent years because of their relationship to economic development.[6/] The role of primary securities in orthodox neo-classical theory need not be developed here.

Related to and influencing the developmental pattern of the finance sector in LDC's is the degree of direct governmental intervention to deal with problems of unemployment, productivity growth, and income distribution. McKinnon[7/] characterizes the "Intervention Syndrome" by seven characteristic actions designed to bypass the domestic capital market:

1. Tariff protection for infant industries.

2. Import licenses and financial leverage (use of exclusive import licenses to manipulate leverage of particular firms).

3. Corruption and monopoly privilege (cheap bank credit and tax concessions for "essential industries").

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[5/] See Hugh T. Patrick, "Financial Development and Economic Growth in Underdeveloped Countries," Economic Development and Cultural Change, Vol. XIV, January 1966.

[6/] For a review of this literature, see Allan H. Meltzer, "Money, Intermediation and Growth," The Journal of Economic Literature, March 1969.

[7/] Ronald I. McKinnon, Money and Capital in Economic Development, Washington: The Brookings Institution, 1973.

4. Cheapening of capital goods (overuse of capital, excess capital, and overly mechanized techniques).

5. Agriculture's terms of trade (manipulating agricultural commodity prices to spur industry).

6. Land reform (preventing capital-efficient farms to develop).

7. Direct foreign investment and commercial credits.

Many of these actions are by now familiar. The reasons for direct governmental intervention may appear as a pragmatic response, but as Adelman and Morris[8] suggest, policy actions to speed economic growth may only promote social injustice. They contend that optimistic expectations of the development process, i.e., increased popular participation in the political process and a more equitable distribution of income, have often not been realized. Kuznets's[9] work supports the view that economic development in underdeveloped nations has in many cases led to an increased inequality of income, with the lower income classes declining relatively and absolutely. For the economically advanced nations, however, there appears to be a movement toward greater income equality.

Some argue that growing income inequality in the early stages of development should be of no concern to policymakers. The point made is that income must become more unevenly distributed for rapid economic growth. Others feel an income distribution favoring entrepreneurs is essential to mobilize savings.

Opposite to this view is that government policies to redistribute income early in the development process may increase both employment and growth, because as income is affected by the composition of output, income distribution also affects the bill of goods demanded.

A third view suggests that a growth and equity conflict be resolved by social welfare maximization. Within this group, some argue for production maximization and fiscal redistribution, while others feel that fiscal redistribution after the fact of production is not possible.

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[8] Irma Adelman and Cynthia Taft Morris, Economic Growth and Social Equity in Developing Countries, Stanford: Stanford University Press, 1973.

[9] Simon Kuznets, "Economic Growth and Income Inequality," American Economic Review, 65, 1955.

Whatever view is taken of the development process,[10] it is clear the subject is very complex. A recent trend in governmental strategies among the LDC's has been the stimulation of small-scale industry. By developing a dispersed small-scale industry, it is hoped that the problems of unemployment, maldistribution of income, and rural to urban migration can be simultaneously dealt with. The objective of this report is to look at only one segment of this strategy, namely, how programs to stimulate small business development are financed in the Philippines, where the Georgia Institute of Technology has a counterpart relationship with the Institute for Small-Scale Industries, and to identify program features that are particularly effective.

The approach will be to define the finance sector elements, describe their interrelationships, and analyze how governmental policies operate to affect funds flows. With the finance sector environment established, a description of the specific programs of public and private institutions to direct funds to small-scale industries and some appraisal of their effectiveness will be undertaken.

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[10] See Milind M. Lee and James L. McCabe, "Optimal Growth and the Distribution of Income," Discussion Paper No. 127, Yale University Growth Center, October 1971.

# REPUBLIC OF THE PHILIPPINES FINANCIAL STRUCTURE

The structure of the Philippine finance sector is dominated by governmental institutions. Governmental economic policy is formulated by the National Economic Development Authority, with the monetary policy component implemented through the Central Bank. In addition, there are the Philippine National Bank, a commercial bank, and its two subsidiaries, the National Investment and Development Corporation and the Philippine Exchange Company, Inc., as well as another commercial bank, the Philippine Veterans Bank. A development bank (the Development Bank of the Philippines), a Postal Savings Bank, and a Land Bank are also government institutions. Finally, there is an Agricultural Credit Administration, a Government Service Insurance System (GSIS), a Social Security System (SSS), and an Industrial Guarantee and Loan Fund, all established by the government to provide more specialized financial services.

Against this encompassing background of government institutions, private financial intermediaries are surprisingly numerous and diverse. In fact, some observers feel that, if anything, the Philippine financial sector is overdeveloped for the nation's present economic level. While the number and diversity of financial institutions is relatively large, it may be questioned whether the functions of the finance sector are being performed efficiently. This will be taken up again after the structure and function of the finance sector are described.

## Regulatory Authorities

### National Economic Development Authority

The National Economic Development Authority (NEDA) is a governmental entity created under the Constitution and responsible only to the President. It is the central agency charged in the national development planning and coordination of programs implemented. Its predecessor organization, the National Economic Council (NEC), was formed in 1935. At that time, its objective was an economic plan based on national independence. The council was composed of 15 members appointed by the President with consent of the commission on appointments. Reorganized in 1956, the membership consisted of a full-time chairman, two senators, two congressmen, the governors of the Central Bank and the Development Bank of the Philippines (formerly RFC), plus four others. The ineffectiveness of the NEC led to a proliferation of planning agencies.

In 1972, it was again reorganized by Presidential decree and formally established in January 1973 as the National Economic Development Authority. Specific functions are: (1) to advise the President on economic matters; (2) to formulate annual and long-range economic and social development plans; (3) coordinate formulation and implementation of monetary, fiscal, price, investment, manpower, population, land use, water resources policies; (4) to establish priorities for public funds and coordinate all foreign assistance programs; and (5) coordinate the statistical activities of all government agencies. An internal organization chart for NEDA is shown in Appendix E-1.

Central Bank of the Philippines

The Central Bank of the Philippines was created by Republic Act No. 265 (June 15, 1948), and the bank opened for business January 3, 1949. The broad objectives of the Central Bank stated in Act No. 265 were to:[1/]

1. Maintain monetary stability.

2. Preserve the value and convertibility of the Philippine peso with respect to foreign currencies. Reserves of gold and assets in convertible currencies, however, only had to meet foreseeable net demands. This latter provision replaced a dollar exchange standard that required the currency to be tied 100% to gold and convertible assets.

3. Promote production, employment, and real income.

The charter of the Central Bank was drawn with the assistance of two experts from the U.S. Federal Reserve System and was modelled after the central banks of Paraguay and Guatemala, both of which have export-based economies.[2/] The functions of the Central Bank were to:

1. Issue currency.

2. Supervise the commercial banking system.

3. Serve as the clearinghouse in the payments mechanism.

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[1/] Amado A. Castro, "Central Banking in the Philippines," in Central Banking in South and East Asia, Gethyn Davies, ed., Hong Kong: Hong Kong University Press, 1960.

[2/] Ibid.

4. Hold the reserves of the commercial banks.

5. Rediscount and be the lender of last resort to the commercial banking system.

6. Act as fiscal agent and advisor to the government.

7. Represent the country.

These functions are common to most central banks.

The basic "tools" or means available to the Central Bank to meet its objectives are:

1. Reserve requirements, which may be as high as 100% on new deposits.

2. Selective credit controls.
   a. In April 1957, priorities for commercial bank lending were established. Priority I was for agricultural and industrial loans, II for public utilities, III for real estate loans, and IV for consumption loans.
   b. Consumer credit controls.
   c. Margin requirements on letters of credit. Since a substantial portion of the business of a typical Philippine commercial bank involves foreign trade, it is an effective tool. These margin requirements have required cash deposits of up to 200% against imports of "nonessentials."

3. Moral suasion.

4. Discount policy.

5. Open market operations.

The last two "tools" listed have not been very important. In the case of the bank rate or discount policy, the rates established have supported an artificially low interest rate structure. Open market operations, as a result, have not been important because the artificially low rates have prevented the emergence of a bond market of any consequence. As Wai and Patrick[3/] observe, "A low interest rate policy by the government has the general effect of making it impossible to develop a viable bond market."

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[3/] U Tun Wai and Hugh T. Patrick, "Stock and Bond Issues and Capital Markets in Less Developed Countries," Discussion Paper No. 200, Yale University Economic Growth Center, 1973, p. 281.

A Treasury Bill market emerged in 1966, but by 1967 its continued operation required them to be privileged.[4/] The present market is composed largely of commercial banks, with little secondary trading.

The control of the Central Bank is vested in a Monetary Board, consisting of seven members. The Secretary of Finance is Chairman, and the other ex-officio members are the Governor of the Central Bank, the President of the Philippine National Bank, and the Chairman of the Board of Governors of the Development Bank of the Philippines. Three additional members are elected from the public at large by the commercial banks for six-year terms, with staggered elections every two years. The Chairman of the Monetary Board being the Secretary of Finance (comparable to the Secretary of the Treasury in the U.S.), coupled with a low interest rate policy, clearly suggests a subservience of the monetary authority to the Finance Department.[5/] This leads one to expect an inferior performance on price level stability, given the historical record of governmental propensities for expanded programs financed by deficits.

## Commercial Banks

### Philippine National Bank

The Philippine National Bank (PNB) was established in 1916 by the government, primarily to break the virtual monopoly held by foreign banks operating in the country. It absorbed the Philippine Agricultural Bank and provided a level of agricultural credit which the Philippine Agricultural Bank was unable to do. The present charter of the bank dates to a legislative act in 1955. It now provides mainly short-term credit to agricultural, industrial, and commercial businesses, but in its early years supplied long-term funds, primarily to the sugar industry. The bank also serves as a fiscal agent for the government.

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[4/] This privilege consisted of: (1) Commercial banks using Treasury Bills as collateral for advances from the Central Bank did not have to count this credit as falling within the commercial bank rediscount quota at the Central Bank. (2) Treasury Bills were allowed in lieu of cash in meeting up to one-half the advance-import deposit requirement. (3) Treasury Bills could be used instead of foreign exchange assets for up to 75% of the cover requirement against foreign exchange liabilities. See Robert F. Emery, The Financial Institutions of Southeast Asia, New York: Praeger Publishers, 1970.

[5/] This situation would seem to parallel that in the U.S. prior to the Accord of 1951.

The control of the bank is vested in the President of the Philippines and his representative. The voting power of the bank's stock is vested in the President's representative, and he selects the nine-man board of directors of the bank. This board then selects the officers of the bank, subject to the approval of the President of the Philippines. (The President of the PNB is ex-officio Vice-Chairman of the Board of Directors and a member of the Monetary Board of the Central Bank.) Such interlocking directorates would seem to assure coordination of government policies between the PNB, the other government banks, and the Central Bank.

The PNB is the more important of the two government-owned commercial banks. At the end of 1973, the total resources of the PNB were ₱6.2 billion; it operated 161 branches and agencies in the Philippines and had nine overseas offices. This made it by far the largest commercial bank in the Philippines. (The largest private bank barely topped ₱1 billion in resources.)

Philippine Veterans Bank

Despite its name, the Philippine Veterans Bank (PVB) operates as a regular commercial bank. It was established in 1963, using about $20 million from Japanese World War II reparations that had been earmarked for Philippine veterans. The plan at the time of the bank's founding was to ultimately distribute the bank's shares to veterans or their survivors. This distribution of shares began in 1969, but the government still retains control of the bank at this time. Technically, this bank is a quasi-government bank, but since control is still exercised by the government, it will be classed here as a government bank.

The resources of the PVB in 1972 were ₱341 million, making it a medium-sized bank by private commercial bank standards.

Philippine Amanah Bank

This bank was established in 1973, with 80% of its capital being supplied by Arab oil money and the remaining 20% by the Philippine government. Its operations are directed to furthering economic opportunities for the Moslem population of Mindanao. The University of the Philippines Institute for Small-Scale Industries has been training the industrial development officers of this bank.

## Private Commercial Banks

There are presently 35 privately owned commercial banks in the Philippines, operating over 700 branches. The number of commercial banks will fall because of a ruling September 30, 1975, that banks must have a minimum of ₱500 million in assets. This has prompted a wave of mergers to meet the requirement. Four branches of foreign banks also operate in the Philippines. Since 1957, only natural-born Filipinos have been authorized to start new commercial banks and minimum paid-up capital requirements have risen sharply. Despite these restrictions, over one-half the Filipino banks have been established in the last decade. With inflation, deposit growth of the private commercial banks has been rapid in recent years. From 1971 to 1973, the total assets of the private commercial banks almost doubled. The ratio of money supply ($M_2$) to GNP, however, began falling after 1969.

The Philippine Deposit Insurance Corporation, formed in 1963, insures deposits and adds to the stability of the banking system.

## Thrift Banks

### Savings Banks

The savings banks in the Philippines are known legally as savings and mortgage banks. They are privately owned stock companies that seek only savings and time deposits. Mortgages are their principal assets, but securities are also important. (See Appendix Table A-4.) As Figure 1 (page 34) shows, total assets of the savings banks have been growing steadily, except for a level period from 1971 to 1972. Since 1971, their growth rate has not kept pace with that of the finance sector.

There were 10 savings banks in 1968, operating 13 branches and 17 extension offices.[6/] These savings banks have organized The Association of Savings Banks of the Philippines to promote their interests.

### Private Development Banks

As of June 30, 1973, there were 33 private development banks (PDB's) in the Philippines with total assets of ₱217 million. Most are small local

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[6/] Emery, op. cit.

institutions. Paid-in capital was ₱64 million and deposits, ₱108 million.[7/] Loan investments were ₱57 million, dispersed over 7,000 borrowers, giving an average loan size of ₱8,100. Three-quarters of the loan investments were medium and long-term loans, with slightly over one-half of total loan volume going to agriculture and 28% to rural industries.[8/]

The most important of the PDB's is the Private Development Corporation of the Philippines (PDCP).[9/] It was founded in 1963 as a private bank, but with government sponsorship. Technical and financial assistance in establishing this bank were provided by the International Bank for Reconstruction and Development (IBRD or World Bank) and the U.S. Agency for International Development (USAID). Since its founding, it has received three IBRD loans totaling $65 million, an International Finance Corporation (IFC) loan of $15 million, and three loans from the Asian Development Bank for $45 million. It does not accept deposits. At the present time it is faced with a shortage of long-term foreign exchange resources. The objective of the bank is to finance industrial projects.

The bulk of the PDCP's lending activities have been to medium and large-scale manufacturing enterprises. Excluding small business loans, begun in February 1972, the average size of the PDCP's loans has been $520,000.

The small loan program recently begun is directed toward supplying fixed capital requirements of firms with paid-in capital of ₱50,000 to ₱300,000 ($7,000 to $44,000).

Current prospects are that the PDCP will adopt the government definition of small industry for eligibility (total fixed assets of between ₱100,000 and ₱1,000,000) and also relax its debt/equity proportion limit from 50/50 to 70/30. The PDCP is also working with the University of the Philippines, Institute for Small-Scale Industries (UP-ISSI) and The Development Academy of the Philippines (DAP).

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[7/] The Development Bank of the Philippines (government-owned) holds 36% of the total equity of PDB's and had advanced another ₱32 million through rediscounting. It also maintains deposits in PDB's.

[8/] Data on PDB's from the International Bank for Reconstruction and Development.

[9/] The PDCP is classified in Table 2 under III. B. (See page 32.)

It is yet too early to judge the success of this small business lending program and the contribution it will make.

The PDCP also is involved in two pilot industrial estate projects for small-scale firms, one at Paete (for crafts catering to woodcarving) and the other at Davos (centered on metalworking). In addition, it is expanding its influence to about 10 to 15 PDB's to strengthen its role in helping small enterprises nationwide.

### Stock Savings and Loan Associations

The Savings and Loan Association Act of 1963, as amended by Republic Act No. 4378, defines stock and non-stock savings and loan organizations and regulates their activities. Stock savings and loan organizations issue stock, common and preferred, and deal with the general public. Prior to the passage of the Savings and Loan Association Act, all savings and loan associations were non-stock. Stock savings and loan associations are permitted to maintain branches; non-stock are not.

The loans made by stock savings and loan associations are for real-estate and a variety of short-term credits. In 1970, there were 22 stock associations. As Table 2 (page 32) shows, their total assets were small.

## Rural Banks

The Rural Banks Act was passed in 1952. It provided for the formation of stock corporations, organized and managed by private citizens, but in which the government holds an equity position. The shares purchased by private citizens is common stock, while the shares purchased by the government are non-voting preferred.

The objective of the Rural Banks Act was to generate rural credit at a relatively low rate of interest. Prior to the establishment of rural banks, local private moneylenders exploited their virtual monopoly position. Loans made by the rural banks are largely short-term agricultural, secured by real-estate mortgages.

The growth of the rural banking system has been quite rapid in recent years, as Figure 1 shows. (See page 34.)

## Development Bank of the Philippines

The Rehabilitation Finance Corporation was created in 1946 to facilitate the rebuilding of the Philippine economy after World War II. In 1958, Republic Act No. 2081 broadened its scope of activity and renamed it the Development Bank of the Philippines (DBP). The DBP is wholly owned by the government and has a nine-member Board of Governors appointed by the President of the Philippines for seven-year terms. The Chairman and four of the Governors are full-time, while the remaining four Governors are part-time senior government officials.

The industrial financing operations of the DBP have been concentrated in three departments: Department I deals with loans above ₱1 million, II with loans below ₱1 million, and III with public utility and transport loans. In the late 1960's the DBP, because of inadequate resources, shifted the emphasis of its operation from direct lending to loan guarantees. Client defaults during 1971 and 1972 produced a serious liquidity problem for the DBP, and loan approvals are still below the FY 1970 levels. The DBP remains the principal finance institution of the government.

The objectives of the DBP have not been well defined, and generally its policy and operations have been on an ad hoc basis. Since the Martial Law edict, however, many delinquent loans have been converted to equity by the government and a more sound operating basis has been established. The primary thrust of recent operations has been to promote and finance development in rural areas. The 32 branches and 24 agencies of the DBP are organized into eight "regional action groups" that perform economic surveys, identify development projects, and perform feasibility studies.

While most of the DBP's activities are directed toward agriculture, it also serves small industries. It no longer plays a direct role in promoting medium and large-scale industry, since that would duplicate the efforts of the Board of Investments. Most recently, it has been assisting the government in formulating a comprehensive program for the development of small and medium-scale industries. Included in that plan is the integration of financial, technical, marketing, and promotional assistance.

Other activities of the DBP have been the establishment of the Development Academy of the Philippines (1973), a multidisciplined applied research group. One facet of the DAP's efforts is the Medium and Small-Scale Industry

Coordinated Action Program (MASICAP). This program is designed to identify small industrial projects, find entrepreneurs, and provide technical assistance.

The DBP has six sources of funds:

1. Capital stock and surplus. As of December 31, 1973, paid-in capital was ₱1.7 billion. Two automatic sources of capital are:

a. Transfers to the capital account of 20% of the DBP's annual net profit, representing dividends on the government's shares.

b. Transfers of 50% of the Japanese war reparations.

In 1973, the government also authorized the conversion into capital shares of ₱351 million of export tax proceeds received earlier by DBP and ₱922 million of the DBP's obligations to the Central Bank.

2. Bonds and notes. Two types of bonds are issued: (a) "ordinary" with maturities up to five years and paying 5% to 8% per year; and (b) "Progress" bonds with a 10-year term at 9% per year. These "Progress" bonds are guaranteed by the government and have the interesting feature of being convertible into preferred shares subscribed by DBP in industrial companies. This feature is an attempt to broaden the ownership of industrial companies. The notes issued by the DBP are similar to "ordinary" bonds except they have maturities of 10 to 20 years and carry a 7% to 10% interest rate.

Outstanding bonds and notes on December 31, 1973, were ₱1 billion, with ₱630 million held by government institutions (primarily Social Security System and Government Service Insurance System) and ₱370 million by private investors. The failure to attract more private holders stems from the artificially low interest rate structure maintained by the government.

3. Time and savings deposits. On December 31, 1973, these deposits totaled ₱658 million, of which about 10% were held by private depositors. The balance was held by government. Again, the artificially low rate of return discourages private depositors.

4. Trust funds. The DBP administers nine trust funds, including the Postal Savings Bank Fund, the Rural Bank Trust Fund, GSIS, and SSS. The latter two have 25% of their investable funds in DBP bonds.

5. Foreign currency resources. In 1965 DBP stopped lending pesos to finance industrial imports. Since then it has engaged in foreign currency guarantees. These take two forms: (a) "regular" to cover private foreign

suppliers' credits, and (b) bilateral credits under U.S. Commodity Credit Corporation (CCC) and Canadian Wheat Board (CWB), with the DBP as administering agency, for imports of raw cotton, tobacco, and wheat flour.

6. The DBP share of the Export (Stabilization) ax levied in July 1970.

As the balance sheet Appendix Table A-6 shows, the bulk of the DBP assets are in industrial loans, with securities investments and agricultural loans in a distant second and third place.

## Land Bank of the Philippines

The Land Bank of the Philippines (LBP) is another of the banks established in the 1960's by the government (1963). Its purpose is to finance the purchase of land by agricultural lessees and also finance government acquisition of landed estates for subdivision and resale.

The LBP is authorized to issue bonds and debentures or borrow (domestically or abroad), subject to the approval of the President of the Philippines. Preferred shares may be issued to pay for landed estates (up to a limit of ₱600 million).

The Governor of the Land Authority, the agency created to carry out the government's land reform program, is an ex-officio member of the LBP's Board of Directors. The preferred shareholders elect one director, and the President of the Philippines appoints two others.

Lack of funding has kept the operation of this government bank modest.

## Non-Bank Financial Intermediaries

### Government Service Insurance System

The Government Service Insurance System (GSIS) began in 1936 as a consolidation of various pension programs then in existence. It is wholly owned and controlled by the government. Life, retirement, and property insurance and salary, policy, and real estate loans are provided for members of government services by this agency. Some exceptions to the membership rule are made, but at higher loan rates. The GSIS is supervised by a five-man Board of Trustees appointed by the President of the Philippines.

Social Security System

The Social Security System (SSS) was established in 1954 and began to operate in 1958. Its purpose is to provide old age, death, disability, and sickness benefits to private sector workers. The system is compulsory for all paid employees and their employers. The SSS also provides education, housing, and salary loans to members of the system. A small-scale industry[10/] financing fund of ₱10 million was established under the terms of the supervised credit scheme, but was discontinued in 1973. Lending is now channeled through the Bank of the Philippines.

The SSS is controlled by a commission composed of the Secretary of Labor and six others appointed by the President of the Philippines.

National Investment and Development Corporation

The National Investment and Development Corporation (NIDC) was established in 1963 and is a subsidiary of the PNB, with the PNB officers also serving as the officers of the NIDC. The resources of the corporation have come from capital stock subscriptions. It does not accept deposits. Medium and long-term loans are the principal investments of the NIDC.

Agricultural Credit Administration

The Agricultural Credit Administration (ACA) is a government agency established in 1963 to replace the bankrupt Agricultural Credit and Cooperative Financial Administration. The purpose of this agency is to provide short-term agricultural loans at subsidized contract rates to propertyless tenants of small-sized farms and farm cooperatives. (Rural banks typically finance farmers owning property usable as collateral.) The Administrator of the ACA is appointed by the President of the Philippines. The Administrator also is a member of the Land Reform Council, which generally controls the operations of the ACA. The ACA operates through branches, agencies, or rural banks and development banks acting as its agent.

Its sources of funds are governmental appropriations and credits from the agricultural authorities, e.g., the Rice and Corn Authority. The ACA may also

[10/] A small-scale industry is defined (by UP-ISSI) as "a manufacturer or industrial service enterprise in which the manager is not actively engaged in production but performs a varied range of tasks . . . without the help of a specialized staff." Small-scale enterprises employ more than five but less than 100 workers and have assets between ₱100,000 and ₱1,000,000.

discount eligible paper with the Central Bank, PNB, or DBP. As Table 2 shows, the total assets have held at a level of around ₱88 million since 1970.

## Bancom

The Bancom Corporation is the largest of the investment banking corporations in the Philippines. It was organized by Manila and New York investors in 1964. Financing activities by Bancom are unusual in that it issues its own bills (Bancom bills). Typically, a money market dealer does not issue paper, but due to the limited volume of high-quality money market instruments, Bancom created its own bills (others have since followed their lead). Thus, it has been a significant factor in development of the Philippine money and capital markets.

## Finance Companies

Three finance companies are dominant in the industry, composed of about 260 companies: International Finance Company, Filipinos Investment and Finance Corporation and Filipinos Mutual Finance Inc. Their shares are traded on the Manila Stock Exchange.

Borrowings from banks and sale of debentures are the main source of funds for finance companies. Loans are primarily to finance consumer durables.

## Private Insurance Companies

Private insurance companies are authorized to conduct either a life or casualty business under Republic Act No. 2427 (as amended). Domestic companies far outnumber foreign companies in both categories. Regulation of the industry is by an Insurance Commissioner appointed by the President of the Philippines. Until 1973, the private insurance company share of the financial system assets stayed steady at about 5½%, as Table 2 shows. (See page 32.)

## Financing Programs for Small-Scale Industries

### Government

At the present time, the DBP and IGLF have financing programs for small industries. The lending program of the DBP (Department II) for small and medium-scale industry has the following terms and conditions:[11/]

1. Eligibility
    a. Citizen of the Philippines
    b. Producer cooperative, partnership, corporation capitalized by Filipino citizen
    c. Must be industrial venture
    d. Total firm assets over ₱100,000 but not over ₱1 million
2. Loan purpose
    a. Acquisition, construction, improvement of capital assets, including land for factory site, building, machinery, and construction
    b. Working capital
3. Priorities
    a. Rural area industries
    b. Urban area industries with export orientation. (Urban industries are those located within (1) greater Manila, (2) boundaries of Cebu and Mandaue cities, and (3) specified districts of Davao City.)
4. Maximum loan - ₱1 million
5. Term of loan - five to ten years
6. Interest rate - 12% per annum
7. Collateral loan values
    a. Titled land - 90%
    b. Untitled land - 60%
    c. Buildings and improvements on titled lands - 80%

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[11/] Institute for Small-Scale Industries, University of the Philippines, "Small-Scale Financing Programs of Government Agencies," Small Industry Journal, Vol. 6, No. 4, April-June 1974.

d. Buildings and improvements on untitled lands - 60%

e. Machinery and equipment - 80%

8. Debt/equity requirement of 80/20 (in special cases, 90/10)

The Industrial Guarantee and Loan Fund (IGLF) is a revolving loan fund established by the USAID and NEDA in 1970. It is administered by the Central Bank. The IGLF has three types of credit arrangements: (1) special time deposit, (2) pure guarantee, and (3) combined special time deposit and guarantee. The loan applicant deals with a rural, a savings, or a development bank, which verifies credit worthiness. A review committee, composed of representatives of NEDA, the Central Bank, the Department of Industry, and UP-ISSI, evaluates and approves the application. The loan application is then sent to NEDA for final approval by the Director-General. If approved, the Central Bank advances the money to the originating bank to provide the loan funds. Except in the case of the guaranteed loan (where NEDA assumes up to 30% of the uncollateralized loan risk and charges 12% on the amount guaranteed), the originating bank determines collateral requirements and assumes the risk of nonrepayment. The general terms and conditions of these loans are:[12/]

1. Eligibility
   a. Single proprietorship, partnership, corporation, or producer cooperative.
2. Loan purpose
   a. Acquisition of machinery or equipment
   b. Plant site for new projects
   c. Other process expenses (design, technical, etc.)
   d. Working capital
   e. Refinancing
3. Priorities
   a. Manufacturing
   b. Industrial services
   c. Tourist facilities outside metropolitan Manila
4. Maximum loan - ₱500,000

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12/ Ibid.

5. Term of loan
    a. Ten years for facility loans
    b. Three years for working capital
6. Interest rate: 10% on STD; 12% on STD with guarantee
7. Collateral
    a. Machinery, equipment, and real estate
8. Debt/equity requirement of 80/20

By the end of 1973, the IGLF had approved loans totaling ₱14.5 million, with ₱4.4 million of that total in 1973.[13]

These two loan programs are very similar and their differences appear arbitrary. To date, the total financing has been modest, but the recent creation of a Commission of Small and Medium-Scale Industries (of which UP-ISSI is a member) in the Department of Industry should increase the pace of lending activity.

Private

The role of the private sector in financing small-scale industries typically has been more important than that of government. In 1974, it was estimated that 78% of the total loans made to small industries came from the private sector.[14] Within the private sector, personal and family savings traditionally have been the most important source. In a recent study of entrepreneurship in the Philippines, Kaplan and Huang found in a fairly small sample that ". . . 72% of entrepreneurs had income sources other than their small-scale manufacturing enterprise; they owned other businesses, land, or both."[15]

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[13] Institute for Small-Scale Industries, University of the Philippines, Annual Report, FY 1973-74.

[14] Institute for Small-Scale Industries, University of the Philippines, "Small-Scale Industry Financing Programs of Private Financial Institutions," Small Industry Journal, Vol. 7, No. 1, July-September 1974.

[15] Paul F. Kaplan and Cynthia H. Huang, "Achievement Orientation of Small Scale Industrial Entrepreneurs in the Philippines," Human Organization, Summer 1974.

Private financial institutions also provide funds to small-scale industry, and this source also has been more important than government sources.[16/] Among the private financial institutions with small-scale financing programs are the following:

1. The First National City Bank (Citibank) has a Small Business Loans Program launched in 1971.
2. FNCB Finance, Inc. has a Small Business Program that began in 1972.
3. General Bank has a program under its Small Business Bureau.
4. Philippine Commercial and Industrial Bank (PCIB) has a program for small-scale lending.
5. Private Development Corporation of the Philippines (PDCP) began offering small business term loans in 1972.
6. The Rizal Commercial Banking Corporation (RCBC) has a Small Business Center for loans.

Details of the terms and conditions for the loans of these private lenders are given in Appendix C-1.

With the current governmental emphasis on small-scale industry development, it would not be surprising to see an expansion of current private programs and new ones come into being. The primary requirement of such programs is the development of lending expertise in small business loans, where faulty financial records, small equity capital, and heavy short-term debt and inadequate collateral are typical. In addition, the fixed costs in lending are high in relation to the size of the loan, making either for a lower profit margin or a higher cost to the borrower. The difficulties small-scale lending entails have tended to make such loans relatively unattractive for lenders.

<u>Suggested Finance Structure Reforms</u>

Staff personnel with technical expertise on a wide range of small businesses are lacking at the Central Bank, the DBP, the PNB and the rural banks, according to Almonte.[17/] Further, he argues that an SBA-type organization is

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16/ Small Industry Journal, loc. cit.

17/ Emmanuel O. Almonte, "Small Business in the Philippines," UNIDO, ID/WG. 61/CP.9, October 1970.

necessary for the ". . . continued growth of . . . [the small-scale business] . . . sector of the economy."[18/] This call for an SBA-type organization stems from the need for a loan guarantee arrangement to minimize lenders' risk. The delinquency rate for the UP-ISSI/SSS Supervised Credit Scheme, one of the better lending programs prior to its discontinuance in 1974, was 10.7% as of June 30, 1975. While loss rates are not available on the other programs, they are likely to be quite high. The present IGLF is a step in this direction, but as previously stated, in most cases the originating bank assumes the risk of nonrepayment. Initial screening is also the lender's responsibility in all IGLF loan applications.

Another arrangement which calls for financing small-scale industries through the commercial banks was proposed by Spiro.[19/] It calls for (1) an equal sharing of loan risk by the government and the commercial banks, (2) indirect subsidies such as tax rebates or exemptions, and (3) a refinancing of small-scale industry loans by the Central Bank. This last recommendation is, of course, essentially being acted upon through the IGLF. A barrier to small-scale industry lending cited by Spiro is the lack of suitable collateral. Lack of clear titles to land often prevents its use as collateral, and poor bookkeeping records of the loan applicant frequently make loan analysis by the lender impossible.

A general conclusion that might be drawn from these reform proposals is that small-scale industry needs to be subsidized in some fashion by the government in order to at least maintain its contribution to total output.

Certainly in the U.S., this was implicitly recognized in the Small Business Act of 1958. Whether the newly created Philippines Department of Industry provides the level of support needed by small-scale industries remains to be seen.

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[18/] Ibid.

[19/] Benjamin Spiro, "Commercial Bank Financing of Small-Scale Industries: Policies and Measures," UNIDO, ID/WG.65/8, July 1970.

## A SUMMARY OF GOVERNMENTAL POLICY ACTIONS AND RESULTS, 1949-1973

Before proceeding to an examination of financial magnitudes, a brief history of governmental policy actions and their effects on the nation's economy appears useful. In particular, it should make clearer the underlying reasons for the finance sector changes that have taken place.

At the time the Central Bank was created, the prime concern of the government was to avoid an excessive importation of consumer goods, which would dissipate the expected surge of foreign exchange inflows from favorable export prices on Philippine goods, U.S. military expenditures, and war damages payments. Import and exchange controls were recommended by the joint Philippine-American Finance Commission that also recommended the formation of a central bank.

Controls were imposed in 1950 and the governmental policies during the entire decade which followed were characterized by an attempt to industrialize by a strategy of import substitution promoted "by low interest rates, an overvalued currency and fiscal advantages."[1/] During this period the Central Bank was primarily concerned with maintaining the value of the peso. Inflationary pressures, brought about primarily by government deficits coupled with reduced consumer goods imports due to exchange controls, were a continual problem.

The government's import substitution program produced a sharp change in the composition of imports.[2/] In 1949, consumer goods, raw materials, and capital goods were, respectively, 64.4%, 26.2%, and 9.4% of imports. By 1957, these proportions had changed to 21.9%, 58.5%, and 19.6%.

The manufacturing and manufacturing employment indexes (1955 = 100) went from 46.9 and 86.2 in 1949 to 134.6 and 106.5 in 1958.[3/] Clearly, the pace of industrialization quickened during this period, but as the "easy" import substitutions were exhausted, this pace slackened in the late 1950's.[4/]

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[1/] International Labor Office, Sharing in Development, Geneva: International Labor Office Publications, 1974, p. 4.

[2/] The Central Bank supported the import substitution strategy by using its credit controls to channel investment.

[3/] Castro., *op. cit.*, pp. 177-178.

[4/] From 1948 to 1956, manufacturing output grew at 12% per year. For the period 1956 to 1972, it fell to 6% per year.

The import and exchange controls of the 1950's favored final processing stage activities, with the bulk of the imports from abroad. Light manufacturing, processing, and packaging of consumer goods spurred the manufacturing boom. This pattern is consistent with the view that modern industrialization begins with the finishing stages and then subsequently moves back into the more basic stages until full integration is achieved. "Backward linkages" is another way of expressing this idea. Several comments about this period appear to be in order:

1. The growth in manufacturing activity utilized more capital-intensive techniques than would have been desirable, as the manufacturing and manufacturing employment indexes just cited indicate. Such a result is not really surprising, however, in view of the artificially low price on capital goods promoted by governmental policies.

Further, most of this industrial development was concentrated in metropolitan areas, which did not aid in reducing the flow of surplus agricultural labor migrants to the cities.

2. The import substitution program did not reduce dependence upon imports; rather, it changed the composition of those imports. Essential raw materials replaced consumer goods as the leading category. The failure of the import substitution program to reduce dependence upon imports caused continuing balance-of-payments problems that heightened the need for an agricultural surplus.

3. The industrial development program did not provide for much participation by the small and medium-scale industries that tend to be more labor intensive. As a consequence, the overall industrialization program was unable to absorb the growing labor supply and unemployment problems persisted.

In 1957, an election year, exchange controls were relaxed. The result was a rise in imports to a postwar high and a sharp decrease in international reserves. Drastic control measures were then imposed on credit and exchange. Tighter import controls, however, failed to solve the continuing balance-of-payments problem, and by 1962 the governmental policy shifted to decontrol and devaluation. What emerged was not a significantly liberalized trade pattern, because the protective tariffs remained. The continued import substitution strategy in the 1960's produced some "backward linkages" (i.e., vertical integration) in manufacturing; however, overall, it began to become apparent that industrial growth had become constrained by the size of the domestic market. Excess capacity and "overcrowding" began to develop.

In 1967, the Board of Investments (BOI) was created to formulate Investment Priorities Plans (IPP's). This agency gives financing priorities to projects or firms registered with it. The criteria presently used by the BOI to determine which industry/company should get financial or other privileged governmental assistance are, in order of importance:[5/] [6/]

1. Labor intensity
2. Dispersal of industry
3. Local availability of raw materials
4. Export potential
5. Rate of return on investment

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[5/] Siward DeVries, "Quantifying the Criteria for Privileged Governmental Assistance to Small-Scale Industries," Small Industry Journal, Institute for Small-Scale Industries, University of the Philippines, Vol. 6, No. 1, August-September 1973.

[6/] Formulas for these criteria are:

1) L/Og, where L = labor cost, Og = gross value of output taken from the national input-output tables

2) $$\frac{\sum_{i=1}^{n} \gamma ij}{\frac{1}{n} \sum_{i=1}^{n} \sum_{j=1}^{n} \gamma ij}$$ (also called backward linkage)

where $\gamma ij$ = elements of the inverse of the technology matrix

3) $$\frac{\sum_{j=1}^{n} \gamma ij}{\frac{1}{n} \sum_{i=1}^{n} \sum_{j=1}^{n} \gamma ij}$$ (also called forward linkage)

4) $\frac{B}{K}$ (also called balance of payments/capital ratio)

where B = total balance of payments effect, K = stock of capital

5) $\frac{O - C}{K}$ where O = net value of output added domestically, C = total cost of domestic factors

See Bienvenido M. Noriega, Jr., "An Analysis of the Investment Priorities Plans and the Export Priorities Plans of the Board of Investments," NEDA Journal of Development, Vol. 1, No. 1, 1974, pp. 114-125.

Despite the labor-intensity goal, the effect on non-export-oriented firms of fiscal incentives given by the BOI has been to favor relatively capital-intensive industries and relatively capital-intensive scales within industries.[7/] The relegation of rate of return on investment to last place also is interesting, for it seems to imply a policy emphasizing social justice in the economic growth process, rather than economic efficiency.

In 1968-1969, a balance-of-payments crisis was met by a reimposition of import restrictions, followed in 1970 by a floating of the peso. The resulting fall in the exchange value of the peso raised exports, but foreign currency-denominated loans became an increased burden, particularly for the Development Bank of the Philippines. By 1973, a positive balance-of-payments was attained and international reserves rose dramatically,[8/] due to the biggest export boom in the post-World War II period.

The cumulative effect of government deficits, coupled with natural disasters that reduced agricultural output, produced a sharp spurt in the rate of inflation since 1970, as Table 1 shows. The "Palagad" rice planting project in calamity-stricken regions and the "Masagana 99" accelerated rice production program both were begun in early 1973 to ease pressure on food prices. In the finance sector, the rapid rate of inflation caused very low, or negative, real rates of interest, because the Anti-Usury Law of 1916 limited lending rates to 12% and 14% per annum for secured and unsecured loans.[9/] The effective rates on commercial bank loans are now some 4% to 6% above these limits with "add-ons" (i.e., compensatory balances, collection of interest in advance, etc.).

Deposit rates are in the 6% to 8% range, but recently, ceiling rates were removed entirely for two-year time deposits. Private money market instruments, for example, Bancom bills, are not subject to the legal interest limits on time

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[7/] International Labor Office, op. cit., p. 616.

[8/] As part of the drive to raise exports, the Export Incentives Act created Export Priorities Plans (EPP's) under the BOI, which gives tax benefits to producers or export traders registered with the BOI and who accept supervision of their export operation by the BOI. Only manufactured or processed products are eligible under this Act, and it is limited to those products whose exportation did not reach $5 million in 1968.

[9/] Recently the law was amended to raise these ceilings, but the Monetary Board has not acted to implement higher ceilings.

Table 1

SELECTED ECONOMIC INDICATORS FOR THE PHILIPPINE ECONOMY

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|
| GNP* (U. S. $ millions) | 6,313 | 6,658 | 7,056 | 7,491 | 7,903 | 8,245 | n.a. |
| GNP per capita* (U. S. $) | 183 | 187 | 191 | 197 | 201 | 202 | n.a. |
| Exports as a % of GNP | 17.2 | 14.7 | 12.8 | 19.0 | 17.8 | 16.6 | n.a. |
| Imports as a % of GNP | 19.3 | 18.6 | 16.5 | 19.5 | 18.3 | 16.5 | n.a |
| International liquidity (U. S. $ millions) | 180 | 161 | 121 | 251 | 382 | 551 | 1,038 |
| Government deficit (-) or surplus (₱ millions) | -235 | -273 | -995 | 69 | -186 | -1,011 | 2,088 |
| Money supply (1970 = 100) | 83.8 | 85.7 | 87.4 | 100 | 114.6 | 126.3 | 140.2 |

* In constant 1972 prices, using a conversion rate of 6.78 pesos per dollar.

Sources: U. S. Agency for International Development, Statistics and Reports Division, Gross National Products, May 1, 1974 (RC - W - 138).

International Monetary Fund, International Financial Statistics, Vol. XXVII, No. 12, December 1974.

and savings deposits and, as a result, money market activity has increased markedly. The further drop in real rates since 1970, from an already artificially low level, can be expected to produce added distortions in resource allocations and savings flows. Compounding the problem are import restrictions and protective tariffs to shelter inefficient producers, which, while raising private returns, lower the social returns from industrialization.[10/]

[10/] See special paper No. 10 in International Labor Organization study, op. cit.

The actions of the Central Bank in recent years explain much of the inflationary problem. During the years from 1967 to 1973, the Central Bank claims on the Philippine government grew from ₱1.0 billion to ₱3.4 billion. The reserves of the commercial banks jumped 237% (by ₱0.9 billion), with the money supply rising very nearly in proportion, from ₱3.3 to ₱8.2 billion. The net borrowing of the Philippine government during the period was ₱3.8 billion, with government deposits at the Central Bank being ₱1.7 billion higher at the end of the period.

The rise in commercial bank reserves did not match the increase in Central Bank holdings of claims against the government, primarily because the commercial banks acquired ₱1.8 billion in Central Bank bonds during the last three years of the period. The development and savings banks acquired ₱0.6 billion, thus accounting for ₱2.4 of the ₱2.5 billion total. From the foregoing, it seems abundantly clear that virtually all new government debt is being absorbed by the Central Bank and that substantial amounts are being monetized.

Apart from the growth in claims on government, the other source of growth in Central Bank assets has been in foreign assets. The net change in foreign assets has been ₱5.5 billion, with most of the increase occurring in 1972 and 1973.

In the following section, the effects of inflationary financing and the monetization of government debt are apparent from the asset growth of both the Central Bank and the commercial banks.

## FINANCING MAGNITUDES

### Overall Financing Magnitudes

The structural relationships of the Philippine financial system have the quantitative dimensions shown in Table 2. Balance sheets for the Central Bank, the commercial banks (and the PNB separately), savings banks, rural banks, and the DBP are shown in Appendix Tables A-1 through 6.

The distribution of financial magnitudes by type of institution is given in Table 3. Figure 1 shows the relative growth rates of the major institutional types.

As may be seen, both the Central Bank and the banking system have reversed the decline in their respective shares of total financial assets since 1971. The private commercial banks have clearly outpaced the growth of total financial assets since 1970. Financial assets, as a share of GNP, however, appear to be declining.

Of course, a growing dominance of the finance sector by banks, as well as a shrinking of the finance sector relative to GNP, suggests a retrogression in economic development as compared to developed countries, using Goldsmith's[1/] findings.

### Interest Rates and Resource Allocations

From a resource allocation standpoint, reclassifying the financial institutions into wholly government owned and non-government seems useful. Of course, it may be argued that such a dichotomization is artificial in that government influence is too pervasive to measure in this way. Still, it does provide some index of direct governmental intervention into resource allocation. Moreover, these interventions are likely to produce results different from those of private sector allocations (assuming the private sector is reasonably competitive). This seems very clear from the economic strategy being pursued by the government, in which rates of return on investment have a low priority.

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[1/] Goldsmith, op. cit.

Table 2

TOTAL ASSETS OF THE PHILIPPINE FINANCIAL SYSTEM, 1967-1973
(millions of pesos)

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|
| I. Central Bank | 4,265.4 | 4,516.5 | 5,111.3 | 6,003.2 | 6,912.6 | 9,414.3 | 14,744.7 |
| II. Banking System | 12,573.4 | 14,358.9 | 16,216.5 | 18,883.4 | 21,812.3 | 26,967.6 | 38,460.1 |
| A. Commercial Banks | 9,634.6 | 10,910.6 | 12,049.7 | 14,066.1 | 16,054.0 | 19,997.8 | 29,940.3 |
| 1. Private Banks | 6,124.2 | 7,222.0 | 7,971.0 | 9,340.2 | 11,776.4 | 15,309.3 | 22,541.4 |
| 2. Government Banks | 3,510.4 | 3,688.6 | 4,078.7 | 4,725.9 | 4,277.6 | 4,688.5 | 7,398.9 |
| B. Thrift Banks | 621.3 | 739.5 | 848.3 | 1,032.3 | 1,211.3 | 1,253.5 | 1,438.1 |
| 1. Savings Banks | 493.5 | 583.3 | 667.4 | 812.2 | 943.7 | 950.8 | 1,087.1 |
| 2. Private Development Banks | 118.1 | 130.1 | 144.0 | 161.0 | 184.1 | 199.8 | 236.9 |
| 3. Stock Savings & Loan Associations | 9.7 | 26.1 | 36.9 | 59.1 | 83.5 | 102.9 | 114.2 |
| C. Regional Unit Banks (Rural Banks) | 408.8 | 466.7 | 562.9 | 655.0 | 783.6 | 982.3 | 1,325.0[1] |
| D. Other Banks | 1,908.7 | 2,240.1 | 2,755.6 | 3,130.0 | 3,763.4 | 4,734.0 | 5,756.7 |
| 1. Development Bank of the Philippines | 1,906.0 | 2,231.5 | 2,738.5 | 3,106.8 | 3,697.3 | 4,607.8 | 5,086.4 |
| 2. Land Bank | 2.7 | 8.6 | 17.1 | 23.2 | 66.1 | 126.2 | 670.3 |
| III. Non-Bank Financial Intermediaries | 5,475.8 | 6,519.5 | 7,522.2 | 8,976.1 | 8,019.8 | 9,355.1 | 9,956.8 |
| A. Insurance Companies | 3,974.9 | 4,501.8 | 5,089.0 | 5,743.8 | 6,524.4 | 7,635.6 | 8,000.1 |
| 1. Government[2] | 2,748.9 | 3,106.3 | 3,503.0 | 3,879.9 | 4,346.3 | 5,078.3 | 5,356.5 |
| 2. Private | 1,226.0 | 1,395.5 | 1,586.0 | 1,863.9 | 2,178.1 | 2,557.3 | 2,643.6[3] |
| B. Investment Institutions | 1,057.9 | 1,297.6 | 1,611.0 | 2,347.4 | 1,291.5 | 1,495.5 | 1,704.1 |
| 1. Finance Companies | 854.6 | 960.1 | 1,041.0 | 1,394.2 | n. a. | n. a. | n. a. |
| 2. Investment Companies (Mutual Funds) | - | - | 5.3 | 5.4 | n. a. | n. a. | n. a. |
| 3. Others | 203.3 | 337.5 | 564.7 | 947.8 | 1,291.5 | 1,495.5 | 1,776.7 |
| C. Trust Operations | 293.5 | 326.4 | 383.6 | 514.5 | n. a. | n. a. | n. a. |
| D. Other Financial Intermediaries | 149.5 | 193.7 | 438.6 | 370.4 | 203.9 | 224.0 | 172.6 |
| 1. Mutual Building & Loan Associations | 22.6 | 23.5 | 25.3 | 24.8 | 23.7 | 24.2 | 24.4 |
| 2. Credit Unions | 45.4 | 42.8 | 42.5 | 50.7 | 38.6 | 56.5 | n. a. |
| 3. Security Dealers and Brokers | 22.5 | 53.2 | 274.9 | 163.1 | n. a. | n. a. | n. a. |
| 4. Non-Stock Savings & Loan Associations | 27.5 | 32.0 | 36.4 | 45.7 | 49.2 | 55.3 | 61.1 |
| 5. Agricultural Credit Administration | 31.5 | 42.2 | 59.5 | 86.1 | 92.4 | 68.0 | 87.1[3] |
| IV. All Financial Institutions | 22,314.6 | 25,194.9 | 28,850.0 | 33,862.7 | 36,744.7 | 45,737.0 | 63,161.6 |
| V. Gross National Product | 0.82 | 0.83 | 0.85 | 0.82 | 0.73 | 0.80 | n. a. |

[1] October 1973.

[2] Includes Government Service Insurance System (GSIS) and Social Security System (SSS).

[3] June 1973.

Source: International Bank for Reconstruction and Development.

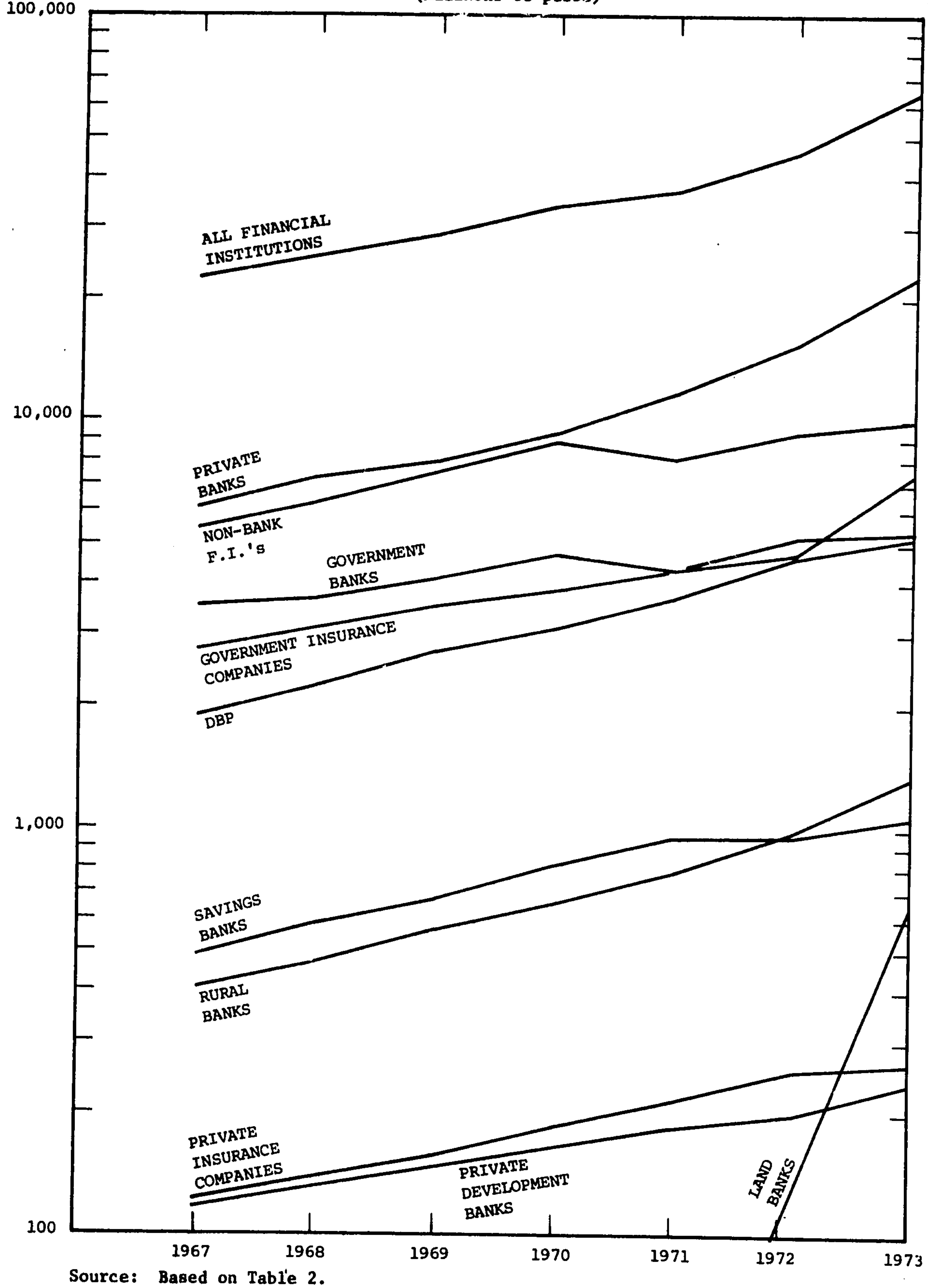
Table 3

DISTRIBUTION OF THE TOTAL ASSETS OF THE FINANCIAL SYSTEM, BY TYPE OF INSTITUTION
(percent)

| Institution | 1967 | 1968 | 1969 |
|---|---|---|---|
| I. Central Bank | 19.1 | 17.9 | 17.7 |
| II. Banking System | 56.4 | 57.0 | 56.2 |
| A. Commercial Banks | 43.2 | 43.3 | 41.8 |
| 1. Private Banks | 27.4 | 28.7 | 27.6 |
| 2. Government Banks | 15.7 | 14.6 | 14.1 |
| B. Thrift Banks | 2.8 | 2.9 | 2.9 |
| 1. Savings Banks | 2.2 | 2.3 | 2.3 |
| 2. Private Development Banks | 0.5 | 0.5 | 0.5 |
| 3. Stock Savings & Loan Associations | 0.0 | 0.1 | 0.1 |
| C. Regional Unit Banks (Rural Banks) | 1.8 | 1.9 | 2.0 |
| D. Other Banks | 8.6 | 8.9 | 9.6 |
| 1. Development Bank of the Philippines | 8.5 | 8.9 | 9.5 |
| 2. Land Bank | 0.0 | 0.0 | 0.1 |
| III. Non-Bank Financial Intermediaries | 24.5 | 25.1 | 26.1 |
| A. Insurance Companies | 17.8 | 17.9 | 17.6 |
| 1. Government | 12.3 | 12.3 | 12.1 |
| 2. Private | 5.5 | 5.5 | 5.5 |
| B. Investment Institutions | 4.7 | 5.2 | 5.6 |
| 1. Finance Companies | 3.8 | 3.8 | 3.6 |
| 2. Investment Companies | - | - | 0.0 |
| 3. Others | 0.9 | 1.3 | 2.0 |
| C. Trust Operations | 1.3 | 1.3 | 1.3 |
| D. Other Financial Intermediaries | 0.7 | 0.8 | 1.5 |
| 1. Mutual Building & Loan Associations | 0.1 | 0.1 | 0.1 |
| 2. Credit Unions | 0.2 | 0.2 | 0. |
| 3. Security Dealers and Brokers | 0.1 | 0.2 | 1. |
| 4. Non-Stock Savings & Loan Assns. | 0.1 | 0.1 | 0 |
| 4. Agricultural Credit Administration | 0.2 | 0.2 | 0 |
| IV. All Financial Institutions | 100.0 | 100.0 | 10C |

Source: Based on Table 2.

Figure 1
ASSET GROWTH OF FINANCIAL INSTITUTIONS, 1967-1973
(millions of pesos)




Source: Based on Table 2.

As Table 4 shows, the government-owned share of the Philippine financial system has been large and stable. Since 1968, it has hovered around 53%. Again, when governmental resource allocations are not directed to any significant extent by rates of return (profits), expectations that allowing interest rates to rise to market equilibrium levels will provide major economic benefits appear overly sanguine. Certainly, in the longer run, rising capital costs will produce a movement toward lower capital/labor ratios. This would tend to be generally beneficial, given the unemployment problems of the Philippines, but the pattern of resource allocation itself would not likely be changed much by higher interest rates.[2/]

For private financial institutions, effective rates are presently above the statutory maximums, as explained previously; thus, the probability of their shifting allocations in response to a higher level of interest rates does not appear to be great. Private lenders, a major source of funds for small businesses, are even closer to (or at) free market rates.

On the funds supply side, higher interest rates may raise the volume of financial intermediation. As Appendix Table D-4 shows, the very low real interest rates prevailing from 1970 depressed private sector savings, but by 1973 they had already rebounded to 8.6% of GNP.[3/] Much further improvement in the private savings ratio does not seem very promising. Higher interest rates, then, just might serve to raise intergovernmental transfers, with some secondary effects on the private savings rate.

The basic issue of how credit allocations would differ between a reasonably free market system and a central planning agency that gives high priorities to social objectives does not seem amenable to empirical treatment. That such differences would exist, however, is unquestionable. The consequences of such differences, in terms of income distribution, rate of growth of total

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[2/] Higher interest rates would tend to eliminate marginal projects, but investment incentives offered by government could be an offsetting factor.

[3/] Some evasion of interest rate ceilings has occurred, as witness the growth of Bancom bills in the money market. These bills have a nominal (legal) interest rate, but "extras" raise the return to about free market levels. The large (₱50,000) denomination tends to limit participation in the money market, but even so, there has been a surge in money market activity the past several years.

Table 4

THE GOVERNMENT-OWNED SHARE OF THE PHILIPPINE FINANCIAL SYSTEM
(millions of pesos)

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|
| I. Government-Owned | 12,464.9 | 13,593.7 | 15,508.1 | 17,825.1 | 19,392.3 | 24,003.1 | 33,343.9 |
| Central Bank | 4,265.4 | 4,516.5 | 5,111.3 | 6,003.2 | 6,912.6 | 9,414.3 | 14,744.7 |
| Commercial Banks | 3,510.4 | 3,688.6 | 4,078.7 | 4,725.9 | 4,277.6 | 4,688.5 | 7,398.9 |
| Development Bank of the Philippines | 1,906.0 | 2,231.5 | 2,738.5 | 3,106.8 | 3,697.3 | 4,607.8 | 5,806.4 |
| Land Bank | 2.7 | 8.6 | 17.1 | 23.2 | 66.1 | 126.2 | 670.3 |
| Government Insurance Companies | 2,748.9 | 3,106.3 | 3,503.0 | 3,879.9 | 4,346.3 | 5,078.3 | 5,356.5 |
| Agricultural Credit Administration | 31.5 | 42.2 | 59.5 | 86.1 | 92.4 | 88.0 | 87.1 |
| II. Total Assets of Financial System | 22,314.6 | 25,194.9 | 28,850.0 | 33,862.7 | 36,744.7 | 45,737.0 | 63,161.6 |
| III. Government-Owned Share of Financial System (I/II) | 55.9% | 54.0% | 53.8% | 52.6% | 52.8% | 52.5% | 52.8% |

Source: Based on Table 2.

output, etc., are, of course, fundamental to ideological positions. However, global quantification of these consequences is impossible.

Turning to the question of how a higher interest rate structure would affect credit volumes to small business, it seems clear that this need not change government support of small business ventures. Furthermore, the allocations of credit to small business would continue on a basis other than interest rate considerations.

In the private financial markets, it is felt by some that higher interest rates would benefit small businesses because they would be able to bid for presently unavailable rationed funds.[4/] An unambiguous answer does not seem possible here without much more information. The basic question becomes one of profitability, i.e., are the small business firms capable of outbidding competitive demanders of funds?[5/] Naturally, the answer depends upon the type of business and the scale factors present in that type of business.

Again, private noninstitutional lenders are realizing very close to true market rates, despite interest rate ceilings.

Thus, the overall effect for small businesses of a rise in interest rates is likely to be even smaller than for businesses generally, because: (1) the supply of funds from private noninstitutional investors (the principal source of funds to small businesses) would be less affected;[6/] and (2) given that the underlying effective demand for funds position of small firms would remain unchanged, their ability to bid funds away from alternative uses at financial intermediaries probably is limited.

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[4/] Initiation and service costs of small business loans are a higher fraction of the total loan than is the case for larger loans. Given a fixed rate of return on loans, the larger loans are thus more profitable.

[5/] Removal of interest rate ceilings would permit small firms to offer higher rates to institutional lenders, but since the supply of funds is not completely elastic, firms presently receiving (rationed) funds might well continue to do so, only at higher rates.

[6/] The cost of funds from noninstitutional lenders could be expected to rise because of the increase in relative attractiveness of institutional deposit and investment alternatives.

## SECTORAL ALLOCATIONS

The data available on sectoral funds flows permits an examination of capital investments of newly registered businesses and new investments by manufacturers classified by type and employment size. Current lending by purpose and outstanding loans by purpose of some financial institutions are also available. This fragmentary information, however, reveals some interesting patterns and suggests some development criteria.

Turning first to capital investments of newly registered businesses, Table 5a reveals that over one-half (51%) of all funds generated during 1973 came from single proprietorships. Wholesale and retail trade businesses accounted for 44% of business capital investments by single proprietorships and 34% by all business organizations. Capital investment in manufacturing was clearly the most important category of business for corporate organizations, and significantly less important in the case of partnerships and single proprietors. Average capital investment in manufacturing also showed a wider difference between corporate, partnership, and proprietor forms of business organization. A relatively small number of corporate manufacturing businesses (142) accounted for one-half of new capital investment in manufacturing.

The regional distribution of business capital investment shows a concentration in metropolitan Manila (66%), despite the need for regional dispersion.[1/] Luzon is next in importance at 20%, with Visayas and Mindanao at 8% and 6%, respectively. The mean family income in Visayas was 36% of that in Manila, and the mean family income in Mindanao was 43% of the Manila mean. Furthermore, the bottom 40% of families comprise 50% of the population of Visayas and 39% in Mindanao. Manila, by contrast, has only 7% of these poor families.[2/] Income distribution redress by job creation in non-metropolitan areas does not yet appear to be effective.

Recently a ban on the location of new industries within 50 kilometers of Manila was enacted, but firms not wishing any governmental assistance are

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[1/] Agglomeration economies may be the major factor in the locational decision.

[2/] Data from Country Programs Department, International Bank for Reconstruction and Development.

Table 5a

CAPITAL INVESTMENTS OF NEWLY REGISTERED BUSINESS ORGANIZATIONS, 1973
(thousands of pesos)

| | Total | | | | Corporations | | | | | Partnerships | | | | Single Proprietors | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Paid-in Capital | | | | | Paid-in Capital | | | | Paid-in Capital | | | | Paid-in Capital | | |
| Business | Number | Amount | % | Per Firm | Number | Subscribed | Amount | % | Per Firm | Number | Amount | % | Per Firm | Number | Amount | % | Per Firm |
| Agriculture | 275 | 25,058 | 2.6 | 91 | 198 | 44,476 | 14,966 | 4.0 | 76 | 36 | 2,407 | 2.1 | 67 | 41 | 7,685 | 1.5 | 187 |
| Forestry, Fishing & Livestock | 425 | 47,160 | 4.8 | 111 | 198 | 67,342 | 23,568 | 6.4 | 119 | 98 | 13,590 | 12.0 | 139 | 129 | 10,002 | 2.0 | 77 |
| Metal Mining | 338 | 23,978 | 2.4 | 71 | 89 | 62,588 | 18,522 | 5.0 | 208 | 228 | 4,939 | 4.4 | 22 | 21 | 517 | 0.1 | 25 |
| Nonmetallic Mining & Quarrying | 3 | 104 | 0.0 | 35 | 1 | 200 | 50 | 0.0 | 50 | - | - | - | - | 2 | 54 | 0.0 | 27 |
| Manufacturing | 4,856 | 161,082 | 16.4 | 33 | 667 | 246,873 | 79,934 | 21.6 | 120 | 438 | 16,371 | 14.5 | 37 | 3,751 | 64,777 | 13.0 | 17 |
| Construction | 962 | 43,031 | 4.4 | 45 | 148 | 38,800 | 11,695 | 3.2 | 79 | 73 | 3,091 | 2.7 | 42 | 741 | 28,245 | 5.7 | 38 |
| Electricity, Gas & Water | 46 | 3,451 | 0.4 | 75 | 17 | 5,898 | 1,487 | 0.4 | 87 | 4 | 276 | 0.2 | 69 | 25 | 1,688 | 0.3 | 68 |
| Wholesale & Retail Trade | 18,679 | 330,738 | 33.6 | 18 | 985 | 184,493 | 68,150 | 18.4 | 69 | 831 | 41,601 | 36.8 | 50 | 16,863 | 220,987 | 44.2 | 13 |
| Banks & Other Financial Institutions | 256 | 49,518 | 5.0 | 193 | 102 | 107,268 | 38,414 | 10.4 | 377 | 10 | 971 | 0.9 | 97 | 144 | 10,133 | 2.0 | 70 |
| Insurance | 85 | 1,153 | 0.1 | 14 | 49 | 2,129 | 556 | 0.2 | 11 | 7 | 168 | 0.2 | 24 | 29 | 429 | 0.1 | 15 |
| Real Estate | 478 | 84,144 | 8.6 | 176 | 230 | 115,136 | 49,151 | 13.3 | 214 | 55 | 14,087 | 12.4 | 256 | 193 | 20,906 | 4.2 | 108 |
| Transportation, Storage & Communication | 1,242 | 47,461 | 4.8 | 38 | 323 | 50,997 | 16,005 | 4.3 | 50 | 138 | 4,717 | 4.2 | 34 | 781 | 26,739 | 5.4 | 34 |
| Community & Business Services | 3,629 | 73,907 | 7.5 | 20 | 389 | 61,598 | 20,812 | 5.6 | 54 | 275 | 6,931 | 6.1 | 25 | 2,965 | 46,164 | 9.2 | 16 |
| Recreational & Personal Services | 4,733 | 92,774 | 9.4 | 20 | 228 | 69,421 | 26,942 | 7.3 | 118 | 99 | 4,047 | 3.6 | 41 | 4,406 | 61,785 | 12.4 | 14 |
| Total | 36,007 | 983,559 | 100.0 | 27 | 3,624 | 1,057,219 | 370,252 | 100.0 | 113 | 2,292 | 113,196 | 100.0 | 49 | 30,091 | 500,111 | 100.0 | 17 |
| Region | | | | | | | | | | | | | | | | | |
| Manila & Suburbs | 23,793 | 649,454 | 66.0 | 27 | 2,534 | 766,897 | 266,870 | 69.7 | 105 | 1,471 | 68,515 | 60.5 | 47 | 19,788 | 314,071 | 62.8 | 16 |
| Luzon | 7,928 | 191,894 | 19.5 | 24 | 551 | 134,335 | 48,297 | 13.0 | 88 | 506 | 20,092 | 17.8 | 40 | 6,871 | 123,505 | 24.7 | 18 |
| Visayas | 2,350 | 80,016 | 8.1 | 34 | 344 | 103,486 | 34,680 | 9.4 | 101 | 203 | 10,925 | 9.7 | 54 | 1,803 | 34,411 | 6.9 | 19 |
| Mindanao | 1,936 | 62,195 | 6.3 | 32 | 195 | 52,501 | 20,405 | 5.5 | 105 | 112 | 13,666 | 12.1 | 122 | 1,629 | 28,124 | 5.6 | 17 |

Source: Central Bank, Statistical Bulletin, December 1973.

Table 5b

CAPITAL INVESTMENTS OF NEWLY REGISTERED BUSINESS ORGANIZATIONS, 1973
(thousands of pesos)

| Manufacturing by Kind | Total | | | Corporations | | | | Partnerships | | | Single Proprietors | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Paid-in Capital | | | | Paid-in Capital | | | Paid-in Capital | | | Paid-in Capital | |
| | Number | Amount | Per Firm | Number | Subscribed | Amount | Per Firm | Number | Amount | Per Firm | Number | Amount | Per Firm |
| Food Manufacturing | 1,097 | 19,164 | 17 | 39 | 11,263 | 6,908 | 177 | 53 | 1,303 | 25 | 1,005 | 10,953 | 11 |
| Sugar Refining | 4 | 570 | 143 | 2 | - | 556 | 278 | - | - | - | 2 | 14 | 7 |
| Coconut Products | 19 | 8,472 | 446 | 12 | 28,845 | 8,328 | 694 | 1 | 15 | 15 | 6 | 129 | 22 |
| Beverages | 13 | 614 | 47 | 3 | 4,862 | 66 | 22 | 2 | 75 | 38 | 8 | 473 | 59 |
| Tobacco | 3 | 703 | 234 | 2 | 2,220 | 550 | 275 | - | - | - | 1 | 153 | 153 |
| Textiles | 52 | 10,999 | 212 | 20 | 23,494 | 10,312 | 516 | 4 | 182 | 46 | 28 | 505 | 18 |
| Footwear (Except Rubber & Wearing Apparel) | 619 | 19,257 | 31 | 93 | 33,543 | 9,980 | 107 | 85 | 2,943 | 35 | 441 | 6,334 | 14 |
| Wood Manufactures | 435 | 10,209 | 23 | 69 | 13,956 | 4,611 | 67 | 31 | 596 | 19 | 335 | 5,002 | 15 |
| Furniture & Fixtures | 210 | 11,066 | 53 | 29 | 15,609 | 4,050 | 140 | 10 | 145 | 15 | 171 | 6,871 | 40 |
| Paper & Paper Products | 30 | 3,137 | 105 | 18 | 8,850 | 2,266 | 126 | - | - | - | 12 | 871 | 73 |
| Printing, Publishing & Allied Industries | 548 | 12,432 | 23 | 49 | 4,036 | 1,715 | 35 | 51 | 1,523 | 30 | 448 | 9,194 | 21 |
| Leather & Leather Products (Except Footwear) | 60 | 1,318 | 22 | 9 | 2,270 | 829 | 92 | 5 | 56 | 11 | 46 | 433 | 9 |
| Rubber Products | 36 | 760 | 21 | 9 | 1,630 | 458 | 51 | 3 | 98 | 33 | 24 | 204 | 9 |
| Drugs & Chemical Products | 117 | 7,295 | 62 | 42 | 16,241 | 5,559 | 132 | 12 | 465 | 39 | 63 | 1,271 | 20 |
| Nonmetallic Mineral Products | 212 | 6,998 | 33 | 25 | 8,803 | 2,254 | 90 | 17 | 1,264 | 74 | 170 | 3,480 | 20 |
| Metal Products | 252 | 6,329 | 25 | 24 | 10,795 | 3,026 | 126 | 28 | 750 | 27 | 200 | 2,553 | 13 |
| Machinery, Apparatus, Appliances & Supplies | 150 | 11,099 | 74 | 78 | 23,031 | 7,001 | 90 | 36 | 1,068 | 30 | 36 | 3,030 | 84 |
| Transport Equipment | 78 | 8,609 | 110 | 35 | 17,457 | 5,732 | 164 | 17 | 1,334 | 78 | 26 | 1,543 | 59 |
| Miscellaneous | 921 | 22,051 | 24 | 109 | 19,968 | 5,733 | 53 | 83 | 4,554 | 55 | 729 | 11,764 | 16 |
| All Manufacturing | 4,856 | 161,082 | 33 | 667 | 246,873 | 79,934 | 120 | 438 | 16,371 | 37 | 3,751 | 64,777 | 17 |

Source: Central Bank, Statistical Bulletin, December 1973.

still free to locate wherever they choose. Another governmental action to disperse industry was the requirement (MAAB dated 3-22-73) that ". . . 75 per cent of deposits accumulated outside Manila and Rizal province be invested therein."[3/] It has been estimated that previously no more than 40% of such deposits were re-lent locally, with the bulk of the available funds being shifted to metropolitan areas. It is still too early to measure the effect of this intervention into credit allocations, but it seems reasonable to expect that credit conditions in the greater Manila area will grow tighter if it is strictly enforced. Credit flows to government-aided firms, however, are not likely to be much affected.

Table 5b shows the detail of the capital investments in newly registered businesses engaged in manufacturing. As may be seen, of the 4,856 new manufacturing businesses, 23% were in food manufacturing, 13% in footwear, 11% in printing and publishing, 9% in wood manufactures, with the remaining 46% distributed over 15 other categories of manufacturing activity. Again, the corporate form of business organization typically has the fewest firms in each manufacturing category, but the largest portion of total capital invested.

One of the impressions that Tables 5a and 5b may give is that there is no lack of small-scale entrepreneurs (proprietorships with small average capitalizations). Yet, as Table 6 reveals, there has been both a relative and absolute decline in the number of small businesses in manufacturing (20-49 employees) since 1962. Moreover, as Table 7 indicates, the concentration of value added by manufacturing in larger firm-size classes has increased. Comparing 1962 to 1971, the percentage share of value added by small business (20-49 employees) has fallen by one-third, while their share of firms has fallen only by 19%.

Particularly impressive is the growth in numbers and economic importance of the very large firm, as shown in Table 7 and Figure 2. From the behavior of manufacturing shares by firm sizes over the period 1962 to 1971, it seems clear that the intrasectoral credit flows there must be changing. Attribution of precise reasons for the decline of the small-scale component of the manufacturing industry does not seem possible, but it is apparent that measures need to be taken if this trend is to be reversed. Some observers, however, feel "the

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[3/] Central Bank, Commercial Banking System in 1973.

Table 6

NUMBER OF MANUFACTURING FIRMS BY EMPLOYMENT SIZE CLASS IN THE PHILIPPINES, 1962, 1968, and 1971

| Employment Size Class | 1962 Number of Firms | 1962 Percent 1/ | 1968 Number of Firms | 1968 Percent 1/ | 1971 Number of Firms | 1971 Percent 1/ |
|---|---|---|---|---|---|---|
| 20-49 | 1,318 | 58.1 | 1,245 | 52.2 | 956 | 46.8 |
| 50-99 | 384 | 16.9 | 507 | 21.3 | 407 | 19.9 |
| 100-199 | 233 | 10.3 | 278 | 11.7 | 291 | 14.2 |
| 200-499 | 245 | 10.8 | 218 | 9.1 | 228 | 11.2 |
| 500 and over | 90 | 4.0 | 137 | 5.7 | 163 | 8.0 |
| All Size Classes 2/ | 2,270 | 100.0 | 2,385 | 100.0 | 2,045 | 100.0 |

1/ May not add to total due to rounding.

2/ Size class from 1-19 not included in surveys.

Source: Bureau of Census and Statistics, Annual Survey of Manufactures: 1962, 1968, and 1971.

Table 7

VALUE ADDED IN MANUFACTURING AT CURRENT PRICES BY FIRM SIZE CLASS IN THE PHILIPPINES, 1962, 1968, and 1971 (thousand pesos)

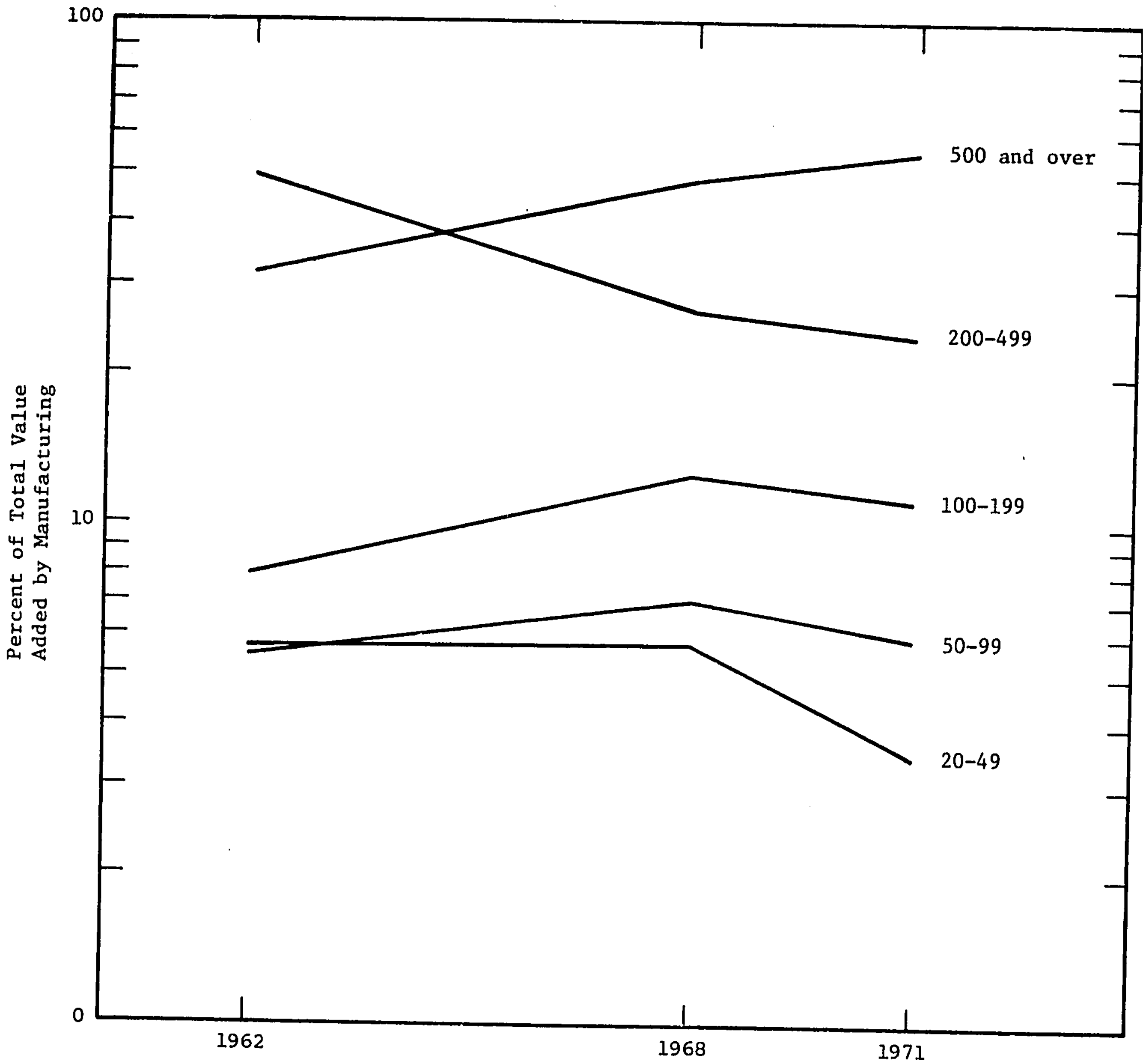
| Employment Size Class | 1962 Value Added | 1962 Percent 1/ | 1968 Value Added | 1968 Percent 1/ | 1971 Value Added | 1971 Percent 1/ |
|---|---|---|---|---|---|---|
| 20-49 | 165,945 | 5.7 | 243.008 | 5.7 | 270,262 | 3.8 |
| 50-99 | 161,306 | 5.5 | 295,643 | 7.0 | 422,961 | 5.9 |
| 100-199 | 230,031 | 7.9 | 527,432 | 12.5 | 790,328 | 11.1 |
| 200-499 | 1,450,993 | 49.7 | 1,117,236 | 26.4 | 1,680,300 | 23.6 |
| 500 and over | 913,956 | 31.3 | 2,053,445 | 48.5 | 3,960,343 | 55.6 |
| All Size Classes | 2,922,231 | 100.0 | 4,236,764 | 100.0 | 7,124,195 | 100.0 |

1/ May not add to total due to rounding.

Source: Bureau of Census and Statistics, Annual Survey of Manufactures: 1962, 1968, and 1971.

Figure 2

PHILIPPINE MANUFACTURING: VALUE ADDED BY EMPLOYMENT SIZE OF ESTABLISHMENT




Source: Based on Table 7.

declining share of small enterprises in economic activity is apparently a universal process, . . ."[4/] This fatalistic view, of course, casts some doubt on the longer-term prospects for small-scale industry, and policies designed to further them.

The data given in Table 8 suggest that efforts need to be made to raise the efficiency of the smaller of the small-scale manufacturing firms.[5/] A continuation of the fall since 1968 in the efficiency of the 20-49 employment size category might preclude the desirability of developing manufacturing firms in that size class, unless in specific types of manufacturing this size class is reasonably efficient.[6/]

Appendix Tables B-1 and 2 give disaggregated manufacturing data at the two-digit classification level. From this set of appendix tables and Figure B-1, it may be noted that average wages per worker vary rather systematically with employment size of firm, with the next to largest size firms typically paying the highest wages. A systematic relationship between average wage and employment size is also true in the U.S.[7/] Thus, a development strategy aimed at creating jobs and simultaneously redistributing income also needs to consider the firm size effects on wages very carefully.

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[4/] Jonathan Boswell, The Rise and Decline of Small Firms, London: George Allen and Unwin, Ltd., 1973, p. 21.

[5/] Romeo M. Bautista, in an article entitled "Employment and Labor Productivity in Small-Scale Manufacturing in the Philippines," NEDA Journal of Development, Vol. 1, No. 1, 1974, clearly shows the continuing relative fall in labor productivity of firms employing 5-19 workers as contrasted to those employing 20 or more. This is especially significant since "unorganized" (under 20 workers) manufacturing employs about four times as many total workers as does "organized" manufacturing (20 or more workers).

[6/] It should be noted here that the Economic Survey of Small-Scale Units in the Philippines in 1966 found the "average age of machinery . . . 7.4 years and 60 percent were over 5 years old." Japanese enterprises, by contrast, whether large or small, have large-scale equipment investment to attain consistently higher productivity. K. L. Nonjappa and Lionel Wesson, Philippines Final Report, Draft, U.N. Industrial Development Organization/International Labor Organization, February 1972.

[7/] Richard A. Lester, "Pay Differentials by Size of Establishment," Industrial Relations, October 1967.

Table 8

THE RELATIVE EFFICIENCY OF SMALL-SCALE MANUFACTURING IN THE PHILIPPINES, 1962, 1968, AND 1971[1/]

| | 1962 | | 1968 | | 1971 | |
|---|---|---|---|---|---|---|
| | 20-49 Employees | 50-99 Employees | 20-49 Employees | 50-99 Employees | 20-49 Employees | 50-99 Employees |
| (1) Percentage of Total Employment | 10.6 | 8.4 | 10.6 | 10.7 | 8.0 | 8.1 |
| (2) Percentage of Census Value Added | 5.7 | 5.5 | 5.7 | 6.9 | 3.8 | 5.9 |
| (3) Relative Efficiency (2 divided by 1) | .54 | .65 | .54 | .65 | .48 | .73 |

1/ Small-scale firms are defined in terms of employment. Two categories are used: 20-49 employees and 50-99 employees.

Source: EAP Projects Department, International Bank for Reconstruction and Development.

Looking at the available data on financial flows, Table 9 suggests that personal payments habits favor the circulating medium with checks used primarily by businesses. Certainly the small number of demand deposit accounts, particularly at rural banks, compared to savings accounts indicate this, as does the rather large average demand deposit balance. Of particular interest is the interest rate sensitivity of savings flows, but no estimate may be made of this. From Appendix Table D-4, it is clear that private sector savings were quite depressed because of low or negative returns on savings accounts.

Finally, the fragmentary sectoral credit flows data indicate that loans by financial intermediaries tend to be short-term. Tables 10a, b, and c give average loan turnover measured in years. As may be seen, the average loan turnover period for private non-bank financial intermediaries (n.b.f.i.'s) is under one year for all but commercial and real estate loans. Even there, the maximum of 2½ years is not very long. Government-owned n.b.f.i.'s. however, appear to have a significantly longer turnover period. This is particularly true of industrial loans. Since the government-owned n.b.f.i.'s have assets about 15 times as large as those of the private n.b.f.i.'s, Table 10a essentially represents government n.b.f.i. lending policies.

Loan purposes for the n.b.f.i.'s differ sharply between privately owned and those owned by the government. Surprising is the importance of real estate and consumption loans for government-owned n.b.f.i.'s. Agricultural, industrial, and public utility loans are a rather minor component of total outstanding loans. Private n.b.f.i.'s, on the other hand, have most of their loan volume in commercial loans, followed by consumption and industrial loans. Thus, while government n.b.f.i.'s tend to provide longer-term industrial loans, they do not provide much more in total funds for this purpose than do the private n.b.f.i.'s. Judging simply from government n.b.f.i. credit flows and Appendix Table A-6, it would seem government policymakers essentially share the view of Francois Quesnay regarding the contribution wholesale and retail trade make to the economy. They should recognize the employment multiplier operates for trade as it does for industry.

The available data on commercial (government and nongovernment-owned) and savings banks credits are shown in Appendix Table A-4. Credit to the trade industry accounts for 32% of total credit, with manufacturing next in importance at 30%.

Table 9

SELECTED DEPOSIT DATA, 1973

| | Grand Total | Commercial and Savings Banks: Total | Commercial and Savings Banks: Demand | Commercial and Savings Banks: Savings | Commercial and Savings Banks: Time | Rural Banks: Total | Rural Banks: Demand | Rural Banks: Savings | Rural Banks: Time |
|---|---|---|---|---|---|---|---|---|---|
| Number of Deposit Accounts | 8,150,642 | 7,470,618 | 319,956 | 7,105,669 | 44,999 | 1,134,137 | 2,695 | 1,121,806 | 9,636 |

| | Grand Total | Public | Private | Commercial Banks: Total | Commercial Banks: Public | Commercial Banks: Private | Development Banks Private | Savings Banks Private | Rural Banks Private | Postal Savings Banks Private |
|---|---|---|---|---|---|---|---|---|---|---|
| Deposit Liabilities (₱ millions) | 1,745.9 | 2,872.8 | 14,579.1 | 151,858 | 2,872.8 | 12,313.0 | 772.7 | 811.7 | 640.9 | 40.8 |

| | Total Debits (₱ millions) | Average Peso Demand Deposit | Turnover Rate |
|---|---|---|---|
| Monthly Average, 1973 | 24,292.3 | 3,849.8 | 6.3 |

Source: Central Bank, Statistical Bulletin, 1973.

Table 10a

LENDING ACTIVITIES OF ALL NON-BANK FINANCIAL INSTITUTIONS, 1973

| Lender | (1) Total Loans Made (₱ millions) | (2) Loans Outstanding (₱ millions) | (3) Av. Loan Turnover (yrs.) (col. 2 ÷ col. 1) |
|---|---|---|---|
| All Lenders | 1,183.0 | 3,846.2 | 3.2 |
| Agri. Credit. Admin. | 41.9 | 108.1 | 2.6 |
| GSIS | 632.8 | 1,952.2 | 3.1 |
| SSS | 289.0 | 1,364.5 | 4.7 |
| NIDC | 2.9 | 165.0 | 56.9 |
| PDCP 1/ | 98.9 | 52.4 | .5 |
| Bancom Dev. Corp. | 23.5 | 134.4 | 5.7 |
| Mutual Bldg. & Loan Assoc. | 4.0 | 19.8 | 5.0 |
| Stock S & L Assoc. 1/ | 90.0 | 48.1 | .5 |

| Purpose of Loans | (4) Total Loans Made (₱ millions) | (5) Loans Outstanding (₱ millions) | (6) Av. Loan Turnover (yrs.) (col. 5 ÷ col. 4) | (7) Distrib. of Loans Outstanding (%) |
|---|---|---|---|---|
| All Purposes | 1,183.0 | 3,846.2 | 3.2 | 100.0 2/ |
| Agricultural | 52.4 | 112.4 | 2.1 | 2.9 |
| Industrial | 85.3 | 105.9 | 1.2 | 2.8 |
| Commercial | 25.7 | 60.2 | 2.3 | 1.6 |
| Public Utility | 4.1 | 91.0 | 22.2 | 2.4 |
| Real Estate | 447.9 | 2,224.7 | 5.0 | 57.8 |
| Consumption | 566.5 | 602.8 | 1.1 | 15.7 |
| Other | 1.1 | 639.2 | 13.3 | 16.6 |

1/ Classified as a non-bank financial institution by Central Bank. Shows in Table 2 and 3 in banking section.

2/ May not add to total due to rounding.

Source: Central Bank, Statistical Bulletin, December 1973.

Table 10b

LENDING ACTIVITIES OF PRIVATE NON-BANK FINANCIAL INSTITUTIONS, 1973

| Purpose of Loans | (1) Total Loans Made (₱ millions) | (2) Loans Outstanding (₱ millions) | (3) Av. Loan Turnover (yrs.) (col. 2 ÷ col. 1) | (4) Distrib. of Loans Outstanding (%) |
|---|---|---|---|---|
| Total | 216.6 | 247.6 | 1.1 | 100.0[1] |
| Agricultural | 10.5 | 9.9 | .9 | 4.0 |
| Industrial | 83.5 | 41.3 | .5 | 16.7 |
| Commercial | 25.7 | 59.1 | 2.3 | 23.9 |
| Public Utility | 4.1 | 1.5 | .4 | 0.6 |
| Real Estate | 10.4 | 26.2 | 2.5 | 10.6 |
| Consumption | 82.4 | 42.1 | .5 | 17.0 |
| Other | 0.0 | 67.5 | 0.0 | 27.3 |

1/ May not add to total due to rounding.

Source: Central Bank, Statistical Bulletin, December 1973.

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Table 10c

LENDING ACTIVITIES OF GOVERNMENT-OWNED NON-BANK FINANCIAL INSTITUTIONS,[1] 1973

| Purpose of Loans | (1) Total Loans Made (₱ millions) | (2) Loans Outstanding (₱ millions) | (3) Av. Loan Turnover (yrs.) (col. 2 ÷ col. 1) | (4) Distrib. of Loans Outstanding (%) |
|---|---|---|---|---|
| Total | 966.4 | 3,591.5 | 3.7 | 100.0[2] |
| Agricultural | 41.9 | 112.5 | 2.7 | 3.1 |
| Industrial | 2.9 | 64.6 | 22.3 | 1.8 |
| Public Utility | 0.0 | 89.5 | 0.0 | 2.5 |
| Real Estate | 437.4 | 2,191.4 | 5.0 | 61.0 |
| Consumption | 484.2 | 560.7 | 1.2 | 15.6 |
| Other | 0.0 | 572.8 | 0.0 | 16.0 |

1/ Agricultural Credit Administration, GSIS, SSS, and NDIC.
2/ May not add to total due to rounding.

Source: Central Bank, Statistical Bulletin, December 1973.

Total loans and investments of financial institutions are given in Table 11. From this table, the importance of the commercial banks as a source of funds (67%) to the Philippine economy is again evident. Commercial banks, however, traditionally supply only short- and intermediate-term credit, not long-term and certainly not equity investment. It is the latter two categories, however, that are most in need of development. Development banks are next in importance at 15%, followed by government n.b.f.i.'s, which accounted for 11%.

Little data are available on private noninstitutional lending, although as stated previously, it is the most important source of finance for small businesses.

The allocational efficiency of funds flows is of crucial importance, but without data to permit a marginal analysis, very little may be said. Moreover, the noneconomic factors involved in governmental policies are such that unambiguous appraisals seem impossible. What is clear, however, is that governmental policies favorable to small businesses on a continuing basis are essential to improving the efficiency and longer-term viability of the small industry sector.

Table 11

TOTAL LOANS AND INVESTMENT OUTSTANDING BY TYPE OF INSTITUTION, 1967-1973

| Institution | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|
| | | | | Amount (millions of pesos) | | | |
| Commercial Banks | 7,663.8 | 8,530.8 | 9,463.7 | 10,968.0 | 12,497.6 | 14,983.1 | 21,776.5 |
| Rural Banks | 344.8 | 402.8 | 463.1 | 547.7 | 663.2 | 808.4 | 1,103.3 |
| Development Banks | 1,671.1 | 2,025.7 | 2,416.7 | 2,935.3 | 3,567.6 | 4,389.9 | 4,845.0 |
| Savings Banks | 268.4 | 310.4 | 382.7 | 564.0 | 678.1 | 692.3 | 819.3 |
| Private Non-Bank Financial Institutions | 148.7 | 182.0 | 197.8 | 233.1 | 319.8 | 427.2 | 205.9 |
| Government Non-Bank Financial Institutions | 1,628.2 | 1,800.3 | 2,075.1 | 2,360.3 | 2,761.4 | 3,722.5 | 3,676.8 |
| Total | 11,725.0 | 13,252.0 | 14,999.1 | 17,608.4 | 20,487.7 | 25,023.4 | 32,426.8 |
| | | | | Composition (percent) | | | |
| Commercial Banks | 65.4 | 64.4 | 63.1 | 62.3 | 61.0 | 59.9 | 67.2 |
| Rural Banks | 2.9 | 3.0 | 3.1 | 3.1 | 3.2 | 3.2 | 3.4 |
| Development Banks | 14.2 | 15.3 | 16.1 | 16.7 | 17.4 | 17.5 | 14.9 |
| Savings Banks | 2.3 | 2.3 | 2.6 | 3.2 | 3.3 | 2.8 | 2.5 |
| Private Non-Bank Financial Institutions | 1.3 | 1.4 | 1.3 | 1.3 | 1.6 | 1.7 | 0.6 |
| Government Non-Bank Financial Institutions | 13.9 | 13.6 | 13.8 | 13.4 | 13.5 | 14.9 | 11.4 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Central Bank of the Philippines.

Note: Figures for commercial banks and savings banks are adjusted to include investments.

# APPENDICES

# Appendix A

## BANK BALANCE SHEETS, 1973

Appendix Table A-1

CENTRAL BANK OF THE PHILIPPINES BALANCE SHEET, DECEMBER 31, 1973
(millions of pesos)

| | Amount | Distribution[1/] |
|---|---|---|
| **Assets** | | |
| International reserves | ₱ 7,051.9 | 47.8% |
| IMF | 0.0 | 0.0 |
| Domestic securities | 3,478.9 | 23.6 |
| Loans and advances | 1,628.5 | 11.0 |
| Account to secure coinage | 34.5 | 0.2 |
| Other assets | 2,550.9 | 17.3 |
| | ₱14,744.7 | 100.0% |
| **Liabilities** | | |
| Currency issue | ₱ 3,992.1 | 27.1% |
| Demand deposits | 3,841.5 | 26.1 |
| IMF | 1,147.9 | 7.8 |
| IBRD | 42.7 | 0.3 |
| Security Stabilization Fund | 3.8 | 0.0 |
| Other | 5,405.2 | 36.7 |
| Capital | 10.0 | 0.0 |
| Surplus | 284.1 | 1.9 |
| Undivided profits | 17.4 | 0.1 |
| | ₱14,744.7 | 100.0% |

[1/] May not add to total, due to rounding.

Source: Central Bank, Statistical Bulletin, December 1973.

Appendix Table A-2

COMMERCIAL BANKS IN THE PHILIPPINES[1/] COMBINED BALANCE SHEETS, 1973
(millions of pesos)

| Assets | Amount | Distribution[2/] |
|---|---|---|
| Cash | ₱ 520.2 | 1.7% |
| Checks and other cash items | 891.2 | 3.0 |
| Due from Central Bank | 1,895.2 | 6.3 |
| Due from banks | 2,282.2 | 7.6 |
| Loans and discounts | 14,104.0 | 47.1 |
| Overdrafts | 288.5 | 1.0 |
| CLA's | 2,957.1 | 9.9 |
| Investments | 4,426.9 | 14.8 |
| Property and equipment | 509.0 | 1.7 |
| Other real and chattel property | 341.5 | 1.1 |
| Other | 1,724.5 | 5.8 |
| | ₱29,940.3 | 100.0% |
| **Liabilities** | | |
| Demand deposits | ₱ 5,276.2 | 17.6% |
| Savings deposits | 6,865.4 | 22.9 |
| Time deposits | 3,044.2 | 10.2 |
| Due to banks | 1,407.2 | 4.7 |
| Officers' and managers' checks | 343.2 | 1.2 |
| Bills payable | 6,702.0 | 22.4 |
| Other liabilities | 3,408.9 | 11.4 |
| Capital stock | 2,230.6 | 7.5 |
| Surplus, reserves and individed profits | 662.6 | 2.2 |
| | ₱29,940.3 | 100.0% |

[1/] Includes government-owned commercial banks.

[2/] May not add to total, due to rounding.

Source: Central Bank, Statistical Bulletin, December 1973.

## Appendix Table A-3

### PHILIPPINE NATIONAL BANK BALANCE SHEET, SEPTEMBER 30, 1973
(millions of pesos)

| Assets | Amount[1] | Distribution[1] |
|---|---|---|
| Cash | ₱ 72.7 | 1.2% |
| Checks and other cash items | 178.8 | 2.9 |
| Due from Central Bank | 305.6 | 5.0 |
| Due from banks | 823.6 | 13.4 |
| Loans and discounts | 2,268.1 | 36.8 |
| Customers' liabilities | 800.0 | 13.0 |
| Investments | 1,311.2 | 21.3 |
| Property and equipment | 96.4 | 1.6 |
| Other real and chattel property | 99.6 | 1.6 |
| Other | 213.5 | 3.5 |
| | ₱6,169.6 | 100.0% |
| **Liabilities** | | |
| Deposits, including due to banks | ₱3,904.6 | 63.3% |
| Officers' and managers' checks | 23.7 | 0.4 |
| Bills payable | 1,015.2 | 16.5 |
| Other liabilities | 484.4 | 7.9 |
| Capital stock | 700.0 | 11.4 |
| Surplus, reserves and undivided profits | 41.6 | 0.7 |
| | ₱6,169.6 | 100.0% |

[1] May not add to total, due to rounding.

Source: Rand-McNally, International Bankers Directory, 1973.

Appendix Table A-4

SAVINGS BANKS IN THE PHILIPPINES COMBINED BALANCE SHEETS, 1973
(millions of pesos)

| Assets | Amount | Distribution[1/] |
|---|---|---|
| Cash | ₱ 26.3 | 2.6% |
| Checks and other cash items | 10.3 | 1.0 |
| Due from banks | 61.2 | 6.1 |
| Loans and discounts | 498.2 | 49.6 |
| Stocks, bonds and other securities | 321.1 | 32.0 |
| Bank premises | 38.1 | 3.8 |
| Other real and chattel property | 15.0 | 1.5 |
| Other assets | 33.6 | 3.4 |
| | ₱1,003.8 | 100.0% |
| **Liabilities** | | |
| Savings deposits | ₱ 759.5 | 75.7% |
| Time deposits | 52.2 | 5.2 |
| Due to banks | 7.4 | 0.7 |
| Bills payable | 44.6 | 4.4 |
| Other liabilities | 28.5 | 2.8 |
| Capital stock | 80.5 | 8.0 |
| Surplus and undivided profit | 31.1 | 3.1 |
| | ₱1,003.8 | 100.0% |

[1/] May not add to total, due to rounding.

Source: Central Bank, Statistical Bulletin, December 1973.

Appendix Table A-5

RURAL BANKS IN THE PHILIPPINES COMBINED BALANCE SHEETS, 1973
(millions of pesos)

| Assets | Amount | Distribution[1] |
|---|---|---|
| Cash | ₱ 32,865 | 2.4% |
| Checks and other cash items | 5,642 | 0.4 |
| Due from banks | 152,720 | 11.1 |
| Loans | 1,055,829 | 76.4 |
| Stocks, bonds and other securities | 32,758 | 2.4 |
| Bank premises, furniture and fixtures | 25,754 | 1.9 |
| Other | 77,026 | 5.6 |
| | ₱1,382,594 | 100.0% |
| **Liabilities** | | |
| Demand deposits | ₱ 14,430 | 1.0% |
| Savings deposits | 433,265 | 31.3 |
| Time deposits | 193,221 | 14.0 |
| Due to banks | 2,561 | 0.2 |
| Liability on rediscounted notes | 325,438 | 23.5 |
| Managers' checks | 362 | 0.0 |
| Other liabilities | 90,662 | 6.6 |
| Paid-in capital | 220,971 | 16.0 |
| Surplus, reserves and undivided profits | 101,684 | 7.4 |
| | ₱1,382,594 | 100.0% |

[1] May not add to total, due to rounding.

Source: Central Bank, Statistical Bulletin, December 1973.

Appendix Table A-6

DEVELOPMENT BANK OF THE PHILIPPINES BALANCE SHEET, DECEMBER 31, 1973
(thousands of pesos)

| Assets | Amount | Distribution[1/] |
|---|---|---|
| Cash and due from banks | ₱ 90,071 | 1.8% |
| Investments in securities | 750,470 | 14.8 |
| Agricultural loans | 648,133 | 12.7 |
| Industrial loans | 2,491,346 | 49.0 |
| Real estate loans | 159,255 | 3.1 |
| Government and landed estate loans | 52,514 | 1.0 |
| Stocks - PDB | 24,526 | 0.5 |
| Advances and rediscounts - PDB | 31,575 | 0.6 |
| Miscellaneous investments | 176,782 | 3.5 |
| Bank premises, furniture and fixtures | 58,084 | 1.1 |
| Other resources | 468,500 | 9.2 |
| Total - Bank Proper | ₱4,951,256 | 97.3% |
| Total - Trust Funds | 135,133 | 2.7 |
| Total - Bank Proper and Trust Funds | ₱ 5,086,389 | 100.0% |
| **Liabilities, Special Funds and Capital** | | |
| Long-term liabilities: | | |
| Foreign | ₱1,094,410 | 21.5% |
| Domestic | 1,034,272 | 20.3 |
| Short-term liabilities: | | |
| Foreign | 7,248 | 0.1 |
| Domestic | 37,028 | 0.7 |
| Time and saving deposits | 657,590 | 12.9 |
| Interest and other payables | 150,363 | 3.0 |
| Deferred credits | 48,292 | 1.0 |
| Special funds (stabilization tax) | 1,276 | 0.0 |
| Capital paid-in | 1,713,229 | 33.7 |
| Surplus and reserves | 207,548 | 4.1 |
| Total - Bank Proper | ₱4,951,256 | 97.3% |
| Total - Trust Funds | 135,133 | 2.7 |
| Total Bank Proper and Trust Funds | ₱5,086,389 | 100.0% |
| **Contingent Accounts** | | |
| Guarantees outstanding: | | |
| Foreign ($'000) | ₱ 384,237 | |
| Local (₱'000) | 48,463 | |
| CCC and CWB credit ($'000) | 12,851 | |
| Total (₱'000 equivalent) | ₱2,748,662 | |
| Total Assets, Including Guarantees | ₱7,835,051 | |

[1/] May not add to total, due to rounding.

Source: International Bank for Reconstruction and Development.

# Appendix B

# PHILIPPINE MANUFACTURING DATA

Appendix Table B-1

PHILIPPINE MANUFACTURING DATA, 1962, 1968, AND 1971

| Industrial Sector & Employment Size Category | 1962 No. of Establishments | 1962 Total Employment | 1962 Value Added 1/ | 1962 Average Annual Compensation per Worker 1/ | 1962 Relative Efficiency 2/ | 1968 No. of Establishments | 1968 Total Employment | 1968 Value Added 1/ | 1968 Average Annual Compensation per Worker 1/ | 1968 Relative Efficiency 2/ | 1971 No. of Establishments | 1971 Total Employment | 1971 Value Added 1/ | 1971 Average Annual Compensation per Worker 1/ | 1971 Relative Efficiency 2/ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Food, Manufactured | | | | | | | | | | | | | | | |
| 20-49 | 295 | 7,149 | 28,885 | 1.318 | .31 | 229 | 5,631 | 39,645.3 | 1.920 | .43 | 146 | 4,169 | 37,597.6 | 2.385 | .34 |
| 50-99 | 51 | 3,478 | 27,438 | 2.175 | .61 | 57 | 3,726 | 27,168.9 | 2.015 | .45 | 46 | 3,248 | 55,951.1 | 3.052 | .64 |
| 100-199 | 28 | 3,980 | 31,152 | 1.964 | .61 | 37 | 5,496 | 95,564.1 | 2.971 | 1.07 | 27 | 3,648 | 76,000.2 | 3.913 | .78 |
| 200-499 | 43 | 30,890 | 459,210 | 2.297 | 1.14 | 24 | 7,590 | 194,497.3 | 3.754 | 1.57 | 31 | 9,660 | 292,810.4 | 4.872 | 1.13 |
| 500 and over | 25 | 25,344 | 375,190 | 2.286 | 1.14 | 31 | 38,114 | 630,925.8 | 3.056 | 1.01 | 43 | 46,175 | 1,334,577.1 | 4.430 | 1.08 |
| Total | 442 | 70,841 | 921,875 | 2.169 | 1.00 | 378 | 60,557 | 987,801.4 | 2.966 | 1.00 | 293 | 66,900 | 1,796,936.4 | 4.271 | 1.00 |
| Beverages | | | | | | | | | | | | | | | |
| 20-49 | 25 | 716 | 2,954 | 1.644 | .26 | 24 | 719 | 4,198.6 | 2.117 | .20 | 20 | 599 | 5,220.7 | 3.047 | .23 |
| 50-99 | 11 | 813 | 4,501 | 1.916 | .35 | 7 | 505 | 6,462.9 | 4.283 | .44 | 6 | 433 | 13,904.2 | 4.358 | .85 |
| 100-199 | 12 | 1,625 | 14,412 | 2.539 | .56 | 7 | 912 | 31,791.3 | 3.256 | 1.20 | 7 | 997 | 34,406.2 | 5.246 | .92 |
| 200-499 | 15 | 7,990 | 136,820 | 3.786 | 1.08 | 21 | 6,511 | 94,783.8 | 4.230 | .50 | 24 | 7,349 | 144,326.7 | 5.473 | .52 |
| 500 and over | 5 | 5,316 | 102,355 | 3.960 | 1.21 | 4 | 3,942 | 203,037.0 | 5.405 | 1.77 | 8 | 6,227 | 387,753.9 | 6.452 | 1.66 |
| Total | 68 | 16,460 | 261,042 | 3.534 | 1.00 | 63 | 12,589 | 367,273.6 | 4.408 | 1.00 | 65 | 15,665 | 585,611.7 | 5.725 | 1.00 |
| Tobacco Products | | | | | | | | | | | | | | | |
| 20-49 | 20 | 514 | 1,804 | 1.035 | .38 | 13 | 317 | 1,258.5 | 1.410 | .26 | 12 | 351 | 1,799.8 | 1.951 | .20 |
| 50-99 | 9 | 676 | 1,775 | 1.158 | .29 | 10 | 766 | 3,321.7 | 1.586 | .28 | 8 | 609 | 4,660.1 | 2.102 | .30 |
| 100-199 | 7 | 978 | 4,228 | 1.670 | .47 | 6 | 831 | 6,241.7 | 1.968 | .49 | - | - | - | - | - |
| 200-499 | 15 | 10,394 | 100,227 | 1.907 | 1.04 | 11 | 4,094 | 48,469.8 | 2.087 | .78 | - | - | - | - | - |
| 500 and over | 7 | 7,898 | 80,309 | 1.939 | 1.10 | 11 | 12,660 | 226,653.1 | 2.447 | 1.17 | 12 | 17,037 | 502,423.9 | 3.676 | 1.15 |
| Total | 58 | 20,460 | 188,343 | 1.861 | 1.00 | 51 | 18,668 | 285,944.8 | 2.294 | 1.00 | 45 | 21,200 | 543,787.1 | 3.508 | 1.00 |
| Textiles | | | | | | | | | | | | | | | |
| 20-49 | 21 | 648 | 2,641 | 1.438 | .98 | 31 | 952 | 6,575.9 | 2.090 | 1.04 | 30 | 895 | 7,299.1 | 2.700 | .77 |
| 50-99 | 23 | 1,709 | 7,158 | 1.673 | 1.00 | 21 | 1,457 | 11,776.6 | 2.583 | 1.21 | 22 | 1,696 | 15,227.1 | 2.545 | .84 |
| 100-199 | 13 | 1,700 | 7,337 | 1.679 | 1.04 | 18 | 2,315 | 12,298.5 | 2.226 | .80 | 19 | 2,644 | 35,843.9 | 2.946 | 1.28 |
| 200-499 | 32 | 26,102 | 110,522 | 1.827 | 1.02 | 19 | 6,205 | 49,792.7 | 2.927 | 1.21 | 17 | 5,666 | 50,431.6 | 2.883 | .84 |
| 500 and over | 16 | 20,492 | 83,453 | 1.753 | .98 | 26 | 34,476 | 221,663.0 | 2.549 | .97 | 25 | 36,099 | 390,403.[illegible] | 3.389 | 1.02 |
| Total | 105 | 50,656 | 211,111 | 1.782 | 1.00 | 115 | 45,405 | 302,106.7 | 2.465 | 1.00 | 113 | 47,000 | 499,204.9 | 3.259 | 1.00 |

1/ Thousands of pesos.

2/ Percentage of census value added by establishment size class divided by percentage of total employment in establishment size class.

(continued)

Appendix Table B-1 (continued)

| Industrial Sector & Employment Size Category | 1962 No. of Establishments | 1962 Total Employment | 1962 Value Added[1] | 1962 Average Annual Compensation per Worker[1] | 1962 Relative Efficiency[2] | 1968 No. of Establishments | 1968 Total Employment | 1968 Value Added[1] | 1968 Average Annual Compensation per Worker[1] | 1968 Relative Efficiency[2] | 1971 No. of Establishments | 1971 Total Employment | 1971 Value Added[1] | 1971 Average Annual Compensation per Worker[1] | 1971 Relative Efficiency[2] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Footwear, Other Wearing Apparel & Made Up Textile Goods | | | | | | | | | | | | | | | |
| 20-49 | 305 | 6,823 | 18,316 | 1.012 | | 195 | 4,877 | 13,965.6 | 1.205 | .77 | 125 | 3,370 | 14,903.9 | 1.657 | .77 |
| 50-99 | 39 | 2,702 | 8,524 | 1.376 | | 49 | 3,279 | 13,459.9 | 1.752 | 1.10 | 36 | 2,355 | 11,817.6 | 2.062 | .87 |
| 100-199 | 21 | 3,097 | 12,733 | 1.443 | | 21 | 2,765 | 12,197.0 | 2.053 | 1.18 | 18 | 2,434 | 15,321.3 | 2.567 | 1.09 |
| 200-499 | 8 | 3,706 | 7,844 | 1.341 | | 12 | 3,816 | 16,925.5 | 2.178 | 1.19 | 14 | 3,789 | 19,313.9 | 2.823 | .89 |
| 500 and over | - | - | - | - | | 4 | 5,012 | 17,252.6 | 1.960 | .92 | 5 | 9,068 | 59,558.2 | 3.183 | 1.14 |
| Total | - | - | - | - | 1.00 | 281 | 19,749 | 73,800.6 | 1.794 | 1.00 | 198 | 21,016 | 120,914.9 | 2.676 | 1.00 |
| Wood & Cork Products, Except Furniture | | | | | | | | | | | | | | | |
| 20-49 | 106 | 3,064 | 18,498 | 1.860 | 1.47 | 111 | 3,561 | 25,339.7 | 2.086 | 1.11 | 90 | 2,848 | 22,762.4 | 2.661 | 1.03 |
| 50-99 | 56 | 3,783 | 19,766 | 1.775 | 1.27 | 78 | 5,194 | 38,588.6 | 2.321 | 1.16 | 43 | 2,939 | 23,297.3 | 3.068 | 1.02 |
| 100-199 | 17 | 2,243 | 9,612 | 1.755 | 1.04 | 28 | 3,760 | 19,707.5 | 2.202 | .82 | 22 | 3,225 | 26,865.0 | 2.781 | 1.07 |
| 200-499 | 28 | 12,679 | 46,385 | 1.841 | .89 | 19 | 5,854 | 33,676.2 | 2.280 | .90 | 18 | 5,267 | 40,639.1 | 3.449 | .99 |
| 500 and over | 6 | 5,505 | 17,601 | 2.023 | .78 | 20 | 17,558 | 112,345.2 | 2.901 | 1.00 | 18 | 23,621 | 181,164.0 | 3.620 | .99 |
| Total | 213 | 27,274 | 111,862 | 1.863 | 1.00 | 256 | 35,927 | 229,657.2 | 2.562 | 1.00 | 191 | 37,900 | 294,727.8 | 3.410 | 1.00 |
| Furniture & Fixtures | | | | | | | | | | | | | | | |
| 20-49 | 54 | 1,365 | 4,577 | 1.604 | | 61 | 1,607 | 6,298.5 | 2.011 | .97 | 43 | 1,033 | 4,687.5 | 2.471 | .80 |
| 50-99 | 12 | 831 | 2,597 | 1.838 | | 20 | 1,456 | 5,991.0 | 2.121 | 1.02 | 14 | 970 | 5,489.7 | 2.437 | 1.00 |
| 100-199 | 5 | 633 | 1,879 | 2.126 | | 7 | 996 | 4,703.1 | 2.859 | 1.17 | 6 | 838 | 4,237.9 | 2.463 | .89 |
| 200-499 | 3 | 946 | 2,632 | 1.628 | | - | - | - | - | - | 5 | 1,423 | 9,693.3 | 3.675 | 1.21 |
| 500 and over | - | - | - | - | | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | 1.00 | 91 | 5,526 | 22,217.1 | 2.291 | 1.00 | 68 | 4,264 | 24,108.4 | 2.864 | 1.00 |
| Paper & Paper Products | | | | | | | | | | | | | | | |
| 20-49 | 34 | 985 | 4,235 | 1.923 | .50 | 34 | 953 | 9,576.2 | 2.564 | .63 | 27 | 799 | 9,261.3 | 3.287 | .56 |
| 50-99 | 12 | 838 | 6,827 | 2.192 | .95 | 15 | 1,206 | 13,278.7 | 2.990 | .67 | 15 | 1,113 | 22,436.7 | 3.573 | .98 |
| 100-199 | 12 | 1,981 | 19,972 | 3.053 | 1.18 | 10 | 1,405 | 29,173.5 | 3.793 | 1.27 | 16 | 2,229 | 57,767.4 | 5.682 | 1.26 |
| 200-499 | 5 | 1,577 | 15,068 | 2.810 | 1.12 | - | - | - | - | - | 7 | 2,493 | 57,681.8 | 5.983 | 1.13 |
| 500 and over | - | - | - | - | - | - | - | - | - | - | 4 | 2,868 | 47,874.7 | 5.264 | .81 |
| Total | 63 | 5,381 | 46,102 | 2.641 | 1.00 | 68 | 7,151 | 116,893.5 | 3.533 | 1.00 | 69 | 9,502 | 195,021.9 | 5.186 | 1.00 |

(continued)

Appendix Table B-1 (continued)

**1962**

| Industrial Sector & Employment Size Category | No. of Establishments | Total Employment | Value Added 1/ | Average Annual Compensation per Worker 1/ | Relative Efficiency 2/ |
|---|---|---|---|---|---|
| **Printing, Publishing & Allied Industries** | | | | | |
| 20-49 | 79 | 2,206 | 11,502 | 2.160 | 1.02 |
| 50-99 | 12 | 826 | 5,743 | 2.782 | 1.36 |
| 100-199 | 14 | 1,972 | 8,964 | 2.831 | .89 |
| 200-499 | 11 | 4,709 | 24,403 | 3.444 | 1.02 |
| 500 and over | 3 | 2,467 | 11,524 | 3.549 | .92 |
| Total | 119 | 12,180 | 62,136 | 3.089 | 1.00 |
| **Leather & Leather Products, Except Footwear & Other Wearing Apparel** | | | | | |
| 20-49 | 18 | 422 | 1,267 | 1.431 | .83 |
| 50-99 | 5 | 336 | 793 | 1.530 | .65 |
| 100-199 | 4 | 576 | 2,794 | 2.540 | 1.33 |
| 200-499 | - | - | - | - | - |
| 500 and over | - | - | - | - | - |
| Total | 27 | 1,334 | 4,854 | 1.935 | 1.00 |
| **Rubber Products** | | | | | |
| 20-49 | 7 | 259 | 799 | 2.266 | .23 |
| 50-99 | 10 | 719 | 4,437 | 1.932 | .47 |
| 100-199 | 7 | 888 | 3,364 | 2.256 | .29 |
| 200-499 | 10 | 3,939 | 66,075 | 2.736 | 1.27 |
| 500 and over | 3 | 1,758 | 25,016 | 3.125 | 1.08 |
| Total | 37 | 7,563 | 99,691 | 2.677 | 1.00 |
| **Chemicals & Chemical Products** | | | | | |
| 20-49 | 63 | 1,718 | 22,425 | 2.668 | .87 |
| 50-99 | 28 | 2,001 | 21,219 | 2.867 | .71 |
| 100-199 | 22 | 2,938 | 37,497 | 3.601 | .85 |
| 200-499 | 18 | 7,236 | 110,745 | 4.069 | 1.02 |
| 500 and over | 5 | 3,618 | 71,291 | 5.466 | 1.31 |
| Total | 136 | 17,511 | 263,177 | 4.004 | 1.00 |

**1968**

| Industrial Sector & Employment Size Category | No. of Establishments | Total Employment | Value Added 1/ | Average Annual Compensation per Worker 1/ | Relative Efficiency 2/ |
|---|---|---|---|---|---|
| **Printing, Publishing & Allied Industries** | | | | | |
| 20-49 | 81 | 2,420 | 17,241.0 | 2.890 | .73 |
| 50-99 | 29 | 1,977 | 16,471.4 | 3.606 | .85 |
| 100-199 | 16 | 2,180 | 13,411.2 | 3.376 | .63 |
| 200-499 | - | - | - | - | - |
| 500 and over | - | - | - | - | - |
| Total | 138 | 11,795 | 115,225.7 | 4.022 | 1.00 |
| **Leather & Leather Products, Except Footwear & Other Wearing Apparel** | | | | | |
| 20-49 | 19 | 574 | 2,959.5 | 1.747 | .99 |
| 50-99 | 7 | 498 | 1,680.4 | 1.551 | .64 |
| 100-199 | - | - | - | - | - |
| 200-499 | - | - | - | - | - |
| 500 and over | - | - | - | - | - |
| Total | 31 | 1,976 | 10,339.1 | 2.189 | 1.00 |
| **Rubber Products** | | | | | |
| 20-49 | 18 | 542 | 5,949.1 | 2.794 | .76 |
| 50-99 | 8 | 569 | 4,896.1 | 2.670 | .60 |
| 100-199 | 8 | 1,207 | 9,714.1 | 3,507 | .56 |
| 200-499 | 10 | 3,114 | 59,355.0 | 3.122 | 1.32 |
| 500 and over | 5 | 3,268 | 45,387.8 | 3.232 | .96 |
| Total | 49 | 3,700 | 125,302.1 | 3.167 | 1.00 |
| **Chemicals & Chemical Products** | | | | | |
| 20-49 | 62 | 1,865 | 32,096.5 | 3.695 | .73 |
| 50-99 | 49 | 3,302 | 61,432.1 | 4.190 | .79 |
| 100-199 | 27 | 3,671 | 76,822.1 | 4.986 | .89 |
| 200-499 | 18 | 5,128 | 106,796.6 | 4.685 | .88 |
| 500 and over | 9 | 7,483 | 230,285.9 | 7.426 | 1.30 |
| Total | 165 | 21,449 | 507,433.2 | 5.531 | 1.00 |

**1971**

| Industrial Sector & Employment Size Category | No. of Establishments | Total Employment | Value Added 1/ | Average Annual Compensation per Worker 1/ | Relative Efficiency 2/ |
|---|---|---|---|---|---|
| **Printing, Publishing & Allied Industries** | | | | | |
| 20-49 | 75 | 2,246 | 22,215.2 | 3.606 | .72 |
| 50-99 | 21 | 1,531 | 21,812.0 | 4.293 | 1.03 |
| 100-199 | 18 | 2,346 | 25,214.1 | 4.489 | .78 |
| 200-499 | - | - | - | - | - |
| 500 and over | - | - | - | - | - |
| Total | 125 | 11,386 | 156,795.5 | 5.516 | 1.00 |
| **Leather & Leather Products, Except Footwear & Other Wearing Apparel** | | | | | |
| 20-49 | 15 | 477 | 4,231.6 | 2.431 | 1.12 |
| 50-99 | 212 | 212 | 1,263.5 | 2.965 | .75 |
| 100-199 | 5 | 609 | 4,785.9 | 3.430 | .99 |
| 200-499 | - | - | - | - | - |
| 500 and over | - | - | - | - | - |
| Total | 23 | 1,298 | 10,281.0 | 2.987 | 1.00 |
| **Rubber Products** | | | | | |
| 20-49 | 23 | 776 | 11,498.3 | 4.000 | .87 |
| 50-99 | 3 | 218 | 2,246.4 | 2.572 | .60 |
| 100-199 | 13 | 2,024 | 15,325.1 | 2.936 | .44 |
| 200-499 | 6 | 1,831 | 51,361.2 | 4.096 | 1.64 |
| 500 and over | 5 | 4,203 | 74,586.6 | 4.207 | 1.04 |
| Total | 50 | 9,052 | 155,017.6 | 3.843 | 1.00 |
| **Chemicals & Chemical Products** | | | | | |
| 20-49 | 53 | 1,770 | 40,356.6 | 4.890 | .57 |
| 50-99 | 56 | 3,883 | 140,481.0 | 5.783 | .91 |
| 100-199 | 34 | 4,631 | 166,308.6 | 5.710 | .90 |
| 200-499 | 23 | 7,038 | 277,057.9 | 6.111 | .99 |
| 500 and over | 8 | 7,035 | 345,932.5 | 10.790 | 1.23 |
| Total | 174 | 24,357 | 970,136.6 | 7.245 | 1.00 |

(continued)

Appendix Table B-1 (continued)

| Industrial Sector & Employment Size Category | 1962 | | | | | 1968 | | | | | 1971 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Establishments | Total Employment | Value Added 1/ | Average Annual Compensation per Worker 1/ | Relative Efficiency 2/ | No. of Establishments | Total Employment | Value Added 1/ | Average Annual Compensation per Worker 1/ | Relative Efficiency 2/ | No. of Establishments | Total Employment | Value Added 1/ | Average Annual Compensation per Worker 1/ | Relative Efficiency 2/ |
| Products of Petroleum & Coal | | | | | | | | | | | | | | | |
| 20-49 | 5 | 126 | 11,020 | 2.270 | .75 | 4 | 134 | 7,006.4 | 4.078 | .26 | 3 | 113 | 11,128.2 | 5.598 | .37 |
| 50-99 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 100-199 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 200-499 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 500 and over | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 9 | 1,212 | 140,781 | 6.496 | 1.00 | 8 | 1,106 | 220,553.4 | 10,901 | 1.00 | 9 | 1,663 | 440,560.4 | 14.340 | 1.00 |
| Nonmetallic Mineral Products, Except Petroleum & Coal Products | | | | | | | | | | | | | | | |
| 20-49 | 47 | 1,214 | 4,574 | 1.644 | .37 | 52 | 1,468 | 6,952.1 | 1.950 | .30 | 39 | 1,155 | 8,906.7 | 2.888 | .43 |
| 50-99 | 20 | 1,423 | 5,112 | 1.800 | .39 | 14 | 961 | 6,680.1 | 2.394 | .45 | 8 | 609 | 5,963.9 | 3.354 | .55 |
| 100-199 | 7 | 964 | 7,035 | 2.222 | .71 | 9 | 1,315 | 22,601.6 | 3.459 | 1.10 | 8 | 1,049 | 8,990.8 | 3.492 | .48 |
| 200-499 | 11 | 5,200 | 70,737 | 3.124 | 1.32 | 16 | 5,218 | 89,317.8 | 3.444 | 1.10 | 19 | 5,889 | 114,541.3 | 4.684 | 1.09 |
| 500 and over | 3 | 2,915 | 32,203 | 3.176 | 1.08 | 7 | 5,332 | 97,313.8 | 4.430 | 1.17 | 12 | 10,527 | 203,624.8 | 5.206 | 1.09 |
| Total | 88 | 11,716 | 120,261 | 2.749 | 1.00 | 98 | 14,294 | 222,865.4 | 3.589 | 1.00 | 86 | 19,229 | 342,027.5 | 4.755 | 1.00 |
| Basic Metal Industries | | | | | | | | | | | | | | | |
| 20-49 | 17 | 466 | 2,025 | 1.903 | | 25 | 783 | 8,585.2 | 2.729 | .45 | 20 | 595 | 4,476.7 | 3.197 | .47 |
| 50-99 | 8 | 580 | 6,504 | 2.247 | | 13 | 944 | 23,070.3 | 3.267 | 1.01 | 16 | 1,153 | 19,227.1 | 4.279 | 1.05 |
| 100-199 | 5 | 729 | 5,311 | 2.402 | | 10 | 1,378 | 31,282.5 | 3.143 | .94 | 16 | 2,197 | 29,541.9 | 3.439 | .85 |
| 200-499 | 5 | 2,129 | 14,206 | 2.687 | | 8 | 2,429 | 45,746.7 | 3.996 | .78 | 6 | 2,063 | 46,682.9 | 5.417 | 1.43 |
| 500 and over | - | - | - | - | | 3 | 1,932 | 71,917.5 | 4.168 | 1.54 | 5 | 5,355 | 80,096.7 | 6.063 | .94 |
| Total | - | - | - | - | 1.00 | 59 | 7,466 | 180,602.2 | 3.658 | 1.00 | 63 | 11,363 | 180,025.3 | 5.107 | 1.00 |
| Metal Products, Except Machinery & Transportation Equipment | | | | | | | | | | | | | | | |
| 20-49 | 54 | 1,579 | 7,339 | 2.008 | | 76 | 2,085 | 13,321.1 | 2.506 | 1.15 | 63 | 1,907 | 16,684.2 | 3.168 | .62 |
| 50-99 | 32 | 2,294 | 13,568 | 1.930 | | 41 | 2,896 | 11,604.1 | 2.613 | .72 | 37 | 2,473 | 28,485.5 | 3.688 | .82 |
| 100-199 | 26 | 3,410 | 23,604 | 2.387 | | 25 | 3,315 | 22,106.4 | 3.098 | 1.20 | 22 | 2,977 | 40,281.1 | 4.343 | .96 |
| 200-499 | 10 | 5,353 | 35,749 | 2.987 | | 14 | 4,166 | 47,452.3 | 3.916 | 2.05 | - | - | - | - | - |
| 500 and over | - | - | - | - | | 3 | 7,847 | 18,321.6 | 4.351 | .42 | - | - | - | - | - |
| Total | - | - | - | - | 1.00 | 159 | 20,309 | 112,805.5 | 3,620 | 1.00 | 138 | 15,193 | 214,266.0 | 4.862 | 1.00 |

(continued)

Appendix Table B-1 (continued)

**1962**

| Industrial Sector & Employment Size Category | No. of Estab-lish-ments | Total Employ-ment | Value Added1/ | Average Annual Compen-sation per Worker1/ | Relative Effi-ciency2/ |
|---|---|---|---|---|---|
| Machinery, Except Electrical | | | | | |
| 20-49 | 26 | 720 | 2,823 | 1.854 | |
| 50-99 | 11 | 861 | 5,252 | 2.495 | |
| 100-199 | - | - | - | - | |
| 200-499 | - | - | - | - | |
| 500 and over | - | - | - | - | |
| Total | - | - | - | - | 1.00 |
| Electrical Machinery, Apparatus, Appliances & Supplies | | | | | |
| 20-49 | 31 | 938 | 4,187 | 1.973 | .56 |
| 50-99 | 18 | 1,226 | 8,513 | 1.912 | .87 |
| 100-199 | 9 | 1,252 | 9,225 | 1.901 | .92 |
| 200-499 | 14 | 7,186 | 61,101 | 2.598 | 1.07 |
| 500 and over | 5 | 4,758 | 39,445 | 2.645 | 1.04 |
| Total | 77 | 15,360 | 122,471 | 2.463 | 1.00 |
| Transportation Equipment | | | | | |
| 20-49 | 59 | 1,515 | 9,945 | 2.235 | .81 |
| 50-99 | 9 | 697 | 5,691 | 2.234 | 1.00 |
| 100-199 | 12 | 1,710 | 16,588 | 2.963 | 1.19 |
| 200-499 | 11 | 4,785 | 39,011 | 3.107 | 1.00 |
| 500 and over | 3 | 2,257 | 17,992 | 3.073 | .98 |
| Total | 94 | 10,964 | 89,227 | 2.901 | 1.00 |
| Miscellaneous Manufactures | | | | | |
| 20-49 | 52 | 1,461 | 6,129 | 1.856 | .98 |
| 50-99 | 18 | 1,235 | 5,288 | 1.806 | 1.00 |
| 100-199 | 9 | 1,213 | 5,359 | 1.950 | 1.03 |
| 200-499 | - | - | - | - | - |
| 500 and over | - | - | - | - | - |
| Total | 79 | 3,909 | 16,776 | 1.870 | 1.00 |

**1968**

| Industrial Sector & Employment Size Category | No. of Estab-lish-ments | Total Employ-ment | Value Added1/ | Average Annual Compen-sation per Worker1/ | Relative Effi-ciency2/ |
|---|---|---|---|---|---|
| Machinery, Except Electrical | | | | | |
| 20-49 | 32 | 907 | 5,095.1 | 2.868 | .74 |
| 50-99 | 19 | 1,296 | 10,523.3 | 2.881 | 1.07 |
| 100-199 | - | - | - | - | - |
| 200-499 | - | - | - | - | - |
| 500 and over | - | - | - | - | - |
| Total | 59 | 3,377 | 25,718.1 | 3.035 | 1.00 |
| Electrical Machinery, Apparatus, Appliances & Supplies | | | | | |
| 20-49 | 38 | 1,057 | 9,083.9 | 2.700 | .72 |
| 50-99 | 24 | 1,637 | 14,955.8 | 3.075 | .77 |
| 100-199 | 17 | 2,392 | 26,700.5 | 3.587 | .94 |
| 200-499 | 10 | 2,991 | 35,158.2 | 3.250 | .99 |
| 500 and over | 5 | 3,817 | 56,059.9 | 3.940 | 1.23 |
| Total | 94 | 11,894 | 141,958.3 | 3.466 | 1.00 |
| Transportation Equipment | | | | | |
| 20-49 | 79 | 2,253 | 15,055.0 | 2.626 | .52 |
| 50-99 | 24 | 1,652 | 11,930.0 | 2.827 | .56 |
| 100-199 | 10 | 1,375 | 15,789.1 | 3.245 | .89 |
| 200-499 | 8 | 2,985 | 62,766.9 | 4.581 | 1.63 |
| 500 and over | 5 | 3,350 | 44,569.7 | 5.558 | 1.03 |
| Total | 126 | 11,615 | 150,110.7 | 4.076 | 1.00 |
| Miscellaneous Manufactures | | | | | |
| 20-49 | 61 | 1,811 | 12,805.2 | 2.365 | 1.03 |
| 50-99 | 22 | 1,592 | 12,350.5 | 2.755 | 1.13 |
| 100-199 | - | - | - | - | - |
| 200-499 | - | - | - | - | - |
| 500 and over | - | - | - | - | - |
| Total | 96 | 5,578 | 38,155.4 | 2.374 | 1.00 |

**1971**

| Industrial Sector & Employment Size Category | No. of Estab-lish-ments | Total Employ-ment | Value Added1/ | Average Annual Compen-sation per Worker1/ | Relative Effi-ciency2/ |
|---|---|---|---|---|---|
| Machinery, Except Electrical | | | | | |
| 20-49 | 36 | 920 | 6,635.0 | 3.497 | .58 |
| 50-99 | 14 | 934 | 9,579.7 | 4.245 | .83 |
| 100-199 | - | - | - | - | - |
| 200-499 | - | - | - | - | - |
| 500 and over | - | - | - | - | - |
| Total | 60 | 3,805 | 47,260.8 | 4.356 | 1.00 |
| Electrical Machinery, Apparatus, Appliances & Supplies | | | | | |
| 20-49 | 38 | 1,215 | 11,319.7 | 3.453 | .48 |
| 50-99 | 13 | 958 | 9,377.3 | 3.563 | .51 |
| 100-199 | 16 | 2,378 | 38,684.0 | 3.856 | .85 |
| 200-499 | 10 | 2,989 | 56,042.8 | 4.621 | .97 |
| 500 and over | 8 | 5,904 | 143,284.2 | 5.210 | 1.26 |
| Total | 85 | 13,444 | 258,708.0 | 4.563 | 1.00 |
| Transportation Equipment | | | | | |
| 20-49 | 48 | 1,268 | 13,300.8 | 3.324 | .54 |
| 50-99 | 17 | 1,042 | 10,524.2 | 3.331 | .52 |
| 100-199 | 10 | 1,453 | 27,736.1 | 3.635 | .98 |
| 200-499 | 9 | 3,387 | 96,544.1 | 6.435 | 1.46 |
| 500 and over | 4 | 3,696 | 63,591.4 | 4.601 | .88 |
| Total | 88 | 10,846 | 211,696.6 | 4.773 | 1.00 |
| Miscellaneous Manufactures | | | | | |
| 20-49 | 50 | 1,574 | 15,976.8 | 3.053 | 1.05 |
| 50-99 | 29 | 2,033 | 28,387.8 | 3.365 | 1.45 |
| 100-199 | 19 | 2,505 | 20,606.4 | 3.129 | .85 |
| 200-499 | - | - | - | - | - |
| 500 and over | - | - | - | - | - |
| Total | 102 | 7,985 | 77,106.7 | 3.293 | 1.00 |

(continued)

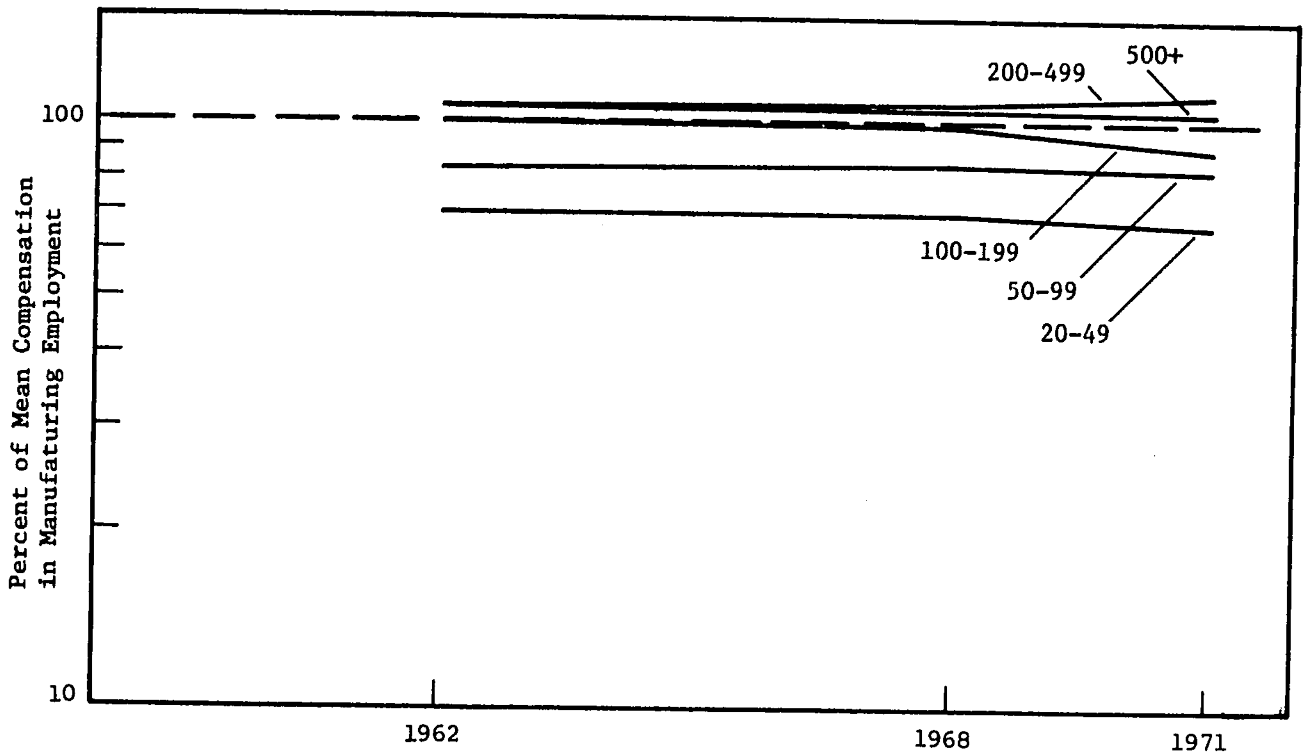
Appendix Table B-1 (continued)

| Industrial Sector & Employment Size Category | 1962 | | | | | 1968 | | | | | 1971 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Estab-lish-ments | Total Employ-ment | Value Added 1/ | Average Annual Compen-sation per Worker 1/ | Relative Effi-ciency 2/ | No. of Estab-lish-ments | Total Employ-ment | Value Added 1/ | Average Annual Compen-sation per Worker 1/ | Relative Effi-ciency 2/ | No. of Estab-lish-ments | Total Employ-ment | Value Added 1/ | Average Annual Compen-sation per Worker 1/ | Relative Effi-ciency 2/ |
| All Manufac-turing | | | | | | | | | | | | | | | |
| 20-49 | 1,318 | 33,891 | 165,945 | 1.620 | .54 | 1,245 | 34,516 | 243,008 | 2.219 | .54 | 956 | 28,080 | 270,262 | 2.941 | .48 |
| 50-99 | 384 | 27,030 | 161,306 | 1.963 | .65 | 507 | 34,913 | 295,642 | 2.669 | .65 | 407 | 28,409 | 422,961 | 3.577 | .74 |
| 100-199 | 233 | 32,406 | 230,031 | 2.334 | .78 | 278 | 38,373 | 527,432 | 3.131 | 1.05 | 291 | 40,222 | 790,328 | 3.984 | .97 |
| 200-499 | 245 | 137,142 | 1,450,993 | 2.504 | 1.16 | 218 | 68,957 | 1,117,236 | 3.455 | 1.25 | 228 | 70,849 | 1,680,300 | 4.804 | 1.17 |
| 500 and over | 90 | 90,129 | 913,956 | 2.499 | 1.11 | 137 | 148,372 | 2,053,445 | 3.379 | 1.06 | 163 | 185,448 | 3,960,343 | 4.562 | 1.05 |
| Total | 2,270 | 320,598 | 2,922,231 | 2.346 | 1.00 | 2,385 | 325,131 | 4,236,764 | 3.166 | 1.00 | 2,045 | 353,008 | 7,124,195 | 4.336 | 1.00 |

Source: Bureau of Census and Statistics, Annual Survey of Manufactures, 1962, 1968, and 1971 (Manila).

Appendix Figure B-1

PERCENT OF MEAN COMPENSATION IN ALL MANUFACTURING
BY EMPLOYMENT SIZE CATEGORY, 1962, 1968, AND 1971



## Appendix Table B-2

### PHILIPPINE MANUFACTURING: RATIOS OF WORKING OWNERS AND UNPAID FAMILY MEMBERS AND ALL OTHER WORKERS TO PRODUCTION WORKERS, BY EMPLOYMENT SIZE OF ESTABLISHMENT, 1962, 1968, AND 1971

| Establishment Size | 1962 | | 1968 | | 1971 | |
|---|---|---|---|---|---|---|
| | Working Owners | All Others | Working Owners | All Others | Working Owners | All Others |
| 20-49 | 4.5% | 28.4% | 4.8% | 29.6% | 2.8% | 32.0% |
| 50-99 | 0.5 | 31.8 | 0.8 | 33.7 | 0.4 | 33.8 |
| 100-199 | 0.1 | 37.9 | 0.1 | 34.9 | 0.1 | 36.7 |
| 200-499 | 0.0 | 27.0 | 0.0 | 33.3 | 0.0 | 36.7 |
| 500 and over | 0.0 | 25.4 | 0.0 | 22.2 | 0.0 | 28.5 |
| All Employment Sizes | 0.7 | 28.9 | 0.6 | 27.8 | 0.3 | 31.7 |

Sources: Bureau of Census and Statistics, Annual Survey of Manufactures: 1962, 1968, and 1971.

## Appendix C

## LENDING PROGRAMS OF PRIVATE FINANCIAL INSTITUTIONS

## Appendix Table C-1

## LENDING PROGRAMS OF PRIVATE FINANCIAL INSTITUTIONS FOR SMALL-SCALE INDUSTRIES

| Institution | Terms and Conditions |
|---|---|
| I. First National City Bank (Citibank) | (1) Eligibility<br>(a) Registration with Bureau of Commerce as sole proprietorship or with SEC as partnership or corporation<br>(b) Total assets utilized not over ₱1,000,000<br>(c) Annual sales not over ₱1,500,000<br>(d) Total employment not over 100<br>(e) Owner-managed and not a branch or subsidiary of another firm<br>(f) Priority activity<br><br>(2) Loan purpose<br>(a) Land and factory building and equipment<br>(b) Working capital<br><br>(3) Priorities<br>(a) Export industry and trade<br>(b) Cottage industries<br>(c) Industries producing import substitutes<br>(d) Industries utilizing locally produced raw materials<br>(e) Industrial service enterprises<br><br>(4) Maximum loan - ₱200,000<br><br>(5) Terms of loan - 3 to 7 years for fixed assets; 1 to 5 years for operating assets<br><br>(6) Interest rate - 12%, plus 1% handling fee and 1% for life insurance |

| Institution | Terms and Conditions |
|---|---|
| | coverage on owner-manager. Penalty of .5% per month on late installment payments.<br>(7) Collateral<br>(a) Real estate and equipment<br>(8) Debt/equity requirement - 80/20 (maximum) |
| II. FNCB Finance, Inc. ("Small Business Program") | (1) Eligibility<br>Same as I, 1, a, b, d plus<br>(a) The business should have been in operation at least three years (two for agribusiness)<br>(2) Loan purpose<br>Same as I, 2, a, b plus<br>(a) Motor vehicles<br>(3) Priorities<br>(a) Industrial, commercial, farm, livestock, poultry and fisheries development<br>(4) Maximum loan - ₱100,000<br>(5) Terms of loan - 30 to 120 days for inventories, 3 years amortized monthly on fixed assets (2 years on used equipment)<br>(6) Interest rate - 14% discounted plus 2% handling charge<br>(7) Collateral not specified |
| III. General Bank (Small Business Bureau) | (1) Eligibility<br>(a) Presentation of selected documents:<br>(1) Articles of Incorporation or Partnership or co-makers' contract, |

| Institution | Terms and Conditions |
|---|---|
| | (2) Cash flow projections, (3) Financial statements for past 3 years and projections for 5 years. |
| | (2) Loan purpose<br>(a) Fixed and operating assets and refinancing expenditures |
| | (3) Priorities<br>None, except small (under ₱100,000 in assets) or medium (under ₱500,000 in assets) sized business |
| | (4) No definite limit on loan size |
| | (5) Terms on loan - 2 to 7 years |
| | (6) Interest rate - 12% on secured, 14% on unsecured plus 2% to 6% for other charges |
| | (7) Collateral<br>(a) Real estate, plant and equipment |
| | (8) Debt/equity requirement<br>67/33 (maximum) |
| IV. Philippine Commercial and Industrial Bank (Small Business Loans Program) | (1) Eligibility<br>Same as I, 1, a, b plus<br>(a) Financial statements and papers on collaterals |
| | (2) Loan purpose<br>Same as I, 2, a plus<br>(a) Personal use |
| | (3) Priorities, none |
| | (4) Same as III, 4. |

| Institution | Terms and Conditions |
|---|---|
| | (5) Terms of loan - 2 to 28 months<br>(6) Interest rate - 18%<br>(7) Collateral<br>(a) Real estate: 60% to 100% of loan value<br>(b) Equipment: 50% of loan value<br>(8) Debt/equity requirement not specified |
| V. Private Development Corporation of the Philippines ("Small Business Term Loans") | (1) Eligibility<br>Same as I, 1, a plus<br>(a) Must be a corporation for a foreign currency loan<br>(b) Assets of ₱50,000 to ₱100,000<br>(2) Loan purpose<br>Same as I, 2, a & b<br>(3) Priorities<br>Same as I, a, c, d plus<br>(a) Serve needs of other industrial enterprises<br>(4) Loan size<br>(a) Local: ₱50,000 minimum<br>₱300,000 maximum<br>(b) Foreign: ₱10,000 minimum<br>₱40,000 maximum<br>(5) Terms of loan - 3 to 8 years plus 1/2 to 1 year grace period<br>(6) Interest rates not reported<br>(7) Collateral<br>(a) Real Estate (100%), Buildings (90%), Machinery and Equipment (80%), Stocks and Bonds (50%) |

| Institution | Terms and Conditions |
|---|---|
| | (8) Debt/equity requirement<br>(a) Up to 50% participation by PDCP |
| VI. Rizal Commercial Banking (Small Business Center) | (1) Eligibility<br>(a) Corporation, partnership or proprietorship<br>(b) Annual sales up to ₱3 million or net worth under ₱500,000<br>(2) Loan purpose<br>(a) Working capital or short term<br>(3) Priorities<br>(a) Manufacturing, agriculture, export oriented industries, PCMP oriented, selected services and trade<br>(4) Loan size not specified<br>(5) Terms of loan - one to 3 years<br>(6) Interest rates<br>(a) 12% on secured, 14% on unsecured (but pegged to money market)<br>(7) Collateral<br>(a) Real estate and equipment<br>(8) Debt/equity requirement not specified |

Source: Institute for Small-Scale Industries, University of the Philippines, Small Industry Journal, Vol. 7, No. 1, July-September 1974.

# Appendix D

## SELECTED NATIONAL ECONOMIC INDICATORS

Appendix Table D-1

NATIONAL AND LOCAL GOVERNMENT TAX REVENUES BY TYPE OF TAX, FY 1967-1973
(millions of pesos)

| | 1966-67 | 1967-68 | 1968-69 | 1969-70 | 1970-71 | 1971-72 | 1972-73 P/ |
|---|---|---|---|---|---|---|---|
| National Government | 2,264 | 2,511 | 2,897 | 3,249 | 4,498 | 5,087 | 6,221 |
| Direct Taxes | 592 | 694 | 870 | 988 | 1,276 | 1,417 | 2,035 |
| Income | 564 | 663 | 839 | 944 | 1,221 | 1,350 | 1,958 |
| Individual | 129 | 219 | 243 | 266 | 349 | 444 | 562 |
| Corporation | 435 | 444 | 596 | 678 | 872 | 906 | 1,396 |
| Estate, Gift & Inheritance | 15 | 16 | 15 | 17 | 15 | 16 | 23 |
| Residence | 12 | 14 | 15 | 16 | 18 | 20 | 18 |
| Immigration & Real Property Tax | 1 | 1 | 1 | 11 | 22 | 31 | 36 |
| Amnesty Tax | - | - | - | - | - | - | - |
| Indirect Taxes | 1,672 | 1,817 | 2,027 | 2,261 | 3,222 | 3,594 | 4,186 |
| Excise | 474 | 519 | 553 | 562 | 606 | 664 | 735 |
| License & Business Tax | 609 | 653 | 748 | 836 | 996 | 1,176 | 1,299 |
| Import Duties | 496 | 545 | 601 | 612 | 861 | 1,084 | 1,435 |
| Export Stabilization | - | - | - | 108 | 577 | 475 | 457 |
| Documentary Stamp | 22 | 25 | 37 | 45 | 71 | 75 | 97 |
| Forest Products | 20 | 20 | 24 | 23 | 31 | 35 | 45 |
| Wharfage Fees | 32 | 36 | 39 | 38 | 42 | 42 | 50 |
| Franchise | 14 | 14 | 18 | 21 | 30 | 35 | 50 |
| Fines and Penalties | 3 | 3 | 4 | 4 | 3 | 3 | 6 |
| Miscellaneous | 2 | 2 | 3 | 12 | 5 | 5 | 12 |
| Local Government | 193 | 219 | 217 | 285 | 279 | 288 | 375 |
| Direct | 111 | 120 | 112 | 182 | 163 | 163 | 237 |
| Indirect | 82 | 99 | 105 | 103 | 116 | 125 | 138 |
| Total Tax Receipts | 2,457 | 2,730 | 3,114 | 3,534 | 4,777 | 5,299 | 6,596 |
| Direct | 703 | 814 | 982 | 1,170 | 1,439 | 1,580 | 2,272 |
| Indirect | 1,754 | 1,916 | 2,132 | 2,364 | 3,338 | 3,719 | 4,324 |
| | | | | Share in G.N.P. | | | |
| National Government | 8.8 | 8.7 | 9.1 | 8.6 | 9.9 | 9.3 | 8.7 |
| Direct | 2.3 | 2.4 | 2.7 | 2.6 | 2.8 | 2.6 | 2.9 |
| Indirect | 6.5 | 6.3 | 6.4 | 6.0 | 7.1 | 6.7 | 5.9 |
| Local Government | .7 | .8 | .7 | .8 | .8 | .8 | .5 |
| Direct | .4 | .4 | .4 | .5 | .5 | .5 | .3 |
| Indirect | .3 | .4 | .3 | .3 | .3 | .3 | .2 |
| TOTAL | 9.5 | 9.4 | 9.8 | 9.4 | 10.5 | 9.8 | 9.2 |
| Direct | 2.7 | 2.8 | 3.1 | 3.1 | 3.1 | 2.9 | 3.2 |
| Indirect | 6.8 | 6.6 | 6.7 | 6.3 | 7.4 | 6.9 | 6.0 |

P/ Preliminary.

Source: International Bank for Reconstruction and Development (IBRD).

Appendix Table D-2

NATIONAL GOVERNMENT EXPENDITURES, FY 1967-1973
(millions of pesos)

| | 1966-67 | 1967-68 | 1968-69 | 1969-70 | 1970-71 | 1971-72 | 1972-73 |
|---|---|---|---|---|---|---|---|
| **Current Expenditures** | | | | | | | |
| General Administration | 588 | 727 | 782 | 969 | 1,087 | 1,340 | 1,691 |
| General Government | 238 | 264 | 292 | 395 | 395 | 462 | 541 |
| Justice and Police | 137 | 161 | 197 | 223 | 264 | 378 | 111 |
| National Defense | 214 | 302 | 293 | 351 | 428 | 500 | 1,039 |
| Social Services | 916 | 985 | 1,127 | 1,323 | 1,485 | 1,700 | 1,902 |
| Education | 770 | 819 | 939 | 1,066 | 1,205 | 1,360 | 1,451 |
| Health | 117 | 135 | 167 | 204 | 219 | 260 | 329 |
| Labor and Welfare | 29 | 31 | 21 | 53 | 61 | 80 | 122 |
| Economic Services | 402 | 487 | 596 | 614 | 662 | 751 | 1,503 |
| Agriculture and Natural Resources | 123 | 138 | 186 | 184 | 184 | 238 | 857 |
| Transport and Communications | 206 | 259 | 282 | 241 | 330 | 360 | 443 |
| Commerce and Industry | 27 | 29 | 68 | 41 | 53 | 62 | 60 |
| Other Economic Development | 46 | 61 | 61 | 149 | 95 | 91 | 143 |
| Transfer Payments | 123 | 98 | 265 | 178 | 143 | 252 | 316 |
| Subsidies | 44 | 53 | 170 | 57 | 16 | 18 | 19 |
| Other Transfers | 79 | 45 | 95 | 121 | 127 | 234 | 297 |
| National Defense | 62 | 27 | 74 | 99 | 103 | 84 | 91 |
| Others | 18 | 18 | 21 | 22 | 24 | 150 | 206 |
| Debt Service | 181 | 177 | 286 | 244 | 358 | 327 | 489 |
| Interest Payments | 77 | 92 | 103 | 149 | 213 | 228 | 295 |
| Capital Transfers 1/ | 104 | 85 | 183 | 95 | 145 | 99 | 194 |
| TOTAL CURRENT EXPENDITURES | 2,210 | 2,474 | 3,056 | 3,328 | 3,758 | 4,371 | 5,901 |
| **Capital Expenditures** | | | | | | | |
| General Administration | 33 | 42 | 35 | 24 | 17 | 31 | 88 |
| General Government | 15 | 20 | 11 | 14 | 0 | 8 | 7 |
| Justice and Police | 3 | 7 | 7 | 2 | 6 | 5 | 0 |
| National Defense | 14 | 16 | 16 | 8 | 11 | 18 | 81 |
| Social Services | 37 | 51 | 65 | 90 | 54 | 67 | 140 |
| Education | 31 | 43 | 50 | 66 | 39 | 44 | 105 |
| Health | 6 | 7 | 15 | 22 | 7 | 22 | 29 |
| Labor and Welfare | 0 | 1 | 0 | 2 | 8 | 1 | 6 |
| Economic Services | 251 | 376 | 457 | 612 | 600 | 1,119 | 2,060 |
| Agriculture and Natural Resources | 38 | 68 | 99 | 57 | 106 | 292 | 429 |
| Transport and Communications | 200 | 262 | 271 | 445 | 312 | 432 | 850 |
| Commerce and Industry | 2 | 6 | 9 | 17 | 63 | 23 | 19 |
| Other Economic Development | 11 | 40 | 78 | 93 | 119 | 372 | 762 |
| TOTAL CAPITAL EXPENDITURES | 321 | 469 | 555 | 726 | 671 | 1,217 | 2,288 |
| TOTAL EXPENDITURES | 2,531 | 2,943 | 3,611 | 4,054 | 4,429 | 5,588 | 8,189 |

1/ Loan repayments and sinking fund contributions.

Source: IBRD.

Appendix Table D-3

CONSOLIDATED BALANCE OF PAYMENTS ACCOUNT, 1967-1973
(millions of dollars)

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 p/ |
|---|---|---|---|---|---|---|---|
| Current Account | - 24 | -250 | -234 | - 29 | 9 | 11 | 475 |
| Trade (Net) | -223 | -274 | -257 | - 7 | - 37 | -151 | 274 |
| Exports 1/ | 839 | 876 | 875 | 1,083 | 1,149 | 1,109 | 1,871 |
| Imports | 1,063 | 1,150 | 1,132 | 1,090 | 1,186 | 1,260 | 1,597 |
| Services (Net) | 13 | -110 | -132 | -141 | - 88 | - 26 | - 30 |
| Receipts | 384 | 290 | 248 | 258 | 264 | 376 | 583 |
| Payments | 371 | 400 | 380 | 399 | 352 | 402 | 613 |
| Private Transfers (Net) | 114 | 91 | 106 | 93 | 103 | 152 | 168 |
| Receipts | 124 | 93 | 108 | 95 | 106 | 158 | 176 |
| Payments | 10 | 2 | 2 | 2 | 3 | 6 | 8 |
| Official Transfers (Net) | 72 | 43 | 49 | 26 | 31 | 36 | 63 |
| Receipts | 73 | 45 | 50 | 29 | 38 | 40 | 69 |
| Payments | 1 | 2 | 1 | 3 | 7 | 4 | 6 |
| Capital Account | 31 | 397 | 223 | 181 | 124 | 174 | 210 |
| Direct Investment (Net) | - 9 | - 3 | 6 | - 29 | - 4 | - 22 | 64 |
| Private Loan Capital (Net) | 69 | 366 | 194 | 170 | 58 | 39 | 69 |
| Medium and Long-Term | 57 | 188 | 127 | 94 | - 34 | - 17 | - 5 |
| Short-Term | 12 | 178 | 67 | 76 | 92 | 56 | 74 |
| Public Loan Capital (Net) | - 29 | 34 | 23 | 40 | 70 | 157 | 77 |
| Monetary Sector | 51 | - 25 | 96 | 93 | 98 | 72 | -192 |
| Deposit Money Banks (Net) | - 55 | 8 | 29 | 35 | 94 | 136 | -106 |
| Liabilities | - 30 | 14 | 12 | 32 | 117 | 173 | - |
| Assets | - 25 | - 6 | 17 | 3 | - 23 | - 37 | - |
| Central Banks (Net) | 106 | - 33 | 67 | 58 | 4 | - 64 | - 86 |
| Liabilities 2/ | 106 | - 33 | 67 | 58 | 4 | - 64 | - 86 |
| Assets (Not Related to Reserves) | - | - | - | - | - | - | - |
| Allocation of SDRs | - | - | - | 18 | 17 | 16 | - |
| Reserves and Related Items (- = Increase) | 14 | 74 | 40 | -116 | -104 | -167 | -509 |
| Use of IMF Credit (Other Than Gold Tranche) | 28 | 55 | - | 14 | 21 | 7 | - 21 |
| Monetary Gold | - 17 | - 1 | 16 | - 11 | - 11 | - 4 | 31 |
| Reserve Position with IMF (Gold Tranche) | - | - | - | - | - | - | - |
| Foreign Exchange Holdings of Central Bank | 3 | 20 | 24 | -119 | -114 | -170 | -519 |
| Errors and Omissions | - 72 | -196 | -125 | -147 | -144 | -106 | 16 |

p/ Preliminary.

1/ Includes non-monetary gold.

2/ The credit entries cover drawings, and the debt entries cover repayments, on short-term and long-term loans from U.S. and Japan and European banks. In 1968, repayments of short-term loans from U.S. banks was rescheduled; in 1970, repayment of short-term and medium-term debt to U.S. banks was rescheduled and repayment of short-term debt to European banks was rescheduled. No entries are made in this table for reclassification of debt; only actual repayments are entered.

Source: IBRD.

Appendix Table D-4

COMPOSITION OF GROSS SAVINGS, 1967-1973
(millions of pesos at current prices)

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|
| Gross Savings | 6,260 | 6,647 | 6,924 | 8,605 | 10,280 | 11,358 | 14,211 |
| Less: Foreign Borrowing | 140 | 1,033 | 966 | 271 | 69 | 57 | 3,557 |
| Equals: Gross National Savings (Including Transfers from Abroad) | 6,120 | 5,614 | 5,958 | 8,334 | 10,211 | 11,301 | 17,768 |
| Less: Transfers (Net from Abroad) | 727 | 523 | 602 | 703 | 860 | 1,247 | 1,572 |
| To General Government | 282 | 169 | 190 | 155 | 200 | 238 | 418 |
| To Persons | 445 | 354 | 412 | 548 | 660 | 1,009 | 1,154 |
| Equals: Gross National Savings (Excluding Transfers from Abroad) | 5,393 | 5,091 | 5,356 | 7,631 | 9,351 | 10,054 | 16,196 |
| Less: Depreciation | 2,277 | 2,635 | 3,093 | 4,162 | 5,435 | 6,349 | 7,583 |
| Equals: Net Savings | 3,116 | 2,456 | 2,263 | 3,469 | 3,916 | 3,705 | 8,613 |
| General Government Sector | 97 | 11 | - 399 | 629 | 926 | 1,085 | 2,484 |
| Private Sector | 3,019 | 2,445 | 2,662 | 2,840 | 3,990 | 2,620 | 6,129 |
| Households and Unincorporated Enterprises | 2,239 | 1,439 | 1,776 | 1,430 | 1,791 | 1,580 | 5,148 |
| Corporations | 780 | 1,006 | 886 | 1,410 | 1,199 | 1,040 | 981 |
| Plus: Net Factor Income Payments | - 297 | - 384 | - 307 | - 799 | - 656 | - 844 | - 765 |
| Equals: Net Domestic Savings | 2,819 | 2,072 | 1,956 | 2,670 | 3,260 | 2,861 | 7,848 |
| | | | | Share in G.N.P. | | | |
| Gross Savings | 22.9 | 21.9 | 20.3 | 20.9 | 20.5 | 20.0 | 19.9 |
| Less: Foreign Borrowing | 0.5 | 3.4 | 2.8 | 0.6 | 0.1 | 0.1 | - 5.0 |
| Equals: Gross National Savings (Including Transfers from Abroad) | 22.4 | 16.5 | 17.5 | 20.2 | 20.4 | 19.9 | 24.9 |
| Less: Transfers (Net from Abroad) | 2.7 | 1.7 | 1.8 | 1.7 | 1.7 | 2.2 | 2.2 |
| To General Government | 1.0 | 0.6 | 0.6 | 0.4 | 0.4 | 0.4 | 0.6 |
| To Persons | 1.6 | 1.2 | 1.2 | 1.3 | 1.3 | 1.8 | 1.6 |
| Equals: Gross National Savings (Excluding Transfers from Abroad) | 19.7 | 16.7 | 15.7 | 18.5 | 18.7 | 17.7 | 22.7 |
| Less: Depreciation | 8.3 | 8.7 | 9.1 | 10.1 | 10.9 | 11.2 | 10.6 |
| Equals: Net National Savings | 11.4 | 8.1 | 6.6 | 8.4 | 7.8 | 6.5 | 12.1 |
| General Government Sector | 0.4 | 0.0 | 1.2 | 1.5 | 1.8 | 1.9 | 3.5 |
| Private Sector | 11.0 | 8.0 | 7.8 | 6.9 | 6.0 | 4.6 | 8.6 |
| Households and Unincorporated Enterprises | 8.2 | 4.7 | 5.2 | 3.5 | 3.6 | 2.8 | 7.2 |
| Corporations | 2.9 | 3.3 | 2.6 | 3.4 | 2.4 | 1.8 | 1.4 |
| Plus: Net Factor Income Payments | - 1.1 | - 1.3 | - 0.9 | - 1.9 | - 1.3 | - 1.5 | - 1.1 |
| Equals: Net Domestic Savings | 10.3 | 6.8 | 5.7 | 6.5 | 6.5 | 5.0 | 11.0 |

Source: IBRD.

Appendix Table D-5

EMPLOYMENT BY INDUSTRY, 1967-1973
(thousands)

| | 1967 | 1968 | 1969 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|
| Agriculture, Forestry, Hunting and Fishing | 6,330 | 5,631 | 6,325 | 6,440 | 7,166 | 7,016 |
| Mining and Quarrying | 45 | 43 | 51 | 56 | 58 | 62 |
| Manufacturing | 1,223 | 1,234 | 1,291 | 1,472 | 1,467 | 1,418 |
| Construction | 276 | 342 | 349 | 467 | 456 | 522 |
| Transport, Storage and Communication | 375 | 363 | 383 | 518 | 479 | 505 |
| Electricity, Gas, Water and Sanitary Service | 30 | 36 | 29 | 58 | 40 | 37 |
| Commerce | 1,078 | 1,130 | 1,109 | 1,531 | 1,674 | 1,660 |
| Government, Community, Business and Recreational Services | 769 | 903 | 884 | 1,132 | 1,059 | 1,087 |
| Domestic Services | 502 | 503 | 527 | 611 | 562 | 670 |
| Personal Services Other Than Domestic | 229 | 252 | 245 | 270 | 237 | 255 |
| Industry Not Reported | 10 | 33 | 40 | 29 | 20 | 29 |
| TOTAL | 10,867 | 10,471 | 11,235 | 12,584 | 13,217 | 13,262 |
| | | | Distribution (%) | | | |
| Agriculture, Forestry, Fishing and Hunting | 58.3 | 53.8 | 56.3 | 51.2 | 54.2 | 52.9 |
| Mining and Quarrying | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 | 0.5 |
| Manufacturing | 11.3 | 11.8 | 11.5 | 11.7 | 11.1 | 10.7 |
| Construction | 2.5 | 3.3 | 3.1 | 3.7 | 3.4 | 3.9 |
| Transport, Storage and Communication | 3.4 | 3.5 | 0.3 | 4.1 | 3.6 | 3.6 |
| Electricity, Gas, Water and Sanitary Services | 0.3 | 0.3 | 9.9 | 0.4 | 0.3 | 0.3 |
| Commerce | 9.9 | 10.8 | 3.4 | 12.2 | 12.7 | 12.5 |
| Government, Community, Business and Recreational Services | 7.1 | 8.6 | 7.9 | 9.0 | 8.0 | 8.2 |
| Domestic Services | 4.6 | 4.8 | 4.7 | 4.8 | 4.3 | 5.1 |
| Personal Services Other Than Domestic | 2.1 | 2.4 | 2.2 | 2.2 | 1.8 | 1.9 |
| Industry Not Reported | 0.1 | 0.3 | 0.4 | 0.2 | 0.2 | 0.2 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Note: No data available for 1970.

Source: IBRD.

Appendix Table D-6

ORIGIN OF NET DOMESTIC PRODUCT, 1967-1973
(millions of pesos at current prices)

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|
| Agriculture, Fishery and Forestry | 7,775 | 9,041 | 10,605 | 12,460 | 15,185 | 17,017 | 20,985 |
| Mining and Quarrying | 348 | 418 | 530 | 845 | 924 | 1,052 | 1,692 |
| Manufacturing | 4,274 | 4,692 | 5,073 | 6,540 | 7,808 | 8,979 | 12,263 |
| Construction | 880 | 838 | 979 | 876 | 1,021 | 1,386 | 1,742 |
| Transport, Storage and Communication | 812 | 881 | 925 | 1,039 | 1,222 | 1,408 | 1,671 |
| Electricity, Gas and Water | 116 | 139 | 153 | 191 | 229 | 253 | 303 |
| Wholesale and Retail Trade | 2,520 | 2,585 | 2,761 | 3,325 | 3,883 | 4,420 | 5,427 |
| Banking, Insurance and Real Estate | 1,081 | 1,257 | 1,314 | 1,564 | 1,980 | 2,328 | 2,716 |
| Ownership of Dwellings | 1,223 | 1,344 | 1,411 | 1,598 | 1,780 | 1,959 | 2,182 |
| Public Services and Defense | 1,803 | 1,991 | 2,212 | 2,500 | 2,880 | 3,390 | 3,469 |
| Other Services | 2,541 | 2,771 | 3,022 | 3,399 | 3,855 | 4,395 | 5,191 |
| Net Domestic Product | 23,373 | 25,957 | 28,985 | 34,337 | 40,767 | 46,587 | 57,641 |
| Rest of the World | - 297 | - 384 | - 307 | - 799 | - 597 | - 857 | - 468 |
| Net National Product | 23,076 | 25,573 | 28,678 | 33,538 | 40,170 | 45,730 | 57,173 |
| | | | | Distribution (%) | | | |
| Agriculture, Fishery and Forestry | 33.3 | 34.8 | 36.6 | 36.3 | 37.2 | 36.5 | 36.4 |
| Mining and Quarrying | 1.5 | 1.6 | 1.8 | 2.5 | 2.3 | 2.3 | 2.9 |
| Manufacturing | 18.3 | 18.1 | 17.5 | 19.0 | 19.2 | 19.3 | 21.3 |
| Construction | 3.8 | 3.2 | 3.4 | 2.6 | 2.5 | 3.0 | 3.0 |
| Transport, Storage and Communication | 3.5 | 3.4 | 3.2 | 3.0 | 3.0 | 3.0 | 2.9 |
| Electricity, Gas and Water | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.5 | 0.5 |
| Wholesale and Retail Trade | 10.8 | 10.0 | 9.5 | 9.7 | 9.5 | 9.5 | 9.4 |
| Banking, Insurance and Real Estate | 4.6 | 4.8 | 4.5 | 4.6 | 4.9 | 5.0 | 4.7 |
| Ownership of Dwellings | 5.2 | 5.2 | 4.9 | 4.7 | 4.4 | 4.2 | 3.8 |
| Public Services and Defense | 7.7 | 7.7 | 7.6 | 7.3 | 7.1 | 7.3 | 6.0 |
| Other Services | 10.9 | 10.7 | 10.4 | 9.9 | 9.5 | 9.4 | 9.0 |
| Net Domestic Product | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Rest of World | - 1.3 | - 1.5 | - 1.1 | - 2.3 | - 1.5 | - 1.9 | - 0.8 |
| Net National Product | 98.7 | 98.5 | 98.9 | 97.7 | 98.5 | 98.2 | 99.2 |

Source: IBRD.

Appendix Table D-7

ORIGIN OF NET DOMESTIC PRODUCT, 1967-1973
(millions of pesos at constant 1967 prices)

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|
| Agriculture, Fishery and Forestry | 7,775 | 8,301 | 8,822 | 8,962 | 8,934 | 8,948 | 9,559 |
| Mining and Quarrying | 348 | 407 | 468 | 558 | 650 | 686 | 732 |
| Manufacturing | 4,274 | 4,570 | 4,811 | 5,144 | 5,497 | 5,828 | 6,527 |
| Construction | 880 | 750 | 820 | 689 | 771 | 1,014 | 1,245 |
| Transport, Storage and Communication | 812 | 851 | 874 | 901 | 986 | 1,039 | 1,116 |
| Electricity, Gas and Water | 116 | 117 | 125 | 134 | 168 | 178 | 190 |
| Wholesale and Retail Trade | 2,520 | 2,568 | 2,674 | 2,837 | 2,975 | 3,090 | 3,337 |
| Banking, Insurance and Real Estate | 1,081 | 1,223 | 1,261 | 1,312 | 1,382 | 1,504 | 1,566 |
| Ownership of Dwellings | 1,223 | 1,258 | 1,293 | 1,330 | 1,368 | 1,406 | 1,447 |
| Public Services and Defense | 1,803 | 1,826 | 1,872 | 1,888 | 1,923 | 2,025 | 2,173 |
| Other Services | 2,541 | 2,676 | 2,790 | 2,978 | 3,133 | 3,304 | 3,481 |
| Net Domestic Product | 23,373 | 24,547 | 25,810 | 26,733 | 27,787 | 29,022 | 31,373 |
| | | | | Distribution (%) | | | |
| Agriculture, Fishery and Forestry | 33.3 | 33.8 | 34.2 | 33.5 | 32.2 | 30.8 | 30.5 |
| Mining and Quarrying | 1.5 | 1.7 | 1.8 | 2.1 | 2.3 | 2.4 | 2.3 |
| Manufacturing | 18.3 | 18.6 | 18.6 | 19.2 | 19.8 | 20.1 | 20.8 |
| Construction | 3.8 | 3.1 | 3.2 | 2.6 | 2.8 | 3.5 | 4.0 |
| Transport, Storage and Communication | 3.5 | 3.5 | 3.4 | 3.4 | 3.5 | 3.6 | 3.6 |
| Electricity, Gas and Water | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 |
| Wholesale and Retail Trade | 10.8 | 10.5 | 10.4 | 10.6 | 10.7 | 10.6 | 10.6 |
| Banking, Insurance and Real Estate | 4.6 | 5.0 | 4.9 | 4.9 | 5.0 | 5.2 | 5.0 |
| Ownership of Dwellings | 5.2 | 5.1 | 5.0 | 5.0 | 4.9 | 4.8 | 4.6 |
| Public Services and Defense | 7.7 | 7.4 | 7.3 | 7.1 | 6.9 | 7.0 | 6.9 |
| Other Services | 10.9 | 10.9 | 10.8 | 11.1 | 11.3 | 11.4 | 11.1 |
| Net Domestic Product | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: IBRD.

Appendix Table D-8

TOTAL EXTERNAL DEBT OUTSTANDING (DISBURSEMENT BASIS) BY MATURITY AND TYPE OF BORROWER, 1967-1973
(millions of dollars)

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|
| Short-Term[1/] | 354.4 | 319.7 | 472.8 | 349.7 | 339.6 | 320.0 | 332.9 |
| Public Sector | 209.0 | 120.1 | 196.4 | 62.8 | 38.5 | 31.5 | - |
| Central Bank | 209.0 | 120.1 | 196.4 | 62.8 | 38.5 | 27.5 | - |
| Others | - | - | - | - | - | 4.0 | - |
| Private Sector | 145.4 | 199.6 | 276.4 | 286.9 | 301.1 | 288.5 | 332.9 |
| Commercial Banks | 63.7 | 61.3 | 97.0 | 54.8 | 36.5 | 25.5 | 24.2 |
| Others | 81.7 | 138.3 | 179.4 | 232.1 | 264.6 | 263.0 | 308.7 |
| Medium-Term[2/] | 217.6 | 444.6 | 541.0 | 509.8 | 371.2 | 334.9 | 321.8 |
| Public Sector | 86.3 | 162.9 | 141.6 | 140.9 | 111.3 | 120.2 | 147.8 |
| Central Bank | 25.5 | 86.1 | 72.6 | 64.0 | 12.2 | 7.8 | 66.2 |
| Others | 60.8 | 76.8 | 69.0 | 76.9 | 99.1 | 112.4 | 81.6 |
| Private Sector | 131.3 | 281.7 | 399.4 | 368.9 | 259.9 | 214.7 | 174.0 |
| Long-Term[3/] | 479.9 | 603.2 | 815.4 | 1,170.2 | 1,248.2 | 1,421.5 | 1,606.9 |
| Public Sector | 166.7 | 187.1 | 255.6 | 490.0 | 528.4 | 653.0 | 739.9 |
| Central Bank | 1.6 | 4.6 | 4.4 | 205.1 | 195.9 | 231.3 | 257.3 |
| Others | 165.1 | 182.5 | 251.2 | 284.9 | 332.5 | 421.7 | 482.6 |
| Private Sector | 313.2 | 416.1 | 559.8 | 680.2 | 719.8 | 768.5 | 867.0 |
| TOTAL | 1,051.9 | 1,367.5 | 1,829.2 | 2,029.7 | 1,959.0 | 2,076.4 | 2,261.6 |
| Total Public Sector | 462.0 | 470.1 | 593.6 | 693.7 | 678.2 | 804.9 | 887.7 |
| Central Bank | 236.1 | 210.8 | 273.4 | 331.9 | 246.6 | 266.8 | 323.5 |
| Others | 225.9 | 259.3 | 320.2 | 361.8 | 431.6 | 538.1 | 564.2 |
| Total Private Sector | 589.9 | 897.4 | 1,235.6 | 1,336.0 | 1,230.8 | 1,271.7 | 1,373.9 |

1/ Payable within one year, including revolving credits; commercial banks include PNB and NIDC.

2/ Payable from two to five years.

3/ Payable over five years, and beyond.

Source: IBRD.

Appendix Table D-9

EXPENDITURES ON GROSS NATIONAL PRODUCT, 1967-1973
(millions of pesos at current prices)

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|
| Private Consumption Expenditure | 21,276 | 22,626 | 24,369 | 28,729 | 36,343 | 40,642 | 48,548 |
| General Government Consumption Expenditure | 2,386 | 2,690 | 3,132 | 3,379 | 4,344 | 5,333 | 5,873 |
| Fixed Capital Formation | 5,743 | 6,092 | 6,333 | 7,600 | 9,258 | 10,122 | 12,658 |
| Increase in Stock | 517 | 555 | 591 | 1,005 | 1,022 | 1,236 | 1,553 |
| Export of Goods and Non-Factor Services | 4,703 | 4,484 | 4,350 | 7,845 | 8,814 | 9,696 | 16,027 |
| Less: Imports of Goods and Non-Factor Services | 5,273 | 5,656 | 5,611 | 8,020 | 9,146 | 10,143 | 13,574 |
| Gross Domestic Product | 29,352 | 30,791 | 33,164 | 40,538 | 50,635 | 56,886 | 71,085 |
| Net Factor Income from Abroad | - 297 | - 384 | - 307 | - 799 | - 597 | - 857 | - 468 |
| Statistical Discrepancy | - 1,699 | 5 | 1,211 | 1,428 | 51 | 840 | 697 |
| Gross National Product | 27,356 | 30,412 | 34,068 | 41,167 | 50,089 | 56,869 | 71,314 |
| | | | Distribution (%) | | | | |
| Private Consumption Expenditure | 77.8 | 74.4 | 71.5 | 69.8 | 72.6 | 71.5 | 68.1 |
| General Government Consumption Expenditure | 8.7 | 8.8 | 9.2 | 8.2 | 8.7 | 9.4 | 8.2 |
| Fixed Capital Formation | 21.0 | 20.0 | 18.6 | 18.5 | 18.5 | 17.8 | 17.7 |
| Increase in Stock | 1.9 | 1.8 | 1.7 | 2.4 | 2.0 | 2.2 | 2.2 |
| Export of Goods and Non-Factor Services | 17.2 | 14.7 | 12.8 | 19.1 | 17.6 | 17.0 | 22.5 |
| Less: Imports of Goods and Non-Factor Services | 19.3 | 18.6 | 16.5 | 19.5 | 18.3 | 17.8 | 19.0 |
| Gross Domestic Product | 107.3 | 101.2 | 97.3 | 98.5 | 101.1 | 100.0 | 99.7 |
| Net Factor Income from Abroad | - 1.1 | - 1.3 | - 0.9 | - 1.9 | - 1.1 | - 1.5 | - 0.7 |
| Statistical Discrepancy | - 6.2 | - | 3.6 | 3.5 | 0.1 | 1.5 | 1.0 |
| Gross National Product (GNP) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: IBRD.

Appendix Table D-10

EXPENDITURES ON GROSS NATIONAL PRODUCT, 1967-1973
(millions of pesos at constant 1967 prices)

| | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|---|---|
| Private Consumption Expenditure | 21,276 | 22,146 | 23,178 | 23,872 | 24,897 | 25,735 | 27,337 |
| General Government Consumption Expenditure | 2,386 | 2,509 | 2,753 | 2,574 | 2,905 | 3,208 | 3,360 |
| Fixed Capital Formation | 5,743 | 5,939 | 5,949 | 5,615 | 5,944 | 6,035 | 6,587 |
| Increase in Stock | 517 | 543 | 557 | 775 | 723 | 785 | 842 |
| Export of Goods and Non-Factor Services | 4,703 | 4,276 | 4,073 | 4,466 | 4,924 | 5,815 | 6,360 |
| Less: Imports of Goods and Non-Factor Services | 5,272 | 5,680 | 5,502 | 5,055 | 4,836 | 4,804 | 5,423 |
| Gross Domestic Product | 29,353 | 29,733 | 31,008 | 32,247 | 34,557 | 36,774 | 39,063 |
| Net Factor Income from Abroad | - 297 | - 388 | - 254 | - 489 | - 310 | - 382 | - 205 |
| Statistical Discrepancy | - 1,700 | - 541 | - 258 | 430 | - 57 | - 779 | 244 |
| Gross National Product (GNP) | 27,356 | 28,804 | 30,496 | 32,188 | 34,190 | 35,613 | 39,102 |
| | | | | Distribution (%) | | | |
| Private Consumption Expenditure | 77.8 | 76.9 | 76.0 | 74.2 | 72.8 | 72.3 | 69.9 |
| General Government Consumption Expenditure | 8.7 | 8.7 | 9.0 | 8.0 | 8.5 | 9.0 | 8.6 |
| Fixed Capital Formation | 21.0 | 20.6 | 19.5 | 17.4 | 17.4 | 16.9 | 16.8 |
| Increase in Stocks | 1.9 | 1.9 | 1.8 | 2.4 | 2.1 | 2.2 | 2.2 |
| Exports in Goods and Non-Factor Service | 17.2 | 14.8 | 13.[illegible] | 13.9 | 14.4 | 16.3 | 16.3 |
| Less: Imports of Goods and Non-Factor Services | 19.3 | 19.7 | 18.0 | 15.7 | 14.1 | 13.5 | 13.9 |
| Gross Domestic Product | 107.3 | 103.2 | 101.7 | 100.2 | 101.1 | 103.3 | 99.9 |
| Net Factor Income from Abroad | - 1.1 | - 1.3 | - 0.8 | - 1.5 | - 0.9 | - 1.1 | - 0.5 |
| Statistical Discrepancy | - 6.2 | - 1.9 | - 0.8 | 1.3 | - 0.2 | - 2.2 | 0.6 |
| Gross National Product (GNP) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

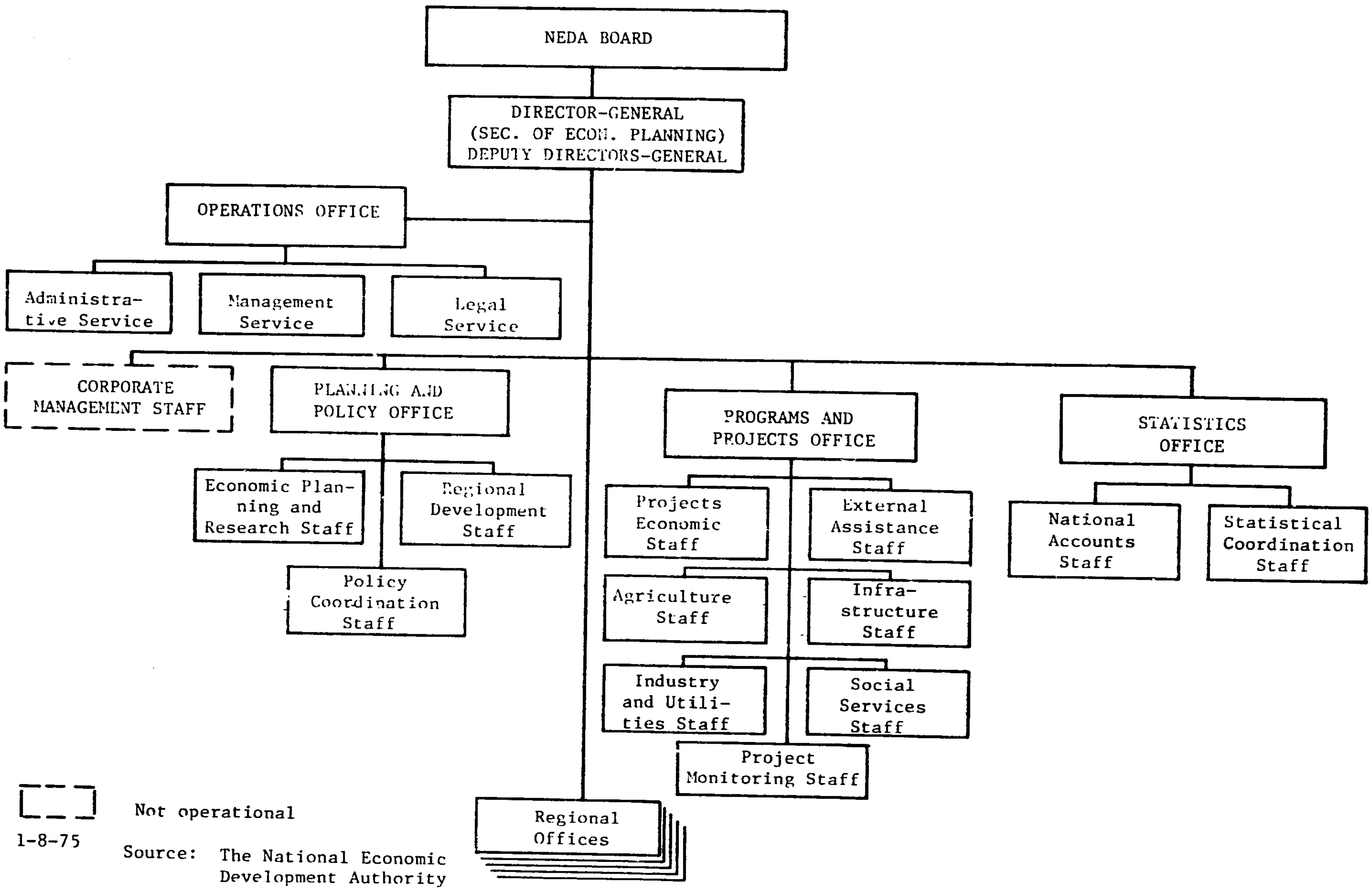
Source: IBRD.

Appendix E

NATIONAL ECONOMIC DEVELOPMENT AUTHORITY
ORGANIZATION CHART

Appendix E-1

THE INTERNAL ORGANIZATION OF NEDA




Not operational

1-8-75

Source: The National Economic Development Authority January 1975 (mimeograph)

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