PN-ABR-644

ARD

PN-ABR-674

Regulatory-Institutional Framework of Financial Markets in the Philippines

by Aurora Sanchez

LOCAL DEVELOPMENT ASSISTANCE PROGRAM
PROJECT NO. 492-0436

Prepared by:

Associates for Rural Development, Inc.
P.O. Box 1397
110 Main Street, Fourth Floor
Burlington, Vermont 05402 USA
under Contract No. 592-0436-C-00-1059-00
with USAID/Philippines

This report was completed through the assistance of the United States Agency for International Development (A.I.D.). The views, expressions and opinions contained in this report are the author's and are not intended as statements of policy of either A.I.D. or the author's parent institution.

27 May 1992

REGULATORY-INSTITUTIONAL FRAMEWORK OF FINANCIAL MARKETS IN THE PHILIPPINES

By: AURORA SANCHEZ, Ph.D.

I. INTRODUCTION

II. THE FINANCIAL SYSTEM

1. Financial Structure
2. Financial Institutions
3. Regulation

3.1. Regulatory Agencies

A. Central Bank
B. Securities and Exchange Commission

3.2. Regulations Governing Banking Institutions

A. Minimum Capital Requirement
B. Reserve Requirements
C. Ceilings on Equity Investment of Banks
D. Single Borrower Limit (SBL)
E. Establishment of Banks and Bank Branches
F. Interest Rate Ceilings
G. Deposit Retention Scheme
H. Agri-agra Credit Requirement
I. Magna Carta for Small Enterprises (RA No. 6977)
J. Limits on Loans to Directors, Officers, Stockholders, and Related Interest (DOSRI)
K. Ceilings on Shares of Voting Stock in a Bank
L. Net Worth to Risk Assets Ratio
M. Treatment of Past Due Loans

3.3. Regulations Governing Non-bank Financial Institutions

A. Financial Company Act
B. Investment House Law

REGULATORY-INSTITUTIONAL FRAMEWORK OF FINANCIAL MARKETS IN THE PHILIPPINES

By: AURORA SANCHEZ, Ph.D.

I. INTRODUCTION

This paper is one part of the Stage I Study on "**LGU Financing Behavior in Advance of Revenues.**" The objectives of that Study are outlined in the Introduction, Section 1 of Dr. Llanto Paper. That same Paper outlines the methodology and data approach used for the entire study. This paper concentrates on the "**Regulatory-Institutional Framework of Financial Markets in the Philippines.**"

The Philippines financial system, by mobilizing savings and channeling these to investment, serves an important role in the process of development. It is the financial system that facilitates the flow of money among the different sectors of society and by promoting facilitating the money flow from surplus to deficit units makes investment possible and an increase in production realizable.

This financial system has grown in size. In 1990 it registered total resources of Pesos 658 million almost a two-fold increase from the Pesos 378 million registered in 1983. In 1990, it recorded 7,349 financial institutions, an increase by 1,707 from the 5,642 recorded in 1983.

The same financial system experienced a series of reforms over the 1976 to 1990 period. In 1976-77, financial reforms were introduced to reduce and stabilize money market rates and to provide a base for the development of the long-term market. The reforms included higher interest rates on deposits, interest rate ceilings on deposit substitutes, increases in reserve requirements for deposit substitutes, minimum lot requirement for money market operations, and imposition of a transaction tax of 35 per cent on money market operations.

In 1980 the Philippine government undertook a second reform of the financial system aimed at promoting greater efficiency and increasing access to longer term funds. The reform consisted of floating the interest rate; restructuring the financial system; and strengthening the effectiveness of Central Bank policy instruments.

In July 1981, interest rate ceilings on all types of deposits and loans, except short-term loans, were lifted; and in January 1983, those on short-term loans, too, were removed.

The 1980 financial reform reduced the functional differences among the various types of banks and among banks and non-banks performing quasi-banking activities (NBQBs). Universal banking was introduced so that authorized banks could perform not only the standard commercial bank functions but also maintain major equity ownership in firms, underwrite financing issues, and engage in extensive international transactions. The functional distinction between commercial banks and investment houses was abolished. Thrift banks, whether savings and mortgage banks, private development banks or savings and loan association, were allowed to assume the full domestic banking functions of commercial banks; this eliminated the functional distinction among thrift banks.

Part of the reform was the increase in the minimum capital requirement of private domestic banks and non-banks authorized to perform quasi banking activities. This minimum capital requirement could be met, for financial institutions already in existence, through internal capital build-up and/or merger and consolidation.

The 1980 reform widened the coverage of rural banks. The banking regulation restricting rural bank lending to small farmers and agricultural merchants and cooperatives was repealed. Rural banks were allowed to establish branches, form "chain banking" organizations, or be subsumed under bank holding companies.

In 1981, the Central Bank phased out its Central Bank Certificates of Indebtedness (CBCIs). These were securities issued in the 1970s and utilized mainly to rechannel funds from urban to rural areas.

To encourage long-term financing, the Central Bank opened the "medium- and long-term rediscounting window", a facility allowing banks to rediscount papers evidencing the extension of medium- and long-term loans for the acquisition of fixed assets, working capital, investment in affiliates and other enterprises and in high grade securities. The Central Bank also opened a "lender of last resort" facility which banks and NBQBs encountering liquidity problems while engaging in term transformation can have recourse to.

The 1983 economic crisis placed many financial institutions in financial distress. Four thrift banks (Banco Filipino and Mortgage Savings Bank, Royal Savings Bank, Daily Savings Bank and PAIC Savings and Mortgage Bank) and two commercial banks (Philippine Veterans Bank and Pacific Banking Corporation) closed down. Rural banks which relied heavily on Central Bank rediscounting experienced difficulties. The financial reforms instituted from 1986 onwards have been intended to strengthen the banking system through an effective system of bank supervision and to inject healthy competition into the banking system.

II. THE FINANCIAL SYSTEM

1. Financial Structure

The financial system comprises several markets. Chart 1 shows the different components making up the financial system.

The financial market consists of two major segments -- the money market and the capital market. The money market deals in short-term instruments, i.e. instruments with maturities of less than a year, while capital markets deal in long-term credit in the form of loans or bonds and stock issuance. The two markets are interrelated in two ways: 1) through borrowers who resort to both markets to finance their fixed investment and their working capital needs; and, 2) through funds supplier -- financial institutions operating in the money market who have excess funds for investment in the capital market.

The money market has four sub-markets: 1) the interbank call loan market; 2) the deposit substitute market; 3) the commercial paper market; and, 4) the government securities market.

The capital market, on the other hand, has two sub-markets: 1) the non-securities market which provides non-negotiable and long-term debt finance (such as loans, mortgages, leases etc.); and, 2) the securities market which provides negotiable medium- and long-term equity and debt funds.

Under the securities market are the debt capital market, which enables capital to be raised through borrowing, and the equity capital market, which enables investment funds to be raised through investor equity participation. Both the debt and equity capital markets have primary and secondary markets. The former constitutes the facilities for the initial sale of financial instruments -- the issuing houses and underwriters; and the latter comprises the market for "already issued" and outstanding securities. The secondary market consists of an organized sector or securities exchange and an unorganized sector or over-the-counter market where securities, not listed in the exchanges are traded "over-the-counter". An active secondary market is essential for the issue of securities because in its absence or its inactivity, the amount of funds that can be raised via the securities market will be limited by the amount of funds the primary market is prepared to hold until maturity.

2. Financial Institutions

Various institutions participate in the financial system. These institutions serve different markets and complement each other in attaining the process of intermediation.

Table 1 lists the financial institutions that make up the Philippine financial system. Table 1.A shows the relative importance of the various institutional types in the overall financial structure.

The system is a network of institutions authorized by law to engage in the generation, circulation and control of money and credit. These entities can be classified broadly into two types: 1) the banking institutions composed of commercial banks, thrift banks, rural banks, and the specialized banks; and 2) the non-bank financial institutions which are classified further into non-bank financial intermediaries and non-bank thrift institutions. Under the former are investment houses, finance companies, insurance companies, securities dealers/brokers, pawnshops, fund managers, lending investors, private insurance companies, and specialized non-banks; while under the latter are non-stock savings and loan associations and mutual building and loan associations.

The banking institutions dominate the Philippine financial system. Over the 1982-1990 period, their share of total financial resources have averaged 89 per cent as against 11 per cent for nonbank financial intermediaries and thrift institutions.

In number, banking and nonbank financial institutions are about equal. In 1990 -- there were 3638 banking offices and 3711 non-bank financial intermediaries and thrift institutions in operation or (Table 2). In the years previous to 1989, the number of banking offices exceeded that of non-bank financial institutions. But the more rapid growth in the number of offices of non-bank financial institutions (9 per cent over 1981-90 vs. zero growth for banking offices over the same period) has led to shifts in relative shares.

Of the banking institutions, commercial banks loom in importance; their share of total banking assets have averaged 79.7 per cent over the 1982-1990 period.

Among the non-bank financial institutions, the government non-bank financial institutions (e.g. GSIS, SSS) hold the dominant position in terms of assets, accounting for an average of 31.9 per cent of total assets of non-financial institutions over the 1982-1990 period.

The financial institutions operate in both major markets of the financial system as supplier of funds and user of funds. Commercial banks, for example, are engaged in the money market as purchasers of commercial papers and as issuers of promissory notes. They are in the capital market as investors in stock issues and are themselves issuers of stocks.

Regulation

3.1. Regulatory Agencies

Financial market operation is subject to regulation and supervision by the following government regulatory and implementing agencies.

A. Central Bank

The Central Bank of the Philippines is a corporate body whose main responsibility is to administer the country's monetary, banking and credit system. Its powers in the administration of the monetary and banking system is defined by the Central Bank Act (RA 265 enacted in 1948 and thereafter amended).

The powers and functions of the Central Bank are exercised by a Monetary Board composed of seven members, four of whom are from government (Central Bank Governor who is the chairman of the Board; Secretary of Finance; Director General of the National Economic and Development Authority; Chairman of the Board of Investments) while three are from the private sector.

The Monetary Board sets the policies and regulations governing the operations of financial institutions within the system. It has the authority to grant banking charters; to regulate the foreign exchange operations of banks; to fix the interest and rediscount rates to be charged by the Central Bank on its credit operations; to prescribe and modify required reserves against peso and foreign currency deposits; to fix the minimum and maximum interest rates on deposits, deposit substitutes and other obligations; to prescribe minimum cash margins for the opening of letters of credit; to set the maximum permissible maturities of the loans and investments which banks may make and the kind and amount of security to be required against the various types of credit operations of banks; to place an upper limit on the amount of loans and investments which banks may hold or on the rate of increase of such assets; to prescribe minimum ratios which bank capital and surplus may bear to the volume of bank assets or to specific categories thereof; to regulate the operations and activities of non-bank financial intermediaries; and to perform such other functions delegated to it by law.

B. Securities and Exchange Commission

The Securities and Exchange Commission (SEC), a quasi-judicial body created in 1936, is the regulatory agency for all corporations and the securities market. The SEC has absolute jurisdiction, supervision and control over all corporations, partnerships or associations who are the grantees of primary franchises and/or a license or permit issued by the government to operate in the Philippines. It licenses investment houses and regulates the operations of the stock exchanges, securities dealers and finance companies. The SEC exercises regulatory powers over commercial paper issuance through the registration process.

The SEC is a collegial body composed of a Chairman and four (4) Associate Commissioners.

3.2. Regulations Governing Banking Institutions

The conduct of banking operations in the Philippines is governed by the Central Bank Act (RA 265 as amended); the General Banking Act (RA 337 as amended); the Rural Banks' Act (RA 720 as amended); the Private Development Banks' Act (RA 4093 as amended); the Savings & Loan Association Act (RA 3779 as amended) and by Central Bank rules and regulations promulgated pursuant to these legislations.

This section discusses some of the major provisions of the aforementioned legislations and the changes in Central Bank implementing rules and regulations that have taken place in the recent years.

A. Minimum Capital Requirement

The Central Bank imposes different minimum capital requirements on different bank categories depending on the risks these banks face in performing their authorized functions. The minimum capitalization requirements of the different bank types are shown on Table 4. Universal banks which perform the widest range of functions from among the various categories of banks have the highest minimum capitalization requirement.

B. Reserve Requirements

All banks operating in the Philippines are required to maintain reserves against their deposit liabilities (Sec.100 Central Bank Act). The Central Bank Act authorizes the Monetary Board to prescribe and modify the minimum reserve ratios applicable to deposits (both peso and foreign currency denominated) and deposit substitutes and to permit the maintenance of part of the required reserves in the form of assets other than peso deposits with the Central Bank.

The reserve requirement is one of the instruments available to the Central Bank to influence money supply. A rise in the reserve requirement reduces credit availability while its reduction expands the supply of credit in the economy.

There has been a tendency towards lower reserve requirements. Reserve requirements were highest in 1983-85 during the economic crisis. The Central Bank in this period pursued a contractionary policy. Between 1985 and 1986 the reserve requirement was reduced from 23 per cent to 21 per cent. From thereon it has been kept at this level.

The reserve requirement for various categories of banks and for various types of deposit liabilities are shown in Table 5.

C. Ceilings on Equity Investment of Banks

Banks of whatever category are allowed to engage in equity investment in allied undertakings (bank-related activities), but only universal banks are allowed equity investment in non-allied activities. The stipulated ceilings on equity investment in allied undertakings are: a) for all banks except universal banks, 15 per cent of bank net worth for single investment and 25 per cent for total investment; and, b) for universal banks (for both allied and non-allied undertakings), 15 per cent for single investment and 50 per cent for total investment (Secs. 21 & 31 General Banking Act; Sec.11-A Rural Banking Act; Sec.7 Private Development Banks' Act).

In 1990, the allowable areas of equity investments in non-allied undertakings of universal banks has been expanded to include investments in enterprises engaged in mining and quarrying, construction, wholesale trade and community and social services. In allied financial undertakings, commercial and universal banks have been allowed equity investments in companies engaged in stock brokerage and securities dealership and brokerage.

D. Single Borrower Limit (SBL)

A limit is imposed on the amount of borrowings that any person, company, corporation or firm can secure from banks. At any one time, bank lending to a single borrower cannot exceed 15 per cent of the bank's unimpaired capital and surplus (Secs.23 & 32 General Banking Act).

In the wake of the series of bank failures following the 1983-84 economic crisis, the Central Bank has required the inclusion of contingent liabilities in the determination of the single borrower limit (CB Circular 1123). This is to prevent more bank failures and to protect banks, particularly government banks, that in the past had overextended funds to favored groups.

E. Establishment of Banks and Bank Branches

With prior approval of the Monetary Board, commercial banks, thrift banks and rural banks may open branches, agencies, or extension offices on a nationwide basis (Sec.6-B General Banking Act).

In recent years the Monetary Board's policy towards the opening of new banks and bank branches has been more liberal. CB Circular No. 1200 dated May 16, 1989, which contains the Monetary Board's existing policy regarding the licensing of new banks and the opening of new branches, allows the establishment of new banks but subject to the qualifications (both qualitative and quantitative) which the Central Bank shall determine.

The requirement to purchase special five-year government securities as a condition to open new branches has been lifted. In rural areas classified under categories IV and V, all restrictions on opening of new branches has been removed. In urban areas, particularly metropolitan areas, the Central Bank retains its discretionary policy on branching, but opening of a new bank branch is allowed so long as the bank's market share in the area creates no market concentration problems.

F. Interest Rate Ceilings

The Central Bank Act authorizes the Monetary Board to fix the minimum rates of interest which banks may pay on deposits and deposit substitutes; the maximum rates of interest which other financial institutions may pay on deposit substitutes; and the maximum interest rates which banks may charge for different types of loans and for any other credit operations (Sec. 109 Central Bank Act).

Interest rates prior to the 1980 Financial Reform were fixed -- at low rates before 1973 and at higher rates more reflective of market conditions after 1973.

With the 1980 Financial Reform came the deregulation of interest rates. Ceilings on interest rates have been removed and market forces have been allowed to determine interest rate levels. This policy has been kept to this date.

G. Deposit Retention Scheme

To arrest the continuous drain of rural financial resources to the urban areas, a deposit retention scheme was devised. One CB Circular required bank branches to invest 75 per cent of total deposit liabilities (net of required reserves) in the service area where the deposits were generated. This requirement has been relaxed, and a new measure (CB Circular 1183) has been adopted that retained the 75 per cent retention requirement but expanded the coverage of the service area, wherein the required loans are to be channelled, to three enlarged groupings, namely, Luzon, Visayas and Mindanao. This expanded geographical service area coverage provides banks with greater flexibility to diversify loan portfolios (Lamberte, 1990).

H. Agri-agra Credit Requirement

Banks are required under Presidential Decree 717 to set aside at least 25 percent of their loanable funds for agricultural and agrarian reform credit. To this date, this agri-agra credit requirement is operable, but there is now a move in the Senate to abolish the 25 percent agri-agra loan quota (Senate Bill No.614 sponsored by Romulo).

I. Magna Carta for Small Enterprises (RA No.6977)

The Magna Carta for Small Enterprises, signed into law in January 1991, sets up a Small and Medium Enterprise Development Council to be the primary policy making body responsible for promoting the development and growth of small and medium enterprises (SMEs); provides for the creation of a corporate body, the Small Business Guarantee and Finance Corporation to provide effective financing alternatives for SMEs, such as direct and indirect project lending, venture capital and financial leasing; mandates all lending institutions to make available to SMEs a fixed percentage of their total loan portfolio (5% in the first year of the Act's effectivity and 10% by the second to the fifth year). The Magna Carta makes funds available for LGUs that are considering joint venture projects with the private sector.

J. Limits on Loans to Directors, Officers, Stockholders, and Related Interest (DOSRI)

The amount of loan a bank may extend to individual DOSRI is limited to the amount of deposits he holds plus the book value of his shares in the bank. These loans must be 70 percent secured, and unsecured credit accommodations to each of the bank's DOSRI cannot exceed 30 percent of his total credit accommodations. On the whole, total DOSRI loans are limited to 15 percent of a bank's loan portfolio or 100 percent of its capital accounts, whichever is lower.

K. Ceilings on Shares of Voting Stock in a Bank

A ceiling is imposed on the shares of voting stock in a bank. The ceilings as provided for in the General Banking Act (Sec.12-B) are shown on Table 6.

L. Net Worth to Risk Assets Ratio

A bank's net worth or combined capital account cannot be less than an amount equal to 10 percent of its risk assets (Secs. 22 & 30 General Banking Act).

M. Treatment of Past Due Loans

Banks are allowed to write off bad loans up to P100,000. Writing-off of loans and advances in excess of P100,000 requires prior approval of the Monetary Board (Sec.84 General Banking Act).

As a response to the financial crisis that placed several banks in financial distress, the monetary authorities instituted a reform of the banking system to strengthen it through an effective system of bank supervision and to inject into it healthy competition.

Among the measures to improve the system of bank supervision have been:

1. the imposition of a ceiling on the issuance of guarantees;

2. the inclusion in the loan documents of a waiver, on the part of the depositor, of his right, under existing law, of confidentiality of his deposits in case the same depositor obtained a loan secured by hold-outs or assignments of deposit (this is to be able to closely monitor DOSRI loans);

3. the requirement for all banks, whether private or government owned or controlled, to be subject to an annual financial audit by independent auditors (this is to make bank transactions more transparent and to reduce bank anomalies);

4. the requirement for all lending banks to keep a complete record of all pertinent loan documents which shall be made available for inspection and/or examination by the Central Bank (this is to facilitate the job of supervising banks);

5. the prohibition of concurrent officerships between banks or between a bank and a non-bank financial intermediary except when there is prior approval from the Monetary Board (this is to reduce conflict of interest and to strengthen bank management).

3.3. Regulations Governing Non-bank Financial Institutions

The legislation that govern the operation of non-bank financial institutions are: (1) the Central Bank Act as amended which places non-bank financial intermediaries performing quasi-banking functions under the control and supervision of the Central Bank; (2) Investment Houses Law (PD No. 129, as amended) which defines the activities investment houses may and may not engage in; (3) the Financing Company Act (RA 5980 as amended) which regulates the activities of financing companies and which empowers the SEC to enforce the provisions of the Act; (4) Pawnshop Regulation Act (PD No.114) which regulates the activities of pawnshops and lays down the minimum requirements and standards under which pawnshops may be established and may do business; (5) the Revised Securities Act which specifies the requirements for the registration of securities and of brokers, dealers and salesmen and the rules governing the trading of securities.

A. Financial Company Act

Under the Financing Company Act, financing companies (numbering about 186 in 1990) have exclusive power to engage in receivables financing and financial leasing as primary business. The closure in the early 80's of various financing companies due to mismanagement or outright fraud led to revisions in the rules implementing the Financing Company Act. These revisions included 1) the imposition of single borrower's limit and ceilings on loans to directors, officers, stockholders and related interests; 2) limiting selling of receivables of financing companies to banks, investment houses and other financing companies.

B. Investment House Law

The Investment Houses Law empowers investment houses to engage in the underwriting of securities of other corporations and in other fee-based activities including, among others, financial advisory services, consultancy services, trust business/activity, loan syndication, project finance, brokering, investment management services. To encourage existing and new investment houses to gear their operations toward investment house functions, the Monetary Board in a resolution dated 21 September 1990 approved a minimum fee-based income requirement for investment houses. Investment houses are required to derive at least 25 percent of their gross income from underwriting and other fee-based activities.

III. THE SUB-MARKETS

1. The Money Market

The money market serves an important function of mobilizing short-term funds which borrowers can access at a relatively short period of time. Also, the money market provides players with a means to adjust liquidity positions and monetary authorities with the mechanism to implement monetary policy. In this section, the money market is assessed as a potential source of credit for LGUs and as an alternative investment outlet which competes for investible funds that potentially LGUs can avail of.

The Philippine money market had its beginnings in the sixties with the establishment in 1961 of the interbank call loan market. The money market grew rapidly in its early years in response to the financial needs of the times. There was a growing need for funds by industry, and the banking sector, because of the legal ceiling on deposit rates, had difficulty mobilizing deposits. The money market, because it was unregulated (there was no restriction on borrowing as well as lending rates) attracted a large number of participants; even banks borrowed from the money market to finance their regular lending operations. As a consequence of the high interest rates on money market instruments, there occurred a shift of funds from the traditional deposit markets to the money markets.

In the mid-1970s, new legislation (amendments to the Central Bank Act placing all bank and non-bank financial intermediaries under the supervision of the Central Bank, and amendment to the Securities Act placing commercial papers under the responsibility of the SEC) and the rules and regulations that emanated from these amendments (rules and regulations regarding the establishment and operation of investment houses; and regulations regarding the standardization and physical delivery of short-term debt instruments, minimum sizes and maturities, interest rate ceilings, and reserve requirements) ushered in a more controlled environment for money market operations. Despite this regulated environment, the money market, as in the early period, grew rapidly in 1974 to 1980.

The financial reforms of 1980 introduced major changes in the regulatory policy framework governing the financial system. These changes, particularly the introduction of the expanded commercial bank concept and the deregulation of interest rates, influenced the developments in the money market. But more significant than the changes in banking and interest rate laws in shaping the character of the money market was the liquidity crisis of 1981 and the changes in legislation which this crisis spawned. As a consequence of the changed regulatory environment, the money market experienced structural shifts -- the commercial paper sub-market declined and the importance of investment houses and finance companies as money market institutions fell.

1.1. Money Market Instruments

The instruments traded in the money market are listed in Table 7. In 1989, interbank call loans (IBCL) and treasury bills accounted for close to 80 percent of money market transactions. Promissory notes had been a popular instrument traded in the money market -- its share in total money market transactions was 57 percent 1975; by 1989, this had fallen to 9 percent. In contrast, the share of Treasury Bills was under 1 percent in 1975; in 1989, this share had climbed to a high of 40 percent.

1.2. The Money Market Sub-markets

A. Interbank Call Loan (IBCL) Sub-market

The IBCL sub-market is the market for the borrowing and lending among banks and quasi-banks of deposit balances to cover reserve deficiencies. The IBCL market provides banks the means to adjust their reserve positions and offers them the flexibility in the amount of excess reserves to hold. Transactions in the IBCL market is sensitive to Central Bank reserve requirements and also to the existence of profitable opportunities to invest funds as some banks access the market not only to manage their reserve positions but also as a semi-permanent source of funds for regular operations (Licuanan, 1986).

The instrument traded in this sub-market is the interbank call loan which is a loan on call or on demand but which may also be for specified periods of time, typically less than a week.

IBCL market constitutes a major segment of the money market. In 1975 IBCL accounted for 7.3 percent of total money market transactions; this share has risen to 40 percent in 1989 (see Table 7).

Participation in the market is the exclusive preserve of banks and quasi-banks. Commercial banks have been the largest group of borrowers as well as lenders in this market. In 1988, commercial banks accounted for 93 percent of total IBCL borrowing and 74 percent of IBCL lending (see Table 8). The lending participation of rural/thrift banks in the IBCL market has been on the rise as evidenced by the increase in their share of lending from 1.6 percent in 1983 to 9.1 percent in 1988. On the borrowing side, investment houses and financing companies have increased their participation from zero in 1983 to 6.4 percent in 1988 (see Table 9).

B. Deposit Substitutes Sub-market

Deposit substitutes, as the name suggests, are close alternatives to bank deposits. The deposit substitutes include 1) repurchase agreements; 2) certificates of assignment; 3) certificates of participation; 4) promissory notes.

Repurchase agreements are existing instruments in the portfolio of financial intermediaries that are sold in the money market with recourse. Certificates of assignment are instruments the right to which are transferred from the financial intermediary to the assignee who then, at some agreed future time, has claim over credit or interest on the instrument. Certificates of participation are instruments evidencing the share of the holder, to the extent of his participation, on the interest payable at some future time. Promissory notes are debt instruments issued by financial intermediaries (banks and quasi-banks) to investors with the promise to pay on demand in the future.

The relative importance of deposit substitutes in total money market transactions has declined over the years -- from 85.4 percent in 1975 its share fell to 9.3 percent in 1989 (see Table 7). The decline has been due to stricter CB and SEC rules governing deposit substitutes implemented following the 1981 financial crisis; the shift in investment towards safer and higher yielding government securities; and, the reserve requirement for promissory notes which makes holding them costlier (Apostol, 1991).

Commercial banks used to be the single largest borrower in the deposit substitutes market, but in recent years their dominant position has waned; investment houses and financing companies have challenged the dominance commercial banks have enjoyed for some time. In 1983 commercial banks' share in total transactions in deposit substitutes was 73 per cent; in 1988 the share declined to 39.5 per cent (see Table 10). On the other hand, investment houses and financial companies in 1983 registered shares of only 13.6 and 9.9 per cent, respectively; in 1988 these rose to 39 and 21.1 per cent, respectively.

The more significant lenders in the deposit substitute market are commercial banks, individuals, investment houses and other private corporations in that order. Commercial banks have been the largest lender accounting for 33.7 per cent of investment in this sub-market in 1988 (see Table 11). Following commercial banks are individuals whose share in total investment in deposit substitutes have risen dramatically from 6.4 per cent in 1983 to 29.4 per cent in 1988.

C. Commercial Paper Sub-market

The commercial paper sub-market is the most regulated among the sub-markets of the money market. The regulated environment arose following the 1981 liquidity crisis.

The instruments traded in this market are commercial papers which are short-term, unsecured, negotiable evidences of debt of non-financial corporations, finance companies and similar institutions without quasi-banking licenses.

In 1983 commercial papers accounted for 4 per cent of total money market transactions; in 1989 it accounted for only 2.3 per cent (see Table 7). The decline has been attributed to the stricter rules on the borrowings of prime companies in the short-term fund market and the competition offered by more attractive government issues. Commercial papers issued by financial institutions have declined substantially relative to those issued by non-financial institutions -- from 62.3 per cent in 1983, the share of issues by financial institutions in total commercial paper issues declined to a mere 0.7 per cent in 1988 (see Table 12). On the other hand, that of issues by non-financial institutions rose from 37.7 per cent in 1983 to 99.3 per cent in 1988.

Individuals and other corporations are the two largest investors in the commercial paper market. Together they account for 85.2 per cent of total investment in commercial papers in 1988 (see Table 13).

D. Government Securities Sub-market

Strictly speaking, the government securities market belong to both the money market and the debt capital market -- the money market because of the short-term nature of Treasury bills which make up the bulk of government securities, and the debt capital market because of government bond issues which are longer in maturity. Here the convention of lumping all government securities as money market instruments is followed.

Of the sub-markets, the government securities market has registered the most dramatic growth. From 1.4 per cent in 1975, the share of government securities -- Central Bank Certificate of Indebtedness, Treasury Bills, DBP bonds and other government securities -- in total money market transactions climbed to 48.6 per cent in 1989 (see Table 7). What brought about this spectacular growth was, among others, the rationalization of the market for government securities -- terms and yields were made competitive and a dealer network for government securities was set up. CBCIs were phased out and in their place high-yielding Treasury Bills were floated. Treasury Bills have become the primary instrument in the government securities market; they constitute 82 per cent of the total transactions in government securities in 1989.

The largest investors in government securities are other private corporations, commercial banks and individuals. In 1988 the share of other private corporations in total investment in government securities was 33.9 per cent, up from only 8.8 per cent in 1983; that of commercial banks was 24.8 per cent, up from 18.5 per cent in 1983; and finally, that of individuals was 10.9 per cent, up from 8.4 per cent in 1983 (see Table 15).

1.3. Maturity Structure

Table 16 shows the maturity profile of money market instruments (exclusive of government securities) and their respective weighted average interest rate. Instruments on demand comprise the bulk of the transactions (about 85%) while instruments with 1-7 days maturity comprise 5.5 per cent of the total and those with 91-730 days maturity constitute a minuscule proportion (0.4%).

1.4. The Money Market and LGU Financing

The short-term nature of money market transactions make the money market an unattractive source of financing LGU projects that usually are of long gestation. The mismatch between the term structure of lending and that of the nature of LGU projects suggests that the potential of the money market as a source of credit to finance LGU projects is poor.

The significance of the money market to LGU credit financing lies more in its being an alternative outlet for investment and as such competes with LGUs for investible funds.

The government securities market has grown in size and its attractiveness has drawn investible funds towards it and away from competing uses. Commercial bank loans as a proportion of loans plus investment in securities (the major uses of bank funds) have declined continuously beginning in 1981. From

4) The easy access to bank loans, money market funds and "cheap" foreign credit

Other sources of funds have been more readily available and have been resorted to by companies in need of financing.

In addition to the limited supply of securities, demand for stocks has been low for many reasons:

1. Investor confidence in the stock market is weak not only because of volatile interest rate movements, widely fluctuating inflation rates and unfavorable inflationary expectations but also because of the perceived speculative nature of stock market transactions and insider trading practices.

2. Investors have been disinclined toward long-term investment as shorter term instruments, especially Treasury Bills, offer more attractive investment alternatives.

3. Investor base is small due to poor information flow to small investors and to limitations imposed by government on institutional investors especially insurance companies.

These supply and demand factors contribute to make the Philippine equity capital market underdeveloped.

2.1. Secondary Issues Market

The Philippine equity capital market is basically a "secondary issues" rather than a "primary issues" market. Trading is done mostly on outstanding shares rather than on new issues. Since it is the new issues rather than the outstanding issues that make funds directly available to investors, the equity capital markets's role in financial intermediation has been, on the whole, limited.

A. Manila and Makati Stock Exchanges

Stock trading takes place in the country's two stock exchanges, the Manila Stock Exchange with 45 member firms and the Makati Stock Exchange with 49 member firms. Combined transactions in these two exchanges in 1989 amounted to P50.73 billion (5.3% of nominal GNP). In 1989 the stock market's capitalization amounted to P260.47 billion (27.3% of nominal GNP).

Under a Presidential Decree issued in 1973, listing in one exchange means automatic listing in the other. As of September 1990, 151 companies were listed in the exchanges. This represents an increase from the 144 listed in December 1989.

Preferred and common stocks are traded in the exchanges; but of these two, common stocks are the majority. Common stocks are of two classes, Class A shares which only Filipino nationals can purchase and Class B shares which Filipino and other nationals may own.

The Philippines has a two-tired trading system, a Big Board and a Small Board. The Big Board lists the shares of larger industrial and utility companies that pay dividends regularly while the Small Board lists more speculative issues such as those engaged in mining and oil exploration. Listing requirements for the latter are less stringent than for the former. The stock market players consist of the investors, the issuers, the underwriters, the securities brokers and dealers.

Securities dealers are persons engaged in the business of buying and selling securities for their own account while securities brokers are those engaged in the business of effecting transactions in securities for the account of others.

The issuers are the corporations that raise capital through equity issues. New issues are made by public subscription and by allotment to stockholders. Since 1986 the new issues market has expanded dramatically from Pesos 80.68 billion in 1986 to Pesos 641.63 billion in 1989. In the four years from 1986 and 1989, there has been a total of 47 new issues compared to 42 in the six years from 1980 to 1985.

There are four groups of investors in the stock market -- the speculators, foreign investors, general public and the institutional investors. A large proportion of stock turnover is accounted for by individual investors; institutional investors are few.

B. Role As Provider of Liquidity

The secondary market serves the purpose of providing investors with liquidity. Liquidity makes stock issues attractive investment options since investors need not be "locked in" but can get out of the investment when the need arises.

Liquidity refers to the ease with which an asset can be converted into cash without any capital loss on the market value. Essential aspects of liquidity are marketability and price stability. Marketability is influenced by market continuity, and price stability by market depth and speculation. Market continuity allows a stock issue to be traded at any time that the exchange is open; while market depth enables large buy and sell orders to be absorbed with little or no change in stock prices.

A study (Alegre, 1987) has assessed the continuity of the market using as indicator the ratio of the number of days in which an issue is not traded to the total number of trading days in a year. Taking three to four days in a trading week as representing a reasonable degree of market continuity, the study arrived at market continuity indicators for leading issues traded in the exchanges in 1985 and 1986 that show poor trading continuity for most stocks. Twenty-one out of the thirty-three selected issues traded in 1986 and twenty-six out of the thirty in 1985 have ratios exceeding 20 per cent. When trading continuity is poor, it is relatively difficult to locate buyers and sellers when the need to unload arises. This raises the cost to investors of holding stocks in their portfolio.

The study also examined market depth. Using the ratio of issues traded to issues outstanding as index of market depth, the study found that only about 6-14 per cent of the listed stocks are traded on a daily average basis. The lack of depth of the stock market can be traced to the limited supply of high grade securities and in part, to the high concentration of shareholdings -- block holdings, those owned by families in particular, are traded infrequently. The lack of market depth makes the market vulnerable to abrupt price changes.

Where speculation is a major stimulus to trading activity the market cannot effectively function as a liquidity mechanism. Speculative interest is indicated by highly volatile stock prices. The same study found price volatility indices (given by the ratio of high to low stock prices) indicating highly variable stock prices.

Judging from the results of the study, the stock market has not measured up to its role as provider of liquidity.

2.2. The Equity Market and LGU Financing

The new Local Government Code confers on LGUs the status of a corporation. As a corporation the LGU assumes corporate powers -- it can sue and be sued; it can acquire or convey real or personal property; it can enter into contracts; and it can exercise other powers granted to corporations. However, unlike other corporations, LGUs, because they are political entities primarily, are precluded from offering equity shares to the public -- the public cannot own LGUs in the same way that they own corporations.

Insofar as LGUs issue bonds and list these in the exchanges, the stock market becomes relevant to it. In this respect, the function of the exchanges of providing investors with liquidity assumes importance. But as the above findings suggest, the stock market's performance in its role as provider of liquidity has been wanting. Reform of stock market operations with the view of improving investor liquidity would be a welcome development to stock market players in general and to LGUs wishing to participate in the market as bond issuers, in particular.

2.3. The Bond Market

The Philippine bond market is small and is heavily dominated by government securities; private bond issues have been few and far between. The bond market as it relates to LGU credit financing is the subject of Dr. Saldaña paper on "LGU Financing through the Securities Markets" and Dr. John Earle Petersen's paper on "Pre Conditions for an Active Municipal Bond Markets in the Philippines" which form a part of this overall study.

IV. THE NON-SECURITIES MARKET

The non-securities segment of the capital market provides non-negotiable medium and long-term debt finance to public and private sector firms through financial institutions. The banking sector dominates this segment of the capital market.

1. <u>The Banking System</u>

There are five types of banks in the system: (1) universal banks or banks with expanded commercial banking functions; (2) ordinary commercial banks; (3) thrift banks (i.e. private development banks, savings and mortgage banks, and stock savings and loan associations); (4) rural banks; and (5) specialized government banks. Following the 1980 financial reform, the functional distinction among these various types of banks has been reduced. Table 19 summarizes the authorized functions and activities of the various types of banks, except specialized government banks.

The specialized government banks are Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP) and Al-Amanah Islamic Investment Bank (the Philippine National Bank, a government bank, is a universal bank and is classified as such). These specialized government banks are tasked with special functions -- the DBP to provide medium and long term credit facilities for agriculture, industry, export development, and the government sector; the Land Bank of the Philippines, to provide timely and adequate financial support to the government's agrarian reform program; and the Al-Amanah Investment Bank, to promote and accelerate the socio-economic development of the Autonomous Region by performing banking, financing and investment operations.

Of the various types of banks, commercial banks hold the dominant position; in 1990 they accounted for 91 per cent of total bank resources (see Table 1.a). The specialized government banks come in a poor second with a share of 0.7 per cent in total bank resources in 1990.

Commercial banks dominate not only in terms of assets but also in terms of number. Of the total number of banking institutions in 1990, commercial banks account for 49 per cent. Specialized government banks have the least number of offices (127 as against 1791 commercial bank offices, 1045 rural bank offices, and 653 thrift bank offices).

In terms of regional presence, commercial and rural banks are dominant. In most regions, they account for the largest share in the number of banking offices (see Table

Following the economic crisis of 1983-84, resources of the banking system declined as a result of 1) the series of bank failures; 2) the absorption of weaker and smaller banks by bigger financial institutions; and, 3) the transfer of non-performing assets of PNB and DBP to the National Government as part of the latter's rehabilitation program. Since 1986 total resources of the banking system have been on the rise.

1.1. Bank Sources of Funds

Deposits, borrowings, other liabilities, and capital & retained earnings are the bank's major sources of funds. Of these, deposits constitute the principal source. This is true of commercial, thrift and rural banks whose deposit liabilities comprise 63, 72 and 52 per cent, respectively, of total bank sources of funds (see Table 20). The same cannot be said of specialized government banks; capital accounts constitute the bulk of its sources of funds.

Deposit liabilities of the banking system are generally classified into three types: 1) demand deposits; 2) savings deposits; and, 3) time deposits. Table 21 presents the volume of deposits according to deposit type for the various categories of banks. For all bank categories except specialized government banks, savings deposits comprise the bulk of total deposit liabilities of banks. Over 50 per cent of the total deposit liabilities of commercial banks, thrift banks, and rural banks as of end 1989 is made up of savings deposits (see Table 21.a). In the case of specialized government banks, time deposits rather than savings deposits make up the majority of their deposit liabilities.

Commercial banks capture the biggest slice of total deposit liabilities of the banking system. Deposits mobilized by commercial banks account for 88 per cent of total deposit liabilities of the entire banking system in 1989.

Capital accounts constitute another major source of funds for banks. Capital accounts is the most important source of funds for specialized government banks and non-bank financial institutions -- capital account comprises 33 and 43 per cent, respectively, of their total resources (see Table 20).

Another major source of funds is borrowings. The level of borrowings of rural banks and non-bank financial institutions is highest (see Table 20). Rural banks in the face of low levels of deposits have resorted to borrowings to sustain their lending activities. Banks borrow from the Central Bank, interbank call loan market, deposit substitutes market and others.

1.2. Uses of Funds

The uses of funds in the banking system are 1) loans; 2) investments; 3) cash; and 4) others. For all categories of banks, loans and investment comprise the majority of fund uses -- over 60 per cent of the funds available to banks is directed towards loans and investment (see Table 22). Of the two, loans account for the greater share. Loans as a proportion of total uses of funds is highest for rural banks (69%) and next highest for thrift banks (62%) (see Table 22).

For commercial banks, loans constitute 48 per cent of their portfolio. These loans are largely of demand and short-term maturities -- 75 per cent of total commercial bank loans in 1989 are demand and short-term; only 6 per cent are long-term loans (see Table 23).

Prior to 1982, the bulk of commercial bank loans carried yearly interest rates of 14 per cent and below. With the interest rate deregulation following the 1980 financial reform, interest rates on commercial bank loans have shifted towards the high side. Between 1978 and 1982, loans with interest rates of 14 per cent and below have comprised 78 per cent of the total; this proportion has dropped to 45 per cent in the 1986-1989 period. That of loans bearing interest rates above 14 per cent have risen from 22 per cent in 1978-82 to 55 per cent in 1986-89 (refer to Table 24).

The loan portfolio of rural banks is made up largely of agricultural loans -- in the 1979-89 period, agricultural loans have accounted for more than 60 per cent of rural bank loan portfolios (see Table 25). But the share of agricultural loans in rural banks' loan portfolio has declined throughout the 1979-89 period from 90 per cent in 1979 to 69 per cent in 1989; in contrast, that of commercial and industrial loans has risen gradually from only 8 per cent in 1979 to 16 per cent in 1989.

Loans of thrift banks are all private sector loans; thrift banks have not lent to the national government nor to any local and semi- government entities.

Similarly, loans of specialized government banks are largely private. SGBs though hold government loans in their portfolios. However, loans to the national government have been insignificant and loans to local governments and semi-government entities have constituted a small and declining proportion (refer to Table 26).

Investments constitute the second major use of bank funds, and placements in government securities are the most common form of investments that banks have made. In the case of commercial banks, holdings of national government issues account for 82 per cent of total investment in securities in 1989; in the case of thrift and specialized government banks, they constitute 80 and 83 per cent, respectively (see Table 27.a).

For banks in general, loans and investment have been competing uses for bank funds. Loans as a proportion of loans plus investment has declined from an average of 82.8 per cent in 1981-85 to 77.6 per cent in 1986-90. The decline is attributable to the decline registered in the loan to loan plus investment ratios of commercial banks and SGBs. For these banks, the proportions have declined from 84.8 to 78.2 per cent, in the case of commercial banks and from 72.6 to 59.4 per cent, in the case of SGBs. For rural and thrift banks, the proportions have remained stable in the period under consideration.

1.3. Bank Performance

Banks perform the important function of intermediating between those with excess funds (the savers) and those in need of funds (the investor). Banks, thus, may be assessed in terms of how well they have mobilized deposits and how active they have been in their lending operations. In such an assessment, the following indicators are helpful 1) ratio of deposits to the number of banking offices; 2) loans to deposit ratio; 3) bank density ratio i.e. the number of banking offices per municipality/city.

The ratio of deposits to the number of banking offices tells of how well banks have been able to mobilize deposits -- the higher is the ratio the better is the deposit mobilization performance. The banking system has improved in its deposit mobilization performance. Deposits per banking office has leaped from an average of 248 in 1981-85 to 550 in 1986-90 (refer to Table 29).

The loans to deposit ratio indicates the extent to which banks have been aggressive in carrying out lending activities. The loans to deposit ratio has averaged 14.55 in the 1981-85 period and has declined to 7.34 in 1986-90 (refer to Table 30). Judging by these figures, banks have become less active in lending. This trend is reflected in all the country's' regions. One reason for this has been the general slowdown in economic activity.

Bank accessibility facilitates deposit mobilization and lending activities, and the bank density ratio indicates public access to banking services. There has been a decline in the bank density ratio from an average of 31.68 between 1980 to 1985 to 28.1 between 1986 to 1990 (see Table 31). The decline in the bank density ratio accompanied by the rise in deposits per banking office suggests that banks have become more efficient in mobilizing deposits.

There is a high concentration of banking offices in the national capital region. In the regions with low levels of income the number of banking offices has been least (refer to Table 31). The small number of banking offices in these areas suggest a lack of competition and the limited choices open to potential borrowers such as LGUs.

2. Non-securities Market and LGU Financing

Banks have been the traditional source of investment funds. Investors, generally, have shied away from the stock market in sourcing their capital needs. Although the money market has offered an alternative source of financing, still its operation is no match to banks' lending activities.

LGUs have not taken exception, and have borrowed from banks to meet their financing needs. However, the biggest players in the market, the commercial banks, have had an arms length relationship with LGUs -- credit to LGUs in their loan portfolio has been glaringly insignificant (refer to Table 40). LGUs have coursed their borrowings mainly through GFIs whose lending policies have been more sympathetic to LGU needs.

The banking system has improved in its deposit mobilization performance. However, its lending activities show signs of slackening. On the other hand, its investment activities, particularly investment in treasury bills, appear to be increasing. This trend, if it continues, suggests that the flow of credit to LGUs (that already is far less robust than the flow to other more attractive investment channels) may in the future become weaker still.

Commercial banks and rural banks are the banking institutions that have the widest reach; they are present in most of the country's municipalities and cities (see Table 3). However, LGU dealings with commercial and rural banks despite their greater accessibility have been minimal. How to redirect the flow of bank funds to LGUs so that their financing needs may adequately be met deserves attention.

V. THE SIZE OF PUBLIC SECTOR TRANSACTIONS IN THE FINANCIAL MARKETS

Borrowing from both domestic and international sources has been the government's panacea for addressing the country's fiscal deficit. For the last two decades (1970-1990), public debts grew by an average of 20 per cent per year. Domestic borrowings was the most important source of financing the deficit accounting for an average of 88.38 per cent of outstanding public debts for the 20 year period, 1970-1990 (see Table 32). Public debts is contracted at three government levels namely: national, local and government-owned corporations (GOCCs). The national government and GOCCs, however, are the major foreign debtors while local governments have obtained their borrowings mainly from domestic sources.

The bulk of total public internal debt is accounted for by the national government and GOCCs, registering an average annual share of 99.4 per cent valued at P76.9 billion (see Table 33). LGUs, on the other hand, have an almost negligible share of the total internal borrowings with only about P190 million annual debt or an average annual share of 0.6 per cent. Further, the magnitude of LGU borrowings is on a downward trend as compared to both the national government and GOCCs which displayed yearly increases in the amount borrowed.

A large portion of the public internal debt is of short-term maturity (41.5%). However, medium and long-term loans combined make up a larger share of the pie (see Table 34). This observation, however, does not hold under all levels of government. The bulk (73.8%) of national government loans are early maturing (see Table 36). Only about 26.2 per cent are term loans. The upsurge in the short-term liabilities of the national government is very much evident starting 1987 when the proportion of short-term loans jumped to 50 per cent from an average of 20 per cent in the years 1970 to 1986. GOCC's borrowings followed a similar trend as with national government loans. During the period 1970 until mid-1980s, GOCC's debts were mainly medium and long-term obligations in contrast to the latter part of the 1980 decade, when debts were largely short-term. Some implications are apparent from this trend, one is that loans made at the latter part of 1980 were used to temporarily fill in the ballooning government's fiscal deficit and not really for productive endeavors. The resultant effect is that government has had to create new money to finance these loans, consequently, contributing to inflation. Loans of LGUs, in contrast, are largely long-term obligations. This is not surprising considering the nature of projects financed from LGU loans such as waterworks, public markets and road construction, among others.

What was the cost of these public sector loans? Table 35 reveals that a large portion of the loans are interest bearing with rates of 7 to over 13 per cent. These loans account for an average of 61.5 per cent of the total loans made from 1970 to 1990. About an average of 4 per cent of the loans are non-interest bearing but the proportion of these loans is noted to have become insignificant in the latter part of the 1980 decade.

Only the national government was able to avail of zero interest loans (see Table 38). Loans of local governments and GOCCs are all with interest generally bearing a rate of 14 per cent or greater.

In terms of the type of instruments used by the governments, it is noted that bonds, bills and notes are the types of instrument commonly used by the national government and GOCCs (see Table 37). This is in contrast to the LGUs whose indebtedness are mainly in the form of provisional advances or direct loans either from the national government or GOCCs.

A closer look at LGU loans show that DBP and LBP have extended the bulk of such loans averaging 82.4 per cent of the total LGU accounts (see Table 39). GSIS ranks third surpassing even PNB whose average share in total LGU loans is only 6.2 per cent. LBP and PNB, however, started granting loans to LGUs only in 1983 as compared to DBP and GSIS which have extended loans to LGUs as early as the 1950s. It is further observed that the proportion of LGU loans to GFIs total net loanable funds have been on a decline (see Table 40). On the average, loans of LGUs represent only less than one per cent of the total net loanable funds of DBP, LBP and PNB. Specifically, LBP among the GFIs has had the largest LGU account in its loan portfolio. This is followed by DBP recording an average share of 1.14 per cent. PNB has a very minimal share of only about 0.1 per cent. All GFIs, however, exhibited a decreasing share of LGU accounts in their loan portfolio starting 1982.

VI. RESULTS OF SURVEY

1. Survey of Local Banking Institutions

To obtain information regarding bank attitude and perception towards lending to LGUs, a survey of 84 banks located nationwide was conducted in September to October 1991. Of the 84 sample banks, 38 were local branches/offices of government financial institutions and 46 were local private banks specifically rural banks (RBs) and private development banks (PDBs). Twelve of the sample banks had lent to LGUs while the rest had no LGU lending experience. The regional distribution of the sample banks as well as their distribution according to type and according to experience with lending to LGUs are shown on Table 41.

As of the survey period, six (6) of the 12 banks that had lent to LGUs had financed one LGU project each; one (1) completed financing five (5) projects; and five (5) financed 2 to 3 projects each. These projects included construction of a new public market, expansion/improvements of existing public markets (i.e. construction of additional market stalls), and purchase of heavy equipment. Financing for most of these projects were contracted during the 1980-1991 period.

Among the GFIs, DBP was the most active in lending to LGUs.

The total amount of loans granted by sample GFIs varied from P1 million to P65.2 million. The smallest amount granted one LGU project was P0.13 million while the biggest was P5 million. On an average basis, the sample GFIs granted P12.022 million per LGU project. The sample GFIs charged non-prime rates on LGU project loans at an average rate of 16.46 per cent per annum (Non-prime rates are charged borrowers who are not considered priority bank clients. These are borrowers who normally have inadequate credit background and weak collaterals to secure the loan). One GFI, however, considered an LGU loan as prime on the basis of its developmental and economic impact on the community. This particular loan was charged a prime rate of 17.5 per cent.

Most of the loans contracted had maturities of more than five (5) years.

Among the banks without lending experience, fifteen (15) had been approached by local government officials for possible financing of local projects. These LGU loan applications were disapproved or did not pull through due to the following reasons: 1) change in LGU administration; 2) lack of previous bank and LGU dealings; 3) inability on the part of the LGU to meet the bank's collateral requirements; 4) other banks had offered better financing terms; 5) project was not viable; 6) loan amount applied for was too large; 7) lack of prior information about the LGU; 8) lack of legal support (in terms of foreclosure of assets/collaterals); 9) incomplete documentation; 10) political instability of the incumbent LGU administration; 11)technical problem with regards the property offered to secure the loan; and, 12) lack of LGU capability to prepare project proposals. Most of these loans applied for were to finance the construction of a public market and improvement of the municipal waterworks system.

1.1. Types of LGU Projects Financed/Targeted by Banks

The sample banks were asked the type of LGU projects that they targeted or would target for financing. Five (5) of the twelve (12) banks with actual lending experience had targeted to finance the construction/expansion of public markets and waterworks projects (see Table 42). Banks without LGU lending experience exhibited a similar pattern of project targeting. Forty-six (46) out of the 71 respondent banks without LGU lending experience would prefer to finance public market and waterworks projects. As it appears, financial institutions whether government or private prefer to finance self-liquidating projects. This preference is explained by the fact that loan amortization collection is relatively easy for projects that generate revenues, and, as perceived by bankers, income-generating projects have the least probability of default and delinquency in loan repayments.

There were banks that resorted to LGU targeting solely on the basis of income class criterion. Four of the banks that lent to LGUs emphasized this.

1.2. Bank Criteria for Extending Loans to LGUs

All twelve (12) banks that lent to LGUs gave primary consideration to project viability and LGU paying capacity above any other criteria in deciding to grant loans to LGUs (see Table 43). Banks without LGU lending experience would apply the same set of criteria in screening LGU loan applications, namely: 1) project viability; and 2) paying capacity.

1.3. Bank Lending Policies/Services to LGUs

Majority of the sample banks require collateral to secure a LGU loan. Among the banks that granted loans to LGUs, only one did not require a collateral. Real estate was the collateral most acceptable to these banks; this was indicated by 86 per cent of total respondents (see Table 44). The project site (of the public market) was normally used as collateral although other land estates, except agricultural lands, were accepted as collateral for loans. Bank preference for agricultural lands as loan collateral declined recently due to the Department of Agrarian Reform's on-going land distribution activities.

In the case of banks without LGU lending experience, 69 out of the 72 without LGU lending experience said collaterals definitely would be required for future financing of LGU projects. The acceptable collaterals mentioned were real estate, National Government guarantee, chattel, hold-out deposits and internal revenue allotment (see Table 44). Of these, real estate was the most preferred form of collateral of banks, whether GFI or private institutions.

DBP local branches/offices were typically the financial institutions that were not collateral-oriented. Banks that gave little emphasis on collateral requirements mentioned the following measures that they would adopt to ensure loan recovery: 1) sending of bank staff (e.g. bank auditor, credit investigator, etc.) to oversee project operation and to examine the books of LGUs; 2) regular visit to the project site to monitor the progress of the project; 3) more frequent scheduling of loan amortization; 4) sending of memorandum of agreement reminding borrowing LGUs of their loan obligations with the bank.

As to loan ceilings, 6 of the 11 banks with LGU lending experience fixed the amount of LGU loan granted to a certain percentage of the appraised value of the collateral. On the average, these banks granted loans in the amount equivalent to 67 per cent of the appraised collateral value.

On the question of whether they would impose a ceiling on the amount of loans they would grant LGUs, most local branches of GFIs were non-committal. This is because all LGU loan applications lodged with local GFI branches/offices are approved by the head offices, and it is the Board of Directors of GFIs that decide on the amount of loans to be granted LGUs.

As for banks without LGU experience, 45 out of 72 will set a ceiling on the amount to lend for LGU projects. This is true, particularly of rural and private development banks whose lending to a single borrower cannot exceed fifteen (15) per cent of the bank's unimpaired capital. As for GFI local branches and offices without LGU lending experience, they are likely to follow the decision of the Board of Directors with respect to the loan amount that can be granted to LGUs.

Concerning the interest rate on LGU loans, the private banks in the sample charged an average interest rate of 26.1 per cent per year; GFI local branches charged 24.9 per cent per year. Thirty-eight (38) of the banks with no LGU lending experience said they will charge LGU loans the same interest rate as that on regular/ordinary loans. Of the banks that said they will impose a different interest rate on LGU loans, 35 will charge an interest rate lower, on the average, by 4.76 per cent, while 2, an interest rate higher by 4 percentage points, on the average.

Sample banks, both those with (10 out of 11) and without LGU lending experience (65 out of 72), pointed out that the same loan evaluation steps and procedures followed in the processing of regular/ordinary loans will be adhered to when processing LGU loan applications. Banks that, in future, may have a separate lending window for LGUs said they will likely adopt the same policies for special lending programs i.e. longer processing period and more rigid documentation requirements.

All 12 banks with LGU lending experience applied the same monitoring system on LGU loans as on regular/ordinary loans. These banks conducted ocular inspections of the project and prepared appraisal reports of the project's progress. Seventy (70) of the 72 respondent banks without lending experience stated that the monitoring system applied to regular/ordinary loans will likely be used in monitoring the progress of LGU projects that may be financed in the future.

Six (6) out of 11 banks which granted LGU loans provided post-release support/extension services to LGUs. Most of these services were in the form of technical and financial management services and included payroll servicing, auditing services, budget preparation, and even determination of rental fees for market stalls. To some extent, lending banks helped in the identification of project contractors.

Some LGUs, even before contracting a loan, had sought the consultancy services of local banks in the preparation of project proposals and the verification of project viability. In effect, this facilitated the contracting of loans with these financial institutions.

Of the banks without LGU lending experience, 49 out of 72 were willing to provide LGUs with extension services even after the loan's release. The services mentioned were in the form of financial management and help in the procurement of construction materials.

1.4. Conditions and Measures for Loan Defaults

Six of the 12 LGU lending banks reported cases of loan defaults. Among the reasons cited for the default were: (1) low LGU revenue collection; (2) poor performance in collecting from project users; (3) negligence and mismanagement (e.g., failure to include loan amortization in the preparation of the LGU budget, diversion of loan proceeds for political reasons, etc.); (4) change in LGU officials/administration; and, (5) fortuitous events (e.g., public market was razed by fire). To recover the loan and/or to clean the bank's books the respondents mentioned the following as the measures they adopted or likely to adopt: (1) laying claim on the LGUs internal revenue allotment; (2) loan restructuring; (3) debt relief; and (4) collection of insurance payments. The banks suggested requiring borrowing LGUs to course through the lending banks all transactions involving fund transfers and remittances to and from the National Government and other government agencies to enable lending banks to monitor all cash inflows and outflows of LGUs thus, ensuring against loan default.

On the issue of debt-relief, the reactions were varied. For banks with experience in LGU loan defaulting, such efforts of the National Government was a welcome relief -- it would increase confidence in lending to LGUs. A greater proportion of banks without LGU lending experience considered this move as having no effect on bank operations, although a number pointed out that debt relief would increase their confidence in lending to LGUs (see Table 45).

1.5. Bank Attitudes Towards LGU Financing

The reaction of local banks, whether private or government, towards financing of LGU projects in the future was overwhelmingly favorable, this despite the problems encountered by banks in lending to LGUs and the apprehensions, on the part of banks without LGU lending experience, concerning LGU project viability. Almost all sample banks -- 67 out of the 72 without LGU lending experience and all 12 of those with lending experience -- were willing to finance future LGU projects subject, of course, to the LGUs being able to meet bank requirements and depending on how supportive the policy environment in the banking sector is in this effort.

Presently, there are limitations on local financial institutions' capacity to directly participate in the financing of LGU projects.

In the case of rural banks, limited bank capitalization prohibits them from participating in LGU financing. The single borrower's limit (SBL) policy of the Central Bank also restricts local bank lending to finance LGU projects that require large capital outlays. Based on minimum capitalization, rural banks in first class cities would have a SBL of P1.5 million; rural banks in other places, P.075 million. New thrift institutions (including private development banks) in Metro Manila and in other places would have SBLs of P3 million and P1.5 million, respectively, and existing thrift institutions in Metro Manila and other places, P1.5 million and P0.75 million, respectively. On the other hand, commercial banks would have a SBL of P75 million, and universal banks, P150 million. For small banks, therefore, the SBL imposes an effective constraint on the financing of LGU projects involving large amounts; for larger banks such constraint is inoperative.

In the case of GFI branches, the highly centralized decision-making process in the approval of loan applications limits the local branches' capacity to fully participate in financing.

The bankers interviewed emphasized greater coordination between local officials and local bankers as a critical factor in establishing an institutional link between LGUs and financial institutions. Some rural banks suggested that as a pre-condition to financing local projects, they be made conduits of government funds.

As to the LGU projects that banks were likely to finance in the future, most banks were willing to finance public market construction/expansion and waterworks projects (see Table 46). A number of banks expressed willingness to finance any LGU project deemed necessary for community development.

1.6. Bank Investment in LGU Securities

The respondent banks held government securities mainly in the form of treasury bills; a small proportion had investments in treasury notes, CB bills and other government bonds (such as Tulong sa Bayan Bond, Premyo Savings Bond) (see Table 47). In the case of local offices/branches of GFIs, the head offices handled placements in government securities.

Fifty-one (51) out of the 81 respondent banks expressed willingness to purchase local securities that LGUs may decide to issue. Their expressed willingness depended on the securities' features, and the following were among the come-ons that would make the issues attractive to banks: 1) lot sizes of P20,000 and over (48%); 2) maturities of less than one year (68%); 3) interest rates that are fixed and above time deposit rates (48%); 4) guaranteed by the National Government (92%); 5) bearer type of certificates (72%); 6) tax-free interest income (96%). Besides the above, the respondents mentioned the following as added features that would enhance the attractiveness of LGU issues: 1) safety and security of the instrument; 2) negotiability; 3) credibility of the issuer; 4) convertibility to other types of government bonds; and, 5) acceptability as reserve requirements for deposit liabilities.

Thirty-two (32 representing 38.6% of respondents to this question) of the sample banks were unwilling to buy LGU security issues. The main reason mentioned was that LGU issues were not attractive investment instruments (see Table 49). The other reasons for the unwillingness to invest in LGU securities were: 1) uncertainty of the safety and acceptability of LGU securities (17%); 2) the low credibility of LGU officials (11%); and, 3) the lack of a bank policy to buy LGU securities (11%).

2. Nationally Sited Bank Attitudes/Practices Towards LGU Borrowings

2.1. Head Office Perspectives

In addition to the 84 banks surveyed in the sample provinces/municipalities/cities, major banks in the capital region (i.e., Manila) as well as bankers' associations (DBAP and BAP) were interviewed primarily to gain a better perspective of the banking sector's attitudes towards lending to local government units and how the new LGU code will affect their lending behavior. The sample banks consisted of five top commercial banks, three government financial institutions and one government corporation. The top commercial banks (KBs) include: Bank of the Philippine Islands (BPI), Far East Bank and Trust Company (FEBTC), Metropolitan Bank, United Coconut Planters Bank (UCPB) and Philippine Commercial International Bank (PCIB) while the government-owned banks and corporation are Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), Philippine National Bank (PNB) and Government Service Insurance System (GSIS).

The decision to interview head offices of private and government-owned banks has been prompted by the centralized nature of banking operations and decision-making particularly with regards to LGU borrowings. This is not surprising considering the relatively larger amount of money needed for LGU projects as compared to branch managers' loan approving authority. Results of the provincial/municipal survey of branches of GFIs reveals that on LGU lending, the issues referred by the branch bank to their respective head offices include: (1) approval of LGU loans; (2) interest rate to be charged LGU loans; and (3) decision to invest in securities floated in the market.

2.2. Participation in LGU Lending

Of the private commercial banks (PKBs) interviewed, only one bank (BPI) has granted a loan to a local government. This loan was contracted in 1991 in connection with the Cebu Equity Bonds (a comprehensive description of the bond is explained in Saldaña's paper). The other PKBs (though non-committal), however, expressed willingness to lend to LGUs under certain conditions (see section on bank's criteria). On the other hand, the government-owned banks and corporation have all participated in LGU lending. Their participation, however, cannot be used to gauge or assess their willingness to lend to LGUs in future because these entities had been authorized under the now-repealed P.D. 752 to extend loans to local governments.

2.3. Types of LGU Projects Financed/Targeted by Banks

LGU projects financed by banks are of various types ranging from basic, social and agricultural infrastructures and utilities to trading and cultural centers, heavy equipment and livelihood projects (Table 50). Most of these projects are income-generating although a few are non-income generating (e.g., cadastral survey, construction of city jail or provincial offices). In general, GFIs do not target specific LGU projects to finance as long as the basic collateral requirements are met. However, in the event of a number of LGU accounts defaulting, GFIs tend to be cautious preferring to finance more viable projects. DBP, LBP and GSIS, specifically cited basic infrastructure and services (e.g. communication, power, waterworks) as well as trading centers (e.g., public markets, commercial complex) as priority projects. Such preference has also been expressed by the PKBs and the Bankers Association. Except for one PKB which specifically cited waterworks, roads and utilities as the priority projects, the other PKBs are "open" to any type of project so long as they are commercially viable, with toll features and comparatively profitable as with the banks' ordinary loans.

2.4. Bank Criteria for Extending Loans to LGUs

There are a number of criteria set by banks in lending to LGUs (Table 51). For the GFIs, the criteria consist of project viability, paying capacity, borrowing capacity and collateral. In some instances, due to the developmental stance of these banks, the socio-economic impact of the project is also considered. Among GFIs, PNB is noted to have a more stringent criteria requiring a formal endorsement from the National Government or DOF prior to extension of the loan. It cannot be explicitly determined which among the criteria is the most important but an evaluation of the loans contracted by the GFIs reveals that collateral seems to have played a major role in the approval of loans. Collateral for LGU loans comes in different forms and its relative importance varies depending on the bank and the type of project financed. Unlike ordinary bank loans where real estate mortgages are generally sufficient to back-up a loan, for LGU loans additional collateral is observed to be a necessity. This is probably because of the difficulty of foreclosing LGU properties. Hence, in addition to real estate mortgages (which is generally the project being finance itself), the GFI would require a more liquid form of collateral such as: (1) hold-out deposits, (2) deed of assignment on monthly unallocated portion of the IRA; (3) guarantee from the National Government; and (4) deed of assignments of budgetary allocation (Table 52). GSIS, on the other hand, does not demand a collateral but calls on the LGU's IRA in case of a default. A stringent loan requirement is again observed in PNB, which is the only GFI that requires hold-out deposits as collateral. In fact, the loan value of the hold-out deposit is equal to 80 per cent,implying a fully covered or "clean loan." Among the PKBs, the lending criteria imposed (or will be imposed) to LGUs is even more stringent. Aside from considering the project's viability, LGUs' paying capacity and collateral, these banks also give importance to the reputation of the LGU officials (i.e., credit record and managerial competence) and the growth potential of the area as reflected in the business and economic conditions existing in the locality. The lone PKB that lent to the LGU would in fact consider the income class of the LGU. In terms of collateral requirement, the PKBs consider real estate, IRA and national government guarantees as acceptable collaterals. Only one PKB cited the presence of hold-out deposits as a necessary condition while none of them finds chattel mortgages an acceptable collateral. Although the collateral requirements of the PKBs appear to be similar to the GFIs, there are a lot of conditionalities mentioned by PKBs on the collateral required: first, that the real estate collateral should possess seniority, protection and marketability; second, that the IRA and government guarantees would involve less bureaucratic hassles; and third, that the bank is able to control cashflows of the LGU in cases when the IRA is pledged as the collateral.

2.5. Bank Lending Policies/Services to LGUs

Ordinarily, the loan limits for LGUs should be based on the borrowing capacity of the LGU as certified by the DOF. In most cases however, the sufficiency of the collateral is observed to be a primary factor. Loan limits imposed by GFIs are: (1) 70 per cent for real estate mortgages; (2) 50 per cent for chattel mortgages; and (3) 80 per cent for hold-out deposits. With regards interest rate, GFIs generally adopt prime rates plus a spread of 2 to 5 per cent (depending on maturity) for LGU loans. Loans approved are monitored based on loan releases. Monitoring consist of ocular inspection and inquiry from the officials with regards the progress of the project. If needed, support services are also extended such as helping in the procurement of construction materials and constant technical and financial advises. Since most of the PKBs have not lent to any LGU, no record was gathered on the loan limits allowable for LGUs. However, loan limits would be based on the collateral offered. In the case of the lone PKB with LGU lending experience, the following information was gathered: (1) loan value of real estate mortgages is 70 per cent of its appraised value; and (2) loan value of marketable securities is 100 per cent. On interest rates, PKBs will subject LGU loans to the same interest rate as their commercial loans except in cases when funds for lending to the sector would come from a "special fund", on the condition that their cost of funds would be lower.

2.6. Conditions and Measures for Loan Defaults

The apparent increasing reluctance even of GFIs to lend to LGUs is due to the large number of defaulting LGU accounts. Table 53 shows that of the Pesos 347.92 million LGU loans outstanding of GFIs and GSIS, 11.84 per cent are considered past dues as of December 31, 1991 and Pesos 201.7 million or 30 per cent of total loans granted were written of as bad debts. The most common reasons mentioned for loan defaults are (Table 54): first, change in LGU officials. In most cases, the incumbent official does not honor the loans made by previous officials especially if the loan proceeds were not used for the intended purpose or were diverted for political campaigns. Second, there is inefficient fiscal management resulting in poor revenue collections. The banks noted that when liquidity problems arises, amortization requirements are generally given the last priority. And third, mismanagement of the project. This reason is particularly common in projects with "toll features" (eg., public markets). The projected cashflows for such projects is not usually achieved due to the poor collection performance from project users or negligence of the local officials themselves. The measures employed by the GFIs and GSIS to recover the loans are (Table 55): (1)confiscate internal revenue allotment; (2) intensified collection efforts; (3) foreclosure of assets; and (4) loan restructuring and plan of payment. Recently, with the government's debt relief program, a total of P201.7 million of the defaulted LGU loans have been applied for debt relief. Most of these loans were contracted by the LGUs belonging to the 4th, 5th, and 6th class municipalities. DBP had the highest value of LGU loans applied for debt relief, amounting to P115.7 million. Percentagewise, however, LBP incurred the largest proportion of "bad LGU accounts" relative to loans granted. PKBs, on the other hand, have no loan default experience to account for since they have been not been (or just recently) involved in LGU lending. However, when asked about their confidence/willingness to lend to LGUs given a debt relief program, they mentioned no major change that would occur on the bank's policies for lending to LGUs (Table 56). Although a debt relief program is a welcome development, banks would still evaluate LGU loans/projects based on their merits. Knowledge of the government's move to relieve banks of LGU bad debts may in fact, serve as a disincentive since such a program will signal to banks that investments in LGU projects are problematic. Among the government controlled banks and corporation, PNB and GSIS would have greater confidence in lending to LGUs with the presence of a debt relief program. In contrast, LBP and DBP share the same sentiments as with the PKBs with regards a debt relief program. Specifically, LBP's experience with the recent debt relief program did not really relieve them of LGU bad loans because the loans were assumed at a discount. Only about 60 per cent of the total obligations of LGUs (including interest charges and penalties) submitted for debt relief payment has been recovered by the bank. This discounted price has also been the experience of the other GFIs and GSIS (see Table 53). Despite being saddled by the bad debts of LGUs and the relatively lower profits obtained from LGU accounts, GFIs still find some benefit from extending loans to LGUs (Table 57). The most common benefit cited was that it enables the bank to participate in countryside development. The secondary benefit mentioned was that it improves the bank's image in the municipality. PNB, in particular, finds participation in LGU lending a form of advertisement. The lone government corporation, however, finds no non-monetary benefit from extending loans to LGUs. It seems that for this institution, lending to the local government units is a means to fulfill their obligation under P.D. 752.

2.7. Investments in LGU Securities

None of the banks surveyed, GFIs and PKBs, allocate their investments in securities to LGU investments. This is probably because the idea of LGUs floating bonds is a new concept in the financial market. Given the impending implications of the new Local Government Code, banks tend to adopt a "wait-and-see" attitude. Most banks however, expressed their willingness to buy LGU bonds but the primary consideration is that it should be a riskless asset and able to compete with the other securities floated in the market (e.g., treasury bills). The banks' idea of a riskless asset is that the bond must be guaranteed by the national government or is fully securitized by an asset (e.g. real estate). On the other hand, the bond's comparative profitability with other assets require not only similar returns or interest rates as the treasury bills but should likewise contain tradability features such as : (1) it can be used as compliance to reserve requirements and to P.D. 717 or the Agri-Agra Loan Quota; and (2) there exists of a secondary market for the bond which would allow the bond holder to convert it into other types of government bonds (e.g., surety bonds) (Table 58). If these features exist, the other bond considerations such as: maturity, lot size and reputation of the issuer come as a secondary factor. It is however, observed that the GFIs, in general, limit their investments in LGUs as reflected in the minimal amount of loan granted to LGUs relative to their total net loanable funds (see Table 53). Of the total net loanable funds of GFIs as of December 1990, less than 1 per cent have been allocated for LGU lending. This finding reflects GFIs biases against LGU accounts. However, this bias is not really associated with an "inherent or uncontrollable" risk as experienced with loans to agriculture production but primarily concerns the management capability and political environment surrounding the local government units.

3. Survey of Individual Savers

Besides the survey of financial institutions to determine attitudes towards LGU issuance of securities, a survey of individuals was also conducted to find out their receptivity towards and willingness to invest in LGU security issues. A total of 57 individuals, the majority of which were salaried employees (36) and merchant/traders (13), were interviewed. These individuals are residents of the municipalities and cities belonging to the survey samples. A number of the respondents (39 out of 57) had income from other sources mostly business and farming. Generally, these respondents owned physical as well as financial assets. Physical assets were predominantly in the form of housing facilities (54 out of 58) and financial assets, in the form of savings deposits with banks (58 out of 59). Checking and time deposits, deposits in credit unions, stocks in private corporations, treasury bills, treasury notes, CB bills and other government bonds were not widely held. Of these alternative forms of savings, holding of government securities was the least popular -- an insignificant number held treasury bills (2 out of 59), treasury notes (1 out of 59), CB bills (2 out of 59) and other government bonds (2 out of 59). The respondents gave safety of the deposit as the primary reason for deciding to hold savings in financial instruments.

Asked whether there were projects (socio-cultural and economic) that in their view their local government should undertake, an overwhelming majority (56 out of 59) responded affirmatively, and the major projects frequently mentioned were: 1) road construction; 2) livelihood projects; 3) garbage and drainage systems; 4) waterworks; 5) health centers; and 6) drug rehabilitation centers.

The majority of respondents viewed their own LGU resources (20 out of 59), borrowings from government banks (18 out of 59) and BOT schemes (16 out of 59) as the modes by which LGU projects should be financed. Only a few considered LGU security issuance (1 out of 59) and national government assistance (3 out of 59) as schemes to finance LGU projects.

Most of those who stated that LGU revenues should finance LGU projects reasoned that their LGUs had enough savings and could well afford to finance the projects that should be undertaken.

Those who stressed borrowing from government banks asserted that the contemplated projects should be a joint undertaking of the local and national governments and should be financed through borrowings from government banks.

The reasons given for the choice of BOT scheme as the preférred mode of financing were that 1) the private sector had the resources; 2) the private sector and the government should be partners in development; and 3) with BOT, the project can be implemented immediately.

The respondents were asked their willingness to purchase securities which LGUs may issue. Fifty-four (54) out of 59 expressed a willingness to invest in these issues, and the majority mentioned the following features that would induce them to make the purchase: 1) lot size of P1000 and P5000; 2) maturity of less than one year and two years; 3) fixed interest rate; 4) guaranteed by the national government; 5) bearer type of certificate; and, 6) tax-free interest income (see Table 59).

A large number of respondents (40 out of 55) preferred to purchase the securities from banks in their municipalities than from the treasurer's or mayor's office. They (45 out of 55) were amenable to having the bonds issued by their LGUs sold in other municipalities.

The preferred mode of financing the purchase of LGU securities was additional savings (36 out of 55). Only a few would sell property (2 out of 55) or other financial assets (3 out of 55) to finance the purchase.

The majority of respondents held the opinion that their townmates would support moves of their local government to borrow from banks (45 out of 59) and to issue securities to finance LGU projects (50 out of 59). The reason most frequently mentioned for supposing LGU borrowing and security issuance would have the support of townmates was the view that the project to be financed would redound to everyone's benefit. As to whether townmates had the necessary means to purchase LGU issues, a large number (50 out of 59) believed they had the means. And as to the security features they think would attract townmates to purchase LGU securities, the more frequently mentioned were safety of the issue (27 out of 50) and yield (15 out of 50).

VII. RECOMMENDATIONS
(See Overall Summary of High Priority Recommendations)

There are a number of further explorations and activities which need doing as a follow-on to this survey. They are presented below not in any order of priority.

1. Guarantee System

The bankers interviewed, though interested in financing LGUs do not consider them as preferred clients. Given the relative riskiness of LGU loans as they see that risk, they would charge them non--prime rates. There are various ways of reducing that perceived risk.

One would be development of a guarantee system that would relieve banks from liquidity problems in cases of LGU loan defaults. How this could be done while avoiding the regulatory processes of national government control over loans Policy/Regulation alterations requires special attention.

Central Bank and Monetary Board rules, circulars, etc. impinge upon the banking system in ways not helpful to LGU participation in capital markets. Some possible items to investigate include: the use of LGU obligations as bank reserves with the Central Bank; allowing non-allied undertakings with LGUs by banks other than those now authorized to operate in that way (unibanks); private development banks, and rural banks to act as special conduits of government subsidized loan funds for LGUs situated at the lower income levels of fourth, fifth, and sixth classes; further liberalizing Monetary Board policy towards licensing of new banks or branches in remote areas on condition that they participate in LGU financing; and encouraging the development of specialized credit instruments, with market-oriented sales appeal, for LGU financing.

2. Decentralized Bank (Public/Private) Decision-Making

During the survey it was noted that the highly centralized decision-making process of GFIs in the approval of LGU loan application severely limits local branches' capacity to fully participate in such financing. Of course, the problem has not arisen as yet for private banks because they have not been active with LGUs. In future, allowing and training branch staff in GFIs as well as private banks to approve LGU loans (up to prescribed limits for different types of loans) locally would unleash powerfully supportive trends. The branches are in a better position to evaluate loans lodged with them. Also, they will more effectively monitor the approved loans because of their identification with, proximity to, and greater familiarity with local conditions and the loan applicant.

3. Evaluations of Past Experience Possibly Transferable to LGU FInancing

Some years ago there was a successful effort to rationalize the government securities market. Are there any lessons there that might be utilized in relation to developing new instruments for LGU financing? Similarly, the Central Bank and Monetary Board have adopted various measures in recent years that may be of interest when trying to improve LGU credit finance usages. For example, what has been the local effects in terms of availability of funds from GFIs and private banks caused by the Central Banks (CB-Circular 1183) 75 per cent deposit retention scheme? In another instance, it might be useful to examine the effects of the Monetary Board Resolution of 21 September 1990 on encouraging investment house functions. Do those effects open up any possibilities for improved LGU credit financing in participation with investment houses? A number of other examples could be cited.

4. Stricter Monitoring of LGU Projects

Improved/tightened methods of monitoring LGUs projects could help GFIs, private banks, and LGUs in identifying and solving problems that might affect loans. Monitoring systems could be devised that would serve as early warning signals to borrowers and lending agencies both. This could contribute to the design of remedial measures aimed at assuring loan repayments. Development of such systems and the training of local government as well as GFI and private bank staff in their utilization could powerfully assist local government credit financing.

This could be tied into examining and costing possible extension services that could be offered by banks to LGUs in matters concerning the non-securities and the debt (bond) markets.

5. Guidance for LGU Officials

When assessing their options about appropriate modes of LGU financing, elected and executive officials in LGUs need access to carefully prepared materials. Such materials should come from various sources. The private banking and investment house sector would be one. Another might be from DOF, DILG, NEDA, and other specialized government agencies offering advice but NOT regulatory controls. These materials could acquaint them with the general financial system and suggest means by which they could acquire specialized advice in making sound assessments.

R E F E R E N C E S

Alegre, Emma, "An Assessment of the Effectiveness of the Securities Market," Unpublished manuscript (March, 1987) Apostol, Agnes B., "The Money Market in the Philippines in the 1980s", CB Review (March 1991).

Lamberte, Mario B. and Julius P. Relampagos, "An Assessment of Policies Affecting the Financial Sector, 1986-1988," PIDS Working Paper Series No. 90-05 (January 1990).

Licuanan, Victoria S., An Analysis of the Institutional Framework of the Philippine Shcrt-Term Financial Markets (Makati: Philippine Institute For Development Studies, 1986).

CHART I

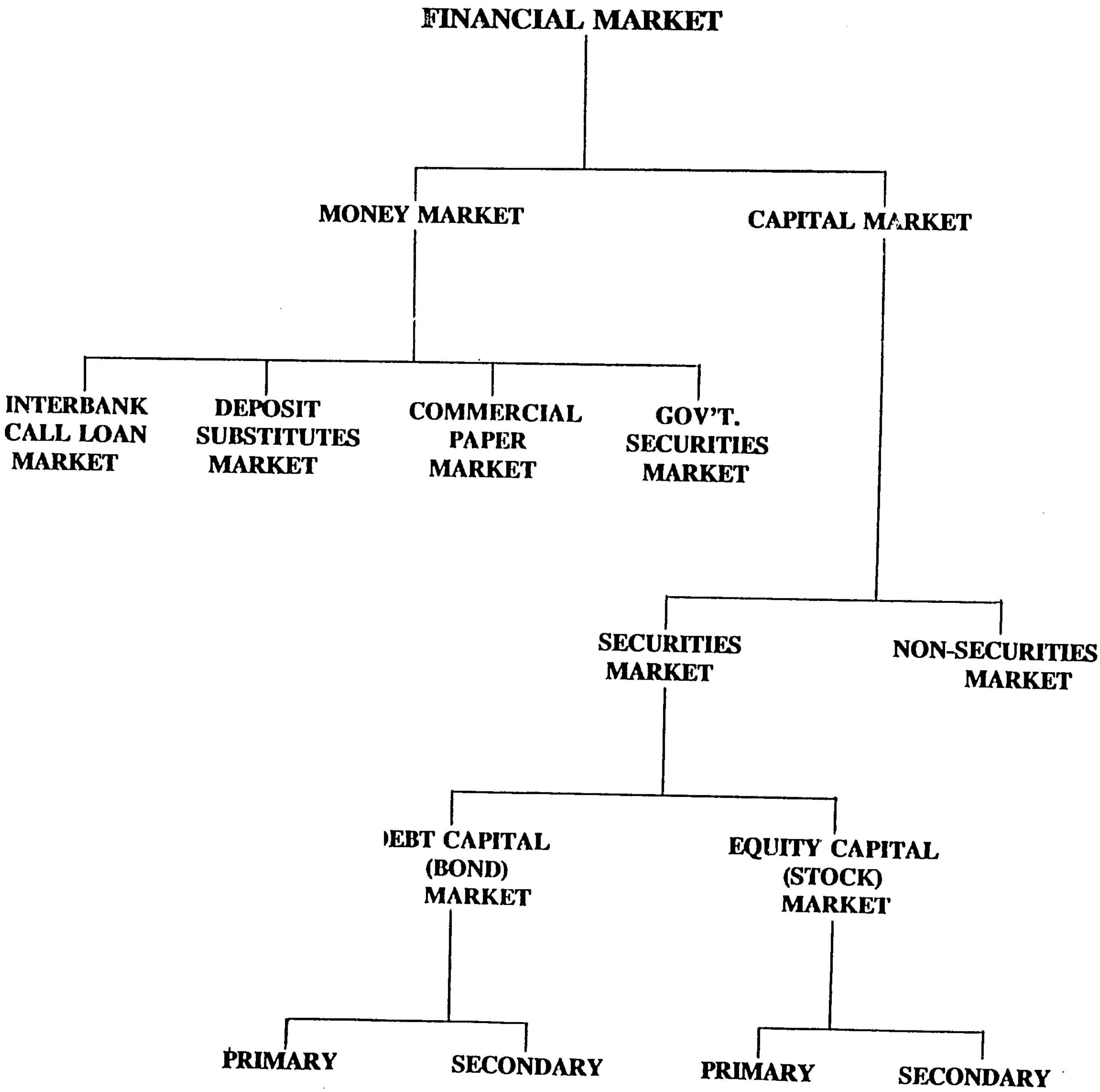
FINANCIAL MARKET
MONEY MARKET
CAPITAL MARKET
INTERBANK CALL LOAN MARKET
DEPOSIT SUBSTITUTES MARKET
COMMERCIAL PAPER MARKET
GOV'T. SECURITIES MARKET
SECURITIES MARKET
NON-SECURITIES MARKET
EBT CAPITAL (BOND) MARKET
EQUITY CAPITAL (STOCK) MARKET
PRIMARY
SECONDARY
PRIMARY
SECONDARY

TABLE 1A

TOTAL RESOURCES OF THE PHILIPPINES FINANCIAL SYSTEM
BY TYPE OF INSTITUTIONS YEAR-ENDS (1982-1990)
(IN BILLION PESOS)

	1990		1989		1988		1987		1986		1985		1984		1983		1982	
	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real
Total	653.050 100.00%	134.736	522.925 100.00%	117.909	404.895 100.00%	100.971	342.471 100.00%	92.836	331.526 100.00%	93.326	433.400 100.00%	122.915	452.137 100.00%	157.869	378.222 100.00%	198.594	309.448 100.00%	178.665
Banks	592.023 89.97%	121.217	465.464 89.01%	104.952	360.377 89.01%	89.870	300.674 87.79%	81.536	289.337 87.23%	81.451	357.763 89.47%	109.974	403.759 89.30%	140.977	330.543 87.45%	173.724	276.057 89.21%	159.386
Commercial Banks	501.140 76.16%	102.609	394.366 75.42%	88.921	299.618 74.00%	74.718	247.236 72.19%	67.056	237.055 71.49%	66.720	279.315 64.45%	79.217	299.196 66.17%	104.468	248.333 65.64%	130.359	204.520 66.09%	118.083
Thrift Banks	37.234 5.67%	7.636	32.204 6.16%	7.261	24.877 6.14%	6.204	19.522 5.70%	5.255	11.547 5.23%	4.939	14.959 3.45%	4.242	14.922 3.30%	5.210	16.102 4.26%	8.452	12.554 4.06%	7.245
Private Dev. Banks	11.180 1.70%	2.229	8.346 1.60%	1.882	6.660 1.64%	1.661	5.444 1.59%	1.477	5.579 1.68%	1.570	5.033 1.16%	1.429	4.507 1.00%	1.574	4.553 1.22%	2.410	3.666 1.19%	2.128
Savings & Mortgage Banks	21.721 3.30%	4.447	19.601 3.75%	4.420	14.132 3.51%	3.539	10.563 3.09%	2.866	8.097 2.44%	2.279	6.797 1.57%	1.928	7.607 1.68%	2.656	7.391 1.95%	3.880	5.870 1.90%	3.389
Stock S&Ls	4.393 0.67%	899	4.257 0.81%	960	4.025 0.99%	1.004	3.510 1.02%	952	3.871 1.17%	1.090	3.124 0.72%	886	2.808 0.62%	981	4.119 1.09%	2.162	2.998 0.97%	1.731
Rural Banks	13.459 2.05%	2.756	12.160 2.33%	2.742	10.633 2.64%	2.667	9.676 2.83%	2.624	9.103 2.75%	2.562	8.601 1.98%	2.439	8.818 1.95%	3.079	9.324 2.46%	4.894	7.978 2.58%	4.606
Specialized Gov't. Banks	40.130 6.10%	8.217	26.734 5.11%	6.028	25.189 6.22%	6.282	24.190 7.06%	6.561	25.692 7.75%	7.231	84.891 19.59%	24.076	80.823 17.88%	28.220	57.185 15.12%	30.018	51.005 16.48%	29.449

BEST AVAILABLE COPY

47

TABLE 1A (cont'd)

	1990 Nominal	1990 Real	1989 Nominal	1989 Real	1988 Nominal	1988 Real	1987 Nominal	1987 Real	1986 Nominal	1986 Real	1985 Nominal	1985 Real	1984 Nominal	1984 Real	1983 Nominal	1983 Real	1982 Nominal	1982 Real
Non-Bank Financial Intermediaries	61,256 9.31%	12,542	53,535 10.24%	12,071	41,898 10.35%	10,448	40,017 11.68%	10,854	40,995 12.36%	11,538	44,767 10.33%	12,696	47,687 10.55%	16,650	46,716 12.35%	24,523	32,852 10.62%	18,968
Investment Houses	9,428 1.43%	1,930	8,242 1.58%	1,858	8,456 2.09%	2,109	8,986 2.62%	2,437	7,519 2.27%	2,116	6,600 1.52%	1,872	7,506 1.66%	2,621	7,210 1.91%	3,785	6,764 2.19%	3,905
Financing Companies	11,259 1.71%	2,305	10,102 1.93%	2,278	7,364 1.82%	1,836	7,023 2.05%	1,905	5,627 1.70%	1,584	6,164 1.42%	1,748	9,254 2.05%	3,231	11,811 3.12%	6,200	12,919 4.17%	7,459
Securities Dealers/Brokers	2,437 0.37%	499	2,725 0.52%	614	1,706 0.42%	425	2,072 0.61%	562	945 0.28%	266	463 0.11%	131	548 0.12%	191	683 0.18%	359	642 0.21%	370
Investment Companies	10,957 1.67%	2,243	9,797 1.87%	2,209	5,615 1.39%	1,400	4,752 1.39%	1,289	10,154 3.06%	2,858	10,971 2.53%	3,111	10,156 2.25%	3,546	6,160 1.63%	3,234	5,916 1.91%	3,416
Fund Managers	2,863 0.44%	587	2,590 0.50%	584	1,777 0.44%	443	1,619 0.47%	439	1,292 0.35%	363	1,649 0.38%	468	1,928 0.43%	673	1,530 0.40%	803	1,114 0.36%	643
Lending Investors	1,303 0.20%	267	1,015 0.19%	229	636 0.16%	159	715 0.21%	194	237 0.07%	67	93 0.02%	26	68 0.01%	24	49 0.01%	25	40 0.01%	23
Pawnshops	2,664 0.40%	545	2,170 0.41%	489	1,666 0.41%	415	1,315 0.33%	357	1,011 0.30%	285	808 0.19%	229	623 0.14%	218	438 0.12%	230	382 0.12%	221
Government NBFIs	20,237 3.08%	4,144	16,804 3.21%	3,789	14,578 3.60%	3,635	13,403 3.91%	3,635	14,068 4.25%	3,959	17,894 4.13%	5,075	17,479 3.87%	6,103	18,724 4.95%	9,829	4,978 1.61%	2,874
Venture Capital Corporations	102 0.02%	21	90 0.02%	20	100 0.02%	25	129 0.04%	35	126 0.04%	35	125 0.03%	35	124 0.03%	43	111 0.03%	58	97 0.03%	56
Non-Bank Thrift Institutions	4,771 0.73%	977	3,926 0.75%	885	2,620 0.65%	653	1,830 0.53%	496	1,194 0.36%	336	863 0.20%	245	691 0.15%	241	662 0.18%	348	539 0.17%	311
Mutual BLAs	18 0.003%	4	16 0.003%	4	14 0.003%	3	14 0.004%	4	16 0.005%	5	18 0.004%	5	17 0.004%	6	19 0.005%	10	20 0.007%	12
Non-Stock SLAs	4,753 0.72%	973	3,910 0.75%	882	2,606 0.64%	650	1,816 0.52%	493	1,178 0.36%	332	847 0.20%	240	673 0.15%	235	643 0.17%	338	519 0.17%	300

Source: Phil. Financial System Fact Books, 1982-1990.

	1990	1989	1988	1987	1986	1985	1984	1983	1982
CPI (1978=100)	488.4	443.5	401	368.7	355.3	352.6	286.4	190.5	173.2

Table 1.B. Relative Shares of Assets in Total Resources, By Institutional Group

	1990	1989	1988	1987	1986	1985	1984	1983	1982
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Banks	89.97%	89.01%	89.01%	87.78%	87.28%	89.47%	89.30%	87.48%	89.21%
Commercial Banks	76.16%	75.42%	74.00%	72.19%	71.49%	64.45%	66.17%	65.64%	66.09%
Thrift Banks	5.67%	6.16%	6.14%	5.70%	5.29%	3.45%	3.30%	4.26%	4.06%
Private Dev. Banks	1.70%	1.60%	1.64%	1.59%	1.68%	1.16%	1.00%	1.21%	1.19%
Savings & Mortgage Banks	3.30%	3.75%	3.51%	3.09%	2.44%	1.57%	1.68%	1.95%	1.90%
Stock SLAs	0.67%	0.81%	0.99%	1.02%	1.17%	0.72%	0.62%	1.09%	0.97%
Rural Banks	2.05%	2.33%	2.64%	2.83%	2.75%	1.98%	1.95%	2.46%	2.58%
Specialized Gov't. Banks	6.10%	5.11%	6.22%	7.06%	7.75%	19.59%	17.88%	15.12%	16.48%
Non-Bank Financial Intermediaries	9.31%	10.24%	10.35%	11.68%	12.36%	10.33%	10.55%	12.35%	10.62%
Investment Houses	1.43%	1.58%	2.09%	2.62%	2.27%	1.52%	1.66%	1.91%	2.19%
Financing Companies	1.71%	1.93%	1.82%	2.05%	1.70%	1.42%	2.05%	3.12%	4.17%
Securities Dealers/Brokers	0.37%	0.52%	0.42%	0.61%	0.28%	0.11%	0.12%	0.18%	0.21%
Investment Companies	1.67%	1.87%	1.39%	1.39%	3.06%	2.53%	2.25%	1.63%	1.91%
Fund Managers	0.44%	0.50%	0.44%	0.47%	0.39%	0.38%	0.43%	0.40%	0.36%
Lending Investors	0.20%	0.19%	0.16%	0.21%	0.07%	0.02%	0.01%	0.01%	0.01%
Pawnshops	0.40%	0.41%	0.41%	0.38%	0.30%	0.19%	0.14%	0.12%	0.12%
Government NBFIs	3.08%	3.21%	3.60%	3.91%	4.25%	4.13%	3.87%	4.95%	1.61%
Venture Capital Corporations	0.02%	0.02%	0.02%	0.04%	0.04%	0.03%	0.03%	0.03%	0.03%
Non-Bank Thrift Institutions	0.73%	0.75%	0.65%	0.53%	0.36%	0.20%	0.15%	0.18%	0.17%
Mutual BLAs	0.003%	0.003%	0.003%	0.004%	0.005%	0.004%	0.004%	0.005%	0.007%
Non-Stock SLAs	0.72%	0.75%	0.64%	0.53%	0.36%	0.20%	0.15%	0.17%	0.17%

Source of Basic Data: Table 1.A.

TABLE 2

NUMBER OF OFFICES; BY INSTITUTIONAL GROUP 1]

	Banks			Non-bank Financial Intermediaries			Non-bank Thrift Institutions			Total	
	Number	Growth Rate (%)	Share (%)	Number	Growth Rate (%)	Share (%)	Number	Growth Rate (%)	Share (%)	Number	Growth Rate (%)
1981	3661	-	69	1549	-	29	80	-	2	5290	-
1982	3877	6	70	1601	3	29	82	3	1	5560	5
1983	3829	-1	68	1731	8	31	82	0	1	5612	1
1984	3861	1	66	1949	13	33	82	0	1	5892	4
1985	3630	-6	64	1922	-1	34	83	1	1	5635	-4
1986	3614	0	60	2283	19	38	82	-1	1	5979	6
1987	3547	-2	56	2719	19	43	83	1	1	6349	6
1988	3562	0	52	3158	16	46	85	2	1	6805	7
1989	3588	1	50	3465	10	49	82	-4	1	7135	5
1990	3638	1	50	3629	5	49	82	0	1	7349	3
Ave.	3681	0	61	2401	9	38	82	0	1	6164	3

1] Includes head offices, branches, extension offices, and overseas offices.

Source: Fact Book: Philippine Financial System, 1981-1982

TABLE 3

NUMBER OF BANKING OFFICES, BY TYPE OF INSTITUTION, BY REGION

All Regions	1990	1989	1988	1987	1986	1985	1984	1983	1982
KBs	1,904	1,742	1,722	1,702	1,733	1,716	1,884	1,865	1,793
TBs	653	675	664	658	665	661	650	708	683
RBs	1,045	1,043	1,048	1,058	1,083	1,117	1,157	1,152	1,244
SGRs	127	105	104	104	100	100	100	97	119
NBFIs	3,699	3,533	3,221	2,767	2,310	1,952	1,983	1,761	1,627
NBTIs	79	79	82	80	79	80	79	79	79

	1990	%	1989	%	1988	%	1987	%	1986	%	1985	%	1984	%	1983	%	1982	%
NCR	2680	100.00%	2605	100.00%	2500	100.00%	2360	100.00%	2239	100.00%	2125	100.00%	2265	100.00%	2209	100.00%	2057	100.00%
KBs	863	32.20%	841	32.28%	824	32.96%	811	34.36%	830	37.07%	814	38.31%	893	39.43%	876	39.66%	810	39.38%
TBs	238	8.88%	243	9.33%	234	9.36%	227	9.62%	236	10.54%	231	10.87%	240	10.60%	279	12.63%	258	12.54%
RBs	18	0.67%	18	0.69%	18	0.72%	18	0.76%	18	0.80%	19	0.89%	20	0.88%	28	1.27%	29	1.41%
SGBs	8	0.30%	8	0.31%	7	0.28%	7	0.30%	5	0.22%	5	0.24%	5	0.22%	4	0.18%	4	0.19%
NBFIs	1490	55.60%	1432	54.97%	1353	54.12%	1235	52.33%	1089	48.64%	994	46.78%	1046	46.18%	961	43.50%	895	43.51%
NBTIs	63	2.35%	63	2.42%	64	2.56%	62	2.63%	61	2.72%	62	2.92%	61	2.69%	61	2.76%	61	2.97%
Region 1	411	100.00%	400	100.00%	384	100.00%	363	100.00%	347	100.00%	339	100.00%	352	100.00%	345	100.00%	356	100.00%
KBs	104	25.30%	101	25.25%	101	26.30%	100	27.55%	100	28.82%	102	30.09%	112	31.82%	112	32.46%	116	32.58%
TBs	24	5.84%	24	6.00%	23	5.99%	24	6.61%	24	6.92%	24	7.08%	25	7.10%	28	8.12%	34	9.55%
RBs	138	33.58%	137	34.25%	139	36.20%	139	38.29%	140	40.35%	145	42.77%	148	42.05%	146	42.32%	151	42.42%
SGBs	7	1.70%	7	1.75%	7	1.82%	7	1.93%	6	1.73%	6	1.77%	6	1.70%	5	1.45%	6	1.69%
NBFIs	135	32.85%	128	32.00%	111	28.91%	90	24.79%	74	21.33%	59	17.40%	58	16.48%	51	14.78%	46	12.92%
NBTIs	3	0.73%	3	0.75%	3	0.78%	3	0.83%	3	0.86%	3	0.88%	3	0.85%	3	0.87%	3	0.84%
Region 2	154	100.00%	151	100.00%	150	100.00%	138	100.00%	130	100.00%	130	100.00%	138	100.00%	136	100.00%	140	100.00%
KBs	37	24.03%	36	23.84%	36	24.00%	36	26.09%	36	27.69%	35	26.92%	37	26.81%	37	27.21%	36	25.71%
TBs	5	3.25%	5	3.31%	5	3.33%	5	3.62%	4	3.08%	4	3.08%	7	5.07%	7	5.15%	7	5.00%
RBs	62	40.26%	59	39.07%	61	40.67%	62	44.93%	62	47.69%	67	51.54%	68	49.28%	68	50.00%	71	50.71%
SGBs	7	4.55%	7	4.64%	7	4.67%	7	5.07%	6	4.62%	7	5.38%	7	5.07%	7	5.15%	10	7.14%
NBFIs	43	27.92%	44	29.14%	41	27.33%	28	20.29%	22	16.92%	17	13.08%	19	13.77%	17	12.50%	16	11.43%
NBTIs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Region 3	862	100.00%	842	100.00%	797	100.00%	732	100.00%	675	100.00%	585	100.00%	579	100.00%	559	100.00%	573	100.00%
KBs	133	15.43%	130	15.44%	129	16.19%	128	17.49%	139	20.59%	137	23.42%	145	25.04%	143	25.58%	141	24.61%
TBs	109	12.65%	108	12.83%	106	13.30%	107	14.62%	108	16.00%	107	18.29%	103	17.79%	118	21.11%	120	20.94%
RBs	125	14.50%	125	14.85%	127	15.93%	132	18.03%	138	20.44%	141	24.10%	145	25.04%	144	25.76%	164	28.62%
SGBs	7	0.81%	7	0.83%	7	0.88%	7	0.96%	8	1.19%	7	1.20%	7	1.21%	7	1.25%	16	2.79%
NBFIs	486	56.38%	470	55.82%	425	53.32%	355	48.50%	279	41.33%	190	32.48%	176	30.40%	144	25.76%	130	22.69%
NBTIs	2	0.23%	2	0.24%	3	0.38%	3	0.41%	3	0.44%	3	0.51%	3	0.52%	3	0.54%	2	0.35%
Region 4	1149	100.00%	1098	100.00%	1021	100.00%	923	100.00%	836	100.00%	767	100.00%	760	100.00%	701	100.00%	690	100.00%
KBs	124	10.79%	118	10.75%	117	11.46%	117	12.68%	113	13.52%	111	14.47%	125	16.45%	124	17.69%	120	17.39%
TBs	172	14.97%	172	15.66%	171	16.75%	170	18.42%	170	20.33%	172	22.43%	169	22.24%	168	23.97%	160	23.19%
RBs	223	19.41%	221	20.13%	219	21.45%	220	23.84%	220	26.32%	222	28.94%	232	30.53%	227	32.38%	246	35.65%
SGBs	11	0.96%	9	0.82%	9	0.88%	9	0.98%	8	0.96%	8	1.04%	8	1.05%	8	1.14%	9	1.30%

TABLE 3 (cont'd).

NBFIs	615	53.52%	574	52.28%	501	49.07%	403	43.66%	321	38.40%	250	32.59%	222	29.21%	170	24.25%	151	21.88%
NBTIs	4	0.35%	4	0.36%	4	0.39%	4	0.43%	4	0.48%	4	0.52%	4	0.53%	4	0.57%	4	0.58%
Region 5	236	100.00%	234	100.00%	218	100.00%	200	100.00%	190	100.00%	179	100.00%	190	100.00%	186	100.00%	205	100.00%
KBs	49	20.76%	48	20.51%	48	22.02%	48	24.00%	49	25.79%	48	26.82%	56	29.47%	56	30.11%	57	27.80%
TBs	14	5.93%	16	6.84%	16	7.34%	16	8.00%	17	8.95%	17	9.50%	17	8.95%	17	9.14%	17	8.29%
RBs	64	27.12%	70	29.91%	69	31.65%	69	34.50%	72	37.89%	74	41.34%	76	40.00%	74	39.78%	90	43.90%
SGBs	9	3.81%	8	3.42%	8	3.67%	8	4.00%	8	4.21%	8	4.47%	8	4.21%	8	4.30%	9	4.39%
NBFIs	99	41.95%	91	38.89%	76	34.86%	58	29.00%	43	22.63%	31	17.32%	32	16.84%	30	16.13%	31	15.12%
NBTIs	1	0.42%	1	0.43%	1	0.46%	1	0.50%	1	0.53%	1	0.56%	1	0.53%	1	0.54%	1	0.49%
Region 6	411	100.00%	406	100.00%	398	100.00%	393	100.00%	380	100.00%	376	100.00%	408	100.00%	401	100.00%	403	100.00%
KBs	110	26.76%	108	26.60%	108	27.14%	108	27.48%	108	28.42%	109	28.99%	118	28.92%	119	29.68%	117	29.03%
TBs	24	5.84%	23	5.67%	23	5.78%	23	5.85%	23	6.05%	23	6.12%	22	5.39%	23	5.74%	20	4.96%
RBs	116	28.22%	114	28.08%	114	28.64%	115	29.26%	116	30.53%	119	31.65%	130	31.86%	130	32.42%	141	34.99%
SGBs	8	1.95%	8	1.97%	8	2.01%	8	2.04%	8	2.11%	8	2.13%	8	1.96%	8	2.00%	9	2.23%
NBFIs	151	36.74%	151	37.19%	143	35.93%	137	34.86%	123	32.37%	115	30.59%	128	31.37%	119	29.68%	113	28.04%
NBTIs	2	0.49%	2	0.49%	2	0.50%	2	0.51%	2	0.53%	2	0.53%	2	0.49%	2	0.50%	3	0.74%
Region 7	418	100.00%	402	100.00%	380	100.00%	355	100.00%	332	100.00%	326	100.00%	335	100.00%	329	100.00%	327	100.00%
KBs	113	27.03%	109	27.11%	109	28.68%	108	30.42%	111	33.43%	112	34.36%	119	35.52%	120	36.47%	117	35.78%
TBs	24	5.74%	24	5.97%	24	6.32%	24	6.76%	21	6.33%	21	6.44%	20	5.97%	22	6.69%	22	6.73%
RBs	77	18.42%	74	18.41%	74	19.47%	75	21.13%	78	23.49%	84	25.77%	85	25.37%	83	25.23%	88	26.91%
SGBs	7	1.67%	6	1.49%	6	1.58%	6	1.69%	6	1.81%	6	1.84%	6	1.79%	6	1.82%	8	2.45%
NBFIs	194	46.41%	186	46.27%	164	43.16%	139	39.15%	113	34.04%	100	30.67%	102	30.45%	95	28.88%	89	27.22%
NBTIs	3	0.72%	3	0.75%	3	0.79%	3	0.85%	3	0.90%	3	0.92%	3	0.90%	3	0.91%	3	0.92%
Region 8	134	100.00%	130	100.00%	128	100.00%	120	100.00%	117	100.00%	110	100.00%	114	100.00%	110	100.00%	107	100.00%
KBs	32	23.88%	32	24.62%	33	25.78%	32	26.67%	33	28.21%	33	30.00%	37	32.46%	37	33.64%	37	34.58%
TBs	4	2.99%	4	3.08%	4	3.13%	4	3.33%	4	3.42%	4	3.64%	2	1.75%	2	1.82%	2	1.87%
RBs	39	29.10%	40	30.77%	41	32.03%	41	34.17%	46	39.32%	49	44.55%	54	47.37%	54	49.09%	55	51.40%
SGBs	7	5.22%	7	5.38%	7	5.47%	7	5.83%	7	5.98%	7	6.36%	7	6.14%	7	6.36%	7	6.54%
NBFIs	52	38.81%	47	36.15%	43	33.59%	36	30.00%	27	23.08%	17	15.45%	14	12.28%	10	9.09%	6	5.61%
NBTIs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Region 9	144	100.00%	140	100.00%	138	100.00%	123	100.00%	109	100.00%	105	100.00%	111	100.00%	107	100.00%	109	100.00%
KBs	38	26.39%	36	25.71%	36	26.09%	36	29.27%	36	33.03%	36	34.29%	40	36.04%	40	37.38%	42	38.53%
TBs	4	2.78%	6	4.29%	6	4.35%	6	4.88%	6	5.50%	6	5.71%	4	3.60%	4	3.74%	4	3.67%
RBs	20	13.89%	20	14.29%	22	15.94%	22	17.89%	21	19.27%	22	20.95%	22	19.82%	22	20.56%	27	24.77%
SGBs	12	8.33%	10	7.14%	10	7.25%	10	8.13%	10	9.17%	10	9.52%	10	9.01%	10	9.35%	9	8.26%
NBFIs	70	48.61%	68	48.57%	63	45.65%	48	39.02%	35	32.11%	30	28.57%	34	30.63%	30	28.04%	26	23.85%
NBTIs	-	-	-	-	1	0.72%	1	0.81%	1	0.92%	1	0.95%	1	0.90%	1	0.93%	1	0.92%
Region 10	259	100.00%	246	100.00%	230	100.00%	213	100.00%	210	100.00%	197	100.00%	205	100.00%	197	100.00%	201	100.00%
KBs	70	27.03%	66	26.83%	64	27.83%	63	29.58%	64	30.48%	63	31.98%	69	33.66%	69	35.03%	70	34.83%
TBs	15	5.79%	19	7.72%	20	8.70%	20	9.39%	20	9.52%	20	10.15%	18	8.78%	17	8.63%	16	7.96%
RBs	59	22.78%	61	24.80%	61	26.52%	62	29.11%	69	32.86%	69	35.03%	71	34.63%	70	35.53%	72	35.82%
SGBs	15	5.79%	10	4.07%	10	4.35%	10	4.69%	10	4.76%	10	5.08%	10	4.88%	9	4.57%	11	5.47%
NBFIs	99	38.22%	89	36.18%	74	32.17%	57	26.76%	46	21.90%	34	17.26%	36	17.56%	31	15.74%	31	15.42%
NBTIs	1	0.39%	1	0.41%	1	0.43%	1	0.47%	1	0.48%	1	0.51%	1	0.49%	1	0.51%	1	0.50%
Region 11	332	100.00%	323	100.00%	309	100.00%	282	100.00%	261	100.00%	250	100.00%	260	100.00%	253	100.00%	257	100.00%
KBs	89	26.81%	88	27.24%	88	28.48%	87	30.85%	86	32.95%	88	35.20%	102	39.23%	102	40.32%	100	38.91%
TBs	16	4.82%	25	7.74%	26	8.41%	26	9.22%	26	9.96%	26	10.40%	19	7.31%	19	7.51%	19	7.39%
RBs	60	18.07%	60	18.58%	59	19.09%	59	20.92%	59	22.61%	61	24.40%	61	23.46%	61	24.11%	68	26.46%
SGBs	20	6.02%	11	3.41%	11	3.56%	11	3.90%	11	4.21%	11	4.40%	11	4.23%	11	4.35%	12	4.67%

TABLE 3 (cont'd)

NBFIs	146	43.98%	138	42.72%	124	40.13%	98	34.75%	78	29.89%	63	25.20%	66	25.38%	59	23.32%	57	22.18%
NBTIs	1	0.30%	1	0.31%	1	0.32%	1	0.35%	1	0.38%	1	0.40%	1	0.38%	1	0.40%	1	0.39%
Region 12	137	100.00%	135	100.00%	128	100.00%	122	100.00%	112	100.00%	110	100.00%	105	100.00%	102	100.00%	97	100.00%
KBs	29	21.17%	29	21.48%	29	22.66%	28	22.95%	28	25.00%	28	25.45%	31	29.52%	30	29.41%	30	30.93%
TBs	4	2.92%	6	4.44%	6	4.69%	6	4.92%	6	5.36%	6	5.45%	4	3.81%	4	3.92%	4	4.12%
RBs	44	32.12%	44	32.59%	44	34.38%	44	36.07%	44	39.29%	45	40.91%	45	42.86%	45	44.12%	42	43.30%
SGBs	9	6.57%	7	5.19%	7	5.47%	7	5.74%	7	6.25%	7	6.36%	7	6.67%	7	6.86%	9	9.28%
NBFIs	49	35.77%	47	34.81%	40	31.25%	35	28.69%	25	22.32%	22	20.00%	16	15.24%	14	13.73%	10	10.31%
NBTIs	2	1.46%	2	1.48%	2	1.56%	2	1.64%	2	1.79%	2	1.82%	2	1.90%	2	1.96%	2	2.06%

Table 4

MINIMUM CAPITALIZATION OF PRIVATE DOMESTIC BANKS AND NON-BANKS AUTHORIZED TO PERFORM QUASI BANKING ACTIVITIES (NBQB)

Type of Institution	Minimum Capitalization (In ₱M)
1. Universal Banks	₱1,000
2. Commercial Banks with FCDU License	500
3. Thrift Banks	150
(a) New Thrift Banks	
(i) Metro Manila	20
(ii) Other Places	10
(b) Existing Banks	
(i) Metro Manila	10
(ii) Other Places	5
4. Rural Banks	
(a) New	
(i) Metro Manila	20
(ii) First Class "A" Cities	10
(iii) Other Places	0.5
(b) Existing banks	
Existing rural banks are allowed to increase their capital within a period of time depending upon their number of years of operation.	

Source: Central Bank Circulars No. 739 (1980), No. 879 (1982) and No. 1214 (1989).

Table 5

Legal Reserve Requirement Against Deposits and
Deposit Substitutes of Banks

	KBs/EKBs 1]	TBs	RBs	DBP	NBQBs
Demand	21	21	20	–	–
Savings	21	17	14	14	–
NOW Account	21	21	18	–	–
Time Deposit					
730	21	17	14	14	–
730	21	21	20	21	–
Deposit Substitutes					
730	21	21	–		21
> 730	21	21	–		21

1] Includes two specialized government banks

Abbreviations

KBs – commercial banks
EBKs – expanded commercial banks
TBs – thrift banks
RBs – rural banks
DBP – Development Bank of the Philippines
NBQBs – non-bank quasi-banks

Source: Various CB Circulars

Table 6

Ceilings on Shares of Voting Stock in a Bank

	Commercial & Expanded Commercial Banks	Thrift Banks	Rural Banks
Single corporation	30%	30%	30%
Aggregate corporate holdings	no limit	no limit	no limit
Corp. owned by persons related within the 3rd degree of consanguinity or affinity	20%	20%	20%
Individual person/ family group	20%	20%	20%
Foreign (with the President's approval)	30% (40%)	30% (40%)	

Source: General Banking Act as Amended

Table 7

VOLUME OF MONEY MARKET TRANSACTIONS BY TYPE OF INSTRUMENTS, 1975, 1983 and 1988
(In Million Pesos)

Instrument	1975 a/ Volume	%	1983 Volume	%	1989 Volume	%
A. Interbank Call Loans	10,340.79	7.3	198,100.97	33.0	360.852	39.9
B. Deposit Substitutes	121,486.45	85.4	363,604.20	60.5	83.736	9.3
1. Promissory Notes	80,750.28	56.8	244,043.02	40.6	85.651	8.9
2. Repurchase agreements	39,799.58	28.0	119,291.66	19.9	13.085	0.3
3. Certificates of Assignments	806.58	0.6	258.96	.0	-	-
4. Cert. of Participation	130.02	0.1	10.55	.0	-	-
C. Commercial Papers	8,387.52	5.9	23,997.68	4.0	20.933	2.3
1. Non-financial	7,723.67	5.4	8,948.79	1.5	20.933	2.3
2. Financial	663.85	0.5	15,048.89	2.5	-	-
D. Government Securities	2,049.01	1.4	14,859.02	2.5	439,430	48.6
1. DBP Bonds and Other Securities	182.90	0.1	6,098.61	1.0	78.289	8.6
2. CBCI's	1,729.36	1.2	3,861.27	0.6	-	-
3. Treasury Bills	136.75	0.1	4,899.13	0.8	361.141	39.9
T O T A L	142,263.76	100.0	600,561.87	100.0	904.451	100.0

a/ First quarter data not available

Source of Basic Data: Central Bank of the Philippines

Table 8

VOLUME OF INTERBANK CALL LOAN TRANSACTIONS
BY TYPE OF BORROWER, 1983 and 1988
(In Million Pesos)

Borrower	1983 Volume	%	1988 Volume	%
A. Commercial Banks	198,100.97	100.0	282,381.50	93.0
B. Investment Houses			8,392.72	2.8
C. Financing Companies			10,997.57	3.6
D. Savings Banks			1,731.77	0.6
E. Other Banking Inst.				
T O T A L	198,100.97	100.0	303,503.55	100.0

Source of Basic Data: Central Bank of the Philippines

Table 9

VOLUME OF INTERBANK CALL LOAN TRANSACTIONS
BY TYPE OF INVESTOR, 1983 and 1988
(In Million Pesos)

Investor	1983 Volume	1983 %	1988 Volume	1988 %
A. Commercial Banks	172,933.58	87.3	224,829.55	74.1
B. Other Banking Institutions	20,350.64	10.3	34,625.90	11.4
C. Investment Houses	1,348.99	0.7	16,184.50	5.3
D. Rural/Thrift Banks	3,166.36	1.6	27,518.41	9.1
E. Finance Companies	301.40	0.2	345.20	0.1
T O T A L	198,100.97	100.0	303,503.56	100.0

Source of Basic Data: Central Bank of the Philippines

Table 10

VOLUME OF DEPOSIT SUBSTITUTE TRANSACTIONS
BY TYPE OF BORROWER, 1983 and 1988
(In Million Pesos)

Borrower	1983 Volume	1983 %	1988 Volume	1988 %
A. Commercial Banks	265,251.79	73.0	42,822.98	39.5
B. Investment Houses	49,382.15	13.6	42,268.47	39.0
C. Financing Companies	36,174.46	9.9	22,884.18	21.1
D. Savings Banks	7,456.41	2.1	444.72	0.4
E. Other Banking Inst.	5,339.39	1.5	0.00	C.0
TOTAL	363,604.20	100.0	108,420.34	100.0

Source of Basic Data: Central Bank of the Philippines

Table 11

VOLUME OF DEPOSIT SUBSTITUTE TRANSACTIONS
BY TYPE OF INVESTOR, 1983 and 1988
(In Million Pesos)

Investor	1983 Volume	1983 %	1988 Volume	1988 %
A. Commercial Banks	134,473.01	37.0	36,483.82	33.7
B. Individuals	23,217.91	6.4	31,851.53	29.4
C. Other Private Corporations	52,100.78	14.3	13,222.88	12.2
D. Other Banking Institutions	52,305.52	14.4	3,433.59	3.2
E. Investment Houses	35,309.46	9.7	15,984.72	14.7
F. Trust/Pension Fund	12,764.77	3.5	3,995.31	3.7
G. Rural/Thrift Banks	14,608.72	4.0	2,023.80	1.9
H. Other Government Corp.	12,591.40	3.5	1,221.44	1.1
I. Finance Companies	20,093.06	5.5	42.77	.0
J. Investment Companies	1,150.97	0.3	31.73	.0
K. Private Insurance Comp.	2,712.03	0.7	77.47	0.1
L. Government Insurance Comp.	35.31	.0	-	-
M. Lending Investors	751.56	0.2	51.00	.0
N. Security Dealers	1,459.21	0.4	0.30	.0
O. National Government	30.49	.0	-	-
P. Local Government	-	-	0.05	.0
T O T A L	363,604.20	100.0	108,420.41	100.0

Source of Basic Data: Central Bank of the Philippines

Table 12

VOLUME OF COMMERCIAL PAPER TRANSACTIONS
BY TYPE OF ISSUER, 1983 and 1988
(In Million Pesos)

Borrower	1983 Volume	1983 %	1988 Volume	1988 %
A. Non-Financial	9,049.12	37.7	16,833.28	99.3
B. Financial	14,948.56	62.3	116.98	0.7
TOTAL	23,997.68	100.0	16,950.25	100.0

Source of Basic Data: Central Bank of the Philippines

Table 13

VOLUME OF COMMERCIAL PAPER TRANSACTIONS
BY TYPE OF INVESTOR, 1983 and 1988
(In Million Pesos)

Investor	1983 Volume	1983 %	1988 Volume	1988 %
A. Commercial Banks	150.45	0.6	801.23	4.7
B. Individuals	14,689.38	61.2	8,140.91	48.0
C. Other Private Corporations	6,305.42	26.3	6,301.11	37.2
D. Other Banking Institutions	0.51	.0	2.50	.0
E. Investment Houses	5.01	.0	129.28	0.8
F. Trust/Pension Fund	1,187.03	4.9	964.70	5.7
G. Rural/Thrift Banks	55.73	0.2	87.94	0.5
H. Other Government Corp.	13.03	0.1	31.18	0.2
I. Finance Companies	1,130.26	4.7	87.61	0.5
J. Investment Companies	1.10	.0	165.07	1.0
K. Private Insurance Comp.	277.38	1.2	238.62	1.4
L. Government Insurance Comp.	-	-	-	-
M. Lending Investors	178.87	0.7	0.20	.0
N. Security Dealers	0.50	.0	-	ERR
O. National Government	3.03	.0	-	-
P. Local Government	-	-	-	-
T O T A L	23,997.70	100.0	16,950.35	100.0

Source of Basic Data: Central Bank of the Philippines

Table 14

VOLUME OF GOVERNMENT SECURITY TRANSACTIONS
BY TYPE OF ISSUER, 1983 and 1988
(In Million Pesos)

Instrument/Issuer	1983 Volume	1983 %	1988 Volume	1988 %
A. Treasury Bills (National Gov't.)	4899.13	33.0	295266.64	84.1
B. CBCI's/CB Bills (Central Bank)	3861.27	26.0		
C. DBP Bonds	111.71	0.8	136.8	.0
D. Other Government Inst.	5986.9	40.3	55774.38	15.9
T O T A L	14859.02	100.0	351177.82	100.0

Source of Basic Data: Central Bank of the Philippines

Table 15

VOLUME OF GOVERNMENT SECURITY TRANSACTIONS
BY TYPE OF INVESTOR, 1983 and 1988
(In Million Pesos)

Investor	1983 Volume	1983 %	1988 Volume	1988 %
A. Commercial Banks	2,751.68	18.5	87,049.80	24.8
B. Individuals	1,242.64	8.4	38,376.70	10.9
C. Other Private Corporations	1,311.94	8.8	119,024.21	33.9
D. Other Banking Institutions	3,826.30	25.8	7,842.85	2.2
E. Investment Houses	192.80	1.3	22,009.67	6.3
F. Trust/Pension Fund	1,499.17	10.1	27,696.57	7.9
G. Rural/Thrift Banks	168.92	1.1	12,888.07	3.7
H. Other Government Corp.	1,672.45	11.3	12,475.34	3.6
I. Finance Companies	36.47	0.2	4,595.82	1.3
J. Investment Companies	77.98	0.5	3,705.39	1.1
K. Private Insurance Comp.	2,050.87	13.8	4,464.64	1.3
L. Government Insurance Comp.	0.00	-	9,676.65	-
M. Lending Investors	0.00	0.0	606.71	0.2
N. Security Dealers	27.79	0.2	473.03	0.1
O. National Government	0.00	0.0	287.24	0.1
P. Local Government	0.00	-	5.00	.0
T O T A L	14,859.01	100.0	351,177.69	100.0

Source of Basic Data: Central Bank of the Philippines

Table 16

VOLUME AND WEIGHTED INTEREST RATES (WAIR)
ON MONEY MARKET TRANSACTIONS
BY MATURITY OF PAPER
(As of December 1988)

Maturity (Days)	Volume (Million P) As of June 1989	WAIR %
Demand (IBCC)	32.354 (84.6)	14.2
Demand	302 (0.8)	11.9
1-7	2103 (5.5)	13.5
8-15	358 (0.9)	13.6
16-30	414 (1.1)	15.1
31-45	1106 (2.9)	14.6
46-60	804 (2.1)	14.3
61-90	629 (1.6)	14.2
91-120	103 (0.3)	16.1
121-180	10 (0.02)	15.7
181-730	26 (0.1)	17.3
Over 730 days	47 (0.1)	17.0
T O T A L	37,256 (100.0)	14.2

Note: Figures in parenthesis are percent to total.

Source: Central Bank Philippine Financial Statistics (Jan.-June, 1989).

Table 17

Number of Listed Companies, Listed Shares, Market Capitalization & Trading Value

	No. of Listed Companies	No. of Listed Shares	Market Capitalization (P'm)	Trading Value (P'm)
1980	195	273	26432	4651
1981	190	277	14255	1291
1982	200	287	18172	1215
1983	208	300	19445	5365
1984	149	237	16486	2082
1985	138	207	12741	2067
1986	130	195	41214	11471
1987	138	219	61108	31352
1988	141	229	88592	18251
1989	144	236	260470	50730

Sources:

International Financial Corporation, Emerging Stock Markets Factbook 1990

Foundation for Advanced Information and Research, _Financial and Capital Markets in Asia_

Table 18

Amount of Funds Raised in the Stock Market
(Manila Stock Exchange)

	New Listings		Additional Listings		Total Amount
	No.	Amt. (Pm)	No.	Amt. (Pm)	(Pm)
1980	5	220.0	16	588.1	1808.1
1981	5	690.9	14	791.2	1482.1
1982	12	1281.7	5	275.0	1556.7
1983	12	943.1	10	2623.4	3566.5
1984	4	315.0	3	35.0	350.0
1985	4	494.0	7	270.8	764.8
1986	11	558.5	7	248.3	806.8
1987	14	1167.5	17	956.6	2124.1
1988	9	2186.7	26	2932.7	5119.4
1989	13	2306.8	26	4109.5	6416.3

Source: Foundation for Advanced Information and Research, Financial and Capital Markets in Asia

Table 19

AUTHORIZED ACTIVITIES OF VARIOUS BANK CATEGORIES
BASED ON THE AMENDED BANKING LAWS

Authorized Activities	(1) Expanded Commercial Banks (Unibank)	(2) Commercial Banks (KBs) Domestic	Foreign	(3) Thrift Banks Savings & Mortgage Banks	Private Dev. Banks	Savings and Loan Association	Rural Banks
A. Commercial Banking Services							
1. Accept deposits	1	1	1	1	1	1.	1
2. Issue LC's and accept drafts	1	1	1	1 a/	1 a/	1 a/	1
3. Discounting of promissory notes and commercial papers	1	1	1	1	1	1	1
4. Foreign exchange transactions	1	1	1	11	11	11	1
5. Lend money against security	1	1	1	1	1	1	1
B. Nationwide Branching Operations	1	1	1	1	1	1	1
C. Equity Investments in Allied Undertakings	11	11	11	11	11	11	11
D. Equity Investments in Non-Allied Undertakings	1	1	1	1	1	1	1
E. Trust Operation	11	11	11	11	11	11	11
F. Issue Real Estate and Chattel Mortgage, bonds Buy and Sell These for Its Own Account, Accept/ Receive in Payment or as Amortization of Loan	1	1	1	1	1	1	1

TABLE 19 (cont'd)

Authorized Activities	(1) Expanded Commercial Banks (Unibank)	(2) Commercial Banks (KBs) Domestic	Foreign	(3) Thrift Banks Savings & Mortgage Banks	Private Dev. Banks	Savings and Loan Association	Rural Banks
6. Direct Borrowing with Central Bank	I	I	I	I	I	I	I
H. Activities of an Investment Houses							
1. Securities underwriting	I	‡	‡	‡	‡	‡	‡
2. Syndication activities	I	I	I	I	I	I	I
3. Business development and project implementation	I	I	I	I	I	I	I
4. Financial Consultancy and Investment	I	I	I	I	I	I	I
5. Mergers and consolidation	I	I	I	I	I	I	I
6. Research and studies	I	I	I	I	I	I	I
7. Lease real and/or personal properties	‡	‡	‡	‡	‡	‡	‡
III. Money Market Operation	b/ I	b/ I	b/ I	1/ ‡	b/ ‡	b/ ‡	b/ ‡

I - Authorized Activities II - Authorized but subjected to Monetary Board Approval

‡ - Not authorized/prohibited

a/
Limited only to domestic LCs and drafts.

b/
The lending side may be done by all banks without prior CB approval. The borrowing side (quasi-banking) may be exercised only with prior CB approval for all bank.

Source: PDCP, "Universal Banking in the Philippines" Philippine Business Review, Vol. 13 (Fourth Quarter, 1980 , Table 1.

Table 20
Sources of Funds, 1990
(In million pesos)

	Commercial Banks	Thrift Banks	Rural Banks	SGBs	Non-banks [1
Liabilities					
Deposits	312979 (62.5)	26839 (72.0)	7010 (52.1)	12189 (30.4)	131 [2 (0.2)
Borrowings	51678 (10.3)	3120 (8.4)	2525 (18.8)	3817 (9.5)	16924 (25.6)
Others	82196 (16.4)	2889 (7.7)	1644 (12.2)	10909 (27.2)	20286 (30.7)
Capital Accounts	54290 (10.8)	4446 (11.9)	2280 (16.9)	13215 (32.9)	28686 (43.4)
Total	501140 (100.0)	37294 (100.0)	13459 (100.0)	40130 (100.0)	66027 (100.0)

Source: Fact Book, Philippine Financial System 1990

1] For Non-bank financial intermediaries & Non-bank thrift institutions

2] For non-stock savings & loan associacions onl

Figures in parenthesis are percent to total.

TABLE 21

TOTAL DEPOSIT LIABILITIES OF BANKS
1979 - 1989 (IN MILLION PESOS)

	Grand	Commercial Banks				Savings Bank				Private Development Bank			
	Total	Total	Demand	Savings	Time	Total	Demand	Savings	Time	Total	Demand	Savings	Time
1979	70180.4	57437.3	11472.7	21778.9	24185.7	4830.6	32.4	3131.7	1666.5	576.5	.7	344	231.8
1980	90364.4	74770.5	12894.9	24248.7	37626.9	5985.5	162.3	3738.3	2084.9	779.4	1.9	429.9	347.6
1981	99053.2	81654	14431.6	28390.1	38832.3	4565.2	112.8	2577.8	1874.6	1191.5	11.2	660.2	520.1
1982	116661.5	95284.7	12081.2	34501.2	48702.3	5101	89.3	2791.6	2220.1	2025.5	105.4	922.8	997.3
1983	140048.2	119033	19597	42268	57168	5957.8	124.3	3168.6	2664.9	2424.7	85.6	1059.6	1319.5
1984	152236.6	137216	15747	48452	73017	3138.9	67.2	1771.2	1300.5	2185.3	134	939.5	1111.8
1985	167372.3	148673	14935	58437	75301	5734.8	98.3	3137.3	2756.4	2765.4	130.1	1249.8	1385.5
1986	165927.2	146027	23217	74204	48606	7021.9	166.8	4538.4	2316.7	3315.5	213.2	1583.4	1518.9
1987	179386.4	156908	23013	84439	49456	9170.7	218.2	6617.6	2334.9	3596.8	177.7	1918.6	1500.5
1988	226808.1	198748	23555	110039	65154	12196.1	266.4	8898.8	3030.9	4469.9	221.4	2331.2	1917.3
1989	286652.2	252391	29525	136714	86152	16542.7	397.5	11933.7	4211.5	5738.9	260.5	2994.8	2483.6

Source: CB Statistical Bulletin 1989

Table 21 (Cont'd)

Year	Stocks Savings and Loan Associations				Specialized Government Banks				Rural Banks			
	Total	Demand	Savings	Time	Total	Demand	Savings	Time	Total	Demand	Savings	Time
1979	874.1	-	567.2	306.9	4550.8	17.1	2947.7	1586.0	1911.1	26.5	1182.2	702.4
1980	1097.4	-	698.0	399.4	5681.1	26.2	4085.7	1569.2	2050.5	13.9	1265.6	771.0
1981	1466.3	-	875.0	591.2	7748.9	21.9	6124.2	1602.8	2427.3	35.0	1471.3	931.0
1982	2187.2	5.6	1112.6	1069.0	8462.0	16.3	6504.6	1941.1	2995.8	21.4	1776.7	1197.7
1983	2760.7	20.5	1228.9	1511.3	6240.6	21.8	4307.9	1910.9	3591.4	23.5	2063.1	1504.8
1984	1734.9	13.0	994.8	727.1	4645.3	22.9	658.1	3964.3	3316.2	17.6	1939.2	1359.4
1985	1978.5	9.9	1085.4	883.2	5201.9	17.7	716.9	4462.3	3018.7	17.1	1966.9	1034.7
1986	2627.3	31.0	1517.2	1079.1	3168.4	26.8	314.4	2827.2	3767.1	20.5	2407.2	1339.4
1987	2279.6	-	1290.8	988.8	2915.0	29.7	251.3	2634.0	4516.3	22.7	3011.4	1482.2
1988	2440.8	-	1390.0	1050.8	3684.3	41.4	1486.3	2156.6	5269.0	31.3	3519.1	1718.6
1989	2992.2	-	1672.3	1319.9	1672.4							

TABLE 21.A

SHARE OF DEPOSIT TYPES IN TOTAL LIABILITIES

BY TYPE OF BANK 1979 - 1989

Year	Commercial Banks			Savings Banks			Private Development Bank		
	Demand	Savings	Time	Demand	Savings	Time	Demand	Savings	Time
1979	20.0	37.9	42.1	.7	64.8	34.5	.1	59.7	40.2
1980	17.2	32.4	50.3	2.7	62.5	34.8	.2	55.2	44.6
1981	17.7	34.8	47.6	2.5	56.5	41.1	.9	55.4	43.7
1982	12.7	36.2	51.1	1.8	54.7	43.5	5.2	45.6	49.2
1983	16.5	35.5	48.0	2.1	53.2	44.7	3.5	43.7	54.4
1984	11.5	35.3	53.2	2.1	56.4	41.4	6.1	43.0	50.9
1985	10.0	39.3	50.6	1.7	54.7	48.1	4.7	45.2	50.1
1986	15.9	50.8	33.3	2.4	64.6	33.0	6.4	47.8	45.8
1987	14.7	53.8	31.5	2.4	72.2	25.5	4.9	53.3	41.7
1988	11.9	55.4	32.8	2.2	73 0	24.9	5.0	52.2	42.9
1989	11.7	54.2	34.1	2.4	77.1	25.5	4.5	52.2	43.3

Source of Basic Data: Table 21

Year	Stocks Savings and Loan Asso.			Specialized Government Banks			Rural Banks		
	Demand	Savings	Time	Demand	Savings	Time	Demand	Savings	Time
1979	0	64.9	35.1	.4	64.8	34.9	1.4	61.9	36.8
1980	0	63.6	36.4	.5	71.9	27.6	.7	61.7	37.6
1981	0	59.7	40.3	.3	79.0	20.7	1.4	60.6	38.4
1982	.3	50.9	48.9	.2	76.9	22.9	.7	59.3	40.0
1983	.7	44.5	54.7	.3	69.0	30.6	.7	57.4	41.9
1984	.7	57.3	41.9	.5	14.2	85.3	.5	58.5	41.0
1985	.5	54.[illegible]	44.6	.3	13.8	85.8	.6	65.2	34.3
1986	1.2	57.7	41.1	.8	9.9	89.2	.5	63.9	35.6
1987	0	56.6	43.4	1.0	8.6	90.4	.5	66.7	32.8
1988	0	56.9	43.1	1.1	40.3	58.5	.6	66.8	32.6
1989	0	55.9	44.1	0	0	0			

Source of Basic Data: Table 21

TABLE 22

Uses of Funds, 1990
(In million pesos)

	Commercial Banks	Thrift Banks	Rural Banks	SGBs	Non-banks
Loans (net)	239124 (47.7)	23051 (61.8)	9325 (69.3)	19063 (47.5)	35766 (54.2)
Investments	63137 (12.6)	3144 (8.4)	573 (4.3)	10987 (27.4)	18774 (28.4)
Cash	142159 (28.4)	7408 (19.9)	2473 (18.4)	5661 (14.1)	3235 (4.9)
Others	56720 (11.3)	3691 (9.9)	1088 (8.1)	4419 (11.0)	8252 (12.5)
Total	501140 (100.0)	37294 (100.0)	13459 (100.0)	40130 (100.0)	66027 (100.0)

Source: Fact Book, Philippine Financial System 1990

1] For Non-bank financial intermediaries & Non-bank thrift institutions

Figures in parenthesis are percent to total.

TABLE 23

LOANS OUTSTANDING OF COMMERCIAL BANKS BY MATURITY
1978 - 1989 (IN MILLION PESOS)

Year	Demand		Short-term		Intermediate-term		Long-term		Total	
1978	9163.50	(16.94)	35226.90	(65.14)	5548.70	(10.26)	4138.80	(7.65	54077.90	(100)
1979	10636.80	(15.58)	37601.30	(55.08)	9388.80	(13.75)	10637.30	(15.58	68264.20	(100)
1980	10458.20	(13.55)	49843.80	(64.57)	7746.80	(10.03)	9149.30	(11.85	77198.10	(100)
1981	10667.30	(12.33)	52823.40	(61.06)	14976.20	(17.31)	8038.30	(9.29	86505.20	(100)
1982	9307.80	(9.47)	58478.00	(59.53)	17778.30	(18.10)	12675.50	(12.90	98239.60	(100)
1983	10433.80	(9.37)	66792.10	(59.96)	16858.20	(15.13)	17303.60	(15.53	111387.70	(100)
1984	8322.10	(7.15)	62651.70	(53.83)	28226.50	(24.25)	17181.90	(14.76	116382.20	(100)
1985	8060.50	(9.20)	50038.40	(57.14)	14667.90	(16.75)	14806.50	(16.91	87573.30	(100)
1986	10529.10	(12.67)	46869.50	(56.40)	15042.10	(18.10)	10656.70	(12.82	83097.40	(100)
1987	17999.10	(18.57)	52141.10	(53.79)	21601.40	(22.28)	5194.30	(5.36	96935.90	(100)
1988	19262.30	(15.79)	67843.60	(55.62)	25357.20	(20.79)	9510.40	(7.80	121973.50	(100)
1989	28616.10	(17.91)	91477.40	(57.25)	30051.00	(18.81)	9652.50	(6.04	159797	(100)

Figures in parenthesis are percent to total

Source: CB Statistical Bulletin 1989

TABLE 24

LOANS OUTSTANDING OF COMMERCIAL BANKS CLASSIFIED BY INTEREST RATE (in million pesos)

Year	0	1-4	5-7	8-10	11-12	13-14	15-16	17-18	19 & above	Total
1978	2111.70 (3.90)	190.10 (.35)	404.00 (.75)	4237.70 (7.84)	22367.40 (41.36)	21551.70 (39.85)	1108.10 (2.05)	781.10 (1.44)	1326.10 (2.45)	54077.90 (100)
1979	1811.60 (2.65)	1271.60 (1.86)	1713.60 (2.51)	7947.20 (11.64)	23879.[illegible] (34.98)	18349.50 (26.89)	9111.90 (13.35)	2119.40 (3.10)	2060.10 (3.02)	68264.10 (100)
1980	2595.30 (3.35)	1197.60 (1.55)	3933.30 (5.10)	9845.90 (12.76)	13738.[illegible] (17.80)	15055.40 (19.50)	21765.00 (28.20)	3973.90 (5.15)	5064.80 (6.56)	77195.10 (100)
1982	2350.60 (2.43)	917.70 (.93)	5088.40 (5.15)	8152.00 (8.26)	10334.[illegible] (10.64)	20102.40 (20.46)	16346.00 (16.64)	19033.70 (19.33)	17655.90 (18.18)	98225.80 (100)
1983	2555.40 (2.66)	356.40 (.32)	4753.30 (4.22)	4509.00 (4.07)	11834.[illegible] (10.62)	19161.40 (17.[illegible])	12669.10 (11.37)	14343.00 (12.88)	40735.60 (36.57)	111357.[illegible] (100)
1984	4061.70 (3.61)	271.50 (.23)	2519.30 (2.16)	3303.70 (2.84)	[illegible] (5.89)	21716.30 (18.66)	11391.40 (9.79)	13451.50 (11.58)	49534.70 (42.56)	115552.[illegible] (100)
1985	1649.90 (1.66)	67.00 (.08)	2893.40 (3.30)	6246.50 (7.13)	6552.[illegible] (7.52)	11753.60 (13.47)	13560.50 (15.46)	11135.60 (12.71)	33364.50 (38.[illegible])	87555.30 (100)
1986	4429.70 (5.31)	163.50 (.20)	6737.70 (8.07)	6397.60 (7.67)	13922.[illegible] (16.69)	14663.90 (17.51)	17563.90 (21.41)	6944.70 (8.32)	12119.60 (14.52)	83439.30 (100)
1987	13508.20 (13.94)	69.10 (.07)	1362.70 (1.41)	7915.60 (8.17)	11676.[illegible] (12.05)	17505 (15.47)	19502.40 (20.43)	11835.60 (12.21)	12857.80 (13.26)	96935.[illegible] (100)
1988	13939.10 (11.43)	135.60 (.11)	1023.60 (.84)	9605.60 (7.86)	8300.[illegible] (6.81)	14655.40 (12.04)	32507.70 (26.65)	24513.60 (20.10)	17253.90 (14.15)	121973.50 (100)
1989	17835.60 (11.14)	165.70 (.10)	1159.60 (.72)	14579.60 (9.11)	5064.4[illegible] (3.15)	12454.60 (7.80)	30593.00 (15.86)	15515.70 (9.65)	72360.30 (45.20)	160073 (100)

Source: CB Statistical Bulletin

Table 25

Loans of Rural Banks, 1979-1989
(In million pesos)

	Agri		Comm'l		Ind'l		Other Loans & Adv.		Total	
1979	3773.8	(90)	209.0	(5)	112.9	(3)	76.4	(2)	4172.1	(100)
1980	4241.2	(90)	219.2	(5)	120.5	(3)	109.8	(2)	4690.7	(100)
1981	4876.6	(89)	269.8	(5)	147.6	(3)	194.1	(4)	5488.1	(100)
1982	5770.7	(87)	383.8	(6)	208.9	(3)	306.6	(5)	6670.0	(100)
1983	6514.9	(85)	484.6	(6)	226.8	(3)	412.7	(6)	7648.0	(100)
1984	6039.7	(86)	444.0	(6)	197.1	(3)	341.7	(5)	7022.5	(100)
1985	5555.7	(84)	449.0	(7)	160.5	(2)	471.1	(7)	6636.3	(100)
1986	5471.7	(81)	566.6	(8)	187.7	(3)	564.5	(8)	6790.5	(100)
1987	5504.0	(76)	712.8	(10)	219.3	(3)	790.9	(11)	7227.0	(100)
1988	5769.6	(72)	864.0	(11)	253.4	(3)	1083.2	(14)	7970.2	(100)
1989	6086.6	(69)	1106.8	(12)	323.5	(4)	1342.1	(15)	8859.0	(100)

Figures in parenthesis are percent to total.

Source: CB Statistical Bulletin, 1989

TABLE 26

LOANS OF SPECIALIZED GOVERNMENT BANKS
AND THRIFT BANKS 1979 - 1989
(IN MILLION PESOS)

	SGBs				Thrift Banks			
year	Nat'l Gov't	Local & Semi Gov't	Private		N			
1979	0 (0)	460.00 (5.14)	8495.50 (94.86)	8955.50 (100)	0 (0)	0 (0)	5151.90 (100)	5151.90 (100)
1980	0 (0)	417.70 (4.07)	9842.90 (95.93)	10260.60 (100)	0 (0)	0 (0)	6633.80 (100)	6633.80 (100)
1981	0 (0)	290.10 (1.83)	15548.20 (98.17)	15838.30 (100)	0 (0)	0 (0)	7561.70 (100)	7561.70 (100)
1982	0 (0)	429.00 (2.54)	16462.70 (97.46)	16891.70 (100)	0 (0)	0 (0)	8007.40 (100)	8007.40 (100)
1983	0 (0)	296.30 (1.84)	15780.80 (98.16)	16077.10 (100)	0 (0)	0 (0)	10797.90 (100)	10797.90 (100)
1984	0 (0)	347.80 (2.50)	13552.70 (97.50)	13900.50 (100)	0 (0)	0 (0)	9670.60 (100)	9670.60 (100)
1985	53.10 (.41)	3128.20 (24.14)	9779.80 (75.46)	12961.10 (100)	0 (0)	0 (0)	8004.50 (100)	8004.50 (100)
1986	.90 (.01)	981.40 (14.74)	5677.60 (85.25)	6659.90 (100)	0 (0)	0 (0)	9526.60 (100)	9526.60 (100)
1987	.10 (0)	136.30 (2.28)	5841.50 (97.72)	5977.90 (100)	0 (0)	0 (0)	11946.70 (100)	11946.70 (100)
1988	0 (0)	112.50 (1.80)	6129.50 (98.20)	6242 (100)	0 (0)	0 (0)	14416.90 (100)	14416.90 (100)
1989	0 (0)	109.50 (1.41)	7634.90 (98.59)	7744.40 (100)	0 (0)	0 (0)	20562 (100)	20562 (100)

1] Consisting of DBP and PAB. Starting 1986 and thereafter, data reflects after transfer of selected accounts to NY of one specialized government bank.

Figures in Percentages are percent to total.

Source: CB Statistical Bulletin

TABLE 27

INVESTMENT BY SECURITIES; BY BANK TYPE
1979 - 1989 (IN MILLION PESOS)

Bank Type	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Commercial Banks											
Nat'l Gov't	3134.0	3994.6	5382.8	8847.9	11121.0	13658.0	11876.0	20049.0	22373.0	34741.0	51039.0
Local & Semi Gov't	923.0	1314.4	1282.0	2013.8	2814.0	2512.0	2353.0	1753.0	936.0	1388.0	1063.0
Private	1326.0	1763.2	2657.3	3311.5	4549.0	8653.0	7553.0	6917.0	7028.0	6401.0	7231.0
Foreign	61.0	45.6	116.3	211.9	614.0	1348.0	1385.0	600.0	1421.0	1463.0	1535.0
CBCIs	7110.0	6169.6	5984.0	4304.0	3466.0	3070.0	1132.0	272.0	282.0	146.5	76.0
CB bills	-	-	-	-	-	2395.0	6465.0	4980.0	101.0	41.0	-
CB Notes	-	-	-	-	-	-	-	-	-	432.0	-
Total	12554.0	13314.4	15422.4	18689.1	22564.0	32278.0	31424.0	34571.0	32141.0	44612.0	61941.0
Thrift Banks											
Nat'l Gov't	207.7	332.0	311.5	731.0	569.0	373.4	1392.0	1771.4	1953.3	3110.3	3212.4
Local & Semi Gov't	548.9	723.6	776.6	616.5	815.3	422.6	836.9	718.1	263.5	310.6	441.4
Private	64.5	251.4	295.4	390.1	270.9	276.0	96.5	103.5	95.4	193.0	311.8
Equity Invest.	.1	59.0	26.0	41.9	57.5	56.7	17.2	18	7.1	23.2	37.1
Total	821.2	1366.0	1409.5	1779.5	1712.7	1128.7	2342.6	2611	2319.3	3643.1	4002.7
SGBs 1]											
Nat'l Gov't	1459.2	1410.1	1613.1	1741.3	1472.8	1820.8	2440.4	861.7	4281.4	4189.0	2695.7
Local & Semi Gov't	379.4	409.2	265.9	460.7	506.5	590.8	646.5	506.8	81.0	109.4	92.7
Private	334.1	652.9	1210.9	202.1	388.4	302.9	317.2	237.9	208.4	358.2	326.3
Equity Invest.	2040.2	3132.7	5428.5	7886.3	9149.5	9128.4	6395.0	769.6	240.3	121.9	123.3
Total	4212.9	5604.9	8518.4	10290.4	11517.2	11842.9	9799.1	2376	4811.1	4778.5	3238.0
Rural Banks	114.8	130.0	170.8	253.1	325.9	361.5	436.2	475.9	466.7	458.2	493.0

1] Consisting of DBP and PAB

Source: CB Statistical Bulletin 1989

TABLE 27 A

SHARE OF INVESTMENT IN SECURITIES; BY TYPE
IN TOTAL BANK INVESTMENT IN SECURITIES; 1979 - 1989

Bank Type	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Commercial Banks											
Nat'l Gov't	25.0	30.1	34.9	47.3	43.3	42.4	37.8	58.0	69.6	77.9	83.7
Local & Semi Gov't	7.4	9.9	8.3	10.8	12.5	7.8	7.5	5.1	2.9	3.1	1.7
Private	10.6	13.3	17.2	17.7	20.2	26.9	24.0	20.0	21.9	14.3	11.9
Foreign	.5	.3	.8	1.1	2.7	6.0	6.3	1.7	4.4	3.3	2.5
CBCIs	56.6	46.4	38.8	23.0	15.4	9.5	3.8	.8	.3	.3	.1
CB bills	0.0	0.0	0.0	0.0	0.0	7.4	20.6	14.4	.3	.1	0.0
CB notes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Thrift Banks											
Nat'l Gov't	25.3	24.3	22.1	41.1	33.2	33.1	59.4	67.8	84.2	85.4	80.3
Local & Semi Gov't	66.8	53.0	55.1	34.6	47.6	37.4	35.7	27.5	11.4	8.5	11.0
Private	7.9	18.4	21.0	21.9	15.8	24.5	4.1	4.0	4.1	5.5	7.8
Equity Invest.	0.0	4.3	1.8	2.4	3.4	5.0	.7	.7	.3	.6	.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SGBs 1]											
Nat'l Gov't	34.6	25.2	18.9	16.9	12.8	15.4	24.9	36.3	89.0	87.7	83.3
Local & Semi Gov't	9.0	7.3	3.1	4.5	4.4	5.0	6.6	21.3	1.7	2.3	2.9
Private	7.9	11.6	14.2	2.0	3.4	2.6	3.2	10.0	4.3	7.5	10.1
Equity Invest.	48.4	55.9	63.7	76.6	79.4	77.1	65.3	32.4	5.0	2.6	3.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Rural Banks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1] Consisting of DBP and PAB

Source of Basic Data: Table 27

Table 28

Ratio of Loans to Loans and Investment
1978-1990

	Banks					NBFIs	NBTIs
	All	KBs	TBs	RBs	SGBs		
1978	.81	.82	.83	.97	.72	.79	.98
1979	.84	.85	.86	.97	.77	.85	.97
1980	.84	.86	.82	.97	.76	.84	.97
1981	.84	.86	.82	.97	.73	.82	.98
1982	.83	.85	.82	.96	.72	.78	.99
1983	.85	.88	.86	.96	.71	.87	.99
1984	.82	.83	.89	.95	.75	.90	.99
1985	.80	.82	.78	.94	.72	.91	.99
1986	.75	.76	.78	.93	.64	.90	.98
1987	.80	.81	.84	.94	.49	.95	.99
1988	.77	.78	.80	.94	.54	.57	.99
1989	.77	.77	.84	.95	.67	.56	.99
1990	.79	.79	.88	.94	.63	.63	.99

Abbreviations

KBs - commercial banks
TBs - thrift banks
RBs - rural banks
SGBs - specialized government banks
NBFIs - non-bank financial intermediaries
NBTIs - non-bank thrift institutions

Source: Philippine Financial System Factbooks, 1987-1990

TABLE 29
DEPOSITS PER BANKING OFFICE - BY REGION
(IN MILLION PESOS)

Region	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Ave.
NCR	52.62	64.32	74.94	74.85	84.65	89.53	98.47	113.38	110.27	118.88	146.12	184.81	220.27	110.24
Region I	6.18	6.70	7.54	9.40	11.82	13.56	15.04	17.39	21.61	22.89	29.36	37.35	46.86	18.90
Region II	3.54	4.18	5.22	5.89	7.66	8.23	9.34	11.26	15.36	16.35	21.30	28.26	30.70	12.87
Region III	6.60	7.04	7.63	10.19	13.38	15.29	15.73	18.70	22.50	24.80	32.44	40.98	49.31	20.35
Region IV	5.26	5.92	6.18	8.22	9.90	11.39	11.25	13.34	17.01	18.18	22.97	30.21	35.90	15.06
Region V	4.79	4.93	5.08	6.19	7.75	8.76	10.02	11.08	15.01	17.82	22.33	26.94	32.88	13.35
Region VI	6.96	7.05	8.04	9.77	12.64	13.97	17.31	19.18	22.86	25.99	34.22	43.86	53.34	21.17
Region VII	11.88	13.13	11.99	14.02	17.14	20.70	23.93	29.31	36.56	42.75	56.02	69.77	87.41	33.43
Region VIII	5.17	5.24	5.37	6.30	8.73	10.27	11.18	12.83	17.50	22.99	28.38	33.29	40.16	15.95
Region IX	8.64	8.70	8.28	10.03	13.12	15.33	19.28	21.57	27.93	30.57	38.58	50.25	54.69	23.61
Region X	6.15	6.93	7.08	7.69	9.59	11.65	13.28	14.29	18.82	22.61	27.28	32.79	38.11	16.65
Region XI	8.05	8.39	8.43	10.58	12.56	14.53	17.92	21.28	26.29	28.32	35.27	44.55	52.69	22.22
Region XII	6.42	6.45	6.87	7.85	9.81	11.09	13.40	15.19	21.75	22.25	27.79	34.12	41.20	17.24
Total	132.24	148.98	162.65	180.98	218.74	244.50	276.15	318.61	373.47	414.38	522.06	657.18	783.51	341.05
1981-85														247.83
1986-90														550.12

Source of Basic Data: Fact Books, Philippine Financial System, 1978-1990.

TABLE 30

LOANS-TO-DEPOSIT RATIO (%) - BY REGION

Region	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Ave.
NCR	1.5	1.5	1.4	1.5	1.4	1.6	1.6	1.2	1.3	0.8	0.8	0.8	0.9	1.3
Region I	0.8	0.8	0.8	0.7	0.7	0.7	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.6
Region II	2.4	2.0	2.0	2.0	1.9	1.9	1.5	1.3	1.0	0.6	0.5	0.6	0.7	1.4
Region III	1.2	1.2	1.2	1.1	1.0	0.9	0.8	0.6	0.6	0.6	0.5	0.5	0.5	0.8
Region IV	0.9	0.9	0.8	0.9	0.8	0.7	0.6	0.5	0.4	0.5	0.4	0.5	0.5	0.6
Region V	1.1	1.2	1.4	1.4	1.4	1.4	1.1	1.0	0.8	0.6	0.5	0.6	0.5	1.0
Region VI	2.0	2.1	2.0	2.3	1.9	1.8	1.5	1.4	1.2	0.9	0.9	0.7	0.6	1.5
Region VII	1.7	1.3	1.4	1.3	1.1	1.0	0.7	0.5	0.5	0.5	0.5	0.6	0.6	0.9
Region VIII	1.1	1.0	1.3	1.2	1.1	1.2	0.9	0.8	0.6	0.5	0.4	0.3	0.3	0.8
Region IX	0.8	0.9	1.0	1.0	0.9	1.0	0.8	0.6	0.5	0.4	0.3	0.2	0.3	0.7
Region X	1.1	1.1	1.3	1.3	1.3	1.2	0.9	0.8	0.8	0.6	0.5	0.6	0.6	0.9
Region XI	1.0	1.1	1.3	1.2	1.2	1.1	0.8	0.7	0.6	0.7	0.6	0.6	0.6	0.9
Region XII	1.3	1.4	1.5	1.5	1.4	1.3	1.0	0.8	0.5	0.4	0.4	0.3	0.3	0.9
Total	16.92	16.63	17.40	17.46	16.01	15.77	12.68	10.81	9.16	7.36	6.71	6.74	6.71	12.3
1981-85														14.5
1986-90														7.3

Source of Basic Data: Fact Books, Philippine Financial System, 1978-1990.

TABLE 31

BANKING OFFICES PER MUNICIPALITY/TOWN, BY REGION

Region	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Ave.
NCR a/	7.64	9.49	9.81	10.40	11.23	11.40	11.13	10.28	10.50	10.20	9.90	10.00	9.80	9.41
Region I	1.39	1.50	1.55	1.60	2.02	1.70	1.65	1.56	1.50	1.50	1.50	1.50	1.60	1.58
Region II	0.85	0.97	0.98	1.10	1.21	1.10	1.03	0.97	0.90	0.90	0.90	0.90	0.90	0.98
Region III	2.92	3.12	3.31	3.50	4.70	3.40	3.31	3.29	3.20	3.10	3.00	2.90	3.10	3.30
Region IV	1.88	2.06	2.18	2.30	3.15	2.40	2.42	2.32	2.30	2.30	2.30	2.30	2.40	2.33
Region V	1.15	1.30	1.36	1.40	1.78	1.30	1.37	1.29	1.30	1.20	1.20	1.20	1.20	1.31
Region VI	1.76	1.97	2.03	2.10	3.10	2.10	2.14	1.97	2.00	1.90	1.90	1.80	2.00	2.06
Region VII	1.36	1.44	1.62	1.70	2.46	1.80	1.74	1.67	1.60	1.60	1.60	1.50	1.70	1.68
Region VIII	0.56	0.62	0.67	0.70	0.75	0.70	0.70	0.65	0.60	0.60	0.60	0.60	0.60	0.64
Region IX	0.60	0.70	0.75	1.00	1.09	0.90	0.74	0.72	0.70	0.70	0.70	0.70	0.70	0.77
Region X	1.11	1.24	1.28	1.40	1.66	1.40	1.38	1.34	1.30	1.30	1.30	1.20	1.30	1.32
Region XI	2.01	2.18	2.29	2.30	3.02	2.40	2.27	2.16	2.10	2.10	2.10	2.00	2.20	2.24
Region XII	0.64	0.70	0.76	0.80	0.93	0.90	0.72	0.71	0.80	0.80	0.80	0.80	0.80	0.78
Total	23.87	17.80	28.59	30.30	37.11	31.50	30.60	28.93	28.80	28.20	27.80	27.40	28.30	28.40
1981-85														31.68
1986-90														28.1

Source of Basic Data: Philippine Financial System Fact Books, 1978-1990.
a/ Sub-divided into number of service areas per city/municipality

TABLE 32

OUTSTANDING PUBLIC DEBT BY LEVEL OF GOVERNMENT 1/
(IN MILLION PESOS)

YEAR	NATIONAL GOVERNMENT				
	Internal	% Share	External	% Share	Sub-Total
1970	4,019.5	100.0	0.0	0.0	4,019.5
1971	4,286.7	100.0	0.0	0.0	4,286.7
1972	5,607.8	100.0	0.0	0.0	5,607.8
1973	7,294.2	100.0	0.0	0.0	7,294.2
1974	9,877.0	100.0	0.0	0.0	9,877.0
1975	11,415.5	100.0	0.0	0.0	11,415.5
1976	13,175.5	100.0	0.0	0.0	13,175.5
1977	15,262.2	100.0	0.0	0.0	15,262.2
1978	17,838.8	91.5	1,657.3	8.5	19,496.1
1979	19,086.6	91.1	1,858.2	8.9	20,944.8
1980	21,875.5	90.5	2,305.4	9.5	24,180.9
1981	28,657.1	89.5	3,370.1	10.5	32,027.2
1982	35,343.8	90.3	3,794.0	9.7	39,137.8
1983	43,469.9	90.7	4,475.6	9.3	47,945.5
1984	59,665.5	92.7	4,690.6	7.3	64,356.1
1985	77,353.2	93.6	5,249.4	6.4	82,602.6
1986	108,085.2	95.3	5,361.6	4.7	113,446.8
1987	150,751.2	96.1	6,047.7	3.9	156,798.9
1988	195,015.3	97.0	6,025.7	3.0	201,041.0
1989	225,211.8	97.4	5,907.1	2.6	231,118.9
1990	243,793.4	97.5	6,127.7	2.5	249,921.1
1991 2/	274,416.6	100.0	0.0	0.0	274,416.6
Average (1970-90)	61,766.0	95.9	4,374.65	6.67	64,474.10
Ave. Annual Growth Rate (1970-90)	23.2				

1/ excludes dollar treasury bills
2/ as of June 1991
Source of Data: Central Bank of the Philippines
Bureau of Treasury

TABLE 32 (cont'd)

YEAR	LOCAL GOVERNMENT				
	Internal	% Share	External	% Share	Sub-Total
1970	107.2	100.0	0.0	0.0	107.2
1971	103.8	100.0	0.0	0.0	103.8
1972	106.3	100.0	0.0	0.0	106.3
1973	96.3	100.0	0.0	0.0	96.3
1974	107.8	100.0	0.0	0.0	107.8
1975	127.6	100.0	0.0	0.0	127.6
1976	166.1	100.0	0.0	0.0	166.1
1977	219.9	100.0	0.0	0.0	219.9
1978	279.0	99.9	0.3	0.1	279.3
1979	289.4	99.9	0.3	0.1	289.7
1980	335.9	99.9	0.3	0.1	336.2
1981	335.9	99.4	2.0	0.6	337.9
1982	420.9	99.6	1.9	0.4	422.8
1983	427.3	99.3	2.9	0.7	430.2
1984	174.0	98.4	2.9	1.6	176.9
1985	182.4	98.4	3.0	1.6	185.4
1986	161.3	98.2	3.0	1.8	164.3
1987	116.0	100.0	0.0	0.0	116
1988	116.0	100.0	0.0	0.0	116
1989	116.0	100.0	0.0	0.0	116
1990	0.0	0.0	0.0	0.0	0
1991 2/	0.0	0.0	0.0	0.0	0
Average (1970-90)	199.4	99.6	1.84	0.79	200.28
Ave. Annual Growth Rate (1970-90)	-1.7				

TABLE 32 (cont'd)

YEAR	GOVERNMENT CORPORATION				
	Internal	% Share	External	% Share	Sub-Total
1970	3,064.0	82.3	659.1	17.7	3,723.1
1971	3,311.4	83.2	668.6	16.8	3,980.0
1972	3,987.3	83.8	773.4	16.2	4,760.7
1973	5,142.9	87.1	759.2	12.9	5,902.1
1974	6,644.9	86.9	1,003.2	13.1	7,648.1
1975	9,295.4	86.1	1,502.6	13.9	10,798.0
1976	10,052.8	80.0	2,508.3	20.0	12,561.1
1977	11,882.6	81.3	2,733.2	18.7	14,615.8
1978	14,351.4	79.4	3,712.6	20.6	18,064.0
1979	17,450.6	79.0	4,639.2	21.0	22,089.8
1980	18,970.2	75.3	6,213.1	24.7	25,183.3
1981	20,345.8	71.9	7,932.1	28.1	28,277.9
1982	21,787.9	69.4	9,600.1	30.6	31,388.0
1983	18,892.6	76.1	5,937.6	23.9	24,830.2
1984	26,237.1	69.5	11,520.8	30.5	37,757.9
1985	40,131.9	80.0	10,062.6	20.0	50,194.5
1986	36,105.1	77.8	10,274.1	22.2	46,379.2
1987	10,233.1	31.0	22,751.0	69.0	32,984.1
1988	12.047.6	34.7	22,668.0	65.3	34,715.6
1989	11,921.8	34.9	22,222.0	65.1	34,143.8
1990	10,649.1	31.6	23,052.0	68.4	33,701.1
1991 2/	22,817.9	100.0		0.0	22,817.9
Average (1970-90)	14,881.2	70.5	8,152.04	29.46	23,033.25
Ave. Annual Growth Rate (1970-90)	11.1				

85

TABLE 32 (cont'd)

YEAR	Total Internal	% Share	Total External	% Share	GRAND TOTAL	% Share
1970	7,190.70	91.60	659.10	8.40	7,849.8	100.0
1971	7,701.90	92.01	668.60	7.99	8,370.5	100.0
1972	9,701.40	92.62	773.40	7.38	10,474.8	100.0
1973	12,533.40	94.29	759.20	5.71	13,292.6	100.0
1974	16,629.50	94.31	1,003.20	5.69	17,632.7	100.0
1975	20,838.50	93.27	1,502.60	6.73	22,341.1	100.0
1976	23,394.40	90.32	2,508.30	9.68	25,902.7	100.0
1977	27,364.70	90.92	2,733.20	9.08	30,097.9	100.0
1978	32,469.20	85.81	5,370.20	14.19	37,839.4	100.0
1979	36,826.60	85.00	6,497.70	15.00	43,324.3	100.0
1980	41,181.60	82.86	8,518.80	17.14	49,700.4	100.0
1981	49,338.80	81.36	11,304.20	18.64	60,643.0	100.0
1982	57,552.60	81.12	13,396.00	18.88	70,948.6	100.0
1983	62,789.80	85.77	10,416.10	14.23	73,205.9	100.0
1984	86,076.60	84.15	16,214.30	15.85	102,290.9	100.0
1985	117,667.50	88.48	15,315.00	11.52	132,982.5	100.0
1986	144,351.60	90.23	15,638.70	9.77	159,990.3	100.0
1987	161,100.30	84.83	28,798.73	15.17	189,899.0	100.0
1988	207,178.90	87.84	28,693.67	12.16	235,872.6	100.0
1989	237,249.60	89.40	28,129.11	10.60	265,378.7	100.0
1990	254,442.50	89.71	29,179.75	10.29	283,622.2	100.0
1991 2/	297,234.50	100.00	0.00	0.00	297,234.5	100.0
Average (1970-90)	76,837.15	88.38	10,860.95	11.62	87,698.1	100.0
Ave. Annual Growth Rate (1970-90)					20.0	

TABLE 33

OUTSTANDING PUBLIC INTERNAL DEBT BY LEVEL OF GOVERNMENT 1/

YEAR	National Government	% Share	Local Government	% Share	Government Corporation	% Share	TOTAL	% Share
1970	4,019.5	55.9	107.2	1.5	3,064.0	42.6	7,190.7	100.0
1971	4,286.7	55.7	103.8	1.3	3,311.4	43.0	7,701.9	100.0
1972	5,607.8	57.8	106.3	1.1	3,987.3	41.1	9,701.4	100.0
1973	7,294.2	58.2	96.3	0.8	5,142.9	41.0	12,533.4	100.0
1974	9,877.0	59.4	107.6	0.6	6,644.9	40.0	16,629.5	100.0
1975	11,415.5	54.8	127.6	0.6	9,295.4	44.6	20,838.5	100.0
1976	13,175.5	56.3	166.1	0.7	10,052.8	43.0	23,394.4	100.0
1977	15,262.2	55.8	219.9	0.6	11,882.6	43.4	27,364.7	100.0
1978	17,838.6	54.9	279.0	0.9	14,351.4	44.2	32,469.2	100.0
1979	19,086.6	51.8	289.4	0.8	17,450.6	47.4	36,826.6	100.0
1980	21,875.5	53.1	335.9	0.8	18,970.2	46.1	41,181.6	100.0
1981	28,657.1	58.1	335.9	0.7	20,345.8	41.2	49,338.8	100.0
1982	35,343.8	61.4	420.9	0.7	21,787.9	37.9	57,552.6	100.0
1983	43,469.9	69.2	427.3	0.7	18,892.6	30.1	62,789.8	100.0
1984	59,665.5	69.3	174.0	0.2	26,237.1	30.5	86,076.6	100.0
1985	77,353.2	65.7	182.4	0.2	40,131.9	34.1	117,667.5	100.0
1986	108,085.2	74.9	161.3	0.1	36,105.1	25.0	144,351.6	100.0
1987	150,751.2	93.6	116.0	0.1	10,233.1	6.4	161,100.3	100.0
1988	195,015.3	94.1	116.0	0.1	12,047.6	5.8	207,178.9	100.0
1989	225,211.8	94.9	116.0	0.0	11,921.8	5.0	237,249.6	100.0
1990	243,793.4	95.8	0.0	0.0	10,649.1	4.2	254,442.5	100.0
1991 2/	274,[illegible].6	92.3	0.0	0.0	22,817.9	7.7	297,234.5	100.0
Average (1970-90)	61,766.0	66.2	189.9	0.6	14,881.2	33.2	76,837.1	100.0
Ave. Annual Growth Rate (1970-90)	23.2		-1.7		11.1		19.9	

1/ excludes dollar treasury bills
2/ as of June 1991
Source of Data: Central Bank of the Philippines

61

TABLE 34

OUTSTANDING PUBLIC INTERNAL DEBT BY INTEREST RATE 1/
(IN MILLION PESOS)

YEAR	No Interest	% Share	1% to <3%	% Share	3% to <5%	% Share	5% to <7%	% Share	7% to <10%	% Share	10% to <13%	% Share	13% and Over	% Share	TOTAL	% Share
1970	453.7	6.3	2,030.2	28.2	1,703.2	23.7	716.4	10.0	1,853.7	25.8	433.8	6.0	0.0	0.0	7,191.0	100.0
1971	454.3	5.9	1,846.5	24.0	1.586.3	20.6	744.7	9.7	2,397.7	31.1	672.4	8.7	0.0	0.0	7,701.9	100.0
1972	582.1	6.0	2,047.3	21.1	1,960.4	20.2	817.7	8.4	2,428.6	25.0	1,865.3	19.2	0.0	0.0	9,701.4	100.0
1973	868.5	6.9	2,457.9	19.6	2,568.0	20.5	538.7	4.3	4,706.6	37.6	1,393.7	11.1	0.0	0.0	12,533.4	100.0
1974	855.7	5.1	2,405.4	14.5	3,276.5	19.7	1.297.0	7.8	7,192.9	43.3	1,602.0	9.6	0.0	0.0	16,629.5	100.0
1975	862.8	4.1	2,651.8	12.7	3,583.3	19.1	2,437.1	11.7	8,621.6	41.4	2,281.9	11.0	0.0	0.0	20,838.5	100.0
1976	836.4	3.6	3,389.3	14.5	4.691.0	20.1	2,093.5	8.9	9,795.0	41.9	2,567.6	11.0	21.6	0.1	23,394.4	100.0
1977	816.1	3.0	4,250.3	15.5	5.237.9	19.1	2.234.7	8.2	10,843.2	39.6	3,892.7	14.2	89.8	0.3	27,364.7	100.0
1978	1,337.9	4.1	5.551.4	17.1	5,946.8	18.3	2,235.0	6.9	11,366.1	35.0	5,910.6	18.2	122.4	0.4	32,470.2	100.0
1979	1,339.3	3.7	2,744.6	7.5	7,751.6	21.3	4.980.4	13.7	13.379.8	36.7	6,132.7	16.8	129.6	0.4	36,458.0	100.0
1980	2,259.5	5.5	2,746.8	6.7	10,381.6	25.2	5,404.6	13.1	15,931.0	38.7	4,206.5	10.2	251.6	0.6	41,181.6	100.0
1981	2,249.8	4.6	2,035.6	4.1	13.140.8	26.7	5,138.5	10.4	17,110.2	34.7	6,550.8	13.3	3,050.1	6.2	49,275 6	100.0
1982	2,560.7	4.3	2,007.0	3.4	16.150.7	27.2	5.229.9	8.8	24.925.3	42.0	2,782.4	4.7	5,682.3	9.6	59,338.3	100.0
1983	3,678.1	5.9	1.144.9	1.8	14.554.8	23.2	7.115.5	11.3	22.231.3	35.4	2.715.1	4.3	11,303.3	18.0	62,743.0	100.0
1984	3,675.9	4.3	1,133.9	1.3	14,991.8	17.4	4,110.1	4.8	19,073.3	22.2	4,116.0	4.8	38,975.7	45.3	86,076.7	100.0
1985	3,747.3	3.2	1,109.0	0.9	15.319.0	13.0	4,068.6	3.5	17,260.6	14.7	2,030.9	1.7	74,132.1	63.0	117,667.5	100.0
1986	3,788.8	2.6	1,091.8	0.8	16,214.4	11.2	4.008.2	2.8	12,730.0	8.8	9,597.2	6.6	96,921.2	67.1	144.351.6	100.0
1987	4,377.8	2.7	1,089.6	0.7	15.489.0	9.6	3.776.9	2.3	6,727.7	4.2	16,585.9	10.3	113,053.4	70.2	161,100.3	100.0
1988	3,971.9	1.9	1,089.5	0.5	15,406.8	7.4	3,035.0	1.5	4,580.1	2.2	27,885.7	13.5	151,209.9	73.0	207,178.9	100.0
1989	3,986.8	1.7	1,089.3	0.5	14,627.1	6.2	2,882.4	1.2	3,575.0	1.5	27,205.9	11.5	183,883.1	77.5	237,249.6	100.0
1990	3.867.0	1.5	1,059.6	0.4	14.185.5	5.6	2,698.2	1.1	2,924.9	1.1	20.147.4	7.9	209,564.9	82.4	254,447.5	100.0
1991 2/	3,872.3	1.5	1,059.6	0.4	14,185.4	5.6	2.701.1	1.1	2,498.0	1.0	20,147.4	8.0	208,023.9	82.4	252,487.7	100.0
Average (1970-90)	2,217.6	4.1	2,141.5	9.3	9.484.1	17.9	3.122.1	7.2	10,459.7	26.8	7.170.3	10.2	42,304.3	24.5	76,899.7	100.0
Ave. Annual Growth Rate (1970-90)	13.4		-0.7		12.1		14.2		6.8		41.7		157.2		19.9	

1/ excludes dollar treasury bills
2/ as of January 1991

Source of Data: Central Bank of the Philippines

TABLE 35

OUTSTANDING PUBLIC INTERNAL DEBT BY INTEREST RATE 1/
(IN MILLION PESOS)

YEAR	No Interest	% Share	1% to <3%	% Share	3% to <5%	% Share	5% to <7%	% Share	7% to <10%	% Share	10% to <13%	% Share	13% and Over	% Share	TOTAL	% Share
1970	453.7	6.3	2,030.2	28.2	1,703.2	23.7	716.4	10.0	1,853.7	25.8	433.8	6.0	0.0	0.0	7,191.0	100.0
1971	454.3	5.9	1.846.5	24.0	1,586.3	20.6	744.7	9.7	2.397.7	31.1	672.4	8.7	0.0	0.0	7,701.9	100.0
1972	582.1	6.0	2,047.3	21.1	1,960.4	20.2	817.7	8.4	2,428.6	25.0	1,865.3	19.2	0.0	0.0	9,701.4	100.0
1973	868.5	6.9	2,457.9	19.6	2.568.0	20.5	533.7	4.3	4,706.6	37.6	1,393.7	11.1	0.0	0.0	12,533.4	100.0
1974	855.7	5.1	2,405.4	14.5	3,276.5	19.7	1,297.0	7.8	7,192.9	43.3	1,602.0	9.6	0.0	0.0	16,629.5	100.0
1975	862.8	4.1	2,651.8	12.7	3,983.3	19.1	2,437.1	11.7	8.621.6	41.4	2,281.9	11.0	0.0	0.0	20,838.5	100.0
1975	836.4	3.6	3.389.3	14.5	4,691.0	20.1	2,093.5	8.9	9,795.0	41.9	2,567.6	11.0	21.6	0.1	23,394.4	100.0
1977	816.1	3.0	4,250.3	15.5	5,237.9	19.1	2,234.7	8.2	10,843.2	39.6	3,892.7	14.2	89.8	0.3	27,364.7	100.0
1978	1,337.9	4.1	5,551.4	17.1	5,946.6	18.3	2,235.0	6.9	11,366.1	35.0	5,910.6	18.2	122.4	0.4	32,470.2	100.0
1979	1,339.3	3.7	2,744.6	7.5	7,751.6	21.3	4,980.4	13.7	13,379.8	36.7	6,132.7	16.8	129.6	0.4	36,456.0	100.0
1980	2,259.5	5.5	2,746.8	6.7	10,381.6	25.2	5,404.6	13.1	15,931.0	38.7	4,206.5	10.2	251.6	0.6	41,161.6	100.0
1981	2,249.8	4.6	2,035.6	4.1	13.140.8	26.7	5,138.5	10.4	17,110.2	34.7	6,550.8	13.3	3,050.1	6.2	49,275.6	100.0
1982	2,560.7	4.3	2,007.0	3.4	16,150.7	27.2	5,229.9	8.8	24,925.3	42.0	2,782.4	4.7	5,682.3	9.6	59,333.3	100.0
1983	3.678.1	5.9	1,144.9	1.8	14,554.8	23.2	7,115.5	11.3	22,231.3	35.4	2,715.1	4.3	11,303.3	18.0	62,743.0	100.0
1984	3,675.9	4.3	1,133.9	1.3	14,991.8	17.4	4,110.1	4.8	19,073.3	22.2	4,116.0	4.8	38,975.7	45.3	86,076.7	100.0
1985	3,747.3	3.2	1,109.0	0.9	15.319.0	13.0	4,068.6	3.5	17,260.6	14.7	2,030.9	1.7	74,132.1	63.0	117,667.5	100.0
1986	3,788.8	2.6	1,091.8	0.8	16,214.4	11.2	4,008.2	2.8	12,730.0	8.8	9,597.2	6.6	96,921.2	67.1	144,351.6	100.0
1987	4,377.8	2.7	1,089.6	0.7	15.489.0	9.6	3,776.9	2.3	6,727.7	4.2	16.585.9	10.3	113,053.4	70.2	161,100.3	100.0
1988	3.971.9	1.9	1,089.5	0.5	15,406.8	7.4	3,035.0	1.5	4,580.1	2.2	27,885.7	13.5	151,209.9	73.0	207,178.9	100.0
1989	3,986.8	1.7	1,089.3	0.5	14.627.1	6.2	2,882.4	1.2	3,575.0	1.5	27,205.9	11.5	183,883.1	77.5	237,249.6	100.0
1990	3.867.0	1.5	1.059.6	0.4	14,185.5	5.6	2,698.2	1.1	2,924.9	1.1	20,147.4	7.9	209,564.9	82.4	254,447.5	100.0
1991 2/	3,872.3	1.5	1,059.6	0.4	14,185.4	5.6	2,701.1	1.1	2,498.0	1.0	20,147.4	8.0	208,023.9	82.4	252,487.7	100.0
Average (1970-90)	2,217.6	4.1	2,141.5	9.3	9,484.1	17.9	3,122.1	7.2	10,459.7	26.8	7,170.3	10.2	42,304.3	24.5	76,899.7	100.0
Ave. Annual Growth Rate (1970-90)	13.4		-0.7		12.1		14.2		6.8		41.7		157.2		19.9	

1/ excludes dollar treasury bills
2/ as of January 1991

Source of Data: Central Bank of the Philippines

TABLE 36

OUTSTANDING PUBLIC INTERNAL DEBT
BY LEVEL OF GOVERNMENT AND BY MATURITY
(IN MILLION PESOS)

	1972	% Share	1973	% Share	1974	% Share	1975	% Share	1976	% Share	1977	% Share	1978	% Share	1979	% Share	1980	% Share	1981	% Share
National Government	5,608.0	57.8	7,294.0	58.2	9,877.0	59.4	11,416.0	54.8	13,176.0	56.3	15,262.0	55.8	17,839.0	54.9	19,087.0	51.8	21,876.0	53.1	28,657.0	58.1
Short-term	1,779.0	18.3	2,065.0	16.5	2,275.0	13.7	3,162.0	15.2	3,383.0	14.5	4,330.0	15.8	5,150.0	15.9	5,020.0	13.6	5,227.0	12.7	8,520.0	17.3
Medium-term	2,507.0	25.9	2,867.0	22.9	3,426.0	20.6	3,077.0	14.8	3,138.0	13.4	3,037.0	11.1	3,766.0	11.6	4,693.0	12.7	5,262.0	12.8	6,653.0	13.5
Long-term	1,322.0	13.6	2,362.0	18.8	4,176.0	25.1	5,177.0	24.8	6,655.0	28.4	7,895.0	28.9	8,923.0	27.5	9,374.0	25.5	11,387.0	27.6	13,484.0	27.3
Local Government	106	1.1	96.0	0.8	108.0	0.6	128.0	0.6	166.0	0.7	220.0	0.8	279.0	0.9	289.0	0.8	336.0	0.8	336.0	0.7
Short-term	28	0.3	18.0	0.1	21.0	0.1	20.0	0.1	17.0	0.1	15.0	0.1	22.0	0.1	10.0	0.0	35.0	0.1	35.0	0.1
Medium-term	19	0.2	17.0	0.1	26.0	0.2	29.0	0.1	31.0	0.1	26.0	0.1	110.0	0.3	125.0	0.3	129.0	0.3	129.0	0.3
Long-term	59	0.6	61.0	0.5	61.0	0.4	79.0	0.4	118.0	0.5	179.0	0.7	147.0	0.5	154.0	0.4	172.0	0.4	172.0	0.3
Government Corp.	3,984	41.1	5,143.0	41.0	6,645.0	40.0	9,295.0	44.6	10,052.0	43.0	11,883.0	43.4	14,351.0	44.2	17,451.0	47.4	18,971.0	46.1	20,345.0	41.2
Short-term	718	7.4	1,729.0	13.8	2,165.0	13.0	3,401.0	16.3	1,513.0	6.5	1,056.0	3.9	2,661.0	8.2	4,037.0	11.0	5,440.0	13.2	5,568.0	11.3
Medium-term	1,784	18.4	2,496.0	19.9	3,981.0	23.9	5,224.0	25.1	7,637.0	32.6	8,990.0	32.9	7,391.0	24.6	9,315.0	26.9	11,425.0	27.7	11,977.0	24.3
Long-term	1,482	15.3	918.0	7.3	499.0	3.0	670.0	3.2	902.0	3.9	1,837.0	6.7	3,699.0	11.4	3,499.0	9.5	2,106.0	5.1	2,800.0	5.7
TOTAL	9,698	100.0	12,533.0	100.0	16,630.0	100.0	20,839.0	100.0	23,394.0	100.0	27,365.0	100.0	32,469.0	100.0	36,827.0	100.0	41,183.0	100.0	49,338.0	100.0

Source of Data: Philippine Financial Statistics (Quarterly Bulletin)
Central Bank of the Philippines

TABLE 36 (cont'd)

	1982	% Share	1983	% Share	1984	% Share	1985	% Share	1986	% Share	1987	% Share	1988	% Share	1989	% Share	1990	% Share	Average (1972-90)	Ave. Annual Growth Rate
National Government	35.344.0	61.4	43.470.0	69.2	59.665.0	69.3	77,354.0	65.7	108.035.0	74.9	150.731.0	93.6	195.015.0	94.1	225.022.0	94.9	243.793.0	95.8	1.057.319.2	13.2
Short-term	10.331.0	19.0	13.579.0	22.1	29.215.0	33.9	42.932.0	36.4	72.886.0	50.5	111.812.0	69.5	152.022.0	73.4	181.849.0	76.6	197.842.0	73.3	686.123.4	26.6
Medium-term	8.550.0	14.9	12.679.0	20.2	13.234.0	15.4	22.068.0	18.5	10.359.0	7.2	17.433.0	10.8	23.534.0	11.4	25.227.0	10.7	31.491.0	12.4	173.333.4	18.0
Long-term	15.833.0	27.5	16.912.0	26.9	17.156.0	19.9	12.454.0	10.6	24.830.0	17.2	21.489.0	13.3	19.459.0	9.4	18.235.0	7.7	24.460.0	9.6	218.812.4	[illegible]
Local Government	422.0	0.7	427.0	0.7	174.0	0.2	182.0	0.2	161.0	0.1	115.0	0.1	116.0	0.1	115.0	0.0	0.0	0.0	3.778.0	(2.0)
Short-term	201.0	0.3	20.0	0.0	33.0	0.0	35.0	0.0	17.0	0.0	28.0	0.0	28.0	0.0	22.0	0.0	0.0	0.0	611.0	31.1
Medium-term	102.0	0.2	297.0	0.5	57.0	0.1	66.0	0.1	57.0	0.0	49.0	0.0	49.0	0.0	45.0	0.0	0.0	0.0	1.367.0	23.1
Long-term	119.0	0.2	110.0	0.2	84.0	0.1	81.0	0.1	87.0	0.1	39.0	0.0	39.0	0.0	33.0	0.0	0.0	0.0	1.800.0	(4.5)
Government Corp.	21.738.0	37.9	18.833.0	30.1	26.237.0	30.5	40.132.0	34.1	36.105.0	25.0	10.233.0	6.4	12,048.0	5.8	11.922.0	5.0	10.649.0	4.2	296.038.5	5.2
Short-term	7.951.0	13.8	2.154.0	3.4	11.603.0	13.5	28.034.0	23.9	26.765.0	18.5	1.911.0	1.2	6.348.0	3.1	4.755.0	2.0	4.158.0	1.6	118.089.4	51.5
Medium-term	10.235.0	17.9	12.112.0	19.3	10.818.0	12.6	8.463.0	7.2	6.435.0	4.5	5.509.0	3.4	3.071.0	1.5	4.551.0	1.9	3.996.0	1.6	132.894.3	2.9
Long-term	3.542.0	6.2	4.627.0	7.4	3,816.0	4.4	3.575.0	3.0	2.905.0	2.0	2.813.0	1.7	2.629.0	1.3	2.606.0	1.1	2.465.0	1.0	45.054.7	4.3
TOTAL	57.554.0	100.0	62.730.0	100.0	86.076.0	100.0	117.668.0	100.0	144.351.0	100.0	161.129.0	100.0	207.179.0	100.0	237.259.0	100.0	254.442.0	100.0	1.357.635.7	14.7

OUTSTANDING PUBLIC INTERNAL DEBT BY LEVEL OF
GOVERNMENT AND BY TYPE OF INSTRUMENT
(IN MILLION PESOS) 1976 - 1983

	1976	% Share	1977	% Share	1978	% Share	1979	% Share	1980	% Share	1981	% Share	1982	% Share	1983	% Share
National Government	13.176	56.3	15.222	55.8	17.839	54.9	19.097	51.8	21.376	51.8	23.657	58.1	35.344	61.4	43.470	63.2
Treasury Bonds	4.160	17.8	5.294	19.3	5.912	18.2	5.843	15.9	8.028	15.9	9.861	20.0	12.560	21.8	13.764	21.9
Corporate Bonds	3.243	13.9	3.317	12.1	4.404	13.6	4.765	12.9	4.175	12.9	5.115	10.4	1.243	2.2	8.869	14.1
Monetary Institutions	15	0.1	22	0.1	13	0.0	10	0.0	6	0.0	2	0.0	0	0.0	0	0.0
Non-monetary Institutions	3.228	13.8	3.295	12.0	4.391	13.5	4.755	12.9	4.169	12.9	5.113	10.4	1.243	2.2	8.869	14.1
Treasury Bills	1.967	8.4	2.559	9.4	2.545	7.8	2.566	7.0	2.924	7.0	5.462	11.1	9.173	15.9	6.143	9.8
Treasury Notes	3.516	15.0	3.659	13.5	3.924	12.1	4.101	11.1	4.574	11.1	5.680	11.5	9.415	16.4	10.639	16.5
Promissory Notes	152	0.6	155	0.6	671	2.1	1.012	2.7	1.647	2.7	1.627	3.3	1.646	2.9	2.654	4.2
Special Gov't. Bonds 1/	133	0.6	241	0.9	383	1.2	800	2.2	855	2.2	892	1.8	1.303	2.3	1.401	2.2
Assumed Liabilities 2/	246	1.1	221	0.8	227	0.7	211	0.6	216	0.6	214	0.4	205	0.4	221	0.4
Provisional Advances	300	1.3	600	2.2	1.500	4.6	2.000	5.4	1.500	5.4	2.527	5.1	2.500	4.3	4.674	7.4
Local Government	166	0.7	220	0.8	279	0.9	285	0.8	336	0.8	336	0.7	421	0.7	427	0.7
Provisional Advances	0	0.0	1	0.0	0	0.0	0	0.0	0	0.0	0	0.0	3	0.0	0	0.0
Loans	166	0.7	219	0.8	279	0.9	285	0.8	336	0.8	336	0.7	418	0.7	427	0.7
GSIS	23	0.1	21	0.1	20	0.1	35	0.1	32	0.1	32	0.1	29	0.1	37	0.1
DBP	143	0.6	198	0.7	259	0.8	254	0.7	304	0.7	304	0.6	389	0.7	163	0.3
PNB	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	38	0.1
LBP	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	187	0.3
Veterans Bank	0	0.0	0	0.0	0	0.0	0	0.0		0.0		0.0		0.0	2	0.0
Government Corporations	10.053	43.0	11.583	43.4	14.351	44.2	17.451	47.4	19.970	47.4	20.346	41.2	21.788	37.9	18.893	30.1
Corporate Bonds	9.350	40.0	10.843	39.6	12.858	39.6	15.815	42.9	16.975	42.9	17,753	36.0	18.110	31.5	14.170	22.6
Monetary Institutions	5.451	23.3	8.031	29.3	11.908	36.7	15.288	41.5	16.201	41.5	16.859	34.2	13.825	24.0	9.856	15.7
Non-monetary Institutions	3.899	16.7	2.812	10.3	950	2.9	527	1.4	774	1.4	894	1.8	4.285	7.4	4.314	6.9
Treasury Bills	703	3.0	1.040	3.8	1.493	4.6	1.636	4.4	1.995	4.4	2.593	5.3	3.678	6.4	4.438	7.1
Treasury Notes	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	285	0.5
TOTAL	23.396	100 0	27.365	100.0	32.469	100.0	36.827	100.0	41.182	100.0	49.333	100.0	57.553	100.0	62.790	100.0

1/ Premyo Savings Bond,
Reconstruction Bonds,
Tulong sa Bayan Bonds

2/ Loans and Obligations

Source: Bureau of Treasury

TABLE 37 (cont'd)

	1984	% Share	1985	% Share	1986	% Share	1987	% Share	1988	% Share	1989	% Share	1990	% Share	Average (1976-90)	% Share
National Government	59.666	69.3	77.353	65.7	108.085	74.9	150.751	99.8	195.015	94.1	225.212	94.9	243.793	95.8	998.606	79.8
Treasury Bonds	14.255	16.6	14.273	12.1	13.832	9.6	13.407	8.3	13.327	6.4	12.561	5.3	12.131	4.8	135.445	11.1
Corporate Bonds	4.129	4.8	9.572	8.1	7.768	5.4	3.476	2.2	2.534	1.2	1.958	0.8	1.327	0.5	58.097	4.6
Monetary Institutions	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	31	0.0
Non-monetary Institutions	4.129	4.8	9.572	8.1	7.764	5.4	3.476	2.2	2.534	1.2	1.958	0.8	1.327	0.5	58.062	4.6
Treasury Bills	19.376	22.5	31.184	26.5	55.420	38.4	100.680	66.6	137.737	66.5	168.475	71.0	186.082	73.1	554.270	44.3
Treasury Notes	10.626	12.3	11.056	9.4	16.833	11.7	19.615	13.0	29.083	14.0	30.541	12.9	29.221	11.5	157.645	12.6
Promissory Notes	9.873	11.5	9.887	8.4	11.330	7.8	12.165	8.1	11.207	5.4	10.832	4.6	10.433	4.1	76.760	6.1
Special Gov't. Bonds 1/	1.402	1.6	1.401	1.2	1.402	1.0	1.402	0.9	1.127	0.5	647	0.4	2.607	1.0	13.331	1.1
Assumed Liabilities 2/	293	0.3	255	0.2	34.649	24.0	57.706	38.2	59.333	28.7	49.745	21.0	40.032	15.7	257.555	20.6
Provisional Advances	7.000	8.1	8.591	7.3	8.591	6.0	0	0.0		0.0	715	0.3	773	0.3	39.660	3.2
Local Government	174	0.2	182	0.2	161	0.1	116	0.1	116	0.1	116	0.0	0	0.0	2.553	0.2
Provisional Advances	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	3	0.0
Loans	174	0.2	182	0.2	161	0.1	116	0.1	116	0.1	116	0.0	0	0.0	2.950	0.2
GSIS	18	0.0	50	0.0	50	0.0	20	0.0	18	0.0	15	0.0		0.0	359	0.0
DBP	67	0.1	42	0.0	27	0.0	42	0.0	42	0.0	42	0.0		0.0	1.935	0.2
PNB	40	0.0	36	0.0	30	0.0	33	0.0	33	0.0	33	0.0		0.0	243	0.0
LBP	49	0.1	54	0.0	54	0.0	21	0.0	23	0.0	23	0.0		0.0	411	0.0
Veterans Bank	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0		0.0	1	0.0
Government Corporations	26.237	30.5	40.132	34.1	36.105	25.0	10.233	6.4	12.048	5.8	11.922	5.0	10.649	4.2	243.155	19.9
Corporate Bonds	20.091	23.3	34.584	29.4	31.258	21.6	9.489	5.9	11.945	5.8	11.922	5.0	10.091	4.0	215.543	17.2
Monetary Institutions	15.651	18.2	32.195	27.4	16.236	11.3	2.880	1.8	4.376	2.1	6.111	2.6	5.421	2.1	161.800	12.9
Non-monetary Institutions	4.440	5.2	2.339	2.0	14.882	10.3	6.609	4.1	7.569	3.7	5.811	2.4	4.670	1.8	53.742	4.3
Treasury Bills	3.971	4.6	3.331	2.8	3.292	2.3	0	0.0	0	0.0	0	0.0	555	0.2	25.464	2.1
Treasury Notes	2.175	2.5	2.217	1.9	1.655	1.1	744	0.5	103	0.0	0	0.0	0	0.0	7.179	0.6
TOTAL	86.077	100.0	117.667	100.0	144.351	100.0	151.100	100.0	207.179	100.0	237.250	100.0	254.442	100.0	1.250.747	100.0

TABLE 38

OUTSTANDING PUBLIC DEBT BY LEVEL OF
GOVERNMENT AND BY INTEREST RATES
(IN MILLION PESOS) 1976 - 1990

	1976	% Share	1977	% Share	1978	% Share	1979	% Share	1980	% Share	1981	% Share	1982	% Share	1983	% Share
NATIONAL GOVERNMENT	13,176.00	56.32	15.262.00	55.77	17.839.00	54.94	19,087.00	51.83	21,876.00	53.12	28,657.00	58.08	35,344.00	61.41	43,470.00	69.23
No Interest	1.096.00	4.68	1,374.00	5.02	2.995.00	9.22	3.496.00	9.49	3,950.00	9.59	4,960.00	10.05	4,943.00	8.59	8,126.00	12.94
< 3%	300.00	1.28	400.00	1.46	400.00	1.23	400.00	1.09	400.00	0.97	400.00	0.81	400.00	0.70	400.00	0.64
3%-<8%	8,045.00	34.39	8,471.00	30.96	8,745.00	26.93	9.347.00	25.38	9,686.00	23.52	10.312.00	20.90	11,478.00	19.94	12,036.00	19.17
8%-14%	3.735.00	15.97	5,017.00	18.33	5,407.00	16.65	5,530.00	15.02	7,836.00	19.03	12,985.00	26.32	18,523.00	32.18	22,906.00	36.48
> 14%	0.00	0.00	0.00	0.00	292.00	0.90	314.00	0.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LOCAL GOVERNMENT	166.10	0.71	219.90	0.80	279.00	0.86	289.37	0.79	336.00	0.82	336.00	0.68	421.00	0.73	427.00	0.68
No Interest																
< 3%																
3%-<8%																
8%-14%	40.58	0.17	38.08	0.14	38.00	0.12	35.56	0.10	35.58	0.09	32.10	0.07	32.41	0.06	37.17	0.06
> 14%	125.52	0.54	181.82	0.66	241.00	0.74	253.81	0.69	300.42	0.73	303.90	0.62	388.59	0.68	389.83	0.62
GOVERNMENT CORPORATIONS	10.052.80	42.97	11,682.60	43.42	14,351.40	44.20	17,450.60	47.39	18,970.21	46.06	20,345.80	41.24	21,787.90	37.86	18,892.61	30.09
No Interest																
< 3%																
3%-<8%	231.56	0.99	212.72	0.78	875.19	2.70	1,028.92	2.79	1,724.78	4.19	2,054.19	4.16	5.533.25	9.61	6.325.87	10.07
8%-14%	1,115.46	4.77	1.498.08	5.47	1,578.37	4.86	1,956.19	5.31	2.182.11	5.30	1,931.82	3.92	1,196.71	2.08	791.60	1.26
> 14%	8,705.78	37.21	10,171.80	37.17	11,897.84	36.64	14.465.49	39.28	15,063.32	36.58	16,359.79	33.16	15,057.94	26.16	11,775.14	18.75
GRAND TOTAL	23,394.90	100.00	27,364.50	100.00	32,469.40	100.00	36,826.97	100.00	41,182.21	100.00	49,338.80	100.00	57,552.90	100.00	62,789.61	100.00

TABLE 38 (cont'd)

	1984	% Share	1985	% Share	1986	% Share	1987	% Share	1988	% Share	1989	% Share	1990	% Share	Average (1976-90)
NATIONAL GOVERNMENT	59.666.00	69.32	77,353.00	65.74	108.085.00	74.88	150,751.00	93.56	195.015.00	94.13	225,212.03	94.97	243.793.00	95.81	1,027,045.90
No Interest	15.052.28	17.49	17.984.55	15.28	10,358.90	7.18	6,798.04	4.22	8.151.27	3.93	8,275.32	3.49	4,852.10	1.91	97,883.83
< 3%	4.146.81	4.82	4.309.83	3.66	2.324.98	1.61	1.841.72	1.14	1.718.06	0.83	1,331.89	0.56	1.183.02	0.46	18.852.16
3%-<8%	9.856.92	11.45	10,717.09	9.11	8.338.92	5.78	9,217.20	5.72	9.667.98	4.67	7,436.87	3.14	8,225.97	3.23	133,905.36
8%-14%	30.609.99	35.56	44,341.53	37.68	40,726.62	28.21	86,121.40	53.46	131.949.62	63.69	163.164.75	68.81	218,935.09	86.05	593,452.58
> 14%	0.90	0.00	0.00	0.00	46.335.58	32.10	46,772.64	29.03	43.528.07	21.01	45,003.20	18.98	10,596.82	4.16	182,951.94
LOCAL GOVERNMENT	174.00	0.20	182.40	0.16	161.00	0.11	116.00	0.07	116.00	0.06	0.00	0.00	0.00	0.00	3,223.77
No Interest															
< 3%															
3%-<8%															
8%-14%	17.65	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	307.13
> 14%	156.35	0.18	182.40	0.16	161.00	0.11	116.00	0.07	116.00	0.06	0.00	0.00	0.00	0.00	2,916.64
GOVERNMENT CORPORATIONS	26,237.10	30.48	40.131.90	34.11	36,105.10	25.01	10,233.10	6.35	12,047.60	5.82	11.921.81	5.03	10,649.10	4.19	271,120.47
No Interest															
< 3%															
3%-<8%	11.666.51	13.81	17.056.62	14.50	23.512.71	16.29	4.641.78	2.88	4,289.40	2.07	1,955.53	0.82	511.98	0.20	81.363.16
8%-14%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	359.94	0.17	439.18	0.19	211.10	0.08	13,063.53
> 14%	14.350.59	16.67	23,075.28	19.61	12,592.39	8.72	5,591.32	3.47	7,398.26	3.57	9,527.10	4.02	9,926.02	3.90	176,693.77
GRAND TOTAL	86.077.10	100.00	117,667.30	100.00	144.351.10	100.00	161.100.10	100.00	207.178.60	100.00	237,133.84	100.00	254,442.10	100.00	1,301,390.14

TABLE 39

OUTSTANDING LOANS OF LOCAL GOVERNMENT, BY GFI
(IN MILLION PESOS), 1976 - 1990

Type of Bank	1976	% Share	1977	% Share	1978	% Share	1979	% Share	1980	% Share	1981	% Share	1982	% Share	1983	% Share
GSIS	23	13.9	21	9.6	20	7.2	35	12.1	32	12.1	32	9.5	29	6.9	22	4.1
DBP	143	86.1	198	90.4	259	92.8	254	87.9	304	87.9	304	90.5	389	93.1	287	53.0
PNB	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	43	7.9
LBP	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	187	34.6
Veterans Bank	0	0.0	0	0.0	0	0.0	0	0.0		0.0		0.0	0	0.0	2	0.4
TOTAL	166	100.0	219	100.0	279	100.0	289	100.0	336	100.0	336	100.0	418	100.0	541	100.0

Source: Bureau of Treasury

TABLE 39 (cont'd)

Type of Bank	1984	% Share	1985	% Share	1986	% Share	1987	% Share	1988	% Share	1989	% Share	1990	% Share	Average (1976-90)	% Share
GSIS	18	4.8	25	4.3	62	10.0	64	17.4	136	33.5	75	24.4	76	21.7	555	11.4
DBP	167	44.7	336	57.5	387	62.7	144	39.2	95	23.4	98	31.7	87	25.1	3,029	62.1
PNB	40	10.7	84	14.4	30	4.9	35	9.5	31	7.6	33	10.7	83	23.9	302	6.2
LBP	149	39.8	139	23.8	138	22.4	124	33.8	144	35.5	102	33.2	102	29.3	990	20.3
Veterans Bank	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	2	0.0

47

TABLE 40

OUTSTANDING LOANS OF LOCAL GOVERNMENT
AND NET LOANABLE FUNDS OF GFIS (1976 - 1990)
(IN MILLION PESOS)

YEAR	DBP			LBP			PNB			TOTAL		
	Net Loanable Funds	Loans Outstanding	% Share	Net Loanable Funds	Loans Outstanding	% Share	Net Loanable Funds	Loans Outstanding	% Share	Net Loanable Funds	Loans Outstanding	% Share
1976	9,920.97	143.00	1.44	1,711.49	0.00	0.00	17,527.07	0.00	0.00	29,159.53	143.00	0.49
1977	12,307.65	198.00	1.61	2,200.30	0.00	0.00	16,624.00	0.00	0.00	31,131.95	198.00	0.64
1978	14,244.10	259.00	1.82	1,423.80	0.00	0.00	20,160.54	0.00	0.00	35,828.44	259.00	0.72
1979	17,327.30	254.00	1.47	2,394.49	0.00	0.00	26,332.50	0.00	0.00	46,054.29	254.00	0.55
1980	20,261.19	304.00	1.50	3,281.22	0.00	0.00	31,642.70	0.00	0.00	55,185.11	304.00	0.55
1981	26,428.27	304.00	1.15	3,896.73	0.00	0.00	39,177.00	0.00	0.00	69,502.00	304.00	0.44
1982	32,968.08	389.00	1.18	3,915.28	0.00	0.00	51,019.80	0.00	0.00	87,903.16	389.00	0.44
1983	42,205.38	287.00	0.68	4,166.03	187.00	4.49	60,438.50	43.00	0.07	106,809.91	517.00	0.48
1984	47,384.68	167.00	0.35	5,053.36	149.00	2.95	72,138.10	40.00	0.06	124,576.14	356.00	0.29
1985	34,295.28	336.00	0.98	7,754.52	139.00	1.79	50,773.10	84.00	0.17	92,822.90	559.00	0.60
1986	6,769.66	387.00	5.72	9,709.53	138.00	1.42	22,239.50	30.00	0.13	38,718.69	555.00	1.43
1987	8,854.25	144.00	1.63	8,190.66	124.00	1.51	26,613.10	35.00	0.13	43,658.01	303.00	0.69
1988	9,546.47	95.00	1.00	8,406.70	144.00	1.71	32,592.70	31.00	0.10	50,545.87	270.00	0.53
1989	9,044.82	98.00	1.08	8,708.74	102.00	1.17	45,832.90	33.00	0.07	63,586.26	233.00	0.37
1990	11,215.33	87.00	0.78	14,652.20	102.00	0.70	62,725.70	29.30	0.05	88,593.23	218.30	0.25
TOTAL	302,773.23	3,452.00	1.14	85,465.05	1,085.00	1.27	575,837.21	325.30	0.06	964,075.49	4,862.30	0.50

TABLE 41

DISTRIBUTION OF SAMPLE BANKS

	With Lending Experience		Without Lending Experience		Total By Type		Overall Total
	GFIs	Private	GFIs	Private	GFIs	Private	
Region 1	1	–	6	8	7	8	15
Region 2	–	–	3	3	3	3	6
Region 3	2	–	2	5	4	5	9
Region 4	–	1	3	3	3	4	7
Region 5	1	–	3	6	4	6	10
Region 6	2	–	2	7	4	7	11
Region 7	2	–	1	4	3	4	7
Region 8	1	–	–	2	1	2	3
Region 9	–	–	–	–	–	–	–
Region 10	1	–	1	2	2	2	4
Region 11	1	–	6	5	7	5	12
Region 12	–	–	–	–	–	–	–
NCR	–	–			–	–	–
Total	11	1	27	45	38	46	84

Source: Bank Survey, LGU Credit Finance Study 1991

TABLE 42

TYPES OF LGU PROJECTS FINANCED OR TARGETTED BY BANKS

Projects	With Lending Experience	Without Lending Experience	Total	Percent to Total
Waterworks	1	21	22	28.9
Public Market	4	25	29	38.1
Slaughterhouse	-	1	1	1.3
Heavy Equipment	-	2	2	2.6
Garbage/Drainage System	-	3	3	3.9
Livelihood Projects	-	5	5	6.6
Warehouse/Post harvest Facilities	-	2	2	2.6
Any Project	-	12	12	15.8
Total	5	71	76	100.0

Source: Bank Survey, LGU Credit Finance Study 1991

TABLE 43

BANK'S CRITERIA FOR EXTENDING LOANS TO LGUs

	With Lending Experience		Without Lending Experience		Total	
	GFIs	Private	GFIs	Private	GFIs	Private
Project Viability	9	1	9	8	18	9
Paying Capacity of the LGU	1	1	13	12	14	13
Borrowing Capacity	–	–	–	1	–	1
Collateral	–	–		2	–	2
Reputation of the Municipal Head	–	–		4	2	4
Endorse by the National Gov't	–	–	1	4	1	4
Total	10	2	23	31	33	33

Source: Bank Survey, LGU Credit Finance Study 1991

TABLE 44

TYPES OF COLLATERAL

Collateral	With Lending Experience		Without Lending Experience		Total By Type		Over-all Total	% to Total
	GFIs	Private	GFIs	Private	GFIs	Private		
Real Estate	10	1	23	35	33	36	69	86.2
Chattel	–	–	–	1	–	1	1	1.2
Nat'l Gov't Guarantee	–	–	1	6	1	6	7	8.7
Internal Rev. Allotment	–	–	–	1	–	1	1	1.2
Hold-out Deposits	–	–	1	1	1	1	2	2.5
Total	10	1	25	44	35	45	80	100.0

Source: Bank Survey, LGU Credit Finance Study 1991

TABLE 45

BANK RESPONSE TO DEBT RELIEF EFFORTS
OF THE NATIONAL GOVERNMENT

	With Lending Experience		Without Lending Experience		Total By Type		Over-all Total	% to Total
	GFIs	Private	GFIs	Private	GFIs	Private		
Increase Confidence	6	1	9	17	15	18	33	39.3
Decrease Confidence	2	–	8	10	10	10	20	23.8
No Effect	2	1	10	18	12	19	31	36.9
Total	10	2	[illegible]	[illegible]	37	47	84	100.0

Source: Bank Survey, LGU Credit Finance Study 1991

TABLE 46

LGU PROJECTS TO BE FINANCED IN THE FUTURE

Projects	With Lending Experience	Without Lending Experience	Total	Percent to Total
Waterworks	1	23	24	33.3
Public Market	3	19	22	30.5
Heavy Equipment	-	2	2	2.8
Garbage/Drainage	-	2	2	2.8
System				
Livelihood Projects	-	6	6	8.3
Warehouse/Post harvest Facilities	-	2	2	2.8
Any Project	1	13	14	19.4
Total	5	67	72	100.0

Source: Bank Survey, LGU Credit Finance Study 1991

TABLE 47

INVESTMENT IN GOVERNMENT SECURITIES; BY TYPE

Type	Bank GFIs	Bank Private	Total	Percent to Total (%)
Treasury bills	11	21	32	51.6
Treasury notes	3	6	9	14.5
CB. bills	2	9	11	17.7
Others	5	5	10	16.1
Total	21	41	62	100.0

Source: Bank Survey, LGU Credit Finance Study 1991

TABLE 48

FEATURES OF LOCAL SECURITIES

Features	Banks		Total	Percent to Total (%)
	GFIs	Private		
Lot Size				
₱1,000 & less	4	2	6	12.0
₱5,000	1	7	8	16.0
₱10,000	2	4	6	12.0
₱20,000	2	3	5	10.0
>₱20,000	10	14	24	48.0
Does not matter	1	-	1	2.0
Total	20	30	50	100.0
Maturity				
< 1 year	11	23	34	68.0
2 years	-	1	1	2.0
3 years	3	1	4	8.0
5 years	4	3	7	14.0
> 5 years	2	2	4	8.0
Total	20	30	50	100.0
Interest Rate				
Fixed (n=31)				
same as S/D rate	3	3	6	19.3
same as T/D rate	-	1	1	3.2
same as T-bill rate	5	2	7	22.6
above S/D rate	2	-	2	6.4
above T/D rate	4	11	15	48.4
above t-bill rate	-	-	-	-
Total	14	17	31	100.0
Floating (n=18)				
same as S/D rate	1	1	2	11.1
same as T/D rate	-	-	-	-
same as T-bill rate	5	2	7	38.9
above S/D rate	-	-	-	-
above T/D rate	-	9	9	50.0
above t-bill rate	-	-	-	-

TABLE 48 (cont'd)

Total	6	12	18	100.0
Guaranteed by the Nat'l Gov't (n=51)	17	20	47	92.1
Bearer type of Certificate (n=51)	13	24	37	72.5
Tax-free interest income (n=51)	20	29	49	96.1

Source: Bank Survey, LGU Credit Finance Study 1991

TABLE 49

REASONS FOR BANK UNWILLINGNESS TO BUY LGU SECURITIES

	With Lending Experience		Without Lending Experience		Total By Type		Over-all Total	% to Total
	GFIs	Private	GFIs	Private	GFIs	Private		
Low credibility of LGU official	-	-	1	3	1	3	4	11.1
Not attractive investment instrument	5	-	2	8	7	8	15	41.7
Uncertainty of safety & acceptability of security	-	1		5	-	6	6	16.7
No bank policy to buy LGU securities	1	-	3	-	4	-	4	11.1
Limited bank funds	1	-	-	2	1	2	3	8.3
LGUs have no financial managment capability	1	-	1	-	2	-	2	5.5
LGUs may not have financial resources to redeem security	-	-	-	1	-	1	1	2.8
Investments are handled by head office	1	-	-	-	1	-	1	2.8
Total	9	1	7	19	16	20	36	100.0

Source: Bank Survey, LGU Credit Finance Study 1991

TABLE 50

TYPES OF LGU PROJECTS FINANCED/
TARGETTED BY BANKS AND GOVERNMENT CORPORATIONS

Project	GFIs					PKBs	TOTAL
	DBP a/	LBP	PNB	GSIS	Subtotal		
Basic Infrastructure and Services	3	1		1	5	2	7
Social Infrastructure				1	2		2
Trading Centers	3	1		1	5	1	6
Heavy Equipment	2				2		2
Cadastral Survey	2			1	3		3
Slaughter House	1	1			2	1	3
Livelihood		1			1		1
Any Project			1		1	3	4

a/ DBP has three lending windows for LGU namely:

1) lending window handling non-performing LGU accounts
2) lending window handling LGU accounts under BPnB
3) lending window handling the Omnibus Financing Program recently approved by DBP Board in 6 pilot municipalities

TABLE 51

CRITERIA FOR LENDING

Criteria	GFIs					PRBs	TOTAL
	DBP a/	LBP	PNB	GSIS	Subtotal		
Project Viability	3	1	1	1	6	5	11
Paying Capacity	3	1	1	1	6	5	11
Borrowing Capacity	3	1	1	1	6	4	10
Collateral	3	1	1		5	5	10
Reputation of the Municipality Head b/	2		1		3	4	7
Development Impact of Project		1			1	1	2
Endorsed by the National Government			1		1		1
Growth Potentials of the Locality						1	1

a/ see footnote in Table __

b/ refers to credit record and managerial capability of LGU officials

TABLE 52

STATUS OF LGU LOANS GRANTED BY
GOVERNMENT BANKS AND CORPORATIONS

	Net Loanable Funds (As of Dec. 31,1990)	Loans Outstanding (As of Dec. 31, 1990)	Loans Granted (1975-1990)	Past Due a/ (As of Dec. 31, 1991)	Debt Relief	
					Total	Amount Paid by NG
DBP	11,215.3	87.2 (0.80) d/	280.90	15.37 (17.62) b/	115.7	69.3
LBP	14,652.2	101.8 (0.70) d/	233.31	21.26 (9.11) c/	78.5	47.1
PNB	62,725.7	83.3 (0.13) d/	103.74	4.78 (5.74)	2.9	1.7
GSIS		75.6	62.36	4.56 (6.03)	4.6	2.8
TOTAL	88,593.23	347.92 (0.31) d/	680.31	41.19 (11.84)	201.7	120.9

a/ excluding interest payments and other charges

b/ numbers in parenthesis is the proportion of past due accounts to total loans outstanding

c/ as of December.31, 1989.

d/ reflects the proportion of LGU loans to the total net loanble funds of GFIs

Source of data: Commission on Audit, Annual Reports of DBP, LBP and PNB

TABLE 53

COLLATERAL REQUIRED BY BANKS

Collateral	GFIs				PKBs	TOTAL
	DBP	LBP	PNB	Subtotal		
Real Estate	3	1	1	5	5	10
Chattel	2	1		3		3
National Government Guarantee	1		1	2	5	7
Internal Revenue Allotment	3	1	1	5	4	9
Hold-out Deposits			1	1		1
Marketable Securities					1	1
Assignment of Income of Disbursement			1	1		1

TABLE 54

CIRCUMSTANCES OF DEFAULT

Circumstances	DBP	LBP	PNB	GSIS	TOTAL
Change of Officials	1	1	1	1	4
Inefficient Fiscal Management		1	1		2
Mismanagement of Project	2	1		1	4

TABLE 55

MEASURES/ACTIONS TAKEN
TO RECOVER LGU BAD ACCOUNTS

Measures	DBP	LBP	PNB	GSIS	TOTAL
1 Withold IRA	1	1	1	1	4
2 Foreclosure	1		1		2
3 Intensified Collection	1				1
4 Restructuring	1	1			2
5 Plan of Payment					
6 Debt Relief	1	1	1	1	4

TABLE 56

EFFECT OF DEBT RELIEF PROGRAM FOR LGUs

Effect	GFIs	PKB	TOTAL
Increase Confidence/ Willingness to lend	2	2	4
Decrease Confidence/ Willingness to lend	1	1	2
No Effect on Bank	1	2	3

TABLE 57

NON-MONETARY BENEFITS FROM LGU LENDING 1/

Non-Monetary Benefits	DBP	LBP	PNB	GSIS	BPI	TOTAL
Improve Image of bank in Municipality	1	1	1		1	4
Enables bank to participate in countryside development	3	1	1		1	6
Advertisement of the availability of Financing in the locality			1			1
None				1		1

1/ asked from banks with lending experience

TABLE 58

FEATURES OF SECURITIES THAT WOULD ATTRACT BANKS TO INVEST IN LGU SECURITIES

Features	GFIs DBP	GFIs PNB	PKBs	ALL
1. Lot Size				
P 10,000		1		1
> 20,000	1		5	6
2. Maturity				
< 1 year			3	3
2 years			1	1
3 years		1	1	2
5 years	1			1
3. Interest Rate				
Fixed			5	5
Floating	1	1		2
Rate Same as T-Bills			3	3
Rate Higher than T-Bills	1	1	2	4
4. Guaranteed by National Government				
Yes	1	1	5	7
No				
5. Bearer Type of Certificate				
Yes	1	1	4	6
No			1	1
6. Tax Free Interest Income				
Yes	1	1	4	6
No			1	1
7. Other Features				
Safety/Security	1			1
Negotiability/Marketability	1	1	1	3
Credibility/Reputation of Issues			1	1
Can be used to satisfy reserve requirements			3	3
Can be used to satisfy PD 717			2	2
Convertibility to other type of government bonds		1		1
None			2	2

1/ LBP expressed no intention of investing in government securities for reasons that there are more attractive securities floated in the market.

TABLE 59

FEATURES OF LOCAL SECURITIES INDIVIDUAL SAVERS PREFER

Features	No. of Respondents	Percent to total (%)
Lot Size		
P500	4	7.3
P1,000	28	50.9
P5,000	11	20.0
P10,000	3	5.5
P20,000	5	9.1
>P20,000	4	7.3
Total	55	100.0
Maturity		
< 1 year	27	49.1
1 year	1	1.8
2 years	13	23.6
3 years	7	12.7
5 years	3	5.5
> 5 years	4	7.3
Total	55	100.0
Interest Rate		
Fixed	39	72.2
Floating	15	27.8
Total	54	100.0
Level of interest rat		
same as S/D rate	13	24.1
same as T/D rate	12	22.2
same as T-bill rate	13	24.1
above S/D rate	3	5.6
above T/D rate	12	22.2
above t-bill rate	1	1.9
Total	54	100.0
Guaranteed by the Nat'l Gov't (n=55)	52	94.5