

- <sup>5</sup> The massive capital inflow experienced by Malaysia, Thailand, and Indonesia has been one factor which helped these countries to move to the "near NIC" status.
- <sup>6</sup> During this period, capitalists from the emerging NICs, most of them ethnic Chinese, started to invest in their neighboring countries. The Philippines missed out on these because of the electric power problem.

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# ETHNIC CHINESE IN PHILIPPINE BANKING

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## INTRODUCTION

FIRST OF ALL, I would like to clarify that although I am the branch head of Metropolitan Bank and Trust Company (Metrobank), Magdalena Branch, I am not speaking for Metrobank. The paper I am presenting is purely my personal opinion and observation. Although called a banker, I do not own a single share of the bank. Speaking here, I represent more KAISA<sup>1</sup> than the banking sector.

To start, let me explain first that there is no such thing as Chinese banks in our country. Except for the local branches of foreign banks which were established before the war—Citibank, Bank of America, Hong Kong Shanghai Bank and Charter Bank, there are no other foreign banks allowed by our law. The so-called "Chinese" banks in our country refer to banks of which Filipinos of Chinese descent own the majority share. Moreover, in terms of ownership, it is very difficult to find a "Chinese" bank nowadays which is entirely owned by Filipinos of Chinese descent. Many of these banks are co-owned by Filipinos or a few by foreign banks. This can be easily seen from their directorship and the shares of stock they own.

Looking at the executives who actually manage the bank - except in a few cases, we observe that all of these so called "Chinese" banks are headed by Filipino presidents, and the majority of their bank executives

are also Filipinos. This situation also holds true among the rank and file. Likewise, since banks are nationalized in our country, no aliens are allowed to be employed in the bank so all the officers and staff in "Chinese" banks are Filipino citizens.

It is important to point out that for their clientele, due to competition in marketing, "Chinese" banks do not necessarily deal with ethnic Chinese clients only, although the majority of their clientele may be Chinese. Filipino clients as well as multinationals also bank with these "Chinese" banks. On the other hand, Filipino banks, both private and government, also have a lot of Chinese clients. Some even have "Chinese" shareholders although in a much lesser degree.

With the above information and facts in mind, we see that it is really hard to define what a Chinese bank is and distinguish which are the "Chinese" banks.

For purposes of discussion, the "Chinese" banks referred to in this article are banks where the majority of the stock shares are owned by Chinese Filipinos.

Among the 34 commercial banks in our country today, nine banks fall into this definition of "Chinese" banks. They are: Metropolitan Bank and Trust Company of George Ty, Rizal Commercial Banking Corporation of Alfonso Yuchengco, Equitable Bank of George Co, Allied Bank of Lucio Tan, China Bank of Peter Dee, Philippine Bank of Communication of Ralph Nubla, Philippine Trust of Emilio Yap, Philbanking of Domingo Lee, and Producers Bank<sup>2</sup> of Henry Co.

#### BRIEF HISTORY AND BACKGROUND: UPS AND DOWNS

The two earliest "Chinese" banks in the Philippines were China Bank and Mercantile Bank of China established in 1920 and 1924, respectively. Unfortunately, due to the great depression of the late 1920s and early 1930s, both of these banks encountered great difficulties. China Bank, with 100 percent Chinese capital, was created by Dee C. Chuan who, realizing that the Americans were more experienced in banking, hired two Americans as managers. It managed to survive the financial crisis with the assistance given by then financial authority of the United States. China Mercantile Bank succumbed to the depression and closed down in 1931.

A few "Chinese" banks also shut down in the recent past. Worth mentioning here are: Pacific bank of the late Antonio Roxas Chua, Associated Bank of Leonardo Ty, Producers Bank of the Co family and Family

Savings Bank and International Bank of Asia and America (IBAA) of Andrew Gotianun. The first three banks all encountered great difficulties during the financial crisis between 1983 to 1985. Pacific Bank eventually closed down while Associated Bank and Producers Bank were under Central Bank receivership and conservatorship respectively. Gotianun sold his Family Bank and IBAA to Bank of the Philippine Islands and Philippine Commercial and International Bank respectively at the height of the financial crisis. He was said to have divested a lot of his capital to Canada's banking industry only to find out he could not be successful there.

Obviously, not all "Chinese" banks and Chinese bankers are successful, contrary to what many people think. Like non-Chinese banks, "Chinese" banks suffer whenever our country suffers economic crisis. Some Chinese bankers could not overcome the crisis our country encountered in the early eighties. The myth that the Chinese have inherent talents to do business is really not true. There are also failures among them.

Moreover, several "Chinese" banks today were not the creation of Chinese bankers but simply bought from former Filipino bankers. For example, Allied Bank was bought from General Bank by Lucio Tan, Philtrust from the Catholic church by Emilio Yap and Philbank from the Laurel family by Domingo Lee and his partners.

Banking is but a product of Western capitalism. There were no banks in China before the colonial era. Banks were introduced to China by Western colonizers. The Chinese businessmen were not familiar with banking before. Prior to World War II and even during the 1950s, a lot of Chinese businessmen simply kept their cash in their shops or houses instead of depositing them in the banks. Banking in the Chinese community is but a result of Philippine economic development as a whole and the Chinese community in particular. Through their business activities, the Chinese businessmen realize the necessity of banking and the role a bank can play in economic advancement. They certainly are not born bankers as can be seen from the fact that the great majority of bank presidents of these "Chinese" banks are Filipino professionals. From what I know, only Wilfredo Tecson and Edward Go are professional bankers and both were trained in the West.

#### SHARE OF "CHINESE" BANKS IN THE SECTOR

I shall now discuss the present status of the "Chinese" banks in the Philippine banking sector by presenting their share in total asset,

liquid asset, loan portfolio, total deposit and capital among all commercial banks. The statistics presented are as of June this year.

Can we in fact attribute the assets and deposits of these banks to Chinese ownership? It has been mentioned that the nine banks classified as ethnic Chinese commercial banks are not purely owned by ethnic Chinese and their deposits are of course not solely from the Chinese. Also, their loan accommodations are not only for the Chinese. The same can be said of Filipino commercial banks which service both ethnic Chinese as well as Filipinos. Let us make a very general assumption that the Filipino share in the loans and deposits of these so-called "Chinese" banks offsets the ethnic Chinese share in Filipino commercial banks and hence attribute roughly the assets and deposits of the "Chinese" banks to Chinese ownership. One should therefore be cautious with the interpretation of the data presented. (For ownership and shares held, it might still be possible to distinguish the ethnicity of the stockholders. However, for of deposits and loan accommodations, no bank ever tried to segregate clients according to ethnicity. It certainly will be contrary to good business policy to do so.)

Table 1 shows on the share of the "Chinese" banks in the banking sector.

Table 1 PERCENTAGE SHARE OF "CHINESE" BANKS IN THE PHILIPPINE BANKING SYSTEM, JUNE 1983

Percentage Share of "Chinese" Banks	Total Assets	Liquid Assets	Loan Portfolio	Total Deposits	Capital	No. Share
among domestic private commercial banks	38.43%	37.80%	38.00%	38.06%	35.67%	9/28 = 32.14%
among domestic and four foreign private banks	34.01%	35.30%	35.14%	36.28%	34.06%	9/32 = 28.12%
among domestic private and public commercial banks	28.17%	27.12%	29.67%	28.36%	25.70%	9/30 = 30.00%
in the whole commercial banking system	25.72%	25.81%	27.40%	26.87%	24.86%	9/34 = 26.47%

The first shows the share or percentage of "Chinese" banks among the 28 private domestic commercial banks, which means the two government commercial banks and four foreign commercial banks are not included.

The second shows the share of "Chinese" banks among all the private commercial banks whether domestic or foreign. The four foreign banks are included, but the two government commercial banks are excluded.

Another shows the share of the "Chinese" banks among domestic commercial banks, both private and government. The two government commercial banks are included, but the four foreign commercial banks are not included here.

The last shows the share of "Chinese" banks in our whole commercial banking system.

From the figures in Table 1, we see that the ethnic Chinese occupy a substantial but not dominant share. Moreover, most ethnic Chinese are also Filipinos and have never formed any monopolistic group to dominate the industry. In fact, they are always competing among themselves and pirating officers from one another. Although the statistics presented are about banking, to a certain extent it reflects a quantitative estimate of the role played by the ethnic Chinese in our national economy.

#### RECENT DECLINE IN SHARE OF "CHINESE" BANKS

Another very revealing statistic is that during the last quarter of 1992 and the first quarter of 1993, the share of "Chinese" banks in our commercial bank system declined by 0.71% and 0.06% respectively in terms of total assets and 0.66% and 0.42% respectively in terms of total deposits as compared to the previous quarter. The decline in terms of total deposit was even more significant. It declined by 1.55% in the last quarter 1992 and 1.69% in the first quarter of 1993. This has never happened - ever since we started computing and monitoring the statistics and share of "Chinese" banks six years ago when KAISA was organized. The share of the "Chinese" banks increased steadily over the years until the last two quarters. Considering the fact that the total assets and total deposits of the whole commercial banking system amounted to more than 700 billion pesos and almost 500 billion pesos respectively, a decline of even less than one percent (1%) share means billion of pesos. Given the present conditions in and outside of the country, the explanations for the decline are

obvious. The decline can be attributed to the rampant kidnapping during the second semester of 1992 and early this year as well as the investment of opportunities in China, particularly in Fujian province where the majority of the ethnic Chinese in our country come from. The economic recession caused by power shortage is another reason for the decline. I am afraid that the recent tax campaign targeted against the six *taipans* and singling out Chinese tax evaders can continue to aggravate such a decline.

The recent decline in the business activities of the Chinese Filipinos in their host country, as seen by the decline in the bank deposits and assets of the "Chinese" banks in the country, illustrates that, the business acumen of the Chinese may not be adequate for their survival in business given the adverse economic as well as social order present in the host country. To paraphrase a Chinese saying, "Without rice, no matter how clever a housewife is, she definitely cannot cook *kanin* (rice)." The objective conditions of the mother country also contribute to and affects the business of the Chinese and the "Chinese" banks. They, together with the other Filipinos, sail in the same boat and either float or sink together.

#### ENDNOTES

- <sup>1</sup> A research-based non-government organization established in 1987 with the main objective of promoting integration of the Chinese Filipinos into the mainstream of society.
- <sup>2</sup> Producers Bank recently reorganized and changed its name to First Bank. Former Philippine National Bank President Edgardo Espiritu was appointed as vice chairman and president.

#### APPENDIX 1

##### VALUE OF TOTAL ASSETS, TOTAL LIQUID ASSETS, LOAN PORTFOLIO, TOTAL DEPOSITS AND CAPITAL OF "CHINESE" BANKS

"Chinese" Banks	Total Assets	Liquid Assets	Loan Portfolio	Total Deposits	Capital
MBTC	60.02	22.73	29.11	42.36	6.19
RCBC	31.20	10.98	19.66	21.19	3.96
ABC	25.22	8.36	11.88	16.56	2.74
EBC	22.35	7.59	11.48	15.66	2.72
CBC	19.55	6.73	11.30	12.67	2.69
PBCom	10.64	4.68	5.58	7.60	1.47
PTC	8.61	4.15	3.78	7.00	1.08
PB	6.44	1.46	2.97	4.57	0.88
PBP	3.34	1.35	1.06	1.52	0.006
<i>Total</i>	<i>187.37</i>	<i>68.03</i>	<i>96.82</i>	<i>129.13</i>	<i>21.736</i>

#### APPENDIX 2

##### RANK OF "CHINESE" BANKS AMONG ALL COMMERCIAL BANKS FOR TOTAL ASSETS, TOTAL LIQUID ASSETS, LOAN PORTFOLIO, TOTAL DEPOSITS AND CAPITAL

"Chinese" Banks	Total Assets	Liquid Assets	Loan Portfolio	Total Deposits	Capital
MBTC	3	3	2	4	3
RCBC	9	9	7	8	8
ABC	10	10	10	8	9
EBC	11	11	11	11	10
CBC	12	12	12	12	11
PBCom	18	18	18	18	19
PTC	21	21	22	19	21
PB	25	25	23	22	27
PBP	31	31	31	31	31

ABC - Allied Banking Corporation  
 CBC - China Banking Corporation  
 EBC - Equitable Banking Corporation  
 MBTC - Metropolitan Bank and Trust Company  
 PTC - Philippine Trust Company

PBCom - Philippine Bank of Commerce  
 PB - Philippine Banking Corporation  
 PBP - Producers Bank of the Philippines  
 RCBC - Rizal Commercial Banking Corporation