GOVERNMENT FINANCING CORPORATIONS

THE problems of financing encompass a wide range of vital social, economic and political activities. Considering the economic circumstances of the moment, the Government feels the importance of lending its wholehearted support to all financing institutions in order to enable them to meet the ever-increasing needs of the people. At the same time, the responsibilities of financing institutions are becoming even greater as people everywhere are striving for a better standard of living. These circumstances are quite understandable in view of the public pronouncement of the President of the Philippines of emancipating the tenants from their feudal bondage and thereby broaden the base of the middle class. The middle class is the vanguard of any progressive nation. The broader is the vanguard, or the greater is the number of progressive middle class families, the stronger are the national economic, political and social structures.

With this perspective, the leadership of the Philippine Government has by law assigned the financing institutions to provide monetary support for various domestic industries, the most important of which are: agriculture, mining and medium-scale industries, with the aims of increasing the productive capabilities of farmers, encouraging the production of export products and thereby creating employment opportunities in the country's rural areas. This financing activity could easily be discerned in their financial statements showing long-term receivables of ₱6,593.09 million, broken down as follows: agricultural — ₱693.77 million; real estate — ₱2,343.85 million; industrial and others — ₱3,555.48 million. In addition, as of June 30, 1973, a total of ₱6.29 million was extended by the financing corporations for employees' housing projects.

Seven corporations constitute the major financing institutions providing financial aids for various domestic and dollar-earning industries, namely: the CB, the PNB, the DBP, the SSS, the LBP, the NIDC and the GSIS. The over-all financial condition of these government financing corporations as of June 30, 1973, as well as the results of their operations for the fiscal year then ended are shown in the comparative table below.

To carry out their role in the rehabilitation, development and expansion of the country's agriculture and other industries, the seven financing institutions found their resources limited to cope with the economic requirements of the country. They had to resort to foreign borrowings from foreign governments and international financial institutions. As of June 30, 1973, the total loans derived by these corporations from foreign financial institution amounted to ₱2,904.78 million. This includes ₱36.09 million

Due to Foreign Banks shown under Current Liabilities. Concomitant with the highly inflationary character of huge loans for infrastructure and economic programs and projects of the Government is the problem of debt management. Debts of this nature could have adverse effects on the economy of the country as a whole most especially when the maturity of the foreign loans comes simultaneously.

Debt management policy in the future should be directed towards strengthening the banks' equity bases to support greater expansion of their resources and broaden their sources of fund from local and foreign sources. Emphasis should be placed immediately on the collection of past due amortizations, advances and receivables of loan accounts.

A more systematic management of government debt and the strict observance of laws governing the reloaning of borrowed funds to farmers and other sectors engaged in socio-eco-

A. *Financial Condition*

Corporations	*Assets*	*Liabilities* (In Millions)	*Networth*
Government Service Insurance System (GSIS)	₱ 3,520.85	₱ 3,357.33	₱ 163.52
Social Security System (SSS)	1,891.91	130.93	1,760.98
Central Bank of the Philippines (CB)	12,969.85	12,655.10	314.75
Development Bank of the Philippines (DBP)	4,702.88	2,843.56	1,859.32
Philippine National Bank (PNB)	5,309.83	4,776.63	533.20
National Investment and Development Corporation (NIDC)	348.74	88.83	259.91
Land Bank of the Philippines (LBP)	129.22	54.77	74.45
	₱28,873.28	₱23,907.15	₱4,966.13

B. *Results of Operation*

Corporations	*Income*	*Expenses* (In Millions)	*Net Income*
Government Service Insurance System (GSIS)	₱ 765.08	₱ 703.12	₱ 61.96
Social Security System (SSS)	543.09	140.37	402.72
Central Bank of the Philippines (CB)	343.10	330.75	12.35
Development Bank of the Philippines (DBP)	337.53	296.79	40.74
Philippine National Bank (PNB)	372.49	342.00	30.49
National Investment and Development Corporation (NIDC)	20.64	39.29	(18.65)
Land Bank of the Philippines (LBP)	4.11	3.79	.32
	₱2,386.04	₱1,856.11	₱529.93

nomic activities would enable the seven financing corporations to sustain the vital programs of the Government towards economic progress.

Taken as a whole, these government financing corporations as of June 30, 1973, had more current liabilities (₱13,397.67 million) than current assets (₱10,969.83 million) accounting for the rather poor over-all current ratio of .82 to 1. This situation is brought about principally by the CB, the DBP and the PNB whose total current liabilities exceeded total current assets by ₱2,117.99 million, ₱476 million and ₱81.37 million, respectively. These conditions also affected the overall ratio of owned capital (networth) to borrowed capital (total liabilities) which was roughly 21%. (Appendix C-3)

It should be noted, however, that the LBP had a very sound current ratio of 6.09 to 1, the GSIS with 4.19 to 1 and the SSS with 2.6 to 1. These current ratios indicate the number of times the current assets will pay off current liabilities. (Appendix C-3)

While the total networth of these seven government financing corporations represented a little more than 1/5 of total liabilities, it may be noteworthy to mention that owned capital of the SSS represented 1,345.01% of its borrowed capital, that of the NIDC, 292.59% and that of the LBP, 135.94%. Biggest asset items percentagewise, all seven corporations taken together, are: Current Assets, 37.99%; Investments and Securities, 28.18% and Long-Term Loans Receivable (agricultural, real estate, industrial and other loans receivable), 22.84% Foreign loans of ₱2,868.69 million represented 59% of total long-term liabilities, increasing from 42.31% as of the end of fiscal year 1972. On the other hand, the consolidated balance sheet for these financing corporations shows ₱743.32 million as Due from Foreign Banks, representing 6.78% of total current assets. (Appendices C-1 and C-3)

An analysis of the statement of income shows interest expenses on loans and deposits represented 31.34% of total expenses in 1973 and 30.92% in 1972. Next biggest among the expense items are: Claims and Benefits, 24.06%; Increase in Reserves, 15.96% and Personal Services, 14.01%. Among the corporations spending the most for personal services in 1973, are: the PNB, 27.97% of its total expenses; the CB, 16.80% and the NIDC, 14.09%. Comparatively speaking, however the trend is favorable considering that the rates decreased considerably from 33.97% for PNB, 24.19% for CB and 50.46% for NIDC in fiscal year 1972. Claims and benefits paid by the SSS and the GSIS during fiscal year 1972-1973 increased to 69.35% and 49.27%, respectively, of their total expenses from 66.11% and 36.57%, respecively, in fiscal year 1971-1972. (Appendix C-2)

Incurring the biggest interest expenses in relation to their total expenses are the DBP, 74.92%, the CB, 55.08% and the PNB, 31.58%. One notable feature in the consolidated

Statement of Income of the seven government financing corporations is the increase in income of ₱109.89 million, despite an over-all increase in their expenses of ₱370.06 million. Registering the biggest increase in income is the SSS from ₱234.16 million to ₱402.73 million.

Briefly, the seven government financing corporations are discussed individually.

GOVERNMENT FINANCING CORPORATIONS
NET RESULTS OF OPERATIONS
FISCAL YEARS 1972 AND 1973