Staff Papers No 9

SEACEN CENTRE

THE EMERGENCE OF NON BANK FINANCIAL INSTITUTIONS IN THE SEACEN COUNTRIES

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The SEACEN Research and Training Centre
1985

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The South-East Asian Central Banks (SEACEN)
Research and Training Centre

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FOREWORD

One of the major activities of the SEACEN Research and Training Centre in the pursuance of its objective of promoting closer collaboration and understanding among the SEACEN member banks is undertaking research. Thus, the research activities of the SEACEN Centre have covered various monetary, foreign exchange, fiscal and other economic issues faced by central banks and monetary authorities in the region.

The publication of this Staff Papers reflects the continuing efforts of the SEACEN Centre to achieve the above-cited objective. As suggested by its title, the studies in the Staff Papers were prepared by the professional staff of the Centre and were done mostly in connection with its other activities. More specifically, they were undertaken to serve as background papers for the seminars and meetings conducted by the Centre, as special topics in the Economic Survey on SEACEN countries prepared annually and as materials for the speaking engagements of the staff members. Hence, these studies are not the regular research projects of the Centre which are more in-depth in terms of treatment and usually cover a longer time perspective.

The views presented in these papers are those of the authors and do not necessarily reflect those of the SEACEN Centre or the member central banks and monetary authorities. It is hoped that the publication of the Staff Papers series would contribute to a better understanding of the developmnents and issues confronting central banks and monetary authorities in the SEACEN countries.

Staff Papers No. 9, "The Emergence of Non-bank Financial Institutions in the SEACEN Countries", was one of the background materials in the SEACEN Seminar on Non-bank Financial Institutions and Monetary Policy which was held at the Central Bank of Ceylon, in Colombo, Sri Lanka from June 3 to 5, 1985. Mr. Gerardo S. Tison, Research Economist, prepared the paper while Miss Seow Yun Yee, Research Assistant, provided the statistical support.

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July 1985

THE EMERGENCE OF NON-BANK FINANCIAL INSTITUTIONS IN THE SEACEN COUNTRIES

Introduction

As an economy develops, the needs of its various sectors increase and become more complex and specialised. In meeting these growing requirements new facilities and institutions arise. In the financial sector, new institutions and instruments and other innovations emerge in response to the needs of the expanding economy. From the side of the users of funds, more and more entities find their own savings increasingly inadequate to finance their expenditures. The investors begin to place greater reliance on outside financing in expanding their productive activities while households desire immediate possesion of consumer and durable goods, including housing, without having to raise the full amount needed to acquire such goods. Viewed from the perspective of fund suppliers, the surplus units look for various forms of savings to suit their liquidity preferences and different risk perceptions. Thus, a financial system which is responsive to the needs of its surplus and deficit-spending clientele should be able to provide a wider range of services.

Countries in the SEACEN region exhibit varying degrees of economic development and as such present different sectoral needs. Likewise, their financial structures represent different levels of sophistication. Despite such diversity, some common threads in the developments in the SEACEN countries could still be observed that could account for the introduction of more financial services and the establishment of new financial institutions. This paper aims to trace the emergence of a specific group of financial institutions in the SEACEN region, the non-bank financial intermediaries (non-banks, for short). Based on available published information, an indication of the size and structure of non-banks will be provided. Some general issues that bear implications for policy formulation and implementation by the central banks and monetary authorities will also be pointed out.

Factors Leading to the Emergence of Non-banks

The financial structures of the SEACEN countries, in line with the development of their economies, have grown and changed during the past few decades. Although the commercial banks or the banking institutions for that matter still dominate their financial systems, the emergence of other types of intermediaries, particularly the non-bank financial institutions, has been proceeding at a noticeable if not accelerated pace. More specifically, these institutions have been permeating the deposit-taking and lending activities of the traditional banks. This development has not only affected the competitiveness of the banking sector but has also brought out implications on the formulation and implementation of monetary policy by the central banks.

The emergence of non-bank financial institutions in the SEACEN region may be traced to two major related factors. One underlying factor could be said to have arisen from felt needs or demand for other services which were not provided by existing financial entities. The other factor represented responses or reactions on the opportunities brought about by government regulations on the financial system.

First, non-bank financial institutions have evolved to fill the requirements of the growing SEACEN economies which were not met or not adequately provided by banks. Banking institutions have not gone into these areas mainly by their own choice. These are usually the areas requiring longer-term lending, a different attitude towards risk and a more innovative style of operations. Thus, non-banks have geared their operations along those market segments requiring long-term or development funding, consumer financing and financial assistance to small and venture enterprises. In the SEACEN countries, the government sector also played a pioneering role in establishing new institutions and developing new instruments to cater to specific needs.

In Malaysia, the industrial development finance institutions exemplify one type of non-bank financial intermediaries which came into existence to fill a gap in the services provided by the traditional banks. They were established to primarily meet the medium- and long-term credit needs of certain sectors of the economy since the commercial banks and finance companies tend to concentrate on short-term lending. A case in point was the establishment of the Agricultural Bank of Malaysia by the government in 1969 to mobilise resources for agricultural development and to coordinate the rapidly growing flow of funds from the public sector for agricultural and rural development projects.

Second, the establishment of non-bank financial institutions sprang from various regulations imposed by the government which restricted the scope of operations of banks. These regulations range from interest rate ceilings and enforced areas of specialisation to prohibitions on branching and entry of foreign banks. Thus, non-banks have taken these opportunities and operated in areas which the traditional banks were not allowed to go into.

For instance, in Thailand, commercial banks' operations are limited to those specified in the Commercial Banking Act. Moreover, since the mid-Sixties, there has been a complete ban on foreign banks opening branches in Thailand and a virtual ban on the establishment of new local banks. Under this situation, foreign and local interests were able to circumvent the Banking Act and other restrictions by opening non-bank type of financial institutions. The activities of non-banks in Thailand included hire-purchase schemes, notably of motor vehicles; consumer goods financing; and drawing funds from the public through the issuance of instruments other than deposits, such as promissory notes. Likewise, foreign banks were able to gain acccess to the Thai domestic market by establishing finance companies in the same manner that domestic banks were able to engage in gathering and lending funds in other areas by opening subsidiary non-bank type of institutions.

The issuance of Ministerial Decree No. 38 by the Minister of Finance in 1972 led to the formal establishment of non-banks in Indonesia. The first non-banks were established as joint ventures of domestic banks and enterprises and foreign banks. These institutions were envisioned to take a lead role in developing the money and capital markets and they are allowed, among other things, to issue such financial instruments as promissory notes and long-term securities and make equity inves ents. The Indonesian Government and Bank Indonesia also played an active role in developing the non-bank financial institutions and this was initially manifested in their equity contributions to the first non-banks in the country. One such institution is P.T. Bahana, a development finance company which provides equity funds to small scale indigenous industries.

In the Philippines, during the period when ceilings on interest rates were imposed a new type of financial instrument emerged. These are the so-called deposit substitutes which are alternative forms of obtaining funds from the public, other than deposits, through the issuance, endorsement or acceptance of debt instruments for the borrower's own account, for the purpose of relending or purchasing of receivables and other obligations. The deposit substitutes were first issued by non-bank financial intermediaries and fetched higher interest rates because they were not initially subjected to interest rate ceilings. By virtue of some definitional differentiation, the pioneer non-banks in issuing these instruments-- the investment houses and financing companies-- were able to attract funds and relend the proceeds in the money market.

Based on these factors, the existence of non-bank financial institutions in the SEACEN region has brought about these advantages:

1. Special facilities for borrowers

Non-bank financial intermediaries are established primarily to supplement and complement the services of banks. This therefore amounts to a greatly increased ease with which borrowers are able to obtain funds to meet their special needs. On the one hand, the traditional banking institutions have assisted the types of borrowers for which they have been chiefly established. On the other hand, the non-banks have given support to various users of funds by investing in the various forms of paper they issue. In a number of cases, the more crucial aspect in the SEACEN countries is the availability of credit rather than its cost, and non-banks in this respect have figured prominently in providing the credit needs of some sectors with limited or no access to bank funds.

2. Attractive return to savers

The non-bank financial institutions have provided the public with alternative forms of investment which offer rates of return which are attractive and competitive. In this regard, these institutions have assisted in increasing the level of savings in the economy.

3. Facilities for small investors

These institutions have provided an opportunity for the small surplus units to invest in sound business undertakings in which they would otherwise have little opportunity of securing a financial interest. This facility can be illustrated by investment-type financial institutions which make available, from their own investment portfolios, small denominations of securities or stock shares to the small investors.

The Size and Structure of Non-banks in the SEACEN Countries

The existence of non-banks in the financial structure of the SEACEN countries is a more recent phenomenon compared to that of the banking institutions. A more significant development, however, is the proliferation of non-bank financial intermediaries in a relatively short period of time, and available published information has pointed to their growing significance.

Using individual country's classification of non-bank financial institutions and excluding the central bank or monetary authorities in the definition of the financial system, assets of non-banks accounted for as high as 65.6 per cent of the total assets of the financial system in Malaysia in 1983 to 4.6 per cent in Indonesia in 1984 (see attached tables). Within this range includes Sri Lanka where assets of non-banks accounted for 14.6 per cent of the total assets of the financial system in 1981; the Philippines whose non-banks (exluding insurance companies) contributed 15.8 per cent in 1981; Thailand, 21 per cent in 1981;

Nepal, 28.5 per cent in 1983; and Singapore, 40.6 per cent in 1982.

Available data also showed that the proportion of non-banks' assets to total assets of the financial system has been tracing an increasing trend in the individual countries.

Non-bank financial institutions are also emerging as significant sources of credit in the SEACEN countries. The bulk of their loans has medium-and long-term maturities since the development type institutions dominate the non-bank financial sub-system in the SEACEN region. In Nepal, loans provided by non-banks traced an increasing share to the total loans outstanding of the financial system: the ratio was 8.5 per cent in 1980, 8.7 per cent in 1981 and 10.9 per cent in 1982. In Thailand, loans outstanding of non-banks constituted 24 per cent of the aggregate loans outstanding of the financial system in 1980. About 11 per cent of total loans outstanding in the Philippines was provided by non-banks during the years 1979 to 1982. On the other hand, available data showed that loans outstanding of non-banks in Indonesia as a percentage of total loans of the financial system ranged only from 0.8 per cent to 1 per cent during the period 1979 to 1983. A relatively small share of loans of non-banks in Sri Lanka was also obtained or a range of 1.5 per cent in 1979 to 2.7 per cent in 1982.

One remarkable feature of non-bank financial institutions in the SEACEN countries is their rapid increase in number. While some intermediaries like finance and insurance companies tended to congregate in the urban centres, the establishment of more development and specialised type of non-banks in the rural areas has expanded the geographical reach of the organised financial system. Thailand has the largest number of non-bank outlets in the SEACEN region. In

1983, there were more than 2,055 non-bank head offices and branches in Thailand, of which 1,010 were agricultural cooperatives. The Philippines has the second largest number: a total of 1,707 in 1984 which is an improvement over the 1,524 in 1981. The number of non-bank financial institutions in the other SEACEN countries is not as big but the growing number of outlets was also observed.

In terms of structure, the more elaborate non-bank financial sub-system can be found in those countries with more sophisticated financial system. Thus Singapore would have almost all types of non-banks-- finance companies, merchant banks, discount houses, securities dealers and brokers, pension funds and insurance companies.

The non-banks in the Philippines also exhibit a very complex institutional structure. In addition to those mentioned in Singapore, the following are also classified by the Central Bank of the Philippines as non-bank financial intermediaries: investment houses, mutual building and loan associations, non-stock savings and loan associations (which accept savings and time deposits, a deviation from the country's classification of a bank), investment companies, investors, fund managers, venture capital corporations, lending investors and pawnshops.

On the other hand, non-bank financial institutions in Indonesia, Malaysia, Nepal, Sri Lanka and Thailand are more oriented to specific sectors. This is evident in the corporate names of their non-banks such as the Malaysian Industrial Development Finance Corporation, the Agricultural Development Bank in Nepal, the Sri Lanka Export Credit Insurance Corporation and the Small Industrial Finance Office in Thailand.

Issues on Non-bank Financial Institutions

The non-bank institutions are a fairly recent development in the financial scenario of the SEACEN countries. As such, their role in the financial system and in the economy as a whole is continually evolving. This situation provides a fertile ground in raising many issues on all aspects surrounding their existence. In general, these may be grouped into the following:

1. Definitional or conceptual aspect

A primary issue that could be raised pertains to what constitutes a non-bank financial entity. This conceptualisation is of crucial importance since other issues surrounding non-bank financial institutions could be viewed along this fundamental point. For example, countries in the SEACEN region classify non-banks in different ways. One financial intermediary in one country may be classified as a "bank" while a similar institution, in terms of name and operations, may be categorised as a "non-bank" in another country. Moreover, the definitions stated in the respective enabling statutes, if at all provided, do not give a clear differentiation between banks and non-banks. In fact, some institutions in these countries have the word "bank" in their corporate names and yet they are not classified as banks.

In Singapore, there is no formal definition of a non-bank financial institution. What would constitute a non-bank financial institution would then have to be deduced from the definition of a "bank" which is statutorily provided. Under section 2 of the Singapore Banking Act, 1970, "bank" means any company which carries on banking business. "Banking business" is defined as the business of receiving money or current or deposit account, paying and collecting cheques drawn by or paid in by customers, the making of advances to customers, and includes such other business as the Monetary Authority of Singapore may prescribe for the purposes of the Banking Act.

The same situation is obtained in Malaysia where the task of classifying non-bank financial institutions has to be approached by looking into the definition of a bank. Such definition of a bank is specified in the Malaysian Banking Act of 1973 which is similar to that of Singapore's. Thus, non-banks in Malaysia and Singapore are all other financial institutions which do not accept demand deposits.

The financial system of Nepal is more akin to those of Malaysia and Singapore which all have strong British influence. Thus, commercial banks which accept demand deposits constitute the only financial institution under the "bank" classification. Nepal has Agricultural Development Bank which is classified as a non-bank.

Indonesia, the Philippines, Sri Lanka and Thailand follow a broader definition of a "bank" compared to Malaysia, Nepal and Singapore. What distinguishes a bank from a non-bank is that the former is authorised to accept demand, savings, time or fixed deposits. Thus, as long as a financial institution accepts any or all of these deposits, it is classified as a banking institution. A non-bank financial intermediary, on the other hand, does not derive its funds from deposits but through other forms of instruments such as commercial papers.

The legal framework for the establishment of non-bank financial institutions in Indonesia was laid in Ministerial Decree No. 38 issued in 1972 by the Minister of Finance. A non-bank financial institution is defined as a non-bank and non-insurance financial institution the main activity of which is mobilising funds from the community by issuing commercial papers.

There are four types of non-banks in Indonesia, namely, the development type, house ownership type, investment type and other type. The development type is a non-bank mainly engaged in extending medium and long term credit in addition to contributing equity in corporations. A non-bank house ownership type is primarily engaged in extending medium and long term credit to middle-income groups for the purchase of non-luxurious houses. The investment type is engaged primarily in brokerage in the issuance of commercial papers in addition to underwriting the sales of these papers. Other type non-bank is represented by PT Sarana Pembiyaan Bersama Indonesia whose main function is to mobilise domestic and overseas funds for the financing of regional projects of ASEAN countries.

In the Philippines, non-banks are formally known as "non-bank financial intermediaries" and are defined as "persons or entities whose principal functions include the lending, investing or placement of funds or evidences of indebtedness or equity deposited with them, acquired by them, or otherwise coursed through them either for their own account or for the account of others." Non-banks are also categorised into two: with or without "quasi-banking functions". Those with "quasi-banking functions" are supervised by the Central Bank of the Philippines, where quasi-banking consists of borrowing funds from twenty or more lenders at any one time, for the borrower's own account through the issuance, endorsement or acceptance of debt instruments of any kind, other than deposits with twenty or more lenders at any one time. The funds gathered are in turn used for relending or purchasing receivables or other obligations.

Identifying non-banks in Sri Lanka and Thailand is easier since all financial institutions under this classification do not have the word "bank" in their corporate names.

2. Impact on monetary policy

With an increasing proportion of credit created outside the banking system, monetary policy which has been anchored around banks is proving to be inadequate in controlling or influencing monetary aggregates. This causes particular concern when the relatively less controlled non-bank financial institutions have been free to expand their funds-gathering and lending activities while the banks have been restricted in their operations.

It has been argued that while activities of the non-banks are not entirely different from that of banks, their operations, however, are not directly influenced by monetary policy. If non-banks are not directly controlled by monetary authorities, a shift in deposits from banks to these institutions will, in general, lead to a net increase in the quantity of credit and to a shift in the distribution of credit in favor of areas covered by non-banks. In the SEACEN region, shifting of deposits is not unlikely because of the interest rate differential between banks and non-bank financial intermediaries, whether prescribed or floating interest rate policy is adopted. Another area worth looking into is the impact of non-banks on credit distribution since almost all of the countries in the SEACEN region make extensive use of selective monetary policy in allocating credit.

Some quarters, however, have contended that non-banks would have a different, if not weaker, impact on monetary policy since their liabilities exhibit a wide range of substitutability to money. At one end are the liabilities of savings and loan associations and building societies in the form of fixed deposits, and on the other end are the claims on insurance companies and pension funds.

Viewed from another angle, the growing significance of non-bank financial intermediaries provides an additional channel for the monetary authorities to implement their policies in particular, and to seek their active involvement in pursuing central bank objectives in general. Along this line, the question of whether non-bank financial institutions are operating within the spirit or objectives under which they were established could be pursued. The finance companies in Thailand and the investment houses in the Philippines have been under criticism for operating more on the short instead of the long-term end of the credit market as provided for under their their enabling acts.

3. Regulatory and supervisory aspect

The regulatory and supervisory framework governing non-bank financial institutions is not as yet well-developed as that applied to commercial and other types of banks. One reason for this is that these intermediaries have sprung out of the demand for new and diversified services by the public. Thus, the roles of these institutions as financial intermediaries have not been officially determined by the authorities from the start and hence the corresponding standards for their operations were formulated at a latter stage. Under this circumstance, non-bank financial institutions are less regulated compared to their bank counterparts. The regulatory and supervisory aspect of the emergence of non-bank financial intermediaries is therefore another aspect which merits closer central bank attention in keeping with its responsibility of ensuring the stability and soundness of the financial system.

Another point related to this issue is which government body should be given the responsibility of regulating or supervising non-bank financial intermediaries. In the SEACEN countries, the heterogeneous nature of non-banks has given rise to several governmental bodies overseeing their operations, in addition to the central bank.

Conclusion

Non-bank financial institutions represent an additional dimension in the financial scenario of the SEACEN region. They comprise a heterogeneous group of entities which provide a wide spectrum of services, from pawnshop operations to securities underwriting and loan syndication. Their existence therefore has widened the alternatives available to savers and borrowers. Their presence also tends to foster a more competitive environment in the financial system- an environment which helps savers get the highest yields on funds consistent with the risk and terms under which they wish to commit their funds. Likewise, borrowers, not being confined to a few creditors, are in a position to acquire funds at the lowest interest rates available in the organised market for their risk categories.

Since non-banks are a fairly recent development in the SEACEN countries, their roles have not been as clearly delineated yet compared to banks. In view of this, their operations are not yet fully within the realm of monetary policy. However, at the rate the activities of the non-banks are expanding, their impact on domestic liquidity and hence on their ability to influence demand for goods and services is becoming more increasingly felt. Their operations therefore have to be taken into careful consideration if the stabilisation and development objectives of central banks and monetary authorities in the SEACEN region have to be effectively pursued.

The regulatory and supervisory framework that governs the operations of non-bank institutions is also not as comprehensive and well-defined as that for banks. This gives the non-banks greater flexibility in their operations, a situation which enabled them to take a more innovative and less conservative attitude. In fact, some quarters have taken the view that the more knowledgeable, sophisticated and less-risk aversing savers go to non-bank financial institutions and therefore, less protection from the government in terms of supervising and regulating these institutions is required. It cannot be discounted, however, that a downfall of a non-bank financial institution would not generate adverse repercussions on the stability of the whole financial system. Thus, the central bank as the overseer of the financial system has to ensure that the non-bank financial sub-system operates within some established minimum standards.

Finally, the existence of non-bank financial institutions has indeed changed the structure of the entire financial system. This inevitably gives rise to the basic question of how they fit in the overall scheme of the financial system and the economy as a whole. The point gains more significance when viewed in the light of the orientation of the individual SEACEN countries' financial system. In some countries, specialisation of functions among financial institutions is clearly demarcated while in other countries, deliberate efforts were undertaken to blur these distinctions. In essence, this aspect touches on the very structure of the financial system and in what direction it will proceed may have to be guided by bigger and ultimate goals of individual countries.

Table 1

INDONESIA : ASSETS AND LOANS OF THE FINANCIAL SYSTEM
(Amounts in billion Rupiahs)

	1979	1980	1981	1982	1983	1984
Assets						
Financial System	7066.3	10526.3	13710.4	16727.1	21938.3	29095.2
Banks						
Deposit Money Banks	6789	10122	13153	15922	20832	27768
NBFI	277.3	404.3	557.4	805.1	1106.3	1327.2
Ratio of total assets of NBFI to total assets of Financial System	3.9	3.9	4.1	4.8	5.0	4.6
Ratio of total assets of Deposit Money Banks to total assets of Financial System	96.1	96.1	95.9	95.2	95.0	95.4
Loans						
Financial System	2966.2	4102.8	5828.9	7962.4	10149.7	13531.7
Deposit Money Banks	2973	4067	5779	7892	10058	13401
NBFI	23.2	35.8	49.9	70.4	91.7	130.7
Ratio of loans of NBFI to loans of Financial System	0.8	0.9	0.9	0.9	0.9	1.0
Ratio of loans of Deposit Money Banks to loans of Financial System	99.2	99.1	99.1	99.1	99.1	99.0

Table 2

MALAYSIA : ASSETS OF THE FINANCIAL SYSTEM
(Amounts in billion Ringgit)

	1981	1982	1983
Financial System	15.7	20.6	19.5
Banks			
Commercial Banks	8.2	11.4	6.7
NBFI			
Finance Companies	1.7	2.3	3.9
Merchant Banks	0.7	1.1	0.8
Savings Institutions	0.3	0.5	1.3
Development Banks	0.6	0.5	0.1
Discount Houses	0.1	0.2	0.4
Provident; pension & Insurance funds	3.5	3.9	5.2
Other NBFI	0.6	0.7	1.1
Ratio of assets of NBFI to assets of Financial System	47.8	44.7	65.6
Ratio of assets of Banks to assets of Financial System	52.2	55.3	34.4

Table 3

NEPAL : ASSETS AND LOANS OF THE FINANCIAL SYSTEM
(Amounts in million Rupees)

	1979	1980	1981	1982	1983
Assets					
Financial System	4871.7	6363.2	8020.0	8785.5	10822.1
Commercial Banks	3918.6	4543.9	5945.6	6236.0	7743.1
NBFI					
Nepal Industrial Devmt Corpn (NIDC)	368.4	380.0	409.6	495.6	560.8
Agri. Devmt Bank (ADB)	584.7	661.9	699.7	838.0	1011.9
Provident Fund Corpn (PFC)	-	688.7	853.9	1084.6	1342.0
Nat. Insurance Corpn	-	88.7	111.2	131.3	164.3
Ratio of assets of NBFI to assets of Financial System	19.6	28.6	25.9	29.0	28.5
Ratio of assets of Banks to assets of Financial System	80.4	71.4	74.1	71.0	71.5
Loans					
Financial System	2517.6	3146.9	3936.0	3607.1	
Commercial Banks	2295.8	2910.1	3648.7	3214.2	
NBFI	221.8	267.5	342.4	392.9	
NIDC	21.1	45.4	30.9	47.1	
ADB	147.9	164.9	311.5	345.8	
PFC	52.8	57.2			
Ratio of total loans of NBFI to total loans of Financial System	8.8	8.5	8.7	10.9	
Ratio of total loans of Commercial banks to total loans of Financial System	91.2	91.5	91.3	89.1	

Table 4

PHILIPPINES : ASSETS OF THE FINANCIAL SYSTEM
(Amounts in million Pesos)

	1979	1980	1981
Financial System	171997.4	211833.5	253709.9
Banks			
Commercial Banks	113953.4	138416.3	161972.2
Savings Banks	5389.9	7352.4	6930.5
Rural Banks	5017.5	5642.2	6631.2
Development Banks	23136.6	29284.1	38079.1
NBFI*	24500.0	31138.5	40096.9
Investment Houses	6553.2	8607.3	5865.4
Financing Companies	9743.4	11902.1	12123.3
Securities Dealers/Brokers	1034.7	1035.5	977.1
Lending Investors	22.5	50.2	34.6
Pawnshops	229.0	290.5	335.9
Investment Companies	5487.1	4979.9	5513.0
Fund Managers	1158.1	1658.1	748.6
Government NBFI		2296.8	3061.1
Venture Capital Corporations			48.0
All Non-Bank Thrift Institutions**	272.0	318.1	408.7
Ratio of total assets of NBFI to total assets of Financial System	14.2	14.7	15.8
Ratio of total assets of Banks to total assets of Financial System	85.8	85.3	84.2

* Insurance companies which are also classified as NBFIs are not included.

** Consists of Mutual Building and Loan Associations and Non-Stock Savings and Loan Associations.

Table 4.1

PHILIPPINES : LOANS OF THE FINANCIAL SYSTEM
(Amounts in million Pesos)

	1979	1980	1981	1982
Financial System	100159.9	115664.4	135458.3	155883.7
Banks				
Commercial Banks	68264.2	77198.1	86505.2	98239.6
Savings Banks	3190.2	4253.6	3074.1	3488.5
Rural Banks	4172.1	4690.7	5488.1	6669.0
Development Banks	13868.7	17406.9	24952.7	29982.9
NBFI	10664.7	12115.1	15438.2	17503.7
Ratio of loans of NBFI to loans of Financial System	10.6	10.5	11.4	11.2
Ratio of loans of Banks to loans of Financial System	89.4	89.5	88.6	88.8

Table 5

SINGAPORE : ASSETS OF THE FINANCIAL SYSTEM
(Amounts in million Singapore Dollars)

	1979	1980	1981	1982	1983
Financial System	47583.6	63308.1	87265.7	98242.6	
Banks					
Commercial Banks	26747.8	33316.1	44631.0	48537.2	56537.8
Development Bank of Singapore	3824.9	5543.4	7801.7	9833.5	11260.3
NBFI	17010.9	24448.6	34833.0	39871.9	
Finance Companies	2472.8	3075.1	4275.4	5357.4	6523.8
Merchant banks	8378.4	13299.6	19280.0	22020.4	23625.0
Post Office Savings Bank1/	2621.5	3581.4	5147.3	6542.2	
Central Provident Fund2/	1753.1	2296.0	3007.2	3910.4	
Insurance Companies3/	1021.5	1247.0	1519.3		
Discount Houses	763.6	949.5	1603.8	2050.5	2248.2
Ratio of assets of NBFI to assets of Financial System	35.7	38.6	39.9	40.6	
Ratio of assets of Banks to assets of Financial System	64.3	61.4	60.1	59.4	

1/ Figures consist of deposits at the Post Office Savings Bank.
2/ Figures consist of the total amount of contributions to the Central Provident Fund.
3/ Consist of Life and General Insurance Funds.

Table 6

SRI LANKA : ASSETS OF THE FINANCIAL SYSTEM
(Amounts in million Rupees)

	1979	1980	1981	1982	1983	1984
Financial System	24197	38178	47054	59506	74525	71933
Banks	24197	33127	40184	50247	62912	56933
Commercial Banks	18653	26601	32755	40193	50382	56553
National Savings Banks	4612	5328	5876	8299	10392	n.a
Development Banks						
Development Finance Corporation of Ceylon	224	297	389	534	683	n.a
National Development Bank	574	754	956	1221	1455	n.a
State Mortgage and Investment Bank	134	147	208	n.a	n.a	n.a
NBFI	n.a	5051	6870	9259	11613	15380
Finance Companies	n.a	n.a	686	1612	2133	3553
Insurance Corpn of Ceylon	n.a	n.a	n.a	n.a	n.a	n.a
Employees Provident Fund	n.a	5051	6184	7647	9480	11827
Ratio of total assets of NBFI to total assets of Financial System	-	13.2	14.6	15.6	15.6	21.4
Ratio of total assets of Banks to total assets of Financial System	-	86.8	85.4	84.4	84.4	78.6

Table 6.1

SRI LANKA : LOANS OF THE FINANCIAL SYSTEM
(Amounts in million Rupees)

	1979	1980	1981	1982	1983	1984
Financial System	15546	26934	35915	45211	52582	54770
Banks						
Commercial Banks	14972	25804	33966	42398	49293	49926
National Savings Banks	74	75	83	102	125	148
Development Banks						
Development Finance Corporation of Ceylon	254	323	464	555	618	779
National Development Bank	-	115	405	708	805	1038
State Mortgage and Investment Bank	113	127	162	218	291	509
NBFI						
Finance Companies	151	384	799	1177	1450	2370
Insurance Corporation of Ceylon	82	106	36	53	n.a	n.a
Ratio of loans of NBFI to loans of Financial System	1.5	1.8	2.3	2.7	2.8	4.3
Ratio of loans of Banks to loans of Financial System	98.5	98.2	97.7	97.3	97.2	95.7

Table 7

THAILAND : ASSETS OF THE FINANCIAL SYSTEM
(Amounts in million Bahts)

	1979	1980	1981	1982	1983
Financial System	376973.2	448992.6	526762.0		
Banks					
Commercial Banks	259866.9	300016.4	353172.4	431405.1	540048.5
Bank for Agriculture & Agricultural Cooperatives	14402.6	17325.4	19336.3	20890.9	22433.4
Government Savings Bank	24157.1	27975.0	31173.2	36732.9	45200.1
Government Housing Bank	7444.1	10116.2	11742.0	11502.9	10794.6
NBFI					
Finance & Securities Companies	56629.8	65147.2	76896.7	95691.5	106314.0
Credit Foncier Companies	3297.1	4103.5	5124.9		
Industrial Finance Organisation of Thailand	3218.4	4154.6	5532.1	6589.9	7428.2
Small Industrial Finance Office	56.5	55.8	55.2		
Insurance Companies	5105.4	6454.7	8085.0		
Agriculture Cooperatives	-	5821.1	6751.8		
Savings Cooperatives	-	4419.6	5566.3		
Pawnshops	2795.3	3403.1	3326.1		
Ratio of total assets of NBFI to total assets of Financial System	18.9	19.5	19.9		
Ratio of total assets of banks to total assets of Financial System	81.1	80.5	80.1		

Table 7.1

THAILAND : LOANS OF THE FINANCIAL SYSTEM
(Amounts in million Bahts)

	1970	1977	1978	1979	1980
Financial System	33390.8	176847.2	233682.2	277999.5	316062.5
Banks					
Commercial Banks	28038.7	121768.7	158600.0	195072.4	218931.2
Bank for Agriculture & Agricultural Cooperatives	1208.7	8521.8	9703.3	10943.5	12464.4
Government Savings Bank	419.3	666.8	657.7	1140.7	1121.8
Government Housing Bank	168.0	1693.3	2682.7	4900.1	8122.9
NBFI					
Finance & Securities Companies	929.9	33100.8	48137.2	48120.1	55348.0
Credit Foncier Companies	n.a.	907.0	1359.0	1868.1	2419.2
Industrial Finance Organisation of Thailand	371.3	1646.0	1903.8	2460.6	3300.6
Small Industrial Finance Office	75.3	111.5	127.7	128.6	103.4
Insurance Companies	459.1	1323.0	1445.6	2062.4	2697.8
Agriculture Cooperatives	653.3	3721.1	4830.7	5546.0	4476.4
Savings Cooperatives	532.5	1955.6	2475.6	3327.6	4041.2
Pawnshops	537.4	1431.6	1758.9	2428.4	3026.6
Ratio of total loans of NBFI to total loans of Financial Systems	8.7	22.9	24.5	21.7	22.4
Ratio of total loans of banks to total loans of Financial System	91.3	77.1	75.5	78.3	77.6

Table 8

INDONESIA : NUMBER OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS (NBFI)

	1979	1980	1981	1982	1983
Banks	7020	6999	7036	7038	7096
Commercial Banks					
State Banks	688	689	701	712	727
National Private Banks	274	285	294	297	317
Foreign Banks	20	20	20	20	20
Development Banks					
State Development Banks	11	11	19	19	22
Local Development Banks	144	150	158	174	185
Private Development Banks	1	1	1	1	1
Savings Bank					
State Savings Bank	8	8	8	12	12
Private Savings Bank	4	2	2	2	2
Rural Banks	5870	5833	5833	5801	5810
NBFI	534	537	559	569	572
Investment Finance Companies	9	9	9	9	9
Development Finance Companies	3	3	3	3	3
Other Finance Companies	-	-	1	2	2
Pawnshops	448	450	463	471	471
Insurance Companies	74	75	83	84	87
Pension Funds					

Table 9

MALAYSIA : NUMBER OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS (NBFI)

	1979	1980	1981	1982	1983
Banks					
Commercial Banks	529	546	573	608	649
NBFI					
Finance Companies	206	229	230	248	275
Merchant Banks	12	12	12	12	12
Savings Institutions*				2045	
Development Banks	7	7	7	7	7
Discount Houses	5	5	5	5	5
Provident & pension funds					
Insurance Companies			65	64	64

* Includes Co-operative Societies

Table 10

PHILIPPINES : NUMBER OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS (NBFI)

	1980	1981	1984
Banks	3509	3639	
Commercial Banks	1501	1738	
Savings Banks	671	639	
Rural Banks	1155	1108	
Development Banks	182	154	
NBFI*	1549	1624	1707
Investment Houses	62	49	49
Financing Companies	531	559	348
Securities Dealer/Brokers	141	141	127
Lending Investors	61	78	152
Pawnshops	598	634	848
Investment Companies	62	63	68
Fund Managers	12	9	12
Government NBFIs	3	3	4
Venture Capital Cooperatives	-	8	17
All Non-Bank Thrift Institutions	79	80	82

* Insurance companies which are also classified as NBFIs are not included.

Table 11

SINGAPORE : NUMBER OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS (NBFI)

	1979	1980	1981	1982	1983
Banks	418	448	475		
Commercial Banks	288	310	315	347	
Development Bank of Singapore	1	1	1	1	
NBFI	172	181	187	193	
Finance Companies	96	100	118	n.a.	127
Merchant Banks	33	37	41	45	
Discount Houses	4	4	4	4	
Provident Fund	1	1	1	1	
Insurance Companies	70	71	75	79	
Post Office Branches/Office	98	105	107	109	

Table 12

SRI LANKA : NUMBER OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS (NBFI)

	1979	1980	1981	1982	1983	1984
Banks						
Commercial Banks	810	879	936	975	990	979
National Savings Bank	1	1	1	1	1	1
Development Banks						
Development Finance Corporation of Ceylon	1	1	1	1	1	1
National Development Bank	1	1	1	1	1	1
State Mortgage and Investment Bank	2	3	3	3	3	3
Merchant Bank	1	1	1	1	2	2
NBFI						
Finance Companies*	27	40	44	50	50	50
Insurance Corporation of Sri Lanka	2	3	3	3	3	3
Employees' Provident Fund	1	1	1	1	1	1

* The number of hire-purchase finance companies are those which furnish information on their assets and liabilities on a regular basis to the Central Bank of Ceylon.

Table 13

THAILAND : NUMBER OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS (NBFI)

	1979	1980	1981	1982	1983
Banks					
Commercial Banks	1383	1478	1556	1643	1708
BAAC	-	-	60	64	65
GSB	374	379	389	402	423
GHB	1	1	1	1	1
NBFI					
Finance & Securities Companies	112	112	112	112	109
Credit Foncier Companies		33	33	33	30
Industrial Finance Organisation of Thailand	1	1	1	1	1
Small Industrial Finance Office	1	1	1	1	1
Insurance Companies	446	524	527	540	577
Agriculture Cooperatives	870	875	906	971	1010
Savings Cooperatives		353			
Pawnshops	321	321	322	325	327

Note : BAAC stands for the Bank for Agriculture and Agricultural Cooperatives
GSB stands for the Government Savings Bank
GHB stands for the Government Housing Bank

THE SEACEN CENTRE

The SEACEN Research and Training Centre was set up by the South-East Asian Central Banks (SEACEN) comprising the Union of Burma Bank, Bank Indonesia, Bank Negara Malaysia, Nepal Rastra Bank, the Central Bank of the Philippines, the Monetary Authority of Singapore, the Central Bank of Ceylon and the Bank of Thailand.

The basic objective of the SEACEN Centre is to promote closer collaboration and better understanding among member central banks and monetary authorities by undertaking research activities, conducting training courses and organising seminars and meetings.

Research activities of the SEACEN Centre are undertaken to have a better understanding of the monetary, foreign exchange, fiscal and other economic issues and developments affecting the member countries.

Training courses are conducted to provide an opportunity for officials of the member central banks and monetary authorities to acquire, refresh and expand their knowledge of the basic concepts and techniques necessary in the performance of their tasks as well as to widen their understanding of the issues related to policy formulation and implementation.

Seminars and meetings are organised to provide a regional forum for exchange of views and experience on selected aspects of central banking from the operational and policy standpoint.

Although the SEACEN Centre acquired its formal legal status only in 1982 when it was registered as a corporation in Malaysia and agreements to that effect were signed by the Governors and Managing Director of the member central banks and monetary authorities, collaborative efforts started as early as 1972. These undertakings initially consisted of training courses and eventually expanded to research activities and holding of seminars and meetings.