

Chairman's Statement**The Chartered Bank****Statement by the Chairman, Vincent Alpe Grantham, Esq.**

'THE following are extracts from the text of the Statement by the Chairman, Vincent Alpe Grantham, Esq., to be presented at the One Hundred-and-Seventh Annual General Meeting of the Stockholders of The Chartered Bank to be held on the Bank's premises at 38 Bishopsgate, in the City of London, on Wednesday, the 29th day of March 1961 :'

During the accounting period to which this statement relates the bank has continued to make steady progress and our subsidiary, The Eastern Bank Limited, has contributed to the favourable results which have been achieved by the group. Later in this statement I have reviewed recent economic and political developments which have influenced the operations conducted by both banks in the numerous countries to which the two branch organisations extend, but before doing so I must make a reference to the extent to which we are indebted to our staff everywhere for the favourable picture I am able to present to the stockholders. Success in banking ventures finally depends upon service to the public and the quality of that service depends largely upon professional competence at the executive autre sustained by the devotion and skill of a numerous and widely diffused establishment and the Chartered Bank group is indeed fortunate that it can rely so fully on the ability, integrity and zeal of those by whom it is served.

Mr. John Shewan, an Assistant General Manager, has been promoted to the rank of Joint General Manager in anticipation of the impending retirement of Mr. G. A. Leiper, whose services we shall be very sorry to lose. The Court of Directors have appointed Mr. R. A. S. Lane to be an Assistant General Manager. Mr. Lane has served in our Eastern branches in a succession of executive appointments and has recently undertaken an extensive tour of inspection of the °ver-sea establishment.

Throughout its history the bank has maintained intimate business

relations with the Australian banks and last spring the Chief General Manager, Mr. W. G. Pullen, visited these institutions, from whom he received a warm welcome. During the autumn also Mr. Pullen undertook an extensive tour of North America and he was enabled to discuss with leaders of American and Canadian finance and industry many international economic problems in which Great Britain, the United States and, Canada have a common concern. Early in 1960 Mr. G. A. Leiper undertook a tour of the Far Eastern branches and resumed his acquaintance with customers of the bank in Japan, Hong Kong and the Philippine Republic. Mr. David Heath, who was accompanied by Mr. Goldsmith, General Manager of The Eastern Bank Limited, has lately returned from a tour of the Middle East.

**The Irano Britis Bank**

Lor our associate in Iran the year under review has been a period of consolidation rather than expansion, but the proposed branch at Ahwaz, to which I referred in my last address, is now functioning successfully and a small sub-office, for the convenience of private customers, has been opened in the northern part of Tehran. Trading conditions during most of the year were difficult and the general lightness of money in the bazar was reflected in a shortage of working funds available. However, the accounts at the end of the Iranian half-year disclosed an all round increase in business and the trading result was not unsatisfactory. A report on Iran is included in the Oversea Survey.

**The Bank's Balance Sheet**

The record figure of .£270,390.101 set up in last year's balance sheet total has soon been outstripped, for the accounts now placed before you reflect the further expansion of the Bank's business by an increase of £15,813,097. producing a new record total of £316,203.198. We have also been able to maintain a high degree of liquidity as evidenced by a slight increase of 1.47 per cent. in the ratio of cash to our demand and

time liabilities, which now stands Hi 19.55 per cent.

The fall of £2,200.280 in Current and Other Accounts is small in relation to the increase of £18,723.130 in our Fixed Deposits. Bills Payable are higher by £569,466 but there has been a reduction in our Acceptances of £2.872,556.

Our assets are all higher, with increases of £12,795,970, £5.609.575. £1,035,300 and £27,818,337 in our Cash in Hand at Call and at Bankers. Government and Other Securities. Bills of Exchange and Advances to Customers and Other Accounts respectively.

The Consolidated Balance Sheet total of £362,759.636 shows an increase of £45.737.927 over that of last year.

Consolidated Profit and LOSS Account

Stockholders will have noticed that we have adopted the practice of the leading banks in the City of London by making all allocations to Premises Account. Pensions and other Staff funds, before arriving at our published profits and last year's figure has been adjusted accordingly.

In the current year our profit of £761,916 is arrived at after deducting £155.000 1959 .£145.000 i on account of Pension Fund and Widows and Orphans" Fund and £250,000 (1959-£250.000) on account of Bank Premises so that in comparison with 1959 the profit shown has been increased by £142.220.

Next year our published profit should be compared with the published figure for 1960, viz.. £761.916. In September last we paid an interim dividend of 8 per cent. less income tax absorbing £215,000 and it is now proposed that out of the balance available a final dividend of 7½ per cent, less income tax. on a capital which has been increased during the year to £5,500.000 be now paid at a net cost £252.656.

We have transferred £250,000 to Reserve Funds, bringing the total of those Funds up lo £5.750,000. and there remains lo be carried forward a balance of profit of £506.254. an

increase of £14,260 over that for last year.

### Oversea Survey

During 1960 international trade continued on a substantial scale. A rising standard of living in the world, an ever-increasing population and increased industrial development everywhere—would appear to point to continued trade expansion, but certain signs are appearing which indicate a possible halt in this trend and perhaps the most important immediate factor is the likelihood that business turnover in the United States may not increase as quickly as anticipated. Unless conditions in the American market improve in the coming year and stimulate demand for industrial raw materials, the export earnings of the primary producing Asian countries, in which the Chartered Rank group is established, must be adversely affected. Another deterrent to the growth of international trade is the chronic shortage of foreign exchange in many countries, particularly in the East, which, with a desire to protect new manufacturing industries, has led to the imposition of far-reaching import restrictions. Often these restrictive measures are imposed by force of circumstances but one cannot view with equanimity efforts to protect local manufacturing units which have little hope of ever becoming economic propositions able to compete on equal terms in international markets. In fact, for some years it has seemed likely that the emphasis placed on industrialisation by the younger countries in particular, and often at the expense of agriculture on which their economies depend, designed primarily to have the effect of reducing imports, may in these coming days of balanced trade, make it increasingly difficult for them to find buyers for their own export products.

It is within this involved situation that our government, like that of the United States and many other highly-industrialised countries, is now launching an export drive but we find that the growing awareness in this country of the necessity to export is not, so far, being translated into efforts to find new markets. It is a common complaint by officials and businessmen in a number of Eastern countries that the United Kingdom shows little interest in their markets, which they

point out is in marked contrast to the attitude of the Germans, the Japanese and others. There is undoubtedly some truth in what is said for it often seems that either our good and usual exporters have already sufficient buyers for their products, and cannot devote the time to smaller and less known markets, or there is an instinctive feeling that too much risk is involved. Sometimes there is risk but usually, with competitive prices and a willing buyer, means can be found to arrange shipments on a satisfactory basis and by its advice on this, and with the knowledge of markets gained from one-hundred and ninety branches in twenty-six countries, it is felt that the Chartered Bank group should be able to do much to aid materially the efforts of our exporters.

### India

India is now on the threshold of the third five-year plan, which starts in April. It is no exaggeration to say that the critical phase has been reached in the enormous task of raising within the constitutional framework of parliamentary democracy the living standards of a population now estimated to number approximately four-hundred-and-thirty millions. It is generally agreed that the first and second five-year plans have successfully laid the foundations necessary for further economic advance, and the various criticisms so often voiced of this or that aspect of Indian planning policy must not be allowed to obscure the magnitude of what has already been achieved. Perhaps industrial development has been allowed to outrun the supply of power and the provision of transport and is, therefore, partially nullified and no doubt undue emphasis has so far been placed on the development of heavy industry rather than increasing agricultural output, but agriculture is to receive a more prominent place in the new plan. The target for food grains has been raised by twenty-five million tons and a further twenty million acres is to be brought under irrigation. Soil conservation and an increased use of fertilisers are important planning features and, provided the practical work required to implement the plan is carried out, it is hoped that there will be a sufficient production of food grains for the country within the next five years. The central government will

have to obtain the co-operation of the individual states in its plans as agriculture is a state subject under the constitution. The success of the third five-year plan, not only in agricultural but in all aspects covering industrial development, transport, power and communications, can only be relative to India's ability to raise the necessary foreign exchange for the point has now been reached where future development is dependent upon external credits and aid funds. The comfortable cushion of foreign exchange reserves available at the beginning of the second plan has been spent and the sterling balances are now only adequate for current needs. So far, official visits abroad have resulted in pledges covering approximately one-quarter of the external cost of the projects in the plan, but no doubt considerably larger grants will be forthcoming as it seems clear that the governments of the West will have to help India for many years to come. Encouraging too is the noticeable increase in enthusiasm, particularly from America, for investment of private capital although Britain, privately and as a country, continues to make valuable contributions to India's development. Private investment from the United Kingdom, which in 1958 was estimated to be about £300 millions, is probably much higher now, whilst since that date official loans amount to £110 millions.

India can itself contribute to the success of its ambitious plan by increasing exports but can save little on imports which are now no more than sufficient to keep industry going. In time the manufacturing industries developed under previous plans can be expected to make a useful contribution to export earnings providing costs can be kept down, but for some time to come reliance for help in this direction will have to be placed on the traditional exports, tea and jute. With the country's future development so dependent upon exchange earnings it is all the more surprising that there should be increased interference by officialdom in commercial trading, particularly as experienced government servants are so badly needed in the ordinary administrative duties for which their training suits them. Their handling of commercial undertakings which can only suffer from lack of commercial

training and knowledge, must prove costly to the country at a time when it can least afford it and the tendency to increase their activities is a further manifestation of the see-saw between public management and private enterprise. The private sector, which still accounts for ninety per cent, of the total output of the economy, is, in the third five-year plan, once again to play a smaller part and only forty-two per cent, of the total investment is allotted to it.

The only other source of foreign exchange lies in India's hidden gold, but\* the authorities must by now despair of getting this into official hands and their endeavours seem more directed to the prevention of further hoarding by making savings more popular and curtailing the money supply. This is no doubt one of the factors enabling the Reserve Bank to go contrary to the govern\* ment's desire for cheap money; the other is an endeavour to contain inflation due to speculation, and to achieve this the Reserve Bank called on banks for special statutory deposits and has put considerable limitations on the amounts that banks may borrow from the central authority at bank rate against government securities or under the bill market scheme. By bringing into effect a system of selective credit control the Reserve Bank seems to have succeeded in introducing a dearer money policy without, on paper, increasing the cost of government borrowing. This position may not continue unless banks keep a reasonable interest differential between borrowing and lending, for if unrealistic rates continue to be quoted for bank deposits investors will be inclined to switch from government securities. The quotation of unduly high deposit rates by indigenous banks nullifies the aim of the Reserve Bank, shown in its fixing of minimum lending rates, to enable those banks to make reasonable profits in order to build up their reserves. This concern of the Reserve Bank over the economic state of the indigenous banks, particularly the relation of capital and reserves both published and undisclosed, can be well understood after the banking failures in India in the current year and so can the Reserve Bank's desire that the smaller banks merge into stronger units.

#### **Pakistan**

Sound leadership, political stabi-

lity and a pragmatic approach to its problems made 1960 a good year for Pakistan. The government continues to have the firm support of the mass of the people and progress has been made in establishing a system of semi-elective local government designed to inculcate a sense of civic responsibility in a population previously unaccustomed to participating in local administration. This essay in what is termed basic democracy is seen as a move towards the restoration of some form of representative government, but power for some time to come is likely to remain fundamentally with the central government. Martial law is still in force but the government wields its considerable powers with benevolence.

The authorities have shown a welcome flexibility in meeting current economic problems. Foreign aid is still required but generally the situation is favourable. Agricultural production has increased partly due to weather conditions favouring crop production, but for some years to come the country's export earnings will continue to depend on raw jute and, to a lesser extent, cotton. It is, therefore, a little disquieting that during 1959/60 foreign exchange receipts in respect of both these commodities showed a reduction. The recent sharp rise in world prices for jute, due to reduced crop, is of doubtful benefit as further impetus will be given to the efforts in the U.S.A. and elsewhere to find substitutes.

An improvement in the level of exchange reserves has enabled the government to liberalise imports in furtherance of its policy of reducing the price of consumer goods and of providing raw materials sufficient to keep industry operating on the basis of a one shift capacity. There has been continued expansion in industrial production and the demands made on the banks for advances in this connection, and the increased seasonal advances required for financing higher priced crops of jute and wheat, have placed all banks under strain and resulted in high rates in the inter-bank money market. An official restrictive credit policy is difficult to administer in an expanding economy with exceptional seasonal demands and perhaps a little more flexibility is required in the monetary management.

In the long run the future living standards of the population are going to depend very much on the success or otherwise of the second five-year plan, to which I referred last year and which came into effect last July. Laying the emphasis as it does on agricultural development, the plan is a realistic effort to meet present needs in the light of the domestic financial resources available and of the foreign aid that is likely to be forthcoming. The emphasis in the plan on raising agricultural production should help to avoid in future the strain imposed on the exchange reserves by continued importations of large quantities of food grains to meet deficiencies in home production. The official encouragement given to foreign investment and the wide scope being given to the private sector of the economy should have the effect of accelerating the already rapid industrial expansion. The reductions in company taxation announced during the past two years will also encourage enterprise. A most heartening feature of the past year has been the improvement in relations with India, the most important result of which, so far, has been the signing of the canal waters agreement.

Last May our Lyallpur branch moved into new office premises constructed for the bank to give improved accommodation for our expanding business there.

#### **Conclusion**

This review emphasises the extent to which most of the countries of the East are dependent upon foreign aid and investment for the success of their development plans. It indicates, too, the tendency of these countries to hem themselves in with trade and other restrictions but what it does not show is the repercussion of these policies on the ordinary trading activities of foreign business. The Chartered Bank, which has operated in many of these countries for nearly one-hundred years and has always identified itself with the local economy, is prepared, as I am sure other British enterprises are, to co-operate with the authorities and assist in their national aspirations and it is all the more disappointing, therefore, to find increasing discrimination against our participation in trade and commerce. On the sanctity of existing capital and the treatment of existing commercial under

takings must largely depend the advent of new capital, for new capital can be expected mainly from those who know the territory and have confidence in it, i.e., existing investors and traders. To add to the difficulties encountered through governmental action is the excessive competition arising from the overhanking a many cities in the area. In not all places is this as chronic as in Hong Kong, where there are now over eighty banks, but the general tendency of international banks to open branches in our territory and of small local banks to spring up overnight, often with the encouragement of large banking interests in this country, means a regrettable lowering of banking standards. This trend must finally be to the disadvantage of the country concerned for, not only is encouragement given to the under-capitalised and often inefficient to set up industries, usually to become poor shippers and bring the country a bad name in overseas markets, but the general lowering of commercial standards may unfortunately mean losses on the part of the public

**Progress of Village Housing**

OVER 9,300 rural houses have been completed or are under construction under the Village Housing Projects Scheme. In addition, the selection and survey of villages, drawing up of lay-out plans, and preparation of model designs and specifications for houses have been taken in hand. Of 3,560 villages, selected out of 5,000 scheduled to be covered during the Second Five Year Plan socio-economic surveys have been completed in 1,770 and physical surveys in 1,630. Lay-out plans have been drawn up for 1,400 villages.

Rural housing cells, with necessary engineering personnel have also been set up in Andhra Pradesh. Bihar, Kerala, Madhya Pradesh, Maharashtra, Mysore, Madhya Pradesh, Orissa, Punjab, Rajasthan, Uttar Pradesh, West Bengal and Assam.

The Central allocation for the rural housing programme during the Second Five Year Plan amounts to Rs 48.5 million, of which about Rs 46 million is likely to be spent by the States by March, 1961. The Village Housing Scheme provides for the grant of house-building loans to villagers up to 66½ per cent of the cost of the house, subject to a minimum loan of Rs 2,000 per house.

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