

poses, into liquid assets on which the bank can advance funds. In this way the genius or skill of an expert banker is frequently manifested.

An officer who has had no previous experience in the work of dispensing credit, naturally has difficulty at first in deciding which of the propositions submitted to him are sound and which unsound. The difficulty in judging loans is to some extent reduced if the banker keeps constantly in mind the basic principle that banking credit should be based on the production and marketing of salable goods, to be liquidated as soon as they enter into consumption. This is one of the fundamental rules, and any other credits accorded by the bank should be considered as exceptions.

A manager may receive a proposition which he believes is quite sound, in spite of certain features which are unfavorable. In forwarding the application he may be tempted to omit all mention of these features because he fears that they may cause Head Office to turn down business which is perfectly good. However if he puts forward the favorable points only, in nine cases out of ten the others ultimately come to light; the result is that his statements to Head Office thereafter are discounted, and good propositions not fairly subject to any discount may pay the penalty. Perhaps the bank then appears to the customer to be unreasonable, but the manager is really to blame.

It will be interesting to note the particular forms of weakness of position, or unfavorable features of an applicant's position, that are most commonly omitted by the branch manager when sending to Head Office requests for credit.

First of all let us take the case of a new account, probably coming to the bank from a rival institution. It is obvious that in a case of this kind the branch manager should give complete details of all the relevant facts and circumstances. At the outset there must be a full explanation of reasons for leaving present bankers. This is a most important point and if the manager is not fully satisfied that he has the real reasons for the proposed transfer, a searching enquiry should be instituted. Otherwise, when it is too late to avert loss, it may be discovered that the other bank unloaded a weak or undesirable account. The general manager's suspicions will not be entirely removed unless very convincing evidence is submitted. Then, with reference to new accounts, branch managers frequently omit one or more of the following: information re antecedents and previous history of the business, profits in former years, commercial agency reports, etc.