

FORTY YEARS OF CANADIAN BANKING.

Paid-up Capital in that Period has Increased 259 Per Cent. and Current Loans 1,031 Per Cent.—Four Decades Ago, Canadian Banks Loaned \$214 for Every \$100 of Their Capital, While To-day They Lend \$777—In 1889, Canada Had 41 Banks; This Year it has 29—Average Deposits Per Capita are \$105—Value of Charters—Bank Branches.

While much has been written regarding the excellence and suitability of Canada's Bank Act little has been heard of the actual development of Canadian banking, more especially from a statistical viewpoint. Upon the stability of a country's banking system, its adaptability to changing conditions, its interdependence upon the commercial and monetary situations without, depends largely the substantial character and the extent of national development. This is more especially the case with new countries, such as Canada. The continual inflow of capital makes doubly important the strength of the domestic banking position. It was recently shown that at least \$250,000,000 of United States capital have been invested in industrial spheres of the Dominion. Last year, Canadian public flotations in London brought to this country more than \$200,000,000. Mr. George Paish, the English statistician, estimates that during recent years one billion dollars of English capital have been sent to the Dominion. During a recent twelve months' period, Canada claimed a large share of British investments abroad, two and a half millions sterling in excess of that absorbed by the Argentine Republic and twice as much as was obtained by the United States. The figures are:

Canada	£27,425,401
Argentine	24,803,545
United States	13,634,655

Mr. E. R. Wood, of Toronto, states that of the total Canadian bond issues in 1909 \$265,158,252 the British market took \$194,356,788, or over 74 per cent. Banking relations as between Great Britain, certain European countries, Canada and the United States, have gradually become closely intimate. This accounts largely for the international interest evinced in the publication of the Canadian chartered banks' statements month by month. The bankers of Canada have recognized their responsible position and have assisted the development of this country in a progressive yet wisely conservative manner. That they recognize the Dominion is on the eve of a fresh spurt of national expansion, financial, commercial and agricultural, is proved if only by the fact that one bank after another is obtaining power to increase its capital. Within the past few weeks four of our chartered banks have notified their intention to enlarge their capital by the aggregate amount of \$12,000,000.

Expansion of Banking Capital.

An analysis of the Canadian banking figures during the past half century reveals a wonderful expansion which, seems to have kept pace fully with the trend of general conditions. From 1817 to 1867, joint stock banks under provincial charters were attending to the country's finance. The history of that period is traced in an interesting manner in Mr. Byron E. Walker's volume on banking in Canada. Here it

December	Current and Call Loans in Canada	Tl. Deposits
1869	\$ 58,286,532	\$ 44,562,458
1874	139,379,453	60,108,464
1879	97,604,183	68,489,413
1884	122,109,406	92,309,870
1889	151,025,635	124,474,518
1894	213,546,538	183,206,981
1899	301,114,046	273,233,866
1904	452,730,498	453,412,182
1909	656,296,034	760,350,411

Current and call loans in the Dominion during the forty-years period have increased from 58 to 656 millions, a gain of 1,031 per cent. compared with an increase in paid-up capital of 259 per cent. These statistics exhibit favorable results and indicate good and profitable banking practice. In the forty-years period, the total deposits rose from 44 to 760 millions, or 1,627 per cent. Between 1869 and 1874, the aggregate current and call loans of home increased 81 millions, an average of 16 millions a year and a gain in the five-years period of 130 per cent. Paid-up capital in the same five years expanded by 36 millions or 133 per cent. and deposits by 25 millions or 56 per cent.

Rates of Loans to Capital.

In 1869 the percentage ratio of loans to paid-up capital was 214, which had increased five years later to 220, while

is proposed to show in actual figures the enormous, though perhaps natural expansion of the Dominion's banking business. Capital perhaps attracts first attention. The following table will show as a glance how it has risen with the tide of progress:

Dec.	Capital Authorized	Capital Paid up	Number of Banks (head offices)	Av. Paid up Capital per Bank
1869	\$ 38,166,000	\$27,663,367	27	\$1,024,569
1874	76,566,666	63,212,035	40	1,580,300
1879	67,266,666	60,351,505	40	1,508,787
1884	71,896,666	61,605,520	40	1,540,138
1889	75,779,999	60,189,356	41	1,468,033
1894	73,458,685	61,669,355	38	1,622,877
1899	76,108,664	63,584,022	38	1,673,263
1904	100,546,666	80,055,596	34	2,354,576
1909	140,466,666	97,808,617	30	3,260,287

About 1850 the Dominion felt the pinch of the lack of capital and this shortcoming it was endeavored with no success to mitigate by what was known as the Free Banking Act. The demand for increased capital had not been appeased and permission was later granted to six existing banks to increase their capital to the extent of about \$10,000,000. Generally speaking the capital needs of the country since then have been well satisfied. During times of trade depression, complaint as to insufficient banking capital is sometimes raised. This is often nothing more than the cry of those whose credit in times of national stress, has properly been curtailed.

Average Capital Per Bank.

From the above figures it will be observed that the authorized capital of 27 chartered banks in 1869 has increased during the past forty years by 102 million dollars or 268 per cent., three additional banks being included in last year's figures. In the same period, the paid up capital has expanded by 70 million dollars or 259 per cent., while the average paid up capital per bank has grown from one to three millions. In the five years between 1869 and 1874, the authorized capital doubled and the paid up trebled within eight million dollars. Between 1879 and 1899 the capital exhibited curious fluctuations, with the result that in the latter year authorized showed a decline from that of 1879, while the paid up exhibited a small increase. In the past ten years, the authorized capital has almost doubled again—from 76 to 140 millions, a gain of 84 per cent.—while the paid up figures changed from 63 to 97 millions, an increase of 53 per cent. When the number of individual banks was highest, their capitalization showed little appreciation. The concentration of banking power, as shown by the reduction of the number of banks from 41 in 1889 to 29 in 1909, has apparently at the same time helped capital expansion.

There are plain signs that the capital strength of the Canadian banks will be materially increased during the next few years. With others, the bankers foresee a period of activity in all business spheres and the present amount of banking capital must be raised to cope with the coming situation.

An important relation naturally exists between banking capital and credit. The following table shows the amount of current and call loans, the total deposits, the paid up capital and percentage relations every five years since 1869.

Capital Paid Up	Per Cent. of Loans to Paid Up Capital	Per Cent. of Loans to Deposits
\$27,663,367	214.0	107
63,212,035	220.5	201.6
60,351,505	161.7	142
61,605,520	198	132
60,189,356	250.0	121
61,669,355	346	116
63,584,022	473.5	108
80,055,596	565.5	100
97,808,617	777	115.8

the percentage of loans to deposits rose from 107 to 201. In other words, in the former year for every \$100 capital, \$214 were loaned, and for every \$100 of deposits \$107 were loaned. An extraordinary change is noticed when these figures are compared with those of the past year. In 1909, for every \$100 of paid-up capital \$777 were loaned in Canada. Deposits having grown enormously, the change in that item is by no means as striking, as for every \$100 of deposits, \$115 were loaned.

Between 1874 and 1879 the figures show a marked decline, which is probably explained by the period of depression prevailing about that time. For the past thirty years there has been a notable growth in the percentage of loans to paid-up capital, the figures in 1879 being 161 and in 1909, 777. The ratio of loans to deposits has varied and