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In line with the traditional conservatism that is attributed to bankers, I will make my debut as a financial columnist by confining my comments to my own field. On general subjects I might attempt factual reporting, but if I am to be a commentator, the subject will have to be banking.

At the outset, I plan to editorialize over some statistics from the May issue of the Federal Reserve Bulletin. These figures show that in the past four years the deposits of the banks of the nation have increased by $3,143,000,000, while loans have decreased by $10,976,000,000.

At the close of 1931, deposits of American banks amounted to $45,821 million dollars and loans totaled $31,305 million dollars. At the close of 1935, deposits amounted to $48,964 millions, and loans had shrunk to $20,329 millions.

In other words, four years ago the banks of the United States had 68 per cent of their depositors funds invested in loans and discounts. At the end of last year, only 41 per cent of their deposits were so invested.

This means that a large portion of these funds, available for investment in profitable loans, are invested in less profitable lines. It also means that many bankers of the nation have failed to realize a salient fact: There is a heavy demand for bank credit from borrowing quarters which heretofore have not been regarded by bankers in general as being an effective outlet for loans.

Bankers who recognize the necessity of changing their operating methods as the times change have already arrived at this realization. Those bankers already have made their loan facilities available to the individual. They are retailing credit, where previously the majority of banks were wholesalers of credit.

Policy

Banks make their money on the spread between what they pay for money and what they receive for it. This spread is now greater than it was before. Banks have a plethora of commercial deposits on which they pay no interest. True, the interest rates on commercial loans has been reduced, but mortgage loan rates have not dropped to the extent that savings interest rates have dropped.

There is money to be made in the field of banking by those bankers who are willing to modify past lending policies and recognize the credit standing of the individual.

Some bankers are making these modifications. Recently 25 banks and trust companies applied to the New York banking department for permission to establish personal loan divisions. That is a step in the right direction, and it is being taken in many other localities.

There are other means of retailing credit beside personal loans, however. For example, there are loans to finance the purchase of automobiles, loans to modernize homes, loans to finance the purchase of household equipment, and installment loans for the purpose of building or buying homes.

The individual borrower is no newcomer in the field of installment loans. Before banks undertook to satisfy his borrowing requirements, other credit agencies took him under their wings, and sometimes it was a costly procedure for him.

The individual borrower has an excellent record. He pays his debts. The records of banks which have made personal loans over a period of years prove the integrity of the small borrower.

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Today, he is a better loan prospect for a bank than ever before. Such legislative factors as social security, old age pensions, Federal insurance of bank deposits, and governmental insurance of various types of installment loans, have made bank loans to individuals a preferred investment.

The trend toward retail lending on the part of banks is a trend that is based upon a sound conception of the fundamental needs behind this nation's return to prosperity. With this trend in progress, both the banker and his customer will share in stimulating the economic advancement of the nation.