

Other economic factors affecting trading conditions, then, have also come into operation, and the comparative trends of overdraft and discount rates on the one hand, and the volume of advances on the other, can be seen from the following table :—

Minimum Rate for Advances.			Advances (excluding Government).	
		Per Cent.		£
June, 1920	..	6	June quarter, 1920	.. 34,790,000
January, 1921	..	6½	December quarter, 1920	.. 47,118,000
March, 1921	..	7	March quarter, 1921	.. 52,446,000
January, 1923	..	6½	March quarter, 1923	.. 42,522,000
May, 1927	..	7	June quarter, 1927	.. 50,753,000
July, 1928	..	6½	September quarter, 1928	.. 45,119,000
February, 1930	..	7	March quarter, 1930	.. 53,677,000
November, 1931	..	6½	December quarter, 1931	.. 51,017,000
September, 1932	..	6	September quarter, 1932	.. 49,975,000
May, 1933	..	5	June quarter, 1933	.. 46,757,000

From this table it will be seen that sometimes, contrary to the economic *tendency*, the volume of overdrafts has increased after overdraft rates have been increased, and has decreased after overdraft rates had been decreased.

Question 4. What are the limiting factors at present time in respect to—

A. Further lowering of interest-rates?

B. Further advances for business?

C. Is there any unsatisfied demand for the latter?

D. Does the amount of advances depend on the amount of legal tender held by the banks?

Answer : A. The answer to the query as to the limiting factors in respect to further lowering of interest-rates is to a large extent contained in the answer to question 1 of the questionnaire ; it may be said briefly by way of recapitulation, however, that at the present time the limiting factors are :—

(a) The obstacles to reduction of fixed deposit rates—namely, outside competition, which hinders further appreciable reduction in the fixed deposit rates.

(b) The fact that there are still fixed deposits receiving interest at the rate of 4½ and 4 per cent., though the twenty-four months' rate now quoted is only 3 per cent.

B. The limiting factor in respect to further advances for business is as under :—

As a result of the heavy fall in overseas prices for our exports on which this country very largely depends, and the consequent impact of the depression on New Zealand, there are fewer avenues of profitable employment of money. The effect of this is—

(a) That those who possess liquid funds refrain from employing them :

(b) That those who could obtain advances, or who could increase their advances, refrain from doing so.

C. As to whether there is any unsatisfied demand for advances for business, it is a simple fact that there is no bank limitation. In fact, the banks are very willing to extend their advance business, and the reduction of total overdrafts is not in accordance with their own wishes. The factors a banker takes into consideration in granting such advances are those set out in the answer to question 9 ; to advance money on inadequate security or unsound propositions would have the inevitable effect of freezing bank resources and aggravating the existing conditions.

D. The query as to whether the amount of advances depends on the amount of legal tender held by the banks is not clear. Taking legal tender to mean legal tender notes, the amount of these *held* by the banks has no bearing whatever on the amount of advances.

If the question refers to legal tender in circulation, the answer is No.

If the question refers to gold coins held, the answer is also No.

Question 5. Has there been any appreciable change over a period of years in New Zealand in the cheque-using habits of the people? Would it be an advantage to encourage the general practice of using cheques in everyday transactions?

Answer : As in Britain and other English-speaking countries, the cheque-using habit is highly developed in New Zealand, and the proportion of cheque currency to note and token currency is in accordance with the convenience of the users. Statistics show that the ratio of cheque clearings to notes in circulation in 1932 was less than in 1928, which would be due not so much to the habits of the people as to the fact that cheques are more used for larger transactions and notes for lesser, and the decline in cheque clearings is merely a reflection of trading conditions. As to whether it would be an advantage to encourage the use of cheques in everyday transactions, it may be mentioned that cheques are already so used widely, and the Government stamp duty of 2d. per cheque, coupled with the convenience of legal tender for pocket and till money, would probably militate against a much more general use of cheques.

Question 6. Do stock and station agents come into active competition with trading banks?

Answer : To the extent that stock and station agents perform banking functions they may be said to be active competitors. This is involved by the very nature of stock and station agency business ; but, as against this, there are certain functions performed by stock and station agents which are