



1. Presentation / concept

NPFC was created in 2011 by two microfinance specialists with a large experience in leading programmes in the field :

- **George Petty**, a former American (married to a Swiss) key-manager at ECLOF¹, Geneva who owns 60 % of the capital through his holding VSI, Geneva.
- **Rico Coligado**, a former Filipino executive at Oikocredit² Philippines with a sharp entrepreneurial spirit, who owns 37 % of the capital.



- Both were well exposed to Microfinance
- We are convinced that there is a missing middle that can complement microfinance



NPFC intend to **fill the gap between microfinance and commercial banking**, i.e. the financing of a massive population of entrepreneurs who are too big for being catered by the microfinance institution, but too small (and not well structured yet) for being eligible to conventional loan from banks. This gap is called the “missing middle”. <http://www.venturesouth.net>

NPFC’s desired development impact

- Employment creation/generation
- Conversion of informal enterprises into formal and registered ones (contribution to local economy development through payment of taxes)
- Promotion and growth of responsible Filipino SMEs
- Empowerment of women and out-of-school youth
- Equal opportunities to physically challenged and minorities

Small & Medium Enterprises (SMEs)

There are around 800.000 registered SMEs and further 100.000 are estimated as being unregistered. In overall +/- **300.000 SMEs** – the lowest third of this population – **are within the reach of NPFC**.

NPFC estimate that at least 10 % of them are financially and severely underserved, which comes up to minimum **30.000 units being in their core-target**.

The finance industry in the Philippines

Type of financial institutions	Quantity (and comments) - March' 2013 -
Universal and commercial Banks	36 (mainly middle to high-income oriented banks)
Thrift banks	70 (provincial banks)
Rural banks	581 (provincial banks)
Pawnshops	+/- 5.000 (quick money-lending boutiques)
Finance companies	+/- 40 (including NPFC)



¹ ECLOF International is a global microfinance network, founded in 1946 as a NGO in Geneva. It has offices in 20 countries across 3 continents

² Oikocredit is a worldwide cooperative and social investor founded in 1968, that provides funding to the microfinance sector, fair trade organizations, cooperatives and small to medium enterprises



Negosyong Pinoy Finance Corporation (NPFC) – Philippines

Business-case

Main reasons for SMEs to be ranged into the “missing middle” segment are twofold :

- they generally do not have the most basic skills and tools in term of management and finance
- due to their small size, they do not have enough assets to provide for collateral

Notwithstanding this matter of fact, many of them do have a room for growth, because their business owners have built a real competitive edge or niche products that meet the demand.

Market opportunities & Impact

The Filipino provincial banking market is relatively undeveloped, compared to other countries. Increasing lending in provincial areas would be the most effective way to accelerate employment creation.

Micro, small and medium enterprises (MSMEs) also rarely use formal banks, although there is a large demand for credit: 20% of the Filipino population is involved in entrepreneurial activities of some kind – one of the highest proportions of the population in the world. MSMEs account for 70% of total employment.

It is then observed that **funds obtained from the banking sector accounted for only 11 to 21% of capital raised by SMEs.** This is lower than the 30% international benchmark seen in other developing countries like India and Thailand.

A couple of business owners visit the NPFC offices for loan release
(August 2013)



2. Business-model

Products & Services

All types of loans that help SMEs to develop their activities and contribute to create sustainable jobs and revenues among disadvantaged populations and also rural areas.

Loans are between 3 to 36 months, depending on the financing goal and range from 1.000 € to 50.000 €.

Niche products

Purchase Order Loan (one third of the activity) : finance the orders that SMEs receive from large (industrial or commercial) buyers.

Type of purchase orders : fashion accessories / bamboo articles (for cooking, for decoration ...) / Christmas articles (candles ...)

→ **the loan is used to buy the raw materials and supplies for producing the items**

HIP-HOP Loan (High Impact Project and High Output Projects) : a special loan window for projects with extra-ordinary development relevance, like projects benefiting persons with disabilities, indigenous people, out-of-school youth, single mothers, etc ...

→ **projects addressing basic human needs like food, education, clothing or those promoting / protecting the environment**

Technical assistance

NPFC help their clients – alongside its financial support – to reinforce their capacities (for free). This assistance indirectly mitigates the risk of credit default.

Operations

Indicators	2011	2012	August 2013	2013 forecasts	2014 forecasts	2015 forecasts	2016 forecasts
Value of loans disbursed	677.348 €	1.215.160 €	1.020.388 €	2.338.000 €	5.561.000 €	6.370.000 €	8.383.000 €
Number of Loans disbursed	186	242	183	417	956	1.026	1.351
Outstanding loan portfolio	370.835 €	914.822 €	1.383.018 €	2.339.000 €	5.574.000 €	8.292.000 €	11.246.000 €
Average loan size	3.823 €	5.578 €	5.576 €	4.960 €	5.800 €	6.200 €	6.200 €



Negosyong Pinoy Finance Corporation (NPFC) – Philippines

Economic & Social impact

Number of SMEs served	104	89	146	276	522	761	1.041
All active clients	97	164	212	328	784	1.388	2.151
Female clients	62	85	114	171	471	833	1.291
Client employees (jobs created)	2.127	6.243		7.216	15.680	27.760	43.020
%age of women employees	55%	62%		60%	60%	60%	60%

In the Philippines, upper-range loan in microfinance is around 50.000 PHP (less than 1.000 €)
NPFC grant loans in a range from 50.000 PHP to 2.500.000 PHP (less than 50.000 €)

A client's story

GLORIA de MATA Entreprises

/ Manufacturing – Production

Location : Morong, Rizal (province near Manila)

Garment business managed and owned by Ms. Gloria De Mata.

She started in 2003, when she took over from her sister who migrated to the US. An important consideration for Gloria to rebuild the business was to continue to provide employment to her neighbours, whose income is dependent from this work.



Her care for her neighbours also included taking in part time

apprentices and to enable children of her seamstresses to continue with their schooling.

This all was momentarily paused when in 2011 a fire burnt down her stall in Baclaran. All the stocks and important documents got burned. It looked like the end of her business, but especially concerns for the future of her workers made her decide to continue and borrow money from her sister abroad.

Through her perseverance **she was able to secure bulk orders from the provinces** and this created the need for working with an institution that could support her business.

Through NPFC, she was able to increase the number of orders she could manage; **this resulted in 5 additional full time jobs**.

Turnover 2012 : 64.800 € | Staff : 15 employees

She received a loan of 3.400 € over 12 months (due date, Aug. 2014) to finance large orders. Semi-annual repayment.



Organisation

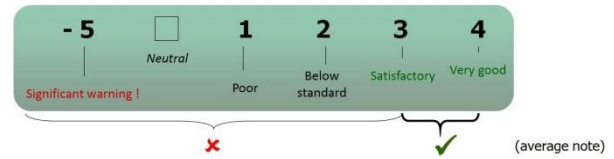
NPFC's staff is 19.

Key functions are : Credit department / Compliance & Legal / Treasury & Accounting / Human Resources / Quality assurance / Enterprise development / IT & Facilities.





3. Assessment summary (scoring)



Score : 3,44 / 4

		major NEGATIVE weighting	major POSITIVE weighting
LEGAL	Company's history	3 years only ...	
	Corp. management		Strong management & business skills
	Mission statement		Clear written mission statement
	Stakeholders relation		Good (still to expand)
OPERATING MODEL	Operational capacity		Flexible, scalable
	Organisational structure		Policies, risk management (still to reinforce), reporting, full integrated MIS expected soon ...
	Innovation & Dvlpt		NPFC's strength
	HR management		Several employees with a banking background , training and incentives
MARKET & COMPETITION	Customers		Customers diversification, clients' rights
	Quality / Reputation		High-valuable products & client monitoring
	Market		Medium market's size that could expand with economic growth ; good sales & promotion strategy
	Competition	Competition might loom up on the long term (?)	Weak competition so far
FINANCE	Financial statements		Sound financial statements & projections
	Insurance	No public liability insurance policy (not required by law in the Philippines)	
SOCIAL & ENVIRONMENTAL INITIATIVES			
	Local development		Good to high social / environmental impact
	Supply chain		Social / environmental specifications along the supply-chain
	External factors		Favourable regulations from the government for SMEs

The global strategy of NPFC is :

- **Maintaining a high retention rate** for good and responsible clients
- **Developing other loan products** to meet specific and specialized needs of the SMEs
- **Continuing client credit rating** which would provide incentive of a higher loan limit to good and expanding SME clients
- **Providing other non-credit assistance like business development services.**



NPFC's role is to link SMEs to resource centers and providers already available in the market, like Philippine Business for Social Progress, Philippine Social Enterprise Network and others (extract from the NPFC Pillars of Growth & Strategy 2012-2017)

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