FINANCING SMALL AND MEDIUM ENTERPRISES
(sources: Small Business Corporation, Land Bank of the Philippines, Development Bank of the Philippines)

SMALL BUSINESS CORPORATION

On 16 November 2001, the Small Business Guarantee and Finance Corporation (SBGFC) and the Guarantee Fund for Small and Medium Enterprises (GFSME) were merged and became known as the Small Business Corporation. Today, Small Business Corporation is the National Government’s third largest provider of SME financing, with a lending portfolio of over P3 Billion. There are over 3,000 clients, 71 partner financial institutions, and serving 57 of the 75 provinces across the country. Through its Direct Lending Program, it offers loan facilities designed to suit the specific financing needs of micro, small and medium enterprises (MSMEs). It also provides additional liquidity to business needs and is a credit champion for MSMEs.

Among their Direct Lending facilities are the following:

1. Fixed Asset Financing

A direct lending facility intended to finance the expansion projects of domestic enterprises to sustain, expand and improve their business operations. Purpose of the loan will include the following:

- Fixed asset acquisition
  - Equipment or motor vehicle acquisition
  - Lot acquisition (limited to 25% of total loan)
- Building construction/improvement
- Refinancing of loans used for fixed asset acquisition (except for loans from other government financial institutions)

2. Working Capital Financing

A direct lending facility which aims to address the working capital needs of domestic enterprises. It supports the enterprise’s gapping of receivables and build-up of inventory. A credit line facility for MSME suppliers where the subject of financing is the purchase order and/or the receivable from its qualified buyers including foreign buyers, top-2000 domestic anchor firms, industry anchor firms, franchisor firms and on case-to-case basis, government agencies/corporations. Under this facility, SBC also rediscounts PDCs to assist suppliers of domestic firms which need not be among the top-2000, but who have issued post-dated checks (PDC) to cover the transaction.

Demand Loan

A credit line facility intended to better address the working capital needs of MSMEs that are pre-bankable in terms of collateral and of credit track record with the banks, but are mature in terms of a well-established accounting system and the capability to submit regular financial reports.

Soft Investment Loan
An amortized term loan facility for financing of soft or intangible investment requirements of the enterprise such as R & D, marketing including trade fair participation, pre-operating expenses for an expansion project, training, rental deposit, IT software packages, and franchise development packages among others.

**Micro Working Capital Loan**

An amortized term loan facility intended for accounts receivable and/or inventory financing for micro and small enterprises who are not yet ready for a credit line transaction and who prefer to amortize its working capital loan.

**Financing for MSME IT-Capability**

A wholesale rediscounting facility for local IT providers intended to help MSMEs develop some degree of IT capability in terms of simple hardware facilities, software solutions and website development among others.

3. Financing for Start-Up Enterprises

A direct lending facility which aims to support start-up domestic entrepreneurs whose product or service prototype has already been produced and market-tested. This facility also caters to start-up franchisees. Subject of financing will include the following:

- Fixed asset acquisition
  - Equipment or motor vehicle acquisition
  - Lot acquisition (limited to 25% of total loan)
- Building construction/improvement
- Working capital for initial inventory and/or other pre-operating costs

**Minimum Borrower Qualifications**

1. Must be a Filipino-owned enterprise; in the case of corporation, must be at least 60% Filipino-owned.

2. Should have an asset size of not less than P500 Thousand and not more than P100 Million, excluding the value of land.

3. Must have at least one year positive business track record.

4. The MSME industry involved should not be among the following exclusionary list of SBGFC:

   - Real estate development *(SME contractors are qualified)*
   - Pure traders of imported goods
   - Engaged in vice-generating operations

5. Must have a BRR score of “5” or better per SBC evaluation.

**Loan Size**

- Minimum – P 200 Thousand
• Maximum – P 15.0 Million (Management approval limit; may be higher but needs Board approval)

**Note:** The project’s market potential and debt-servicing capacity serve as the most critical bases for determining the loan amount.

**Maturity/Repayment Term**

- Fixed Asset Financing
- Maturity depends on economic life of assets to be financed
- Amortized monthly or quarterly
- Working Capital Financing
  - One-year credit line
  - Repayment term depends on movement of accounts receivables and inventory

**Collateral Requirement**

Assets to be financed by the loan (AR, inventory and fixed assets)

**Note:** The presence of additional collateral external to the business will not assure the granting of loan and absence of such additional collateral will not be a reason for loan denial. Total collateral cover, however, will impact on the pricing of loan.

**Interest Rates**

- One Year Credit Line - 10.1% to 12.5%
- Amortized Loan (up to 3 years) - 10.8% to 16.0%
- Amortized Loan (more than 3 years up to 5 years) - 11.9% to 18.0%

**Note:** Interest rates are tiered based on the Borrower Risk Rating, collateral cover and the term of the loan.

For more information about direct loan products, please contact:

**Small Business Corporation**
17th & 18th Floors 139 Corporate Center
139 Valero Street, Salcedo Village, Makati City
Tel. No. (632) 751-1888
or at any SBC office nearest you.
Website: [www.sbgfc.org.ph](http://www.sbgfc.org.ph)
DEVELOPMENT BANK OF THE PHILIPPINES' SMALL AND MEDIUM ENTERPRISES (SME) FINANCING

DBP finances many SME projects in recognition of the role of small and medium enterprises in spurring the growth of the economy. DBP provides both credit and non-credit assistance in the form of technical support in the areas of marketing, research and development, business diagnosis, and human resource development.

Eligible Borrowers

Single proprietorships, registered partnerships, cooperatives, associations, private corporations, private financial institutions, local government units, non-government organizations.

Acceptable Collaterals

Generally, acceptable collaterals for loans are registered first mortgage on titled real estate properties, buildings, machinery and equipment and other mortgageable assets which are already owned by the applicant or to be acquired partly or fully with proceeds of the loan applied for. Hold-out on savings and time deposits as well as government security placements are also considered as acceptable collaterals. In some cases, the Bank also accepts the guarantees of the following as part of collaterals: Quedan and Rural Credit Guarantee Corporation (QUENDANCOR), Small Business Guarantee and Finance Corporation (SBGFC), Philippine Export-Import Credit Agency (PHILEXIM), Home Insurance Guaranty Corporation (HIGC).

Interest Rate and Other Charges

The rate of interest and other charges for loans and other credit accommodations are generally market-based.

Debt-Equity Requirements

The debt-equity requirements of the Bank would depend on the type of project to be financed taken in conjunction with the Bank's assessment of the risk factors for a particular borrower.

Types of Projects Financed

1. Industrial
   a. Large manufacturing and non-manufacturing industries
   b. Small and medium manufacturing and non-manufacturing industries
   c. Industrial Estate Projects
2. Public Utilities
   a. Land, air and water transportation
   b. Telecommunications
   c. Power generation and distribution
   d. Water supply and distribution
3. Community Development
   a. Housing
   b. Hospitals
   c. Schools
   d. Infrastructure
e. Eco-Tourism
4. Agro-industrial
   a. Post harvest-facility
   b. Agri-business
5. Focused Lending Programs
   a. Environmental
      ▪ Pollution control and abatement
      ▪ Waste minimization and recycling
      ▪ Efficient use and/or management of natural resources
      ▪ Occupational health & safety
      ▪ Establishment of Environmental Management System (EMS) and certification under ISO 14000
   b. Micro-financing
   c. Lending program for franchises
   d. Program towards obtaining ISO 9000 certification
   e. New and renewable energy (NRE) projects
   f. Technology development and commercialization
   g. LGU financing program
   h. Sustainable Logistics Development Program
      ▪ Road/Roro Ferry Network
      ▪ Bulk Grains
      ▪ Cold Chain
6. Other Programs
   a. Factoring
   b. Loans Against Hold Out on Deposit

**Sustainable Partnership for Energizing Entrepreneurship Development (SPEED)**

The SPEED program provides Filipino entrepreneurs with efficient and convenient access to market information, technology, research and development, and credit and technical assistance. It is being implemented in collaboration with the Department of Trade and Industry (DTI), the Department of Science and Technology (DOST), the Medium and Small-Scale Industries Coordinated Action Program II (MASICAP) Development Foundation Inc., and the Alliance of Philippine Partners in Enterprise Development (APPEND).

A key component of the SPEED program is the establishment of Business Assistance Centers (BAC) in key areas in Luzon, Visayas and Mindanao. These BACs are a one-stop shop for SMEs, offering support services such as e-services, business counseling, project development, and financial advisory under one roof.

Currently, the SPEED program has BACs in:

- Mariano Marcos State University - Batac, Ilocos Norte
- Benguet State University - La Trinidad, Benguet
- Pampanga Agricultural College - Magalang, Pampanga
- Palawan State University - Puerto Princesa City, Palawan
- Camarines Sur State Agricultural College - Calabanga, Camarines Sur
- Aklan State University - Banga, Aklan
- Central Philippine University - Jaro, Iloilo City
- Foundation University - Dumaguete City, Negros Oriental
- Cebu State College of Science and Technology System - Cebu City, Cebu
- DBP Davao Branch - C.M. Recto Ave., Davao City

**Applying for a Loan**
**Step 1:** Discuss your project proposal with a DBP account officer. Fill up the form (http://www.devbankphil.com.ph/sme/sme_account.php) to contact a DBP Account Officer and DBP shall assess your business needs.

**Step 2:** File your application form together with the required documents. Upon submission, DBP shall conduct the necessary evaluation and processing of your application. DBP shall advise you through a formal letter and phone call if your application has been approved.

**Step 3:** Once your application has been approved, open an account at DBP. All transactions will then be made through your DBP account.

*On the average, it takes 30 to 36 days to process a loan, assuming all documents are complete.*

*A project is monitored three months after the loan has been released. For new projects, quarterly visits are conducted.*

For more information about DBP loan products, please contact:

**The Development Bank of the Philippines Head Office:**
Sen. Gil J. Puyat Avenue corner Makati Avenue,
Makati City, Philippines

**Mailing Address:**
P.O. Box 1996 Makati Central Post Office
1200 Makati City, Philippines

**Trunk Line:**
(632) 818-9511 to 20/818-9611 to 20

**E-mail:**
info@devbankphil.com.ph

**Website:** [http://www.devbankphil.com.ph](http://www.devbankphil.com.ph)

or at any DBP branch nearest you.

**LAND BANK OF THE PHILIPPINES’ TODO UNLAD PROGRAM**

Total Development Options – Unified LandBank Approach to Development (TODO UNLAD) is LandBank’s flagship program for countryside development. Through its various lending programs and support services, TODO UNLAD links cooperatives, local government units, private corporations / small and medium enterprises and non-government organizations in specific areas around an integrated development project.

TODO UNLAD moves away from piecemeal efforts in developing an area. Instead, it extends loans and other support services to all key players in a pre-identified area to ensure that all efforts lead to an integrated area development.

TODO UNLAD projects aim to achieve countryside development by linking producers to markets and processors, strengthening cooperatives and local government units. Specifically, it hopes to increase agricultural productivity, improve basic infrastructure, and
eventually pave the way towards rural industrialization and to transfer partially or wholly, the ownership and management of productive assets to cooperatives.

Its projects are composed of a combination of two or more of any of the following loans and services:

- Local government lending
- Commercial lending
- Cooperative lending
- Production or post-harvest facilities financing
- Market matching and production, marketing and management agreements
- Cooperative strengthening
- LGU advisory services
- Import / export financing
- Integrated loan packages for Agrarian Reform Communities

Note: A project can be considered as a TODO UNLAD project even if only one (1) of the services enumerated above is availed of provided that the partner who availed of the loan or services is a cooperative in Agrarian Reform Communities area, and provided further that the other key partners, e.g. LGU, DA, DAR, private entities, etc., committed to extend financial/technical assistance.

**Development Advocacy Program**

The Development Advocacy Program (Devad) is a new lending modality which LANDBANK banks on the strength of market contracts purchase orders (P.O.), receivables and other credit enhancement. It veers away from the rigors of traditional lending.

**Eligible Accounts**

- Accounts that did not qualify under the bank’s regular lending criteria (except character) or without collateral but with viable projects and established/confirmed markets
- Accounts that make use of non-traditional lending modalities (e.g. receivables financing, purchase order financing)
- Accounts that make use of credit enhancement instruments (e.g. marketing agreement, guarantee covers)

**Eligible Borrowers**

- Cooperatives
- SMEs
- Associations
- Federations
- NGOs
- Agri-Business Entities

**Eligible Projects**

- Production
- Trading
- Processing
- Manufacturing
Loan Purpose

- Production
- Fixed Asset Acquisition
- Working Capital

Loanable Amount

For project-based: Loanable amount depends on the project requirements (up to 80% of the project cost).

Loans against receivables and P.O. shall not exceed 70% of their current values.

Interest Rate

The program shall adopt the regular pricing structure for each identified sector/client

Securities

The DevAd accounts shall be secured by any or combination of the following:

- Assignment of Receivables
- Assignment of Proceeds of Market Contracts or P.O.
- Guarantee cover
- Post-dated checks

For more information on LandBank’s TODO UNLAD and DEVAD, please coordinate with:

Program Management Department I
Land Bank of the Philippines
28th Floor, Land Bank Plaza
1598 M.H. del Pilar Street corner Quintos Street
Malate, Manila
Tel. Nos. (632) 522-0000/ 551-2200 (local 2307 or 2376)
Website: www.landbank.com