

| Philippine Stock Exchange index (PSEi)                |  |   |   |  | 6,729.14  | ▲38.37 PTS.  | ▲0.57%  | FRIDAY, DECEMBER 6, 2024<br>BusinessWorld                       |  |  |
|---|--|---|---|--|---|--|---|---|--|--|
| PSEi MEMBER STOCKS                                    |  |   |   |  |   |  |   |   |  |  |
| AC<br>Ayala Corp.<br>P648.00<br>-P5.00 -0.77%         | ACEN<br>ACEN Corp.<br>P3.90<br>-P0.08 -2.01% | AEV<br>Aboitiz Equity Ventures, Inc.<br>P34.70<br>---         | AGI<br>Alliance Global Group, Inc.<br>P9.19<br>-P0.04 -0.43%    | ALI<br>Ayala Land, Inc.<br>P28.40<br>-P0.60 -2.07%                                 | BDO<br>BDO Unibank, Inc.<br>P151.60<br>-P4.30 -2.76%    | BLOOM<br>Bloomerry Resorts Corp.<br>P5.48<br>-P0.11 -1.97% | BPI<br>Bank of the Philippine Islands<br>P130.00<br>+P2.00 +1.56% | CNPF<br>Century Pacific Food, Inc.<br>P42.00<br>+P0.10 +0.24%   | CNVRG<br>Converge ICT Solutions, Inc.<br>P16.80<br>+P0.04 +0.24% |  |
| DMC<br>DMCI Holdings, Inc.<br>P11.18<br>+P0.08 +0.72% | EMI<br>Emperador, Inc.<br>P18.04<br>---      | GLO<br>Globe Telecom, Inc.<br>P2,116.00<br>+P42.00 +2.03%     | GTCAP<br>GT Capital Holdings, Inc.<br>P669.00<br>+P19.00 +2.92% | ICT<br>International Container Terminal Services, Inc.<br>P391.00<br>+P5.80 +1.51% | JFC<br>Jollibee Foods Corp.<br>P266.80<br>+P4.00 +1.52% | JGS<br>JG Summit Holdings, Inc.<br>P21.20<br>-P0.30 -1.40% | LTG<br>LT Group, Inc.<br>P10.32<br>+P0.02 +0.19%                  | MBT<br>Metropolitan Bank & Trust Co.<br>P76.00<br>+P1.10 +1.47% | MER<br>Manila Electric Co.<br>P480.00<br>-P1.00 -0.21%           |  |
| MONDE<br>Monde Nissin Corp.<br>P8.76<br>-P0.24 -2.67% | NIKL<br>Nickel Asia Corp.<br>P3.08<br>---    | PGOLD<br>Puregold Price Club, Inc.<br>P30.00<br>-P0.90 -2.91% | SCC<br>Semirara Mining and Power Corp.<br>P33.40<br>---         | SM<br>SM Investments Corp.<br>P915.00<br>+P25.00 +2.81%                            | SMC<br>San Miguel Corp.<br>P88.00<br>---                | SMPH<br>SM Prime Holdings, Inc.<br>P26.70<br>+P0.50 +1.91% | TEL<br>PLDT Inc.<br>P1,339.00<br>+P27.00 +2.06%                   | URC<br>Universal Robina Corp.<br>P76.15<br>+P0.15 +0.20%        | WLCON<br>Wilcon Depot, Inc.<br>P13.88<br>+P0.36 +2.66%           |  |

BW ONE-ON-ONE

How First Circle aims to bridge the SME funding gap

By Beatriz Marie D. Cruz Reporter

FIRST CIRCLE, a local financial technology (fintech) lender, is looking to partner with four more banks next year to help bridge the lending gap between banks and small and medium enterprises (SMEs), according to its chief executive officer (CEO).

“We’ve got four credit relationships with banks, and we want to bring that to maybe seven or eight by next year,” First Circle Co-Founder and CEO Patrick Lynch said in an interview with *BusinessWorld*.

First Circle specializes in SME lending, as it offers flexible and collateral-free business and employee salary loans. It also provides online banking services to small businesses without transfer limits, transaction fees, and maintaining balance.

The fintech company borrows from banks and uses the money to lend to SMEs, Mr. Lynch said, noting that its affordable and flexible loan products help provide more small businesses with access to financing.

“Banks don’t have the technology and the operations to be able to serve and manage lots and lots of small customers, but we do because we’re a technology company, and the banks have the balance sheet.”

“The game is not about trying to compete in what’s there now; it’s about creating more access for businesses.”

Latest data from the Bangko Sentral ng Pilipinas (BSP) showed that Philippine banks had extended P488.13 billion in loans to micro, small- and medium-sized enterprises (MSMEs) as of the end of June. However, this fell below the 10% required quota, accounting for only 4.52% of their P10.08-trillion total loan portfolio.

Under Republic Act No. 9501, or the Magna Carta for MSMEs, banks are mandated to allot 10% of their loan portfolio for small businesses. Specifically, 8% must go to micro and small-sized businesses, while 2% must go to medium-sized enterprises.

MSMEs account for over 99.6% of all businesses in the Philippines and provide thousands of jobs, establishing their critical role as the backbone of the economy.

There was a total of 1.24 million MSMEs in the Philippines as of last year, with a majority (82.1%) of them operating in the provinces, according to the Asian Development Bank’s (ADB) latest SME Monitor.

However, banks would rather pay fines for non-compliance than undergo the risks of lending to small businesses. The banking industry’s gross non-performing loan ratio stood at 10.3% in 2023, nearly double the 2019 ratio, according to the ADB.

Small businesses’ access to bank loans also remains hindered by high-interest rates, tight collateral requirements, and the tedious loan application process. Other MSMEs resort to non-traditional sources of financing like pawnshops, the Manila-based lender said.

First Circle’s business loan offers up to P20 million without requesting collateral, compared to banks, which mostly require collateral for loan amounts beyond P2 million, it said.

The fintech company’s partnership with Philippine banks forms part of its strategy to improve Filipino SMEs’ access to financing next year, according to Mr. Lynch.

“Over the course of the next five to ten years, the whole game is about expanding our offering to support more of the needs of SMEs.”

TECH-BASED FINANCIAL INCLUSION

Mr. Lynch co-founded First Circle in 2016 with the idea of using technology to improve financing access among SMEs. He gained the backing of former BSP Governor Nestor A. Espenilla, who advocated for financial inclusion among consumers and businesses alike.

“He was very pro-financial inclusion, and he realized that the best way to include



FIRST CIRCLE  
Co-Founder and Chief  
Executive Officer  
Patrick Lynch

people was going to be through technology companies,” said Mr. Lynch, recalling the late banker’s full support.

To date, First Circle has extended P11 billion in loans to support SME growth, with its customers growing by 80% on average in over two years, Mr. Lynch said.

Since its founding, First Circle has supported up to 5,000 SMEs nationwide, with more than half of them being women-led firms, according to Mr. Lynch.

SMEs can open an account in one day and can loan up to P20 million with no collateral.

First Circle also boasts competitive interest rates, beginning at 0.99% per month, compared to most business loan providers, which charge between 2-10% interest per month, Mr. Lynch said.

It can also provide SME owners with a loan decision in a maximum of two days with minimal requirements. To limit unnecessary costs, business owners may only pay interest rates for the amount they borrow.

“It’s very easy to draw down; there are no hidden fees... if you want to repay early, we give you all your interest back,” Mr. Lynch said. “[If you] need to reschedule because your customers have paid you late, we reschedule very easily, and so that’s why we’re winning because we care about the customer.”

As part of its expansion plans, the tech company started using artificial intelligence (AI) in its underwriting earlier this year, which allows them to process documents more easily.

Beginning next year, First Circle is extending its loan period for its business loans, wherein borrowers can pay their loans for up to three years from the current 12 months, Mr. Lynch said.

“At the moment, we provide up to 12 months (repayment). We will soon be providing up to three years,” he said, which will be available as early as January.

For 2025, First Circle is also planning to launch its “express business loan,” which seeks to grant customers loan access on the day of their application.

Early next year, the fintech lender is also set to release three new financial products meant to help SMEs improve their operations, Mr. Lynch added, saying this has yet to be revealed.

With the BSP’s easing cycle still underway, Mr. Lynch is bullish that the company can provide even cheaper loans to small business owners.

The central bank has reduced borrowing costs by a total of 50 basis points (bps) since kicking off its easing cycle in August, bringing the key rate to 6%, BSP Governor Eli M. Remolona, Jr. said last month.

With the Philippine economy expected to grow over the next 20 to 30 years, SMEs need more credit access to utilize its growth potential, according to Mr. Lynch.

He added that the BSP’s push for financial inclusion plays a critical role in ensuring that more Filipinos, especially SMEs, are banked.

On what makes it worth investing in MSMEs, Mr. Lynch said: “It’s a huge market; it’s about half of GDP (gross domestic product). Number two, it’s a very big opportunity to use technology to drive change.”

“Number three, SMEs employ two-thirds of the labor force. And a strong SME sector is very important for wealth distribution in society.”



FIRST GEN CORP. has a total of 3,668 megawatts of installed capacity coming from its portfolio of plants that run on geothermal, wind, hydro, solar energy, and natural gas.

First Gen eyes 50-MW solar facility in Batangas

By Sheldeen Joy Talavera Reporter

LOPEZ-LED First Gen Corp. plans to build a 50-megawatt (MW) solar power facility in Batangas, according to its president.

“Right now, we’re hoping that we can build our largest solar investment, which will be 50 megawatts, and that will be the springboard for more solar expansion of the First Gen Group moving ahead,” First Gen President and Chief Operating Officer Francis

Giles B. Puno said in an interview with *BusinessWorld*.

The solar power project was allocated a portion of next year’s capital expenditure (capex) budget, amounting to approximately P35 billion.

If the company is to start the construction next year, Mr. Puno estimated it to invest around between P1 billion and P2 billion.

“This will take roughly about two years to build those facilities,” he said.

As the company is quite “coming from behind,” it is aiming to be “more aggressive” in investing in solar facilities.

“Hopefully, we can get attractive prices for our solar investment. But we’re very serious about expanding solar installation across the country,” Mr. Puno said.

The company is targeting a lower capex budget for 2025 amounting to P35 billion, of which 90% will be allocated for its renewable energy subsidiary Energy Development Corp.’s drilling activities and growth projects.

First Gen has a total of 3,668 MW of installed capacity coming from its portfolio of plants that run on geothermal, wind, hydro, solar energy, and natural gas.

Jonathan Esmerio takes reins of Loxon group of companies

The Loxon Group of Companies would like to announce that Jonathan A. Esmerio has been elected by the Board of Directors as its new President and Chief Operating Officer. He also steps up as President of Loxon Wandset, Inc. (LWI), a subsidiary that specializes in building envelop systems such as the design of aluminum glass for facade systems, engineering, testing, fabrication and installation of aluminum and glass systems, after being promoted from Vice President. Jon remains to be President of the other subsidiaries namely, Loxon Philippines, Inc. (LPI), which is a globally recognized specialty contractor of fully integrated building management systems for the protection of life and property; and ECE Prime Holdings, Inc., which has interests in the property sector. Jon also sits as a Director of the Group’s international logistics and procurement arm, Loxon Limited Hong Kong.

LPI and LWI have both achieved ISO-certification for their Risk Based Quality Management System and are Triple A-licensed specialty contractors as certified by the Philippine Contractors Accreditation Board (PCAB).

In both of his new roles, Jon replaced company founder Ed C. Esmerio who will continue to serve as Chairman of Loxon Group of Companies and the Chief Executive



Ed C. Esmerio



Jonathan A. Esmerio

Officer of LWI. Jon has been tasked to oversee project management operations and business development while Ed will focus his energies on engineering and design, logistics, plant expansion and the forging of joint-venture partnerships for building facades with leading foreign companies.

“I would like to thank the Board for their vote of confidence and trust. I look forward to steering Loxon Group towards further growth and expansion by capitalizing on technological innovation and making sustainability a core part of our business strategy,” said Jonathan A. Esmerio, President and COO of Loxon Group of Companies.

Jon brings with him a wealth of experience having served in a variety of roles within the Group over the last 21 years. He has undergone extensive leadership and technical training here and abroad, and his track record of accomplishments has prepared him well for this new challenge. Jon graduated with a degree in BS Industrial Engineering from De La Salle University and completed the Corporate Finance Diploma Course in Ateneo de Manila Graduate School of Business and the Eliminate Obstacles to Growth by Recognizing and Overcoming Challenges Course of Harvard Business School.