MARKET STRUCTURE IN THE PHILIPPINE FINANCING COMPANY SECTOR

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This paper finds that qualitative information obtained from a survey on the product emphasis and clients served by financing companies show the existence of strong market segmentation in the sector. Medium-sized and large financing companies have a different set of product offerings and clients from small financing companies. Using profit-cost margins or return on sales as a performance indicator, statistical tests confirm at a 96.5% level of significance that the two samples do not come from the same population.

The Herfindahl Index and 4-firm concentration ratio were used to quantify the degree of concentration in the financing company sector. The study finds that as a whole, the financing company sector is highly concentrated, with 6 companies out of over 150 accounting for about 50% of the market. The market segment consisting of medium-sized and large financing companies is oligopolistic in structure, while that of small financing companies is more competitive. Higher price-cost margins are documented for the former sub-sector, strengthening the finding that the market structure of medium-sized and large financing companies is not that of perfect competition.

At least two factors are proposed as explanations for the high degree of concentration in the sector: 1) economies of scale brought about by access to cheaper funds through affiliated companies, principally parent companies which are big universal banks, and 2) product differentiation due to access to a ready borrowers market.

I. INTRODUCTION

The Asian financial crisis that began in 1997 found Philippine companies with high degrees of leverage and unhedged foreign currency loans. Despite efforts of national economic decision-makers to keep treasury bill interest rates steady, Philippine commercial banks clamped down hard on credit and increased lending rates as a result of capital flight and fears of rising bad debts. The sudden withdrawal of liquidity from the market took its toll on many local companies and gave reality to the financial sector's fears of a surge in loan defaults. By 2000, non-performing loans in the entire banking system averaged 16% of the total loans in the sector, the peso had devalued by over 75% from its pre-crisis level (pre-1997 levels were less than 10%), and tight liquidity continued to keep a stranglehold on economic activity in the country.

For the non-bank financial institutions sector (NBFI), the full effects of the crisis still remain largely unknown. This is because the NBFI sector is not as closely

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monitored nor regulated by the Securities and Exchange Commission as the banking system is by the Bangko Sentral ng Pilipinas. As a result, little information regarding the NBFI sector is available, even to and from the regulators.

Despite their number (NBFIs outnumber the banks by a ratio of 7:1 in 1997), the NBFI sector is dominated by the banking sector as far as control of financial assets is concerned. In 1998, Philippine banks controlled 82% of the total resources of the Philippine financial system, with commercial banks accounting for 90% of this slice. Non-bank financial institutions (i.e., investment houses, financing companies, investment companies, securities brokers/dealers, pre-need companies, mutual funds, pawnshops and lending investors) controlled the balance of 18% (Philippine Medium Term Development Plan 1999-2004, 1998, Chapter 7). Yet, the fact that the sector has not been closely supervised is causing increasing concern. The sector caught the attention of the public when a number of high-profile investment houses collapsed without warning during the initial years of the Asian crisis.

The present study is a result of an initiative to generate baseline information regarding one of the subsectors of the NBFI sector – financing companies. The data-gathering effort included financial and non-financial information, and utilized primary and secondary sources. This report covers the findings regarding the market structure of the financing company sector.

II. RESEARCH OBJECTIVES

1. To determine and quantify the degree of market concentration in the Philippine financing company sector;

2. To identify the determinants of market concentration in the sector and the effects of concentration on the performance of the sector; and

3. To identify some policy implications of the findings on market concentration and performance in the sector.

Market concentration as used here is analogous to seller concentration, which refers to the size distribution of supplier firms in an industry. A "high" degree of market concentration describes an industry in which a few large firms account for a disproportionate share of the output (or market) of the industry. The Herfindahl Index and the 4-firm concentration ratio are used to quantify the degree of market concentration in the financing company sector.

III. REVIEW OF RELATED LITERATURE

The study of the characteristics, including structure and performance, of imperfectly competitive markets and its evolution into a distinct branch of economics appears to have been sparked by the work of Mason (1939) and Bain (1949). The two had argued that the model of perfectly competitive markets did not match the reality described in studies of American market structure (Martin, 1993).

Much of the work which followed Mason's seminal essay looked at how the behavior of market participants (in terms of say, pricing, strategy, R&D, innovation) and the performance of the market (profitability, innovation) were affected by market structure (number of sellers and buyers, product differentiation, entry barriers, etc.). These studies, mostly empirical and descriptive in nature, were based on the so-called structure-conduct-performance paradigm which, according to Martin (1993), was the theoretical framework used for much of the work done by industrial economists up to the 1970s.[1]

The study of market structure is of great relevance to policy makers because some evidence appears to support the existence of a relationship between market structure and market power, including the ability to extract monopoly (or oligopoly) rents. Bain (1951), for example, presents evidence from the American manufacturing industry's performance during the period 1936-1940 that on the average, profit rates in industries of high concentration and with significant barriers to entry (i.e., economies of scale, absolute capital requirements, product differentiation) are larger than those in industries without these characteristics present. Subsequent studies, intended to either criticize or extend Bain's work, show empirically that other variables such as the concentration of suppliers and/or of buyers, control over labor supply, and foreign competition mitigate or reduce the effects of concentration on market power (see Lustgarden, 1975; and also Martin, 1983a; Weiss, 1966; and Esposito and Esposito, 1971).

Studies on market concentration in the Philippines have focused on the manufacturing sector. Lindsey (1976) finds that market size (as measured by total value-added) and minimum efficient scale (as measured by average value-added per establishment) are significantly related to market concentration.

Abenoja and Lapid (1991), using 1987 data of 98 PSIC manufacturing industries, confirm Lindsey's findings and at the same time, find a significant inverse relationship between market concentration and industry size. Capital intensity and foreign competition in the domestic market are also found to have significant positive effects on market concentration.

Imbat and Tanlapco (1993) regress market structure and trade variables on a measure of 1988 profitability (specifically, price-cost margin) for 29 Philippine manufacturing industries. They find that concentration, capital intensity, and export opportunities are positively related to industry profitability, while import competition has a negative relationship with the latter variable. Further, the researchers find that "...the higher the concentration, the greater the negative influence of import competition on the price-cost margin."

Concentration in Philippine commercial banks was mentioned in a study by Sanchez and Alonsagay (1991). The authors note that the five largest private commercial banks accounted for 54.4 percent of the private commercial banks' total assets in 1988. Tan (1989) finds an increasing degree of concentration in

[1] Bain's *Barriers to New Competition* (1956), in which a cross-section analysis of 20 industries relating differences in industry characteristics with differences in performance was presented, appears to be typical of the studies done during this time.

Philippine commercial banks during the period 1982 to 1985. She computes the Herfindahl Index for the Philippine commercial banking sector at 0.045 in 1982 and 0.074 in 1985.

Most interestingly for the present study, Sanchez and Alonsagay (1991, p. 84) have the following main findings from their study on the ownership and control structure in the Philippine commercial banking industry: 1) "heavy (director) interlocking of commercial banks with other financial institutions indicate a firm hold on the flow of credit by commercial banks and those that own and control them"; 2) because of significant director interlocks involving commercial banks and manufacturing companies, "commercial bank reach extends to a wide spectrum of the economy"; and 3) "universal banks have the widest sphere of influence in the Philippine economy". The study also documents the fact that, of five (5) subsectors in the financial sector (banking, business services, non-bank financial intermediaries, insurance, and real estate), "commercial banks are most heavily interlocked with the non-bank financial intermediaries (investment houses and financing companies)..." (ibid., p. 74)

IV. DATA AND METHODOLOGY[2]

Primary and secondary data gathering methods were utilized for the generation of information regarding the financing company sector. The list of financing companies was prepared using various sources, including records at the Securities and Exchange Commission, the Millennium Edition of the Philippine Financial Almanac, and the list of members of the Philippine Finance Association (see Appendix 1). A questionnaire was sent by mail or courier to the 158 companies in the list. Sixty-three (63) accomplished questionnaires were returned, resulting in a 39.9% response rate.

Face-to-face interviews were also conducted to obtain more information regarding the operations of the financing companies sector. The interview respondents were determined by ranking the companies in the sector according to size (measured in terms of loan portfolio averaged over the period 1994-1999) and identifying representative companies from the large, medium-sized, and small companies through complete enumeration for the first category and random sampling for the other two. The determination of the categories is largely arbitrary. Companies with average loan portfolios greater than P500 million were deemed to be large, P100 million and up to P500 million were medium-sized, and less than P100 million were small. This procedure resulted in the following size distribution of financing companies: 12 large companies, 22 medium - sized companies, and 97 small companies.[3]

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[2] The data-gathering effort was undertaken as part of an ADB-funded technical assistance grant for the promotion of the NBFI sector. PricewaterhouseCoopers was commissioned to do the study. The author was part of the team which did the portion of the study involving financing companies and investment houses. Permission to use the data generated from the study for academic purposes was obtained by the author.

[3] 27 financing companies did not have the information regarding their loan portfolio that would allow their inclusion in the list.

Seventeen (17) face-to-face interviews were conducted during the period December 2000 to February 2001. The combined "market share" (based on loan portfolio) of the companies from which interview data were obtained is 62%.

Data regarding loan portfolio values, revenues and costs, and total assets were obtained from financial statements filed with the Securities and Exchange Commission (SEC). Of the 158 companies in the list, 132 had at least one set of financial statements (for the period 1994-1999) at the SEC. Hence, in the computation of the Herfindahl Index, 132 companies were included.[4] Information regarding the major owners of most of the financing companies was obtained from the Millennium Edition of the Philippine Financial Almanac.

V. FINDINGS

Geographical Distribution [5]

In like manner as pawnshops and lending investors, the two most populous sub-groups of the NBFI sector, financing companies are also widely-dispersed in the Philippine archipelago (in contrast with say, investment houses, which are all located in Metro Manila.). Nevertheless, there is heavy geographical concentration of the financing company sector in Metro Manila. Eighty percent of the sector have head offices located in Luzon (58.75% in Metro Manila). Twenty percent are in Visayas and Mindanao, and only 3.75% in Mindanao.

A. Location of Head Office

Metro Manila	
Makati	46 companies
Manila	19
Pasig/San Juan/Mandaluyong	15
Quezon City	8
Pasay/Parañaque/Las Piñas	5
Cainta	1
Total	94 companies (58.75%)

[4] The initial criterion for inclusion in the sample is a complete set of financial statements for the period 1994-1999. However, only 65 of the 158 financing companies would be included in the sample if this criterion was used. Since the author believed that excluding more than half of the financing company sector in the computation of the Herfindahl index would distort the results, the basis for inclusion was changed to at least one set of financial statements filed during the relevant period.

[5] Information on geography is obtained from the Millennium Edition of the Philippine Financial Almanac II.

Other Luzon	
Pampanga	10
Cavite	7
Laguna	6
Pangansinan	3
Others	8
Total	34 companies (21.25%)
Visayas	
Cebu	10
Iloilo	9
Bacolod	5
Others	2
Total	26 companies (16.25%)
Mindanao	
Davao	3
Cagayan de Oro	2
Bukidnon	1
Total	6 companies (3.75%)

B. Branches

87.5% of the sector do not have branches. For the 12.5% with branches, the branches are almost evenly distributed between Visayas and Mindanao (taken together) and Luzon. Most branches are located in urban centers, specifically provincial capitals. Two companies (Philacor, 36%; and Radiowealth, 24%) account for 60% of financing company branches.

Financing Companies Without Branches		140
Financing Companies With Branches		20
Distribution of branches		
Metro Manila	17 (11.6%)	
Other Luzon	51 (34.9%)	
Visayas	32 (21.9%)	
Mindanao	46 (31.5%)	

Product Lines and Clientele

There is diversity in the product lines/emphasis and markets served across the sub-classifications of financing companies. Leasing services and products are the domain of large financing companies, with 6 of the 12 in this category deriving a range of 40-100 percent of their revenues, or approximately 44.7% of total revenues from leasing activities. Medium-sized firms derive 12.7% of their revenues from leasing, and small financing companies have an insignificant portion of their revenues (1.5%) dependent on leasing products. Commercial loans dominate as a source of revenues for mid-sized financing companies at 50.1% of total revenues. Consumer loans are the emphasis of small financing companies (Table 1).

Table 1

Distribution of Major Product Lines/Services as Percentage of Total Revenues

Major Product Lines/Services	Company Size			
	Small (n=32)	Medium (n=11)	Large (n=6)	All Sizes (n=49)
Commercial Loan	26.8 %	50.1%	20.7%	31.1%
Consumer Loan	43.9	17.3	14.0	33.9
Installment paper purchase		0.0	0.0	0.1
with recourse	5.6	0.0	1.0	3.6
without recourse	3.8	0.8	0.0	2.6
Employee loans of accredited companies	3.0	0.5	0.6	2.1
Receivables discounting				
with recourse	6.7	2.3	1.8	5.1
without recourse	0.1	0.0	0.1	0.1
Leasing	1.5	12.7	44.7	9.5
Trust receipts/floor stocking	0.2	0.7	0.0	0.3
Others	8.4	15.6	17.1	11.5
Total	100.0%	100.0%	100.0%	100.0%

Pronounced too is the segmentation of the market among the large, medium-sized, and small financing companies. Large corporate clients account for 37.1% of large financing companies clientele base, followed by medium-sized corporates at 21.2%. The largest client base of medium-sized firms are individuals (38.2%), followed closely by medium-sized corporate firms (33%). Small financing companies have individuals as their biggest market at 71% (Table 2).

Table 2

Distribution of Financing Company Clientele by Asset Size

Type of Clientele/ Asset Size	Company Size			
	Small (n=29)	Medium (n=9)	Large (n=6)	All Sizes (n=44)
Corporate Clients				
Large (P60 M & above)	4.7%	21.2%	37.1%	12.5%
Medium (P15 M to <P60 M)	6.3	33.0	30.5	15.1
Small (P1.5 M to <P15 M)	11.7	7.0	21.1	12.0
Micro (<P1.5 M)	6.6	0.6	0.1	4.5
Individuals	70.7	38.2	11.2	55.9
Total	100.0%	100.0%	100.0%	100.0%

The data show that large financing companies appear not to be dealing with companies with less than P1.5 million in total assets. At the same time, as shown in Table 2, large corporate clients (with assets of P60 million and above) are not going to small financing companies (with less than P40 million in average capital) for their leasing requirements. Medium-sized financing companies appear to be straddling the two ends of the spectrum of financing company clients based on size. It is possible that the bigger of the medium-sized financing companies can compete with large financing companies for large corporate clients, while the smaller medium-sized financing companies compete with the small financing companies for the small corporate and individual accounts.

Market Concentration

The Herfindahl Index is used to quantify the degree of market concentration in the financing company sector. The H-index and 4-firm concentration ratio are computed for the sample of 132 companies with at least one set of financial statements filed with the SEC covering the period 1994-1999. The basis of market share is the average of the companies' loan portfolio values over the 6-year period.[6]

Using the previous finding that there appears to be low substitutability between the products offered by large and small financing companies, H-indices and 4-firm concentration ratios were likewise computed for large, medium-sized and small financing companies (see Table 3).

By restating the H-index as follows:

$$H = 1/n + n\sigma^2$$

Martin (1993) shows that the H-index can be described as having a "size" component and a "variance" component. As n falls, the H-index can be expected to rise. We thus expect the H-index to rise in the exercise of computing it for the smaller groupings of large, medium-sized, and small financing companies. Because of this, it may be more instructive to use the 4-firm concentration ratio in describing the market concentration in the large, medium-sized, and small financing company subgroups.

As can be seen in Table 3, the H-index correlates with the 4-firm concentration ratio in documenting the differences in the market structures of large, medium-sized, and small financing companies. The market of the large financing companies appears to be highly oligopolistic, with a 4-firm concentration ratio of 52.19%, while that of the smaller financing companies seems to be more competitive, with an H-index of 0.03 and a concentration ratio of 16.5%.

[6] For financial intermediaries whose principal business activity is lending, the value of one's loan portfolio may be a better measure of market share than total revenues, as the latter will include income from all sources, not just lending. Nonetheless, the H-index and 4-firm concentration ratio were also computed using other possible bases of "market share" such as total assets and total revenue. The results are essentially the same.

Table 3
Herfindahl Indices and Concentration Ratios in the Financing Company Sector

	n	4-firm concentration ratio	Herfindahl Index "size" component (1/n)	"variance" component ($n\sigma^2$)	Total
Total sample	132	35.11%	0.0076	0.0448	0.0524
Large financing companies	13	52.19%	0.0769	0.0322	0.1091
Medium-sized financing companies	23	31.02%	0.0435	0.0076	0.0511
Small financing companies	96	16.50%	0.0104	0.0212	0.0316

To add support to the finding that the large, medium, and small financing companies did not come from the same population, the k-sample Kruskal-Wallis one-way analysis of variance test was used. The firms were ranked based on price-cost margins (using the average return on sales or ROS during 1994-1999)[7] and the test attempted to determine whether the 3 samples of large, medium, and small companies came from identical populations with respect to averages.

Unfortunately, the null hypothesis could only be rejected at a 90% level of significance, despite the difference in the median ROS between the small and large companies (3.36% versus 15.8%). The test could have failed to differentiate among the 3 samples because the median ROS of medium-sized firms was 13.2%.[8]

Given the findings regarding the possibility of medium-sized financing companies operating in the same market as the large firms, the 2 groups were combined and the 2-sample Mann-Whitney U test was used. This time, the null hypothesis was rejected at the 96.5% level. The medium and large companies, as a group, had a median ROS of 14.2%. The H-index and 4-firm concentration ratio for this group are 0.0632 and 38.62%, respectively. Tables 4 and 5 present the survey results regarding product lines and clientele with the medium-sized and large companies as one category. Results of the Mann-Whitney U test on the ROS support the finding that this group does not appear to belong to the same population as the small financing companies. As mentioned in the earlier paragraph, the latter group has a median ROS of 3.36% over the period 1994-1999. The H-index and 4-firm concentration ratio of small financing companies are 0.03 and 16.5%, respectively.

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[7] Because not all financing companies have financial statement data for 1995-1999 that would allow the computation of the average of their ROS over the period, the sample used in ANOVA tests was reduced to 65 companies: 45 small, 12 medium-sized, and 8 large companies.

[8] The EViews output for the statistical tests is shown in Appendix 2.

Table 4
Distribution of Major Product Lines/Services as Percentage of Total Revenues

Major Product Lines/Services	Company Size: Small (n=32)	Medium and Large (n=17)	All Sizes (n=49)
Commercial Loan	26.8 %	35.4 %	31.1 %
Consumer Loan	43.9	15.7	33.9
Installment paper purchase			0.1
with recourse	5.6	0.5	3.6
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Receivables discounting			
with recourse	6.7	2.1	5.1
without recourse	0.1	0.1	0.1
Leasing	1.5	28.7	9.5
Trust receipts/floor stocking	0.2	0.4	0.3
Others	8.4	16.4	11.5
Total	100.0 %	100.0 %	100.0 %

Table 5
Distribution of Financing Company Clientele by Asset Size

Type of Clientele/ Asset Size	Company Size: Small (n=29)	Medium and Large (n=15)	All Sizes (n=44)
Corporate Clients			
Large (P60 M & above)	4.7 %	29.2 %	12.5 %
Medium (P15 M to <P60 M)	6.3	31.8	15.1
Small (P1.5 M to <P15 M)	11.7	14.1	12.0
Micro (<P1.5 M)	6.6	0.4	4.5
Individuals	70.7	24.7	55.9
Total	100.0 %	100.0 %	100.0 %

Possible Determinants of Concentration

Two factors stand out as possible determinants of the degree of concentration in the financing company sector: access to funds and a ready borrowers market. Of the 12 largest financing companies, the top three (3) are subsidiaries of the 3 largest universal banks in the country, with ready access to parent company lines of credit. Five (5) of the 12 have ready borrowers markets, being financing companies set up to support affiliate or parent companies involved in the manufacture and/or marketing of high-value consumer (e.g., appliances, vehicles) or industrial items (e.g., heavy equipment). Two (2) more in the top 12 are also subsidiaries of banks. The remaining 2 are subsidiaries of investment houses.

In terms of factors cited in the literature as barriers to entry which result in market concentration, financing companies with parent banks appear to enjoy economies of scale and scope. Parent banks are able to pass on their lower cost of funds as depository institutions to their financing company subsidiaries. In a crunch such as what the industry went through in the early years of the Asian financial crisis, financing companies with parent banks were less likely to see their lines of credit cut off or reduced, as was experienced by some "stand-alone" NBFIs. Economies of scope is obtained through the cross-selling of products which financing companies affiliated with other financial institutions are able to enjoy.[9]

As shown in Table 2, large financing companies also enjoy efficiency gains as the main sellers for large corporate clients. This type of clientele results in fewer but large-value accounts that are cheaper to process and manage than the numerous but smaller-value accounts of small companies and individuals.

Ready access to a borrowers market, this researcher believes, relates to product differentiation. The financing lines available from Caterpillar Financing, for example, having been designed to complement and even facilitate (e.g., through attractive terms) the marketing of its affiliate's products (heavy equipment), are different from what are available from other financing companies. Buyers of Caterpillar equipment will not be able to get the same "product" if they go to another financing company.

Product differentiation within the sector and a relatively large number of participants, characteristic of monopolistic competition, appear to describe the financing company sector. The market structure of the sector is peculiar, however, in that with strong market segmentation, medium-sized to large financing companies differ significantly from the small financing companies. The findings on market concentration suggest to us that the former subsector (medium-sized and large financing companies) is effectively an oligopoly in its own right. Economies of scale and scope, as well as large capital requirements, become barriers to entry for the small financing companies in this segment of the sector.

[9] Cross-selling is the term used for client referrals within a group of affiliated companies. In some cases, managers are compensated/rewarded not only for business they bring to their own company but also for business given to the company's other subsidiaries/affiliates. This enables the affiliates to benefit from each other's marketing and organizational resources. These findings are based on anecdotal evidence obtained through the interviews.

VI. POLICY IMPLICATIONS AND AREAS FOR FURTHER STUDY

This paper has presented evidence to support the finding that the financing company sector, while large in terms of number of firms, is highly concentrated. The six (6) largest firms in the sector comprised of more than 150 suppliers already account for 50% of the market. About 100 companies fight it out for 10% of the market.

Given qualitative information regarding product lines and market emphasis as well as the results of statistical tests, it is also suggested that at least two (2) different markets are operating in the financing company sector. One market consists of about 34 medium-sized to large financing companies and is oligopolistic in structure. The second market consists of 97 small financing companies and appears to be more competitive. The performance of these two sub-groups of the financing company sector, as measured by mean price-cost margins, differs significantly.

The high degree of concentration in the financing company sector should be a cause of concern for policy makers as this indicates a certain degree of imperfect competition. If combined with the findings of the Sanchez and Alonsagay study (1991) on ownership and concentration in the Philippine commercial banking industry, the present research presents a picture of a Philippine financial sector, both bank and non-bank, dominated or controlled by a few.

On the other hand, "bigness" in financial institutions is certainly an asset and should be encouraged by policy makers interested in promoting the stability of the financial system. As it is now, a large segment of the financial system is unmonitored because regulators do not have the capacity nor the resources to keep watch over hundreds of financing companies, lending investors, and pawnshops scattered all over the country. Given the Bangko Sentral's mandate to ensure a strong and stable banking system, it is not surprising that the policy directions of the BSP are towards consolidation. It is fortunate that deregulation is being pursued at the same time. Hopefully, the entry/presence of strong competition will temper excesses which are bound to arise in markets with few dominant players.

Researchers interested in extending the present study may want to consider comparing the degree of market concentration and performance of Philippine financial sectors with counterparts in the region. With a bigger data set, regressions could possibly be done to come up with more precise results regarding the relationship of concentration and other variables to performance. One could also determine whether the findings of concentration in Philippine commercial banks and in the financing company sector hold true for the other segments of the Philippine financial system (e.g., thrifts, rural banks, other NBFIs). If oligopolies dominate the Philippine financial system, research can also focus on documenting and analyzing the causes and economic costs of such a state of affairs in our country.

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Appendix 1

Ranking of Financing Companies Sector Based on Average Receivables, 1994-1999[1] (average receivables in 000s)

Company	Average Receivables	"Market" share	Cumulative %
Large Sector (12 companies)			
BPI Leasing (QB)[2]	3,377,030	15.43 %	15.43%
PCI Leasing	3,187,302	14.56	29.99
Orix Metro Leasing[3]	1,394,000	6.37	36.35
Primus Fin	1,058,811	4.84	41.19
MB Finance/Jardine Pacific	1,039,977	4.75	45.94
LBP Leasing[4]	895,100	4.09	50.03
UCPB Leasing	802,150	3.66	53.69
Philacor Credit	755,622	3.45	57.14
PCCI Finance	720,104	3.29	60.43
Mercantor Finance	701,244	3.20	63.64
CIPI Leasing	624,731	2.85	66.49
Caterpillar	605,526	2.77	69.26
Medium Sector (22 companies)			
Security Finance	446,508	2.04	71.30
Malayan (QB)	404,106	1.85	73.14
Radiowealth	368,915	1.69	74.83
BPI Card (QB)	308,833	1.41	76.24
Cebu International (QB)	267,075	1.22	77.46
Singer Finan	224,785	1.03	78.48
AB Leasing	221,533	1.01	79.50
BOT Leasing	220,460	1.01	80.50
United Finance	218,686	1.00	81.50
Central Visayas	217,174	0.99	82.49
FIL Credit	207,347	0.95	83.44
Penta Capital (QB)	190,027	0.87	84.31
ICC Leasing	183,797	0.84	85.15
Allied Leasing	168,083	0.77	85.92
BAP Credit	154,182	0.70	86.62
YL Finance	152,952	0.70	87.32

Notes:

[1] 29 financing companies are not included in listing because of unavailable data regarding receivables.

[2] Combined with Far East Bank and Trust Co. Leasing due to merger

[3] Loan receivables as of 30 Sept 2000; no comparable data available because of merger

[4] Loan receivables as of 31 Dec 1999; no comparable data available

Small Sector (97 companies)			
Diamond Finance	152,684	0.70	88.02
East Oceanic	145,494	0.66	88.68
IBA Finance	132,919	0.61	89.29
Filipino Finance	128,227	0.59	89.88
UCPB CIIF	124,027	0.57	90.44
Classic Finance	121,409	0.55	91.00
Optima Finance	90,580	0.41	91.41
Conglomerate	86,328	0.39	91.80
Manila Credit	75,189	0.34	92.15
World Partners	73,162	0.33	92.48
Macondray	72,276	0.33	92.81
Puregold	64,764	0.30	93.11
Monte de Piedad	62,969	0.29	93.40
Rural Finance	57,570	0.26	93.66
UCPB Factors	57,302	0.26	93.92
Makati Finance	54,397	0.25	94.17
Japan-PNB	52,824	0.24	94.41
First United	51,884	0.24	94.65
Comtrust	42,635	0.19	94.84
Asian Cathay	40,975	0.19	95.03
Dyno Finance	40,593	0.19	95.21
VI Finance	39,705	0.18	95.40
Jupiter Finance	38,397	0.18	95.57
CBC Finance	34,946	0.16	95.73
Platinum Finance	34,198	0.16	95.89
Finacor Finance	30,790	0.14	96.03
West Oceanic	30,433	0.14	96.17
Matrix Finance	30,356	0.14	96.31
ESNA Financing	28,999	0.13	96.44
Household	28,865	0.13	96.57
PBCom Finance	27,420	0.13	96.70
Parola Finance	26,960	0.12	96.82
Transfarm	26,521	0.12	96.94
PhilSolid	26,299	0.12	97.06
Majalco Finance	26,059	0.12	97.18
Global Asia	24,931	0.11	97.29
Jacinto Finance	24,902	0.11	97.41
Zamboanga	23,861	0.11	97.52
Baceco Finance	23,779	0.11	97.62
Monarch	23,541	0.11	97.73
Pryce Finance	22,715	0.10	97.84
BancAsia	21,106	0.10	97.93
LS Finance	20,287	0.09	98.02
Silangan Finance	16,950	0.08	98.10
Cagayan de Oro	16,592	0.08	98.18

Bataan Finance	16,417	0.07	98.25
Bukidnon Finance	14,696	0.07	98.32
Porta Coeli	14,063	0.06	98.38
NMB Finance	13,906	0.06	98.45
Neo-Asian	13,426	0.06	98.51
Eagle Finance	13,102	0.06	98.57
First Integrated	13,078	0.06	98.63
Monte Aire	12,846	0.06	98.69
First Provincial	12,789	0.06	98.75
United Capital	12,787	0.06	98.80
Iloilo Finance	12,553	0.06	98.86
Smart Investment	12,534	0.06	98.92
Paragon Finance	12,178	0.06	98.97
Stanford Finance	10,623	0.05	99.02
Libra Finance	10,437	0.05	99.07
Financial Factors	9,524	0.04	99.11
Alliance	9,359	0.04	99.16
Cebu Fiesta	8,190	0.04	99.19
Tri-Star Finance	8,141	0.04	99.23
Headstart	7,993	0.04	99.27
First Quadcor	7,572	0.03	99.30
Unicom Finance	7,560	0.03	99.34
Smith Bell	7,455	0.03	99.37
Megasolid Finance	7,237	0.03	99.40
Filcor Finance	7,093	0.03	99.44
Astra	7,070	0.03	99.47
Unified Finance	6,919	0.03	99.50
CreditLine	6,906	0.03	99.53
Sunshine Finance	5,961	0.03	99.56
Unity Finance	5,960	0.03	99.59
Hexagon Finance	5,839	0.03	99.61
Ugnayan	5,748	0.03	99.64
EC Premium	5,565	0.03	99.66
Manuela Finance	5,266	0.02	99.69
Maligaya	5,264	0.02	99.71
Evergreen	4,937	0.02	99.74
Isla Finance	4,595	0.02	99.76
Reyco Leasing	4,589	0.02	99.78
Multinational	4,488	0.02	99.80
Compact Resource	4,262	0.02	99.82
Stonehedge Finance	4,143	0.02	99.84
Access Finance	4,137	0.02	99.85
Gold Harvest	4,135	0.02	99.87
Kanlaon Finance	3,934	0.02	99.89
Kaakbay Finance	3,677	0.02	99.91
Solid Grooup	3,222	0.01	99.92

Corza Finance	2,802	0.01	99.94
Magdiwang	2,351	0.01	99.95
Helenica	1,941	0.01	99.96
Alps Finance	1,860	0.01	99.96
Finan Aids	1,749	0.01	99.97
Dynasty	1,495	0.01	99.98
Rosarian Finance	1,458	0.01	99.99
KP Finance	1,302	0.01	99.99
Amianan Finance	1,184	0.01	100.00
Jardine Equitable	469	0.00	100.00
JohnstownFinance	203	0.00	100.00
Golden Iloilo	-	0.00	100.00 %
TOTAL	21,891,870	100.00%	

Appendix 2

Test for Equality of Medians between Series
(included observations: 45)

Method	df	Value	Probability
Med. Chi-square	2	8.508852	0.0142
Adj. Med. Chi-square	2	6.052501	0.0485
Kruskal-Wallis	2	4.679074	0.0964
van der Waerden	2	3.084891	0.2139

Category Statistics

Variable	Count	Median	> Overall Median	Mean Rank	Mean Score
Large	8	0.157650	7	42.87500	0.383724
Medium	12	0.132050	8	38.79167	0.255500
Small	45	0.033600	17	29.70000	– 0.136350
All	65	0.096700	32	33.00000	2.39E-07

Test for Equality of Medians between Series
(included observations: 45)

Method	df	Value	Probability
Wilcoxon / Mann-Whitney		2.103580	0.035415
Med. Chi-square	1	7.675321	0.0056
Adj. Med. Chi-square	1	6.258319	0.0124
Kruskal-Wallis	1	4.455195	0.0348
van der Waerden	1	2.997878	0.0834

Category Statistics

Variable	Count	Median	> Overall Median	Mean Rank	Mean Score
Med-Large	20	0.142350	15	40.42500	0.306789
Small	45	0.033600	17	29.70000	– 0.136350
All	65	0.096700	32	33.00000	2.39E-07