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SENATE

Senate Bill No. 1549

RECEIVED BY: 

Introduced by Senator Juan Miguel Zubiri

AN ACT
REDEFINING THE COVERAGE AND EXTENDING THE MANDATORY CREDIT
ALLOCATION TO MICRO, SMALL AND MEDIUM ENTERPRISES, AMENDING
FOR THE PURPOSE CERTAIN PROVISIONS OF REPUBLIC ACT NO. 6977, AS
AMENDED, OTHERWISE KNOWN AS THE "MAGNA CARTA FOR SMALL
ENTERPRISES" AND FOR OTHER PURPOSES

Explanatory Note

Republic Act No. 6977 otherwise known as the Magna Carta for Micro Small and Medium Enterprises (MSMEs) was first enacted in 1991 to promote, encourage, support and strengthen the growth and development of MSMEs. Recognizing the critical role MSMEs play in reducing poverty and achieving inclusive growth, the Magna Carta for MSME was further amended in 1997 by Republic Act No. 8289.

According to data from the DTI-Bureau of Small and Medium Enterprise Development, there are 946,988 establishments in the Philippines as of July 2016 of which, 99.57% are MSMEs. Of the total MSMEs, 89.94% are micro enterprises, 9.22% and 0.41% are small and medium enterprises, respectively. In terms of job generation, MSMEs provided a total of 4,891,836 jobs or 62.8% of the total jobs generated by all types of business establishments in the country. Of the total value of goods and services produced in the country, 35.7% came from MSMEs according to 2015 data from DTI.

Despite their contribution, various challenges continue to hinder the growth and competitiveness of MSMEs. Lack of access to financing, sustainable markets and training to acquire the needed mindset and skills to ultimately grow and sustain a business are just few of the constraints faced by MSMEs.

To address these concerns, this bill proposes to redefine the coverage of micro enterprises, extend the mandatory lending provisions to MSMEs, and increase the penalties for noncompliance thereof. It is hoped that with these amendments the MSMEs will gain better access to financing to make them truly dynamic, resilient and globally competitive.

In view of the foregoing, immediate approval of this bill is earnestly requested.


JUAN MIGUEL F. ZUBIRI

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 **SECTION 1.** Section 3 of Republic Act No. 6977, as amended, is hereby further
2 amended to read as follows:

3
4 "SEC. 3. *Micro, Small and Medium Enterprises (MSMEs) as Beneficiaries.* —
5 MSMEs shall be defined as any business activity or enterprise engaged in
6 industry, agribusiness and/or services, whether single proprietorship,
7 cooperative, partnership or corporation whose total assets, inclusive of those
8 arising from loans but exclusive of the land on which the particular business
9 entity's office, plant and equipment are situated, must have value falling under
10 the following categories:

- 11 Micro : Less than [P3,000,000] P5,000,000
12 Small : [P3,000,001] P5,000,001 - P15,000,000
13 Medium : P15,000,001 - P100,000,000
14
15

16 "The above definitions shall be subject to review and adjustment by the MICRO,
17 Small and Medium Enterprises Development (MSMED) Council under Section 6 of
18 this Act EVERY FIVE (5) YEARS or upon recommendation of sectoral
19 organizations concerned, taking into account inflation and other economic
20 indicators. The Council may use other variables such as number of employees,
21 equity capital and assets size.

22
23 "x x x."

1 **SEC. 2.** Section 13 of the same Act, as amended, is hereby further amended to
2 read as follows:

3
4 "SEC. 13. *Mandatory Allocation of Credit Resources to Micro, Small and Medium*
5 *Enterprises.* — [For the period of ten (10) years from the date of the effectivity
6 of this Act,] All lending institutions as defined under Bangko Sentral ng Pilipinas
7 rules, whether public or private, shall set aside at least [six] TEN PERCENT ([6]
8 10%) [and at least two percent (2%) for small and medium enterprises,
9 respectively,] of their total loan portfolio based on their balance sheet as of the
10 end of the previous quarter, and make it available for MICRO, small and medium
11 enterprises credit as herein contemplated FOR A PERIOD OF TEN (10) YEARS
12 FROM THE EFFECTIVITY OF THIS ACT: *PROVIDED*, THAT NO MORE THAN TWO
13 PERCENT (2%) OF THE MANDATORY ALLOCATION SHALL BE MADE AVAILABLE
14 TO MEDIUM ENTERPRISES.

15
16 "The Bangko Sentral ng Pilipinas shall, IN CONSULTATION WITH THE SMALL
17 BUSINESS CORPORATION AND SUBJECT TO THE APPROVAL OF THE
18 SECRETARY OF TRADE AND INDUSTRY, formulate rules for the effective
19 implementation of this provision: *Provided*, That the purchase of government
20 notes, securities and other negotiable instruments[, with the exemptions of such
21 instruments as may be offered by the SBGFC which do not pay market rates,]
22 shall not be deemed compliance with the foregoing provisions; *Provided*,
23 *further*, That the Bangko Sentral ng Pilipinas, IN CONSULTATION WITH ALL
24 STAKEHOLDERS, shall establish AN incentive [program] SYSTEM to encourage
25 [lending to micro, small and medium industries beyond the mandatory credit
26 allocation to said enterprises,] COMPLIANCE WITH THESE PROVISIONS, such as
27 possible reduction in bank's reserve requirement.

28
29 "ANY BANK OR LENDING INSTITUTION FOUND TO HAVE VIOLATED THE
30 MANDATORY LENDING PROVISIONS UNDER THIS SECTION SHALL SUFFER A
31 FINE OF NOT LESS THAN FIVE HUNDRED THOUSAND PESOS (P500,000.00) BUT
32 NOT MORE THAN FIVE MILLION PESOS (P5,000,000.00) IN THE CASE OF
33 UNIVERSAL AND COMMERCIAL BANKS, AND A FINE OF NOT LESS THAN ONE
34 HUNDRED THOUSAND PESOS (P100,000.00) BUT NOT MORE THAN FIVE
35 HUNDRED THOUSAND PESOS (P500,000.00) IN THE CASE OF THRIFT, RURAL
36 AND COOPERATIVE BANKS. THE BANGKO SENTRAL NG PILIPINAS SHALL

1 FORMULATE THE RULES AND REGULATIONS ON THE RANGE AND AMOUNT OF
2 FINES TO BE IMPOSED IN PROPORTION TO THE AMOUNT OF NONCOMPLIANCE
3 OF BANKS AND OTHER LENDING INSTITUTIONS; AND THAT SUCH AMOUNTS
4 MAY BE ADJUSTED PERIODICALLY FOR INFLATION.

5 "The MSMED Council shall set up the appropriate systems to monitor all loan
6 applications of MICRO, small and medium enterprises in order to account for the
7 absorptive capacity of the MICRO, small and medium enterprises sector.

8 "The Bangko Sentral ng Pilipinas shall [require lending institutions covered by
9 this Act to] furnish to the MICRO, Small and Medium Enterprise Development
10 (MSMED) Council on a quarterly basis regular reports on the[ir] compliance
11 AND/OR NONCOMPLIANCE OF BANKS AND OTHER LENDING INSTITUTIONS,
12 AND PENALTIES IMPOSED FOR ANY VIOLATION OF [with] the above provisions
13 on the mandatory credit allocations for MICRO, small and medium enterprises[,
14 and expeditiously act on the Council's reports of non-compliance therewith]."

15
16 **SEC. 3. *Separability Clause.*** — The provisions of the Act are hereby declared to
17 be separable. If any provision of this Act shall be held unconstitutional, the remainder
18 of the Act not otherwise affected shall remain in full force and effect.

19
20 **SEC. 4. *Repealing Clause.*** — All laws, executive orders, rules and regulations, or
21 parts thereof, inconsistent herewith are hereby repealed or modified accordingly.

22
23 **SEC. 5. *Effectivity Clause.*** — This Act shall take effect within fifteen (15) days
24 from its publication in at least two (2) national newspapers of general circulation.

25
26 *Approved,*