



SENATE

Senate Bill No. 110

19 JUL -1 P5:46

Introduced by Senator Juan Miguel F. Zubiri

RECEIVED

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 946,721 establishments in the Philippines based on the Philippine Statistics Authority's Annual List of Establishments, of which, 99.56% are MSMEs. Of the total MSMEs, 89.63% are micro enterprises, 9.56% and 0.41% are small and medium enterprises, respectively. In terms of job generation, MSMEs provided a total of 4,922,251 jobs or 62.9% of the total jobs generated by all types of business establishments in the country. In terms of value-added, the MSME sector contributed 35.7%.

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:

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

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

- Micro : Less than [P3,000,000] **P5,000,000**
- Small : **[P3,000,001] P5,000,001 - P15,000,000**
- Medium : P15,000,001 - P100,000,000

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

"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 of  
6 this Act,] All lending institutions as defined under Bangko Sentral ng Pilipinas rules,  
7 whether public or private, shall set aside at least [six] **TEN PERCENT ([6] 10%)**  
8 [and at least two percent (2%) for small and medium enterprises, respectively,]  
9 of their total loan portfolio based on their balance sheet as of the end of the  
10 previous quarter, and make it available for **MICRO**, small and medium enterprises  
11 credit as herein contemplated **FOR A PERIOD OF TEN (10) YEARS FROM THE**  
12 **EFFECTIVITY OF THIS ACT: PROVIDED, THAT NO MORE THAN TWO**  
13 **PERCENT (2%) OF THE MANDATORY ALLOCATION SHALL BE MADE**  
14 **AVAILABLE 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,] shall  
22 not be deemed [compliance] **COMPLIANT** with the foregoing provisions:  
23 *Provided, further*, That the Bangko Sentral ng Pilipinas, **IN CONSULTATION**  
24 **WITH ALL STAKEHOLDERS**, shall establish **AN** incentive [program] **SYSTEM**  
25 to encourage [lending to micro, small and medium industries beyond the  
26 mandatory credit allocation to said enterprises,] **COMPLIANCE WITH THESE**  
27 **PROVISIONS**, such as 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**  
31 **SUFFER A FINE OF NOT LESS THAN FIVE HUNDRED THOUSAND PESOS**  
32 **(P500,000.00) BUT NOT MORE THAN FIVE MILLION PESOS**  
33 **(P5,000,000.00) IN THE CASE OF LARGER BANKS AND A FINE OF NOT**  
34 **LESS THAN ONE HUNDRED THOUSAND PESOS (P100,000.00) IN THE**  
35 **CASE OF SMALLER BANKS. THE BANGKO SENTRAL NG PILIPINAS SHALL**  
36 **FORMULATE THE RULES AND REGULATIONS ON THE RANGE AND**

1        **AMOUNT OF FINES TO BE IMPOSED IN PROPORTION TO THE AMOUNT**  
2        **OF NONCOMPLIANCE OF BANKS AND OTHER LENDING INSTITUTIONS;**  
3        **AND THAT SUCH AMOUNTS MAY BE ADJUSTED PERIODICALLY FOR**  
4        **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 this  
9        Act to] furnish to the Small and Medium Enterprise Development Council on a  
10       quarterly basis regular reports on the[ir] compliance **AND/OR**  
11       **NONCOMPLIANCE OF BANKS AND OTHER LENDING INSTITUTIONS, AND**  
12       **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  
17       to 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,  
21       or 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.

*Approved,*