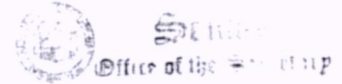


EIGHTEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES  
First Regular Session

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SENATE  
S. B. NO. 158

RECEIVED BY: \_\_\_\_\_

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Introduced by **SENATOR JOEL VILLANUEVA**

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**AN ACT STRENGTHENING ACCESS TO CREDIT OF MICRO,  
SMALL, AND MEDIUM ENTERPRISES, AMENDING FOR THE  
PURPOSE REPUBLIC ACT NO. 6977, AS AMENDED,  
OTHERWISE KNOWN AS THE "MAGNA CARTA FOR MICRO,  
SMALL AND MEDIUM ENTERPRISES" AND FOR OTHER  
PURPOSES**

**EXPLANATORY NOTE**

The Philippine Micro, Small and Medium (MSME) sector is an integral factor in the country's economy's growth, comprising around 99% of the total establishments in the country.<sup>1</sup> In 2017, MSMEs generated 62.9% of the total jobs in the Philippines totaling 4,922,251 jobs.

Despite the significant contribution of MSMEs in the Philippine economy, however, MSMEs continue to have difficulty in accessing credit from lending institutions. According to a 2017 study published by the International Finance Commission,<sup>2</sup> the Philippine MSME sector lacks US \$221.79 billion in supply of credit or financing. The study also noted that the size of the Philippine's MSME finance gap accounts for 76% of its gross domestic product.

In 2018, World Bank noted that 81.2% of Philippine MSMEs rely mostly on internal savings or earnings to finance their investments.<sup>3</sup> This deficit is

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<sup>1</sup> 2017 MSME Statistics-Number of Establishments. Department of Trade and Industry. Retrieved from: <https://www.dti.gov.ph/business/msmes/msme-resources/msme-statistics> (date last accessed: June 29, 2019)

<sup>2</sup> MSME Finance Gap Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging markets". 2017. International Finance Corporation. Retrieved from: <https://www.smefinanceforum.org/sites/default/files/Data%20Sites%20downloads/MSME%20Report.pdf> (date last accessed: June 29, 2019)

<sup>3</sup> 2019, February 8. Building SME Lending competencies. Retrieved from: <https://www.manilatimes.net/building-sme-lending-competencies/508472/> (date last accessed: June 29, 2019)

largely due to the inability of the country's financial institutions to allocate a sustainable portion of their loan portfolio to MSMEs. According to the Bangko Sentral ng Pilipinas, as of March 2019, banks allocate a meager 2.72% of their loan portfolio to micro and small enterprises and 4.19% to medium enterprises.<sup>4</sup>

Meanwhile, on June 16, 2018, the mandatory credit allocation prescribed by Republic Act No. 6977, as amended, otherwise known as the "Magna Carta for Micro, Small and Medium Enterprises (MSMEs) already lapsed, despite the glaring need of MSMEs to access credit.

This bill seeks to address this lack of access to credit by extending the period for the mandatory allocation of credits to MSMEs for another 10 years. This bill also seeks to set a minimum amount of penalty that may be imposed on non-compliant or under-compliant lending institutions.

The immediate passage of this bill is earnestly sought.

  
SENATOR JOEL VILLANUEVA

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<sup>4</sup> 70 Compliance with Magna Carta for Micro, Small and Medium Enterprises. Bangko ng Sentral Pilipinas. Retrieved from: [http://www.bsp.gov.ph/banking/pbs\\_new/70.htm](http://www.bsp.gov.ph/banking/pbs_new/70.htm) (date last accessed: June 29, 2019)



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PURPOSE REPUBLIC ACT NO. 6977, AS AMENDED, OTHERWISE  
KNOWN AS THE "MAGNA CARTA FOR MICRO, SMALL AND  
MEDIUM ENTERPRISES" AND FOR OTHER PURPOSES**

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

1 **SECTION 1.** Section 15 of Republic Act No. 6977, as amended, otherwise  
2 known as the "Magna Carta for Micro, Small and Medium Enterprises  
3 (MSMEs)" is hereby amended to read as follows:  
4

5 SEC. 15. Mandatory Allocation of Credit Resources to Micro Small  
6 and Medium Enterprises. - For the period of ANOTHER ten (10) years  
7 from the date of the effectivity of this amendatory Act, all lending  
8 institutions as defined under Bangko Sentral ng Pilipinas rules,  
9 whether public or private, shall set aside at least eight percent (8%)  
10 for micro and small enterprises and at least two percent (2%) for  
11 medium enterprises of their total loan portfolio based on their balance  
12 sheet as of the end of the previous quarter, and make it available for  
13 MSME credit as herein contemplated.  
14

15 Compliance of this provision shall be:

16 a) actual extension of loans to eligible MSMEs; or  
17

18 b) actual subscription of preferred shares of shares of stock of the SB  
19 Corporation; or  
20

21 c) wholesale lending to Participating Financial Institutions (PFIS) for  
22 on-lending to MSMEs; or  
23



1  
2 d) purchase/discount of MSMEs receivables; or

3  
4 e) loans granted to export, import, and domestic traders subject to  
5 compliance with Section 3 of this Act; or

6  
7 f) subscribed/purchase of liability instruments as may be offered by  
8 the SB Corporation.

9  
10 The Bangko Sentral ng Pilipinas, IN CONSULTATION WITH THE  
11 MSMED COUNCIL AND THE SECRETARY OF TRADE AND  
12 INDUSTRY, shall formulate rules for the effective implementation of  
13 this provision: Provided, That the purchase of government notes,  
14 securities and other negotiable instruments shall not be deemed  
15 compliance with the foregoing provisions: Provided, further, That the  
16 Bangko Sentral ng Pilipinas, IN CONSULTATION WITH ALL  
17 STAKEHOLDERS, shall establish an incentive program to encourage  
18 lending to micro, small and medium industries beyond the mandatory  
19 credit allocation to said enterprises, such as possible reduction in  
20 bank's reserve requirement; PROVIDED, FINALLY, THAT THE  
21 PENALTY FOR NON-COMPLIANCE OR UNDER COMPLIANCE OF  
22 THE PRESCRIBED PERCENTAGE OF CREDIT ALLOCATION  
23 PROVIDED UNDER THIS SECTION SHALL NOT BE LOWER THAN  
24 FIVE HUNDRED THOUSAND PESOS (P500,000.00).

25  
26 The MSMED Council shall set up the appropriate systems to monitor  
27 all loan applications of MSMSEs in order to account for the absorptive  
28 capacity of the MSME sector.

29  
30 The Bangko Sentral ng Pilipinas shall furnish to the MSMED Council  
31 on a quarterly basis comprehensive reports on the banks'  
32 compliance, noncompliance and penalties of the above provisions on  
33 the mandatory credit allocation for MSMEs.

34  
35 Lending institutions which are not qualified to acquire or hold lands of  
36 the public domain in the Philippines shall be permitted to bid and take  
37 part in sales of mortgaged real property in case of judicial or extra-  
38 judicial foreclosure, as well as avail of receivership, enforcement and  
39 other proceedings, solely upon default of a borrower, and for a period  
40 not exceeding five (5) years from actual possession: *Provided*, That  
41 in no event shall title to the property be transferred to such lending  
42 institution. If the lending institution is the winning bidder, it may, during  
43 said five (5) year period, transfer its rights to a qualified Philippine  
44 national, without prejudice to a borrower's right under applicable laws.

45  
46 **SEC. 2. Implementing Rules and Regulations.** – Within sixty (60) days from  
47 the effectivity of this Act, the Bangko Sentral ng Pilipinas, in consultation with  
48 the Department of Trade and Industry, the MSMED Council and other relevant  
49 stakeholders, shall issue the implementing rules and regulations for the  
50 effective implementation of this Act.

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**SEC. 3. Separability Clause.** – If for any reason, any part or provision of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected thereby shall remain in full force and effect.

**SEC. 4. Repealing Clause.** – All laws, executive orders, presidential decrees, rules and regulations or parts thereof contrary to or inconsistent with any provisions of this Act are hereby repealed, amended or modified accordingly.

**SEC. 5. Effectivity.** – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) national newspapers of general circulation.

**Approved,**