Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 6004

Introduced by CIBAC Party-List Representatives
Eduardo "Bro. Eddie" C. Villanueva and Domingo C. Rivera

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 over 99% of the total establishments in the country. In 2018, MSMEs generated 63.2% of the total jobs in the Philippines totaling 5,714,262 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, 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.

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

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.

HON. EDUARDO “BRO. EDDIE” C. VILLANUEVA

HON. DOMINGO O. RIVERA

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

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

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

Compliance of this provision shall be:

a) actual extension of loans to eligible MSMEs; or
b) actual subscription of preferred shares of shares of stock of the SB Corporation; or

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

d) purchase/discount of MSMEs receivables; or

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

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

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

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

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

Lending institutions which are not qualified to acquire or hold lands of the
public domain in the Philippines shall be permitted to bid and take part in
sales of mortgaged real property in case of judicial or extra-judicial
foreclosure, as well as avail of receivership, enforcement and other
proceedings, solely upon default of a borrower, and for a period not
exceeding five (5) years from actual possession: Provided, That in no event
shall title to the property be transferred to such lending institution. If the
lending institution is the winning bidder, it may, during said five (5) year
period, transfer its rights to a qualified Philippine national, without prejudice
to a borrower’s right under applicable laws.
SEC. 2. Implementing Rules and Regulations. – Within sixty (60) days from the
effectivity of this Act, the Bangko Sentral ng Pilipinas, in consultation with the
Department of Trade and Industry, the MSMED Council and other relevant
stakeholders, shall issue the implementing rules and regulations for the effective
implementation of this Act.

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,