



MSME Access to Inclusive Finance in the Philippines

What is Inclusive Finance?

Financial inclusion or inclusive financial system is defined as a state wherein there is effective access to a wide range of financial products and services by all.

“An inclusive financial system is not only pro-growth but also pro-poor, which along with other interventions, reduces inequality and poverty”



ACCESS TO FINANCE SCENARIO

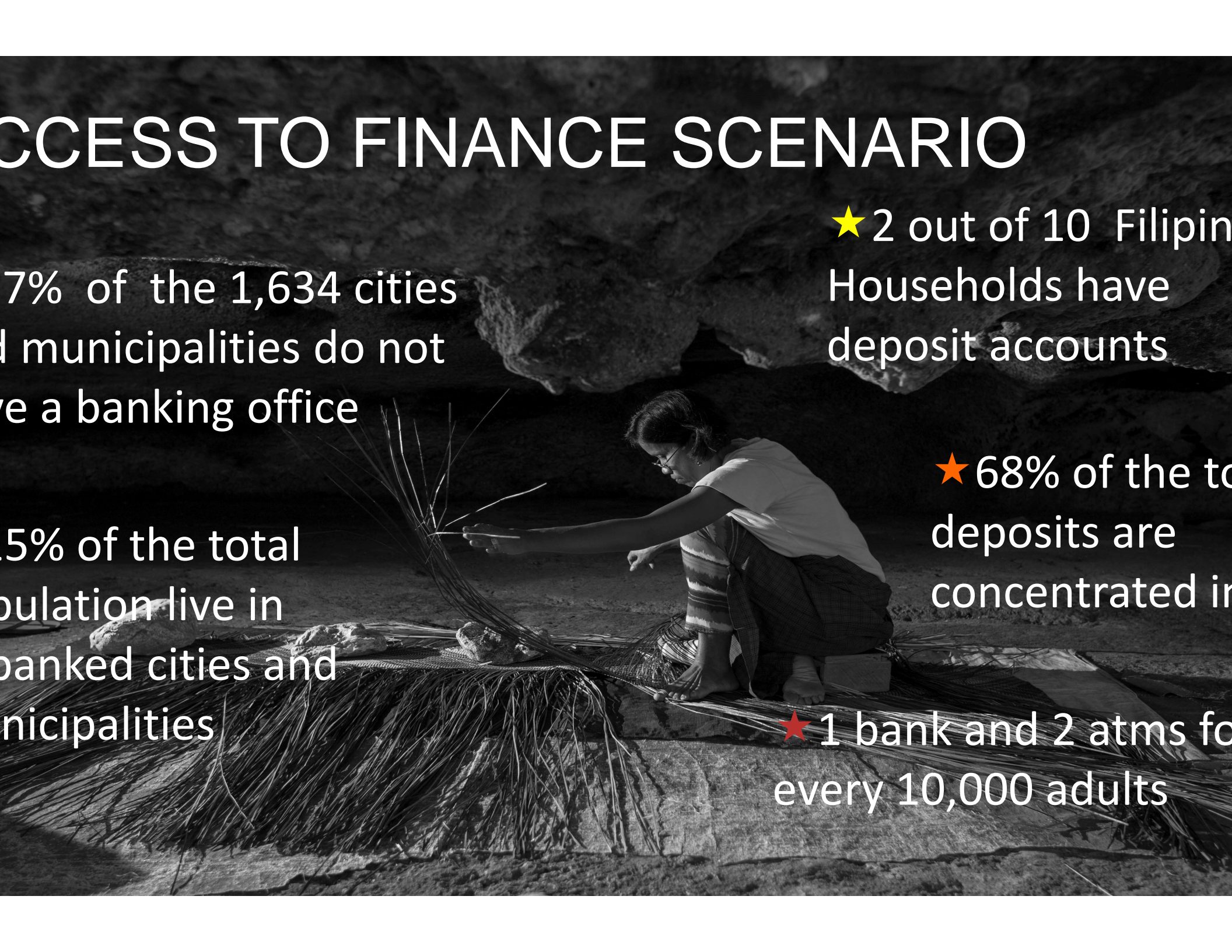
7% of the 1,634 cities and municipalities do not have a banking office

5% of the total population live in unbanked cities and municipalities

★ 2 out of 10 Filipino Households have deposit accounts

★ 68% of the total deposits are concentrated in Metro Manila

★ 1 bank and 2 ATMs for every 10,000 adults



OPPORTUNITIES

There are more than 26,000 alternative financial service providers (FSP)

55% of the clients of FSP are considered poor

Mobile users outnumber those with bank accounts

7.4% of the country's population has mobile phones



SHIFTING IN GOVERNMENT POLICY

FRAMEWORK

RA 8425



Social Reform and Poverty Alleviation Act

- government recognized microfinance as a tool for poverty alleviation, emphasized the market based approach
- Service mandate of the National Anti-Poverty Commission

RA 8791



General Banking Law of 2000

- provides legal basis for BSP to mainstream microfinance in the banking sector

Executive Order 138



Regulatory Framework for MFIs

- Directed the transfer of directed credit programs from the government agencies to the government financial institutions
- Discontinuance of interest rate subsidies

RA 8425



National Strategy for Microfinance (1997

- greater role of private MFIs in the provision of financial services
- non participation of government line agencies in implementation of credit and guarantee programs

RA 8435



Agriculture and Fisheries Modernization

- direct GFIs to act as wholesaler of funds for private microfinance institutions

RA 9178



Baranggay Micro Business Enterprise Act

- requires GFIs to set up a special wholesale window for accredited MFIs

RA 9510



Credit Information System Act

greater role of private MFIs in the provision of financial services

- non participation of government line agencies in implementation of credit and guarantee programs

FRAMEWORK

RA 10693



Microfinance NGO Act

- poor Filipino families shall be encouraged to undertake entrepreneurial activities to meet their minimum basic needs including income security.
- partnership with qualified NGOs in promoting financially inclusive and pro-poor financial and credit policies and mechanisms, such as microfinance and allied services.

RA 8435



Go Negosyo Act

- Establishment of Negosyo Centers in all provincial cities and municipalities nationwide
- Establishment of a Start-up Fund for MSMEs to be sourced from the MSME Development Fund and Fund
- Technology Transfer, Production and Management Training, and Marketing Assistance for SMEs
- Recomposition of the MSME Development Council and its additional functions

EO 208



The National Strategy for Financial Inclusion (NSFI)

Four key areas are necessary in promoting inclusion. Four key areas of the financial system have been identified in the NSFI

- policy and regulation
- financial education and consumer protection
- advocacy programs
- data and measurement

RA 6977



Magna Carta for Small Enterprises

-mandates all banks to set aside a portion of their portfolio to small enterprise financing

RA 8289



Magna Carta for Small Enterprises

-expanded the 7 year period mandatory allocation to 10 years and requires banks to allot atleast 6 % of the total loan portfolio to lending to small enterprises. 2% to medium enterprises.

RA 9501



Magna Carta for Micro, Small and Medium Enterprises

- The law requires lending institutions to allocate at least eight percent of their total loan portfolio to micro, small and medium businesses.

COMPLIANCE TO RA 9501

	ALL BANKS	UNIVERSAL AND COMMERCIAL BANKS	THRIFT BANKS	RURAL AND COOPERATIVE BANKS
I. Total Loan Portfolio Net of Exclusions	6,875.825	5,969.669	795.129	111.028
II. Minimum Amount Required to be Allocated for:				
A. Micro and Small Enterprises (MSEs) Credit (P (Item 1) x 8%)	550.066	477.573	63.610	8.882
B. Medium Enterprises (MEs) Credit (P (Item 1) x 2%)	137.517	119.393	15.903	2.221
III. Compliance with Prescribed Allocation of Loan Portfolio to:				
A. Micro and Small Enterprises				
1. Total eligible investment for MSEs	215.486	150.172	42.092	23.221
a. Direct compliance for MSEs	214.082	149.255	41.713	23.114
b. Alternative compliance for MSEs	1.403	0.917	0.379	0.107
2. Excess/(Deficiency) (III.A.1 - II.A)	(334.580)	(327.401)	(21.518)	14.339
3. Excess compliance of a bank/s used by another bank/s	0.000	0.790	(0.790)	0.000
4. Total compliance for MSEs (III.A.1 + III.A.3)	215.486	150.963	41.302	23.221
5. Percentage of compliance for MSEs ([III.A.4/I] x 100)	3.13	2.53	5.19	20.91
B. Medium Enterprises				
1. Total eligible investment for MEs	323.423	270.329	42.062	11.032
a. Direct compliance for MEs	323.038	270.271	41.961	10.806
b. Alternative compliance for MEs	0.385	0.058	0.101	0.226
2. Excess/(Deficiency) (III.B.1 - II.B)	185.906	150.935	26.160	8.811
3. Excess compliance of a bank/s used by another bank/s	0.000	(0.014)	0.000	0.014
4. Total compliance for MEs (III.B.1 + III.B.3)	323.423	270.315	42.062	11.046
5. Percentage of compliance for MEs ([III.B.4/I] x 100)	4.70	4.53	5.29	9.95



SMALL BUSINESS CORPORATION

- is a government financial institution created in January 1991 under R.A. 6977, Magna Carta for Small Enterprises, amended by RA 8289 in 1997 and RA 9501 in 2008;
- with a primary responsibility of implementing comprehensive policies and program to assist MSMEs in all areas, including but not limited to finance and information services; training and marketing.” (Sec. 11, RA 9501);
- commenced operations on July 16, 1992;
- is a result of the Merger of SBGFC and the Guarantee Fund for SMEs through E.O. No. 28, November 2001.



CORPORATE POWERS FUNCTIONS AND DUTIES

Sec 11-B

...For this purpose the SB Corp subject to compliance with the rules & regulations to be issued by BSP & SEC shall have the functions and duties:

- a. source and adopt development initiatives for globally competitive MSMEs in finance and business technologies;
- b.to extend all forms of financial assistance to eligible MSMEs. SB Corp may also engage in wholesale lending. SB Corp shall be given 2 yrs. from the effectivity of this Act;
- c.guarantee loans obtained by qualified MSMEs under such terms and conditions adopted by SB Corp Board of Directors;



CORPORATE POWERS FUNCTIONS AND DUTIES

e from the compliance to the rules and regulations of BSP and SEC,SB Co
also:

- a. be administratively attached to the DTI
- a. be under the policy and program supervision of the MSMED Council
- b. report to the Congressional Oversight Committee on Micro, Small and Medium Enterprise Development (COC-MSMED). The Committee shall set the guidelines and overall framework for the monitoring of the implementation of RA 9501



PROGRAMS AND SERVICES

- ☐ **MSME Financing (Working Capital and Fixed Asset Financing)**
- ☐ **SME and Microfinance Wholesale**

- ☐ **Special Flagship Programs**
 - **Pondo sa Pagbabago at Pag-asenso (P3)**
 - **Enterprise Rehabilitation Financing Program**

- ☐ **Capacity Building Programs (Risk-Based Lending, Enterprise Enhancement, SME Credit Professionals)**

01

Provides
microenterprises an
alternative source of
financing.

02

Micro
entrepreneurs
who do not
have access to
credit or access
it at very high
cost

03

Targets the
30 poorest
provinces

04

P3 funds are
channeled
through partner
conduits

05

2.5%
interest
monthly

06

P5,000 to P100,000
loanable amount

Pondo sa Pagbabago at Pag-asenso



Total loanable P3 funds



P1.79 Billion¹

¹2017 - P 841.5 M
2018 – P 950.0 M



P1.70 Billion

Total approved credit line for
Microfinance Partners

P1.22 Billion

Total amount released to
Microfinance Partners

As of June 30, 2018



Total funds
released to partner MFI's



P1.22 Billion

As of June 30, 2018



P916.60 M

Total amount of loans already released to
Microenterprise borrowers by partner MFIs

P 59.41 M

Total amount of retail loans directly
released by SB Corp (Pilot Areas, P3
Marawi)



Target for 2018

40,000

New microenterprise borrowers
per year



2017

2018

20,041

18,993

Total number of Microenterprise
borrowers (through partner MFIs)

2017

2018

321

644

Total Number of Retail Borrowers
P3 Marawi & Pilot Areas





Target for 2018

75 provinces

**With at least 3 local
conduit or 225
conduits nationwide**



200

Number of accredited conduits

72

9

No. of
Provinces with
accredited
local conduits

No. of Provinces
still for accreditation
of local conduits



Budget Allocation

P 50 Million
for Marawi Microenterprises



P 5.075 M

Total loan amount released

364

No. of borrowers

As of May 31, 2018



Budget Allocation

P 50 Million

**for KIA/WIA families with
existing microenterprises**



P 11.96 M

Total loan amount approved

167

No. of KIA/WIA borrowers

As of June 30, 2018

*Thank
you*



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