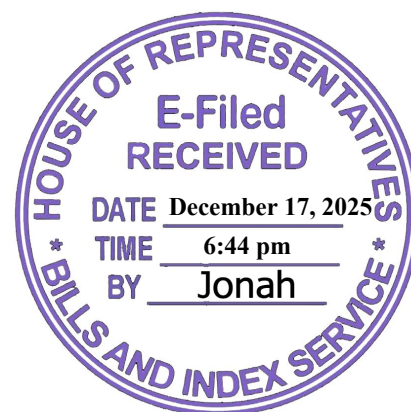


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **6968**



Introduced by **REP. NATHANIEL “Atty. Nat” M. ODUCAO**

EXPLANATORY NOTE

Republic Act No. 6977, known as the Magna Carta for Micro Small and Medium Enterprises (MSMEs), lays the foundation for promoting, supporting, and ensuring the growth and development of MSMEs in various sectors of the economy. This law was amended by Republic Act 9501, which strengthened financial and institutional support to help MSMEs adapt to modern challenges. Since, it is the duty of the State to ensure the inclusive growth, entrepreneurship and poverty reduction of the Philippines.

MSMEs play a vital role in the Philippines’ economy by creating jobs, fostering regional economic balance, and driving innovation. According to the Philippine Statistics Authority, there are 1,080,810 business enterprises that operate in the country, 99.58% of which are MSMEs and the remaining 0.4% are large business enterprises. This highlights the urgent need for a sustainable financing program that addresses the financial needs of Micro and Small businesses, particularly in times of uncertainty.

The bill seeks to provide accessible and affordable financing options, targeting underserved areas and offering flexible payment schedules based on business income cycles. Moreover, it includes cash assistance and free training programs to help MSMEs strengthen their operations. Oversight by the MSME Development Council ensures transparency and accountability, with funding sourced initially from the Small Business Corporation and future appropriations.

Furthermore, the proposed Pondo sa Pagbabago at Pag-asenso program recognizes that access to financing alone is not sufficient for sustainable business growth. Complementary interventions, such as technical assistance, business advisory services, and capacity-building programs, are essential to equip micro and small enterprises with the knowledge and skills needed to effectively manage loans, scale operations, and navigate market challenges. By integrating financial support with training and mentorship, this bill ensures that MSEs are empowered not only to survive but also to thrive, contributing to broader economic resilience, job creation, and inclusive development across all regions of the country.

¹ The Manila Times (2023) MSME highlights for the half of 2023. Available at <https://www.manilatimes.net/2023/06/10/business/top-business/msme-highlights-for-the-half-of-2023/1895351> (last accessed November 07, 2025)

In view of the foregoing, the passage of this bill is earnestly sought.


REP. NATHANIEL “ATTY. NAT” M. ODUCADO
1 Tahanan Party List

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TWENTIETH CONGRESS
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HOUSE BILL NO. **6968**

Introduced by **REP. NATHANIEL “ATTY. NAT” M. ODUCAO**

**AN ACT FACILITATING MICRO AND SMALL ENTERPRISE DEVELOPMENT
THROUGH A SUSTAINABLE FINANCING MECHANISM UNDER THE PONDO
SA PAGBABAGO AT PAG-ASENSO PROGRAM, AND APPROPRIATING FUNDS
FOR ITS IMPLEMENTATION**

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

1 **SECTION 1. *Short Title.*** – This Act shall be known as the “*Strengthening Access to Credit*
2 *for Micro and Small Businesses Act of 2025.*”

3 **SEC. 2. *Declaration of Policy.*** – It is hereby declared the policy of the State to foster
4 national development, promote inclusive growth, and reduce poverty by promoting the growth, and
5 reduce poverty by promoting the growth of micro and small enterprises (MSEs) that facilitate local
6 job creation, production and trade in the country. Towards this end, the State shall develop policies,
7 plans and programs, and initiate means to encourage entrepreneurial activities, and to ease the
8 constraints and challenges to MSEs, particularly on access to financing.

9 **SEC. 3. *Objectives.*** – The objectives of this Act are as follows:

- 10 a) To provide an affordable, accessible, and simple financing program for the
11 country’s MSEs, especially those in the poorest populations and underserved areas;
12 b) To provide a better alternative to informal lenders or the so-called “5-6” money
13 lending system availed of by micro enterprises;
14 c) To bring down the interest rate at which financial services are made available to
15 MSEs;
16 d) To boost the development of entrepreneurship and the micro, small and medium
17 enterprise (MSME) sector, particularly the MSEs; and
18 e) To support the recovery of MSEs from the effects of the COVID-19 pandemic
19 lockdown and ensure their viability.

20 **SEC. 4. *Definition of Terms*** – For purposes of this Act, the following terms shall mean:

- 21 a) *Micro Enterprise* – An enterprise with total assets, excluding land, of Three Million
22 Pesos (Php 3,000,000.00) or less, engaged in production, service, or trade.

- 1 b) *Small Enterprise* – An Enterprise with total assets, excluding land, of more than
2 Three Million Pesos (Php 3,000,000.00) but not exceeding Fifteen Million Pesos
3 (Php 15,000,000.00), engaged in production, service, or trade.
- 4 c) *Medium Enterprise* – An enterprise with total assets, excluding land, of more than
5 Fifteen Million Pesos (Php 15,000,000.00) but not exceeding One Hundred Million
6 Pesos (Php 100,000,000.00), engaged in production, service, or trade.
- 7 d) *Micro, Small, and Medium Enterprises* (MSMEs) – The collective term for micro,
8 small, and medium enterprises as defined above.
- 9 e) *Micro and Small Enterprises* (MSEs) – Enterprises that fall under the categories of
10 micro and small enterprises. These are the primary beneficiaries of the Pondo sa
11 Pagbabago at Pag-aseño Fund under this Act.
- 12 f) *Pondo sa Pagbabago at Pag-aseño Fund or the Fund* – The financial pool
13 established under this Act to provide accessible, affordable, and sustainable loans
14 to qualified MSEs through the Small Business Corporation (SB Corp) and
15 accredited partner financial institutions (PFIs).
- 16 g) *Accredited Partner Financial Institutions* (PFIs) – Financial institutions duly
17 accredited by the SB Corp to administer loans from the Fund, including rural banks,
18 thrift banks, cooperative banks, development banks, cooperatives, non-stock
19 savings and loan associations, microfinance non-government organizations, or
20 lending companies.
- 21 h) *Direct Lending* – Loans disbursed directly by the SB Corp to qualified MSEs under
22 the terms and conditions set forth by this Act and its implementing rules and
23 regulations.
- 24 i) *Financing Cycle* – The repayment schedule agreed upon by the borrower and
25 lender, which may be daily, weekly, or monthly, depending on the borrower’s
26 income generation cycle.
- 27 j) *Credit-Worthiness* – The capacity of a borrower to meet repayment obligations as
28 assessed by the SB Corp or accredited PFI, including the completion of a DTI-
29 accredited livelihood seminar and verification of eligibility requirements under this
30 Act.
- 31 k) *MSMED Council* – The Micro, Small, and Medium Enterprise Development
32 Council tasked with policy oversight, monitoring, and evaluation of programs
33 affecting MSMEs, including the administration of the Fund.

34 **SEC. 5. Creation of the Pondo sa Pagbabago at Pag-aseño Fund.** – There is hereby
35 created the Pondo sa Pagbabago at Pag-aseño Fund, hereinafter referred to as “the Fund”, which
36 shall be lent out to qualified MSEs under such terms and conditions that will meet the purposes of
37 this Act.

38 The beneficiaries of the Fund shall be the micro and small enterprises, as defined under
39 Republic Act No. 9501, as amended, otherwise known as the “Magna Carta for Micro,
40 Small and Medium Enterprises (MSMEs)”. The Fund shall be accessible through the Small
41 Business Corporation (“SB Corp”) and through accredited partner financial institutions
42 (PFIs) such as rural banks, thrift banks, development banks, cooperative banks,
43 cooperatives, non-stock savings and loan associations, microfinance non-government
44 organizations, or lending companies.

SEC. 6. *Lead Implementing Agency.* – The SB Corp, the financing arm of the Department of Trade and Industry (DTI), shall be the lead implementing agency for the P3 Fund. The SB Corp shall handle the fund delivery to MSEs through the following modes:

- a) Direct lending for forty percent (40%) of the Fund; and
- b) Lending through accredited PFIs for sixty percent (60%) of the Fund. The SB Corp shall prioritize lending to underserved and unserved areas and MSE segments of the country, subject to the review and approval of the Micro, Small and Medium Enterprise Development (MSMED) Council. With the goal to achieve greater outreach to all provinces and barangays of the country, financial technology-enabled systems and processes can be utilized in the implementation of the program.

An amount sourced from the accumulated Fund of not more than two percent (2%) of the total loans disbursed for the period can be used by the SB Corp to support its annual administrative and operating expenses for the Fund, inclusive of the cost of regular Plantilla personnel, up to the extent of their involvement in developing and managing the fund loan portfolios.

SEC. 7. *Features of the Fund.* – The Fund shall have the following features:

- a) The loanable amount for individual loans shall be set and regularly reviewed by the MSMED Council;
- b) The effective interest rate to be imposed on the loan availed of by the Fund beneficiaries shall not exceed one percent (1%) per month for direct lending, and shall not exceed two and a half percent (2.5%) per month for lending thorough accredited PFIs;
- c) The interest earnings shall accrue to the Fund;
- d) There shall be no collateral requirement from the Fund loan beneficiaries;
- e) The lender shall only require basic qualifications and requirements from its borrowers, such as the following:
 1. At least eighteen (18) years of age;
 2. A member in good standing of the duly-registered cooperative or association, or a resident of the local government unit (LGU), from which he/she intends to avail of the loan;
 3. Willing to state under oath the facts establishing the foregoing; and
 4. Has attended a DTI-accredited livelihood seminar, as evidenced by a certificate of participation, and possesses credit-worthiness, as likewise proven by a certificate issued by the DTI for that purpose.
- f) The lenders shall have a collection mechanism, whereby payments are made on a daily, weekly, or monthly basis, or depending on the livelihood project income cycle. It shall be the duty of the lender to collect the loan principal and interest payments from the borrower.

SEC. 8. *Policy Oversight Function.* – The MSMED Council shall monitor the utilization and disbursements of the Fund. It shall submit to the President of the Philippines and to Congress,

1 through the Congressional Oversight Committee on Micro, Small and Medium Enterprise
2 Development (COC-MSMED), a quarterly report on the status of the Fund.

3 **SEC. 9. Appropriations.** – The initial amount for the implementation of this Act shall be
4 charged against the current year’s appropriations of the SB Corp. Thereafter, such amount
5 necessary shall be included in the annual General Appropriations Act.

6 **SEC. 10. Implementing Rules and Regulations.** – Within sixty (60) days from the
7 approval of this Act, the DTI, in consultation with the stakeholders concerned, shall formulate and
8 promulgate the necessary rules and regulations to implement the provisions of this Act.

9 **SEC. 11. Separability Clause.** – If any part or section of this Act is declared
10 unconstitutional, such declaration shall not affect in any manner other parts or sections hereof.

11 **SEC. 12. Repealing Clause.** – Section 22 of Republic Act No. 8367, otherwise known as
12 the “Revised Non-Stock Savings and Loan Association Act of 1997” is hereby repealed. All laws,
13 decrees, proclamations, issuances, or ordinances that are contrary to or inconsistent with the
14 provisions of this Act are hereby amended, repealed or modified accordingly.

15 **SEC. 13. Effectivity.** – This Act shall take effect fifteen (15) days after its 2 publications
16 in the Official Gazette or in a newspaper of general circulation.

17 *Approved,*