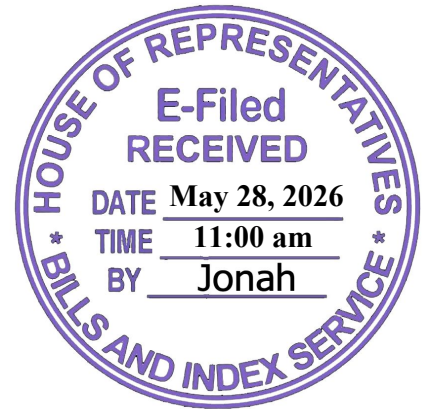




Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Twentieth Congress
First Regular Session



HOUSE BILL NO. 9506

Introduced by Representatives Ferdinand Martin G. Romualdez, Yedda Marie K. Romualdez, Andrew Julian K. Romualdez and Jude A. Acidre

AN ACT
ESTABLISHING THE PHILIPPINE MSME FINANCING CORPORATION,
PROVIDING FOR A MODERN DEVELOPMENTAL FINANCING
FRAMEWORK FOR MICRO, SMALL, AND MEDIUM ENTERPRISES,
PROMOTING FINANCIAL INCLUSION, DIGITAL ENTERPRISE
DEVELOPMENT, AND INCLUSIVE ECONOMIC GROWTH, AND FOR
OTHER PURPOSES

EXPLANATORY NOTE

Micro, small, and medium enterprises (MSMEs) are widely recognized as the backbone of the Philippine economy, comprising the vast majority of business establishments in the country and generating substantial employment across sectors and regions. They play a critical role in fostering inclusive economic growth, stimulating local production, supporting innovation, and advancing regional development. Despite their importance, MSMEs continue to face persistent structural challenges that constrain their growth and sustainability, particularly in accessing adequate and affordable financing.

Existing government financial institutions and programs have provided various forms of support to MSMEs; however, these initiatives remain fragmented across multiple agencies and often lack a unified developmental framework that integrates financing with enterprise capability-building, digital transformation, and

innovation-driven growth. There is therefore a need to establish a specialized institution that is explicitly mandated to address these gaps through a coherent, inclusive, and development-oriented approach.

This proposed measure seeks to establish the Philippine MSME Financing Corporation (PMFC) as a dedicated government-owned and controlled corporation tasked with providing accessible, affordable, and sustainable financing programs for MSMEs. The Corporation shall serve as a specialized developmental financing institution designed not only to extend credit but also to promote enterprise modernization, strengthen financial capability, and support innovation, digitalization, and climate-resilient enterprise development.

The bill institutionalizes a comprehensive framework that integrates financing with enterprise development services, financial literacy programs, and digital finance systems. It further introduces credit guarantee and risk-sharing mechanisms to expand access to credit while maintaining financial sustainability and responsible lending practices. The Corporation is likewise mandated to adopt risk-based and data-driven approaches, ensuring that lending decisions are guided by transparency, objectivity, and sound financial principles.

To promote efficiency and accountability, the measure establishes a governance structure that includes key economic and financial agencies, private sector representatives, and MSME stakeholders, while instituting safeguards against political interference in lending decisions. It also mandates the implementation of digital finance systems, alternative credit scoring mechanisms, and interoperable platforms to modernize MSME financing and improve accessibility, especially for underserved sectors.

By establishing a dedicated and modernized MSME financing institution, the State affirms its commitment to reducing inequality, expanding economic opportunities, and fostering sustainable and broad-based economic growth.

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



FERDINAND MARTIN G. ROMUALDEZ



YEDDA MARIE K. ROMUALDEZ



ANDREW JULIAN K. ROMUALDEZ



JUDE A. ACIDRE



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

SECTION 1. Short Title. - This Act shall be known as the “Philippine MSME Financing Corporation Act.”

SEC. 2. Declaration of Policy. - It is hereby declared the policy of the State to promote inclusive economic growth, industrial development, entrepreneurship,

innovation, and financial inclusion by ensuring that micro, small, and medium enterprises (MSMEs) have access to affordable, accessible, sustainable, and development-oriented financing.

The State recognizes that MSMEs constitute a vital pillar of the national economy, generate employment opportunities, stimulate local production, and contribute significantly to poverty reduction and regional economic development. The State further recognizes that many MSMEs, particularly those in rural and underserved communities, face structural barriers to financing due to insufficient collateral, limited credit history, information asymmetry, and lack of access to formal financial institutions.

Towards this end, the State shall establish a specialized developmental financing institution that provides responsible and inclusive financing programs, promotes enterprise modernization and digital transformation, strengthens entrepreneurial capability, supports innovation and climate-resilient enterprises, and expands economic opportunities for underserved sectors of society.

The State shall likewise promote transparency, financial sustainability, risk-based governance, technological innovation, and responsible lending practices in order to strengthen the long-term viability and developmental impact of MSME financing programs.

SEC. 3. Definition of Terms. - For purposes of this Act:

(a) “MSMEs” shall refer to micro, small, and medium enterprises as defined under Republic Act No. 9501 or the “Magna Carta for MSMEs”;

(b) “Developmental Financing” refers to financing programs intended to promote inclusive economic development, enterprise growth, employment generation, and financial inclusion through preferential or subsidized lending mechanisms;

(c) “Underserved Sectors” refer to individuals or enterprises with limited access to formal financing, including rural enterprises, women entrepreneurs, persons with disabilities, indigenous peoples, returning overseas Filipino workers, informal sector workers, and startup enterprises;

(d) “Enterprise Development Services” refer to training, mentoring, technical assistance, market linkage support, digital capability development, and related services provided to MSMEs;

(e) “Credit Guarantee” refers to a risk-sharing mechanism whereby the Corporation partially guarantees loans extended to qualified MSMEs;

(f) “Digital Finance Systems” refer to electronic, mobile-based, online, or technology-enabled financial service platforms used for lending, payments, credit evaluation, or enterprise support;

(g) “Green Enterprise” refers to an enterprise engaged in environmentally sustainable, climate-resilient, energy-efficient, or low-carbon economic activities.

SEC. 4. Creation of the Philippine MSME Financing Corporation (PMFC). -

There is hereby created a government-owned and controlled corporation to be known as the Philippine MSME Financing Corporation (PMFC), hereinafter referred to as the “Corporation,” under the administrative supervision of the Department of Trade and Industry (DTI).

The Corporation shall serve as a specialized developmental financing institution for MSMEs and shall complement, and not duplicate, the mandates of government financial institutions, including Land Bank of the Philippines, Development Bank of the Philippines, Small Business Corporation, and other existing financing entities.

SEC. 5. Powers and Functions of the Corporation. - The Corporation shall have the following powers and functions:

- (a) Provide accessible, affordable, and development-oriented financing programs for MSMEs;
- (b) Extend startup financing, working capital loans, enterprise modernization financing, disaster recovery loans, and expansion capital;
- (c) Develop financing programs for underserved and priority sectors;
- (d) Establish credit guarantee and risk-sharing programs for MSME borrowers;
- (e) Develop digital finance systems and alternative credit assessment mechanisms;
- (f) Partner with government financial institutions, cooperatives, private financial institutions, fintech entities, and international development organizations;
- (g) Provide enterprise development services and financial literacy programs;
- (h) Promote innovation-driven, export-oriented, digital, and green enterprises;
- (i) Develop performance-based and graduated lending programs; and

(j) Exercise such other powers necessary to carry out the purposes of this Act.

SEC. 6. Developmental Financing Principles. - The Corporation shall adopt developmental financing principles that prioritize:

- (a) Financial inclusion and equitable access to credit;
- (b) Responsible and sustainable lending practices;
- (c) Risk-based and data-driven credit evaluation;
- (d) Enterprise growth and long-term borrower sustainability;
- (e) Regional economic development;
- (f) Technology-enabled and innovation-driven enterprises;
- (g) Climate resilience and sustainable enterprise development; and
- (h) Economic empowerment of underserved sectors.

The Corporation shall ensure that financing programs remain financially sustainable while maintaining developmental objectives.

SEC. 7. Loan Programs and Financing Features. - The Corporation shall establish specialized financing programs for:

- (a) Startup and early-stage enterprises;
- (b) Rural and agricultural enterprises;
- (c) Women-led enterprises;
- (d) Digital and technology-enabled enterprises;
- (e) Green and climate-resilient enterprises;
- (f) Returning overseas Filipino workers;

- (g) Informal sector workers seeking formalization; and
- (h) MSMEs affected by calamities, economic shocks, or public emergencies.

Financing features may include:

- (1) Preferential and developmental financing rates;
- (2) Flexible repayment mechanisms;
- (3) Grace periods for startup enterprises;
- (4) Collateral-free or partially guaranteed loans for qualified borrowers;
- (5) Digital loan application and processing systems; and
- (6) Graduated financing pathways based on borrower performance and enterprise growth.

SEC. 8. Credit Guarantee and Risk-Sharing Programs. - The Corporation may establish credit guarantee facilities, co-guarantee arrangements, and risk-sharing mechanisms with banks, cooperatives, rural financial institutions, and private lenders to expand access to MSME financing.

The Corporation may provide partial guarantees for qualified MSME loans in accordance with sound risk management principles.

SEC. 9. Digital Finance and Innovation Systems. - The Corporation shall establish secure and interoperable digital finance systems that may include:

- (a) Online and mobile-based loan applications;
- (b) Alternative credit scoring systems;

- (c) Digital identity verification;
- (d) Electronic payments and collections;
- (e) AI-assisted credit evaluation systems;
- (f) MSME data integration systems; and
- (g) Cybersecurity and fraud prevention mechanisms.

All digital systems shall comply with applicable data privacy, cybersecurity, and financial consumer protection laws.

SEC. 10. Financial Literacy and Enterprise Development. - All borrowers shall undergo enterprise development and financial capability programs to be implemented in coordination with:

- (a) DTI Negosyo Centers;
- (b) Technical Education and Skills Development Authority (TESDA);
- (c) State Universities and Colleges (SUCs);
- (d) Cooperatives and accredited civil society organizations;
- (e) Private sector mentors and industry groups; and
- (f) Online learning platforms operated or accredited by the Corporation.

Training programs shall include:

- (1) Financial literacy;
- (2) Credit and debt management;
- (3) Digital entrepreneurship;
- (4) Tax and regulatory compliance;
- (5) Business planning;

- (6) E-commerce and digital trade; and
- (7) Enterprise scaling and innovation.

SEC. 11. Organizational Structure and Governance. - The Corporation shall be governed by a Board of Directors composed of:

- (a) Secretary of Trade and Industry – Chairperson;
- (b) Secretary of Finance – Vice Chairperson;
- (c) Representative from the Bangko Sentral ng Pilipinas;
- (d) Representative from the National Economic and Development Authority;
- (e) Representative from the Department of Science and Technology;
- (f) One representative from the cooperative sector;
- (g) One representative from the fintech or digital finance sector;
- (h) Two representatives from the MSME sector, one of whom shall come from a rural area;
- (i) One independent director with expertise in banking, risk management, or developmental finance; and
- (j) President and Chief Executive Officer of the Corporation – ex officio member.

SEC. 12. Anti-Political Interference and Merit-Based Lending. - Loan approvals and financing decisions shall be based on transparent, objective, and merit-based criteria.

No elected official or public officer shall interfere in lending decisions, borrower selection, or financing approvals.

The Corporation shall establish internal safeguards against political patronage, conflicts of interest, and undue influence.

SEC. 13. Transparency, Accountability, and Auditing. - The Corporation shall be subject to annual audit by the Commission on Audit (COA).

The Corporation shall submit:

- (a) Quarterly reports to Congress;
- (b) Annual performance evaluations to the DTI and DBM; and
- (c) Public reports containing anonymized data on:
 - (1) borrower demographics;
 - (2) loan distribution;
 - (3) repayment and default rates;
 - (4) jobs generated;
 - (5) regional financing distribution; and
 - (6) enterprise survival and growth metrics.

SEC. 14. Coordination with National Agencies and Local Government Units. -

The Corporation shall coordinate with local government units, national government agencies, cooperatives, financial institutions, and private sector stakeholders to:

- (a) Identify eligible beneficiaries;
- (b) Integrate financing support into Negosyo Centers and local business one-stop shops;
- (c) Promote place-based enterprise development programs;
- (d) Expand digital and rural financing access; and

(e) Align MSME financing with national industrial, agricultural, export, and innovation policies.

SEC. 15. Performance Evaluation and Congressional Review. - The Corporation shall develop measurable performance indicators, including:

- (a) Number of MSMEs financed;
- (b) Rural and underserved sector penetration;
- (c) Repayment and portfolio performance;
- (d) Jobs generated or sustained;
- (e) Enterprise growth and survival rates;
- (f) Digital enterprise participation; and
- (g) Economic impact indicators.

Congress shall conduct a comprehensive review of this Act every five (5) years.

SEC. 16. - Appropriations. - The amount necessary for the initial implementation of this Act, including the organization, establishment, and operationalization of the Philippine MSME Financing Corporation, shall be charged against the current appropriations of the Department of Trade and Industry or such other available funds as may be certified by the Department of Budget and Management.

Thereafter, such sums as may be necessary for the continued operation and implementation of this Act shall be included in the annual General Appropriations Act.

The Corporation may also receive and utilize funds from official development assistance, grants, donations, borrowings, loan repayments, service income, and other lawful sources, subject to applicable budgeting, auditing, and accounting laws, rules, and regulations.

SEC. 17. Implementing Rules and Regulations. - Within one hundred twenty (120) days from the effectivity of this Act, the DTI, in coordination with the Department of Finance, Bangko Sentral ng Pilipinas, Department of Budget and Management, Commission on Audit, and relevant stakeholders, shall promulgate the implementing rules and regulations necessary for the effective implementation of this Act.

SEC. 18. Separability Clause. - If any provision of this Act is declared unconstitutional or invalid, the remaining provisions not affected thereby shall remain in full force and effect.

SEC. 19. Repealing Clause. - All laws, decrees, executive orders, rules, and regulations inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 20. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,