

## State of MSME finance in the Philippines

(World Bank, 2015)

81.2%

of enterprise investments are financed internally

**MSME** bank loans

**8.8%** to total enterprise loans

**6.1%** to total banking system loans

(BSP, 2019)

(BSP, 2019)



#### Year-on-Year Growth on Bank Loans to MSMEs and Businesses

Period	Micro Enterprises	Small Enterprises	Medium Enterprises	Total MSME	Total Business Loans*
2015	-0.7%	4.9%	12.5%	8.6%	13.3%
2016	20.0%	0.9%	9.2%	7.6%	17.1%
2017	5.7%	3.8%	9.0%	7.1%	19.0%
2018	23.3%	4.6%	7.8%	8.6%	15.2%
2019	23.8%	-7.1%	1.5%	1.9%	7.3%

### Lacks access to finance

MSME as drivers of economic growth

\* Includes loans to MSMEs and private corporations

New loans to MSMEs included as part of banks' compliance with the reserve requirements

Temporary reduction in the credit risk weights of MSME loans

Zero risk weights for MSME loans with government guarantee

Relief on the reporting of past due and non-performing loans of borrowers

### **BSP COVID-19 Measures**

Banking sector response

Loans used as compliance with reserve requirements surged from ₱8.7B in end-April to ₱120.9B in October

64 R/CBs with ₱2B MSME loans used as compliance to reserve requirement as of end-August

(vs. 39 R/CBs with ₱1B MSME loans as of end-April)

New loans totaling ₱40.6 billion from top 30 banks were generated during the lockdown\*

From March to April 2020, ₱25.6B in MSME loan accounts were renewed while ₱1.8B were restructured by top 30 banks\*

Source: BSP 2020

\*Based on a BSP survey among top 30 banks (10 U/KBs, 10 TBs, 10 R/CBs) from March to April 2020

## Financial infrastructure and BSP MSME initiatives



PhilSys as the **national digital ID system** 



Secured transactions framework and online movable collateral registry under the Personal Property Security Act



Risk-based lending and addressing information asymmetry through Credit Information System



PESONet and InstaPay as digital payment rails

Credit enhancement through the credit risk database (CRD)

Adoption of digital merchant payments (P2B)

**Financial** 

Infrastructure

Supply chain finance (SCF) market development





# SCF as a viable approach to MSME finance



A financing approach that uses the receivables, inventory flows and relationships in a supply chain to provide financial services.

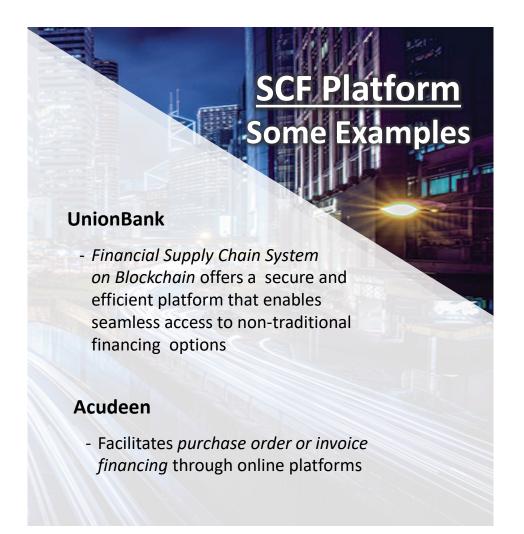
Enables banks to **perform better credit risk management** and **support the working capital and liquidity requirements** of smaller firms

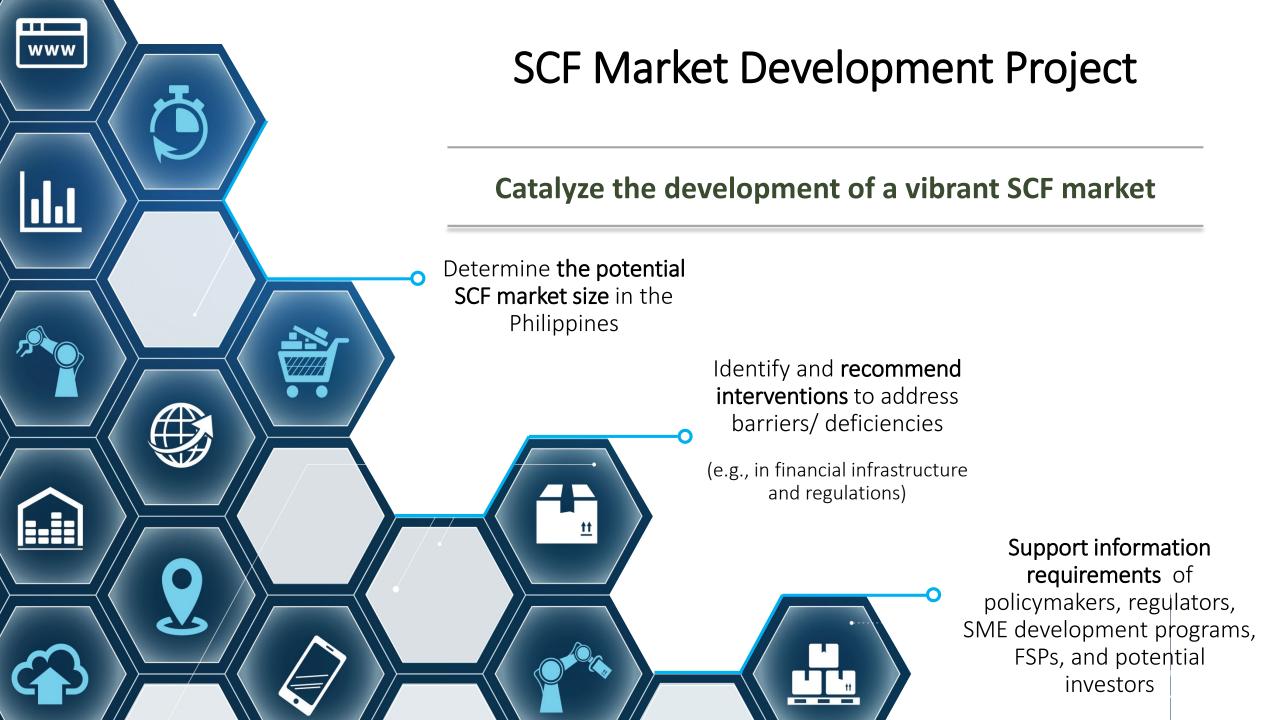
Also supports large corporate buyers in terms of improved working capital management and reduced supply chain disruptions

## Current state of SCF in the Philippines



exposures to SMEs.







Center for Learning and Inclusion Advocacy

Email: financialinclusion@bsp.gov.ph Direct Line: (632) 8708-7482