

# **ISSUES AND CHALLENGES IN FINANCING PHILIPPINE MSMEs**

**Raul J. Palabrica**

**Commissioner**

**Philippine Securities and Exchange Commission**

# FRAME OF REFERENCE

## **MICRO**

**Enterprises – Have total assets and liabilities below US\$70,000 (using an exchange rate of US\$1.00:PhP43.00)**

## **SMALL and MEDIUM**

**Enterprises – Have total assets between \$70,000 and \$8 Million or total liabilities between \$70,000 and \$6 Million**

# **PRINCIPAL FINANCING SOURCES**

## **MICRO**

**Enterprises – Lending companies with minimum paid up capital of \$23,000 and make available financing, on the average, not more than \$2,300 loan per company at any one time.**

## **SMALL and MEDIUM**

**Enterprises – Banks, financing companies and stock exchange.**

# **FINANCING CONSTRAINTS of MICRO Enterprises**

- **Limited funding capacity of lending companies due to nationality and source of funding regulations.**
- **The majority (or 51%) of the voting stocks of financing companies should be owned by Filipino citizens; foreigners cannot own more than 49% of the voting stocks.**

# **FINANCING CONSTRAINTS of MICRO Enterprises**

- **The company can source its funds from or issue debt papers to not more than 19 non-institutional lenders or investors, inclusive of its shareholders.**

**If these criteria are not met, the debt papers have to be registered with the Securities and Exchange Commission.**

# **FINANCING CONSTRAINTS of** **SMALL and MEDIUM ENTERPRISES**

- 1. The Small and Medium Enterprises Board of the Philippine Stock Exchange has not been fully utilized to raise capital for MSMEs from equity investors.**

**At present, only two companies are listed on the SME Board.**

# **FINANCING CONSTRAINTS of** **SMALL and MEDIUM ENTERPRISES**

**The problem may be attributed to the following:**

- a) Lack of incentives to underwriters to promote the SME Board together with stocks listed on the First and Second Boards;**
- b) Investors' apprehension about the viability of SMEs;**
- c) Stringent pre- and post-listing requirements.**

# **FINANCING CONSTRAINTS of** **SMALL and MEDIUM ENTERPRISES**

- 2. SMEs have limited access to the domestic bond market due to poor underwriter interest and strict registration requirements.**



Thank You...