

WHAT IS THE CREDIT SURETY FUND (CSF)?

The CSF is a credit enhancement scheme developed by the Bangko Sentral ng Pilipinas (BSP) that aims to increase the creditworthiness of micro, small, and medium enterprises (MSMEs) which otherwise cannot obtain loans from banks due to lack of acceptable collaterals, credit knowledge, and credit track records.

WHAT ARE MSMEs?

MSMEs are registered business activities or enterprises engaged in industry, agribusiness and/or services whose total assets, excluding the land in which the particular business entity's office, plant and equipment are situated, do not exceed P100 million.

The MSME Sector is considered the backbone of the Philippine economy. It comprises about 99.6%* of all registered firms nationwide and employs 67%* of the total workforce.

However, despite its huge number, the Sector's contribution to the Philippine economy is only around 40%*.

One factor that hinders the growth of the MSME sector is the lack of financing. Banks are hesitant to extend credit to MSMEs because of:

1. Lack of acceptable collaterals;
2. Low paying capacity due to unstable income or cash flows; and
3. Lack of business or credit track record.

Thus, a great number of MSMEs are forced to obtain funds with high interest rates from informal sources such as loan sharks. This situation is not conducive to the growth of the MSME sector.

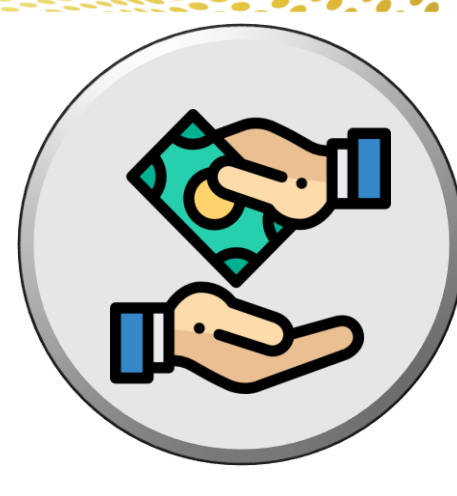
Through the CSF, MSMEs are made creditworthy and bankable.

*Source: 2023 DTI Philippine MSME Statistics



WHAT IS THE PURPOSE OF THE CSF?

The Fund shall serve as a security for loans of MSMEs from banks in lieu of acceptable collaterals. Banks generally require hard collaterals when extending loans, a requirement that some MSMEs often find it difficult to comply.



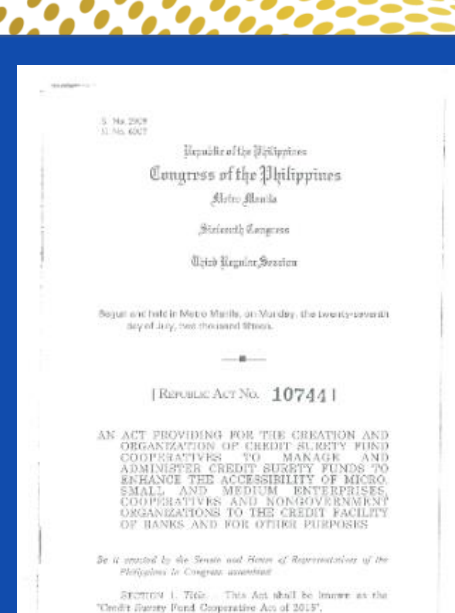
HOW IS A CSF CREATED?

A CSF is created by pooling the contributions of cooperatives (coops) / non-government organizations (NGOs), local government units (LGUs), partner institutions such as Development Bank of the Philippines, Land Bank of the Philippines, Industrial Guarantee and Loan Fund (IGLF) (subsumed by Philippine Guarantee Corporation [PGC]), donors and other government agencies.



WHO CAN BORROW THROUGH THE CSF?

The contributing coops/NGOs and their individual MSME-members may borrow under the CSF Program



WHAT IS REPUBLIC ACT NO. 10744?

Republic Act (R.A.) No. 10744, otherwise known as the "Credit Surety Fund Cooperative Act of 2015", is an act providing for the creation and organization of Credit Surety Fund Cooperatives to manage and administer credit surety funds to enhance the accessibility of MSMEs, cooperatives and NGOs to the credit facility of banks and for other purposes.

WHAT IS A CSF COOPERATIVE?

A CSF Cooperative is an LGU-partnered cooperative established for the primary and exclusive purpose of administering the CSF.

Any well-managed and well-capitalized cooperative / NGO, as defined in the Implementing Rules and Regulations of R.A. No. 10744, can join and invest in the CSF.

The CSF Cooperative is administered by the Board of Directors (BOD) composed of elected members from contributing coops, appointed members from contributing GFIs, PGC and other GAs; and ex-officio member from the LGU.

The BOD designates a trustee bank that will manage the Fund for investment in government securities such as treasury bills and bonds to generate earnings and to further increase the Fund.

WHAT IS THE ROLE OF THE CDA?

The Cooperative Development Authority (CDA) shall be the government entity in charge of registration, regulation, monitoring and supervision of CSF Cooperatives.



WHAT IS THE ROLE OF THE BSP?

The BSP shall spearhead the promotion, encouragement, creation and organizational development of CSF Cooperatives and shall facilitate the acquisition of technical assistance such as training and seminars.



WHAT ARE THE MINIMUM REQUIREMENTS FOR CSF COOPERATIVE MEMBERSHIP?

1. Approved General Assembly Resolution duly signed by all members of the Board of Directors, indicating the following:
 - a) authorize cooperative/NGO to join or participate in the CSF Cooperative;
 - b) amount of initial investment; and
 - c) designate one representative and one alternate who are authorized to sign contracts or agreements with the CSF Cooperative
2. Copy of the latest audited financial statements of the cooperative with the accompanying notes/schedules;
3. Copy of Certificate of Registration with CDA or Securities and Exchange Commission and Bureau of Internal Revenue;
4. Certificate of Compliance from CDA;
5. List of current Board of Directors, Manager and Credit or Loan Officer, together with their curriculum vitae or information sheet; and
6. Duly accomplished CSF Membership Application Form.

WHAT ARE THE CSF'S BENEFITS FOR STAKEHOLDERS?

1. The CSF helps cooperatives / NGOs and their individual MSME-members obtain collateral-free loans from banks by way of the surety agreement issued by the CSF.
2. The CSF, under its Capability Enhancement Program, provides trainings for cooperatives and their MSME-members to improve their skills in credit, financial and risk management, such as:
 - a) Strategic Planning Workshop
 - b) Financial Management
 - c) Credit Appraisal and Monitoring
 - d) Risk Management
 - e) Entrepreneurship and Business Management
 - f) Business Forum
3. The CSF Program complements the LGU's poverty alleviation programs by creating more economic activities and job opportunities. It also reduces susceptibility of constituents to high cost of borrowing from informal sources.
4. The CSF reduces banks' exposure to credit risk caused by loan defaults. It therefore addresses the constraints faced by both the borrowers and the banks.

For more information about the CSF Program, you may contact:



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