

# Built-in Sustainable CSR Program in a Microfinance Institution: Experience of ASA Philippines Foundation

Md Kamrul Hasan Tarafder <sup>a</sup>, Barbara Custodio <sup>b</sup>

<sup>a,b</sup> ASA Philippines Foundation, Pasig City 1605, Philippines.

Corresponding authors: kht@asaphil.org , barbara.custodio@asaphil.org

© Author(s)

OIDA International Journal of Sustainable Development, Ontario International Development Agency, Canada

ISSN 1923-6654 (print) ISSN 1923-6662 (online) www.oidaijsd.com

Also available at <http://www.ssrn.com/link/OIDA-Intl-Journal-Sustainable-Dev.html>

## Abstract: Brief History

ASA Philippines Foundation is a not-for-profit institution specializing in microfinance. It was conceptualized by Kamrul H. Tarafder and Ambassador Howard Q. Dee. It started operations in August 2004 with financial seed capital from the Assisi Development Foundation and the Ninoy & Cory Aquino Foundation. In 2007, PLDT Smart Foundation joined as a third benefactor. Since then, ASA Philippines has not obtained any other grant and, unlike other foundations, it pledges not to source any more grants.

## A Clear Vision to be Sustainable and Incorporate CSR

**“In the most cost-effective and sustainable manner”**...this was clearly stated in ASA Philippines’ vision statement. The Foundation’s management set out to achieve break-even in the shortest possible time. Businesses tend to set out 5-year management and profitability plans. The Foundation’s management reasoned that since ASA Philippines is a development organization that is not required to pay full taxes to the Philippine government, then why shouldn’t they aim to achieve break-even in a shorter time frame, say 3 years? In fact, ASA Philippines did achieve profitability within 3 years. What’s more, it accomplished this despite setting aside a high provision for possible loan losses. The Philippines tends to experience devastating natural calamities from time to time. When the Foundation’s clients are hit by these calamities, they are often unable to pay their loans on time, if at all. It was important for the Foundation to have the flexibility to respond to clients in their time of need, while at the same time maintaining continuous normal corporate operations, thus the decision to allocate conservative provisioning.

## Organizational Growth

As of December 2016, ASA Philippines has established 850 branches across the country and employed 5,964 fulltime staff. It is serving 1,273,136 active borrowers with a portfolio of US\$180 million. Eleven years from inception, the Foundation became the 1st MFI in the country to achieve a milestone of over 1,000,000 active borrowers. ASA Philippines is now the country’s largest MFI in terms of borrowers & assets. It holds the distinction of being the first MFI to establish a presence in all 82 provinces of the country. In 2016, it was named as the Philippines’ most outstanding MFI.

## Balancing Financial Sustainability with Achieving the Foundation’s Mission

For NGOs, pursuing their corporate mission while trying to attain financial sustainability is quite the challenge. Many NGOs, particularly those that deal with low-income communities, are unable to generate sufficient income and/or manage their expenses within their limited income. They are thus forced to rely on external sources of funds such as grants.

## Corporate Social Responsibility (CSR) Programs

Since the beginning the Foundation started a CSR program albeit at a smaller scale, however, as soon as the company broke even, it increased its CSR programs. The following are some of the current CSR activities:

- Disaster Relief – Typhoons, Fire, Flood, Drought, Rehabilitation Grants, Others
- Health Care – Medical Missions, Cataract/Pterygium Operations, Cleft Lip/Palate Operations, Hospitalization Benefits, Death Benefits, Bloodletting Drive, Water and Sanitation Financing Program, Persons with Disability Program, Child Feeding

- Education – College Scholarship Program, Out of School Youth
- Livelihood – Business Development Training and Marketing Support, Employment of Relatives of Clients, Shari’ah Financing, Star Coke Program
- Housing – Housing Finance
- Environment – Tree Planting, Urban Gardening

As of December 2016 the Foundation spent US\$15,000,000 over the last 12.5 years which benefited a million individuals.

### Conclusion

Is it possible for an end-user development institution, particularly one that deals with low-income communities, to achieve its corporate mission without relying on grant funding? The conventional wisdom is that it probably is not possible. ASA Philippines Foundation, an institution that deals with financial services for the poor, has however proven otherwise. It was able to design an expanded, sustainable CSR program into its corporate mission while at the same time achieving financial sustainability. Today, approximately 5% of its gross income or 15% of its net income is devoted to CSR activities.

ASA Philippines Foundation just needed seed capital to start its operations. Though it is unconventional, the Foundation has subsequently politely declined all offers of grant funding. The program it has designed is sustainable. Given the challenges associated with relying on grant funding especially during tough economic times, ASA Philippines has excised grants out of the equation. It is doable.

**Keywords:** Breakeven, Mission, Planning, Unconventional, Vision

### Introduction

Can social work, via a meaningful Corporate Social Responsibility (“CSR”) program, be implemented sustainably?

In Dr. Asuncion Sebastian’s paper entitled “Non-Financial Services as Tools For Inclusive Development: The Philippine MFI Experience” [1], she observes that in most cases, impact studies of microfinance refer only to the impact of financial services on clients, with the impact of non-financial services (“NFS” or alternatively CSR programs) seemingly treated with much less significance. Thus, in her paper, she set out to answer the question: How do the non-financial services of microfinance institutions (“MFIs”) contribute to their double bottom line of financial sustainability and social impact? Her findings show that firstly, NFS help in achieving MFIs’ sustainability goals in that they facilitate client recruitment, client membership retention, and higher client repayment rates. Secondly, NFS help MFIs achieve a positive social impact in that NFS equip clients with the necessary resources to become productive in their businesses and maintain a healthy state. However, Dr. Sebastian further notes that NFS or CSR programs in microfinance are often non-revenue generating and thus while they have direct social impact on clients, unless an MFI has unused funds or available grants, providing them may cause the MFI some financial strain.

Iris Lanao Flores and Philippe Serres in their 2009 article “Microfinance and non-financial services: an impossible marriage?” [2] discuss whether MFIs can combine non-financial services such as vocational training, technical assistance, agricultural education and health education with their traditional financial services and still be sustainable. There is a school of thought that non-financial services may impede MFIs’ ability to reach financial self-sufficiency, as they generate high costs that add to the already expensive microfinance operations. Flores and Serres studied the performance of five major Latin American MFIs and found that, overall, MFIs providing non-financial services face a heavier cost structure. The cost of these non-financial services are dependent on how streamlined they are with the regular financial services of the MFI. Of the three models (linked, parallel and unified) of delivery of non-financial services, the unified model seems more cost-effective. Still, whichever model these Latin American MFIs adopted, they tended to charge higher interest rates in order to cover the costs of delivering non-financial services. Such high interest rates raise a couple of concerns. Are poor clients really ready to pay more for non-financial services? If not, are they given the chance not to pay for these non-financial services?

Bobbi Gray, Megan Gash, Scarlett Reeves and Benjamin Crookston elaborated in their study “Microfinance: A Sustainable Platform for Non-Financial Services” [3] that NFS or CSR programs such as health and financial education create substantial benefits in the life of microfinance borrowers. However, their study revealed that the CSR programs were funded by external sources rather than by revenues derived from microfinance operations. It is common for MFIs to implement a CSR program with donor support. External donor dependency for CSR programs seems to be a prevalent and acceptable notion. Past events have shown, however, that external funding cannot be considered sustainable. The crisis in funding to NGOs after the fall of the USSR is a vivid example. A more reliable funding alternative needs to be found.

ASA Philippines Foundation (the “Foundation”), a non-profit microfinance institution devoted to helping poor Filipino families rise out of poverty, has been involved in CSR activities since its first year of operations. It has done so without resorting to external funding and without increasing its interest rate to cover its CSR activities. In fact, this past May, the Foundation decreased the interest rate it charges clients by one-sixth (1/6) making its service charge the lowest in the MFI industry in the Philippines. How was ASA Philippines Foundation able to create a built-in sustainable CSR program? It all goes back to the beginning, when the founders and board of trustees crafted the Foundation’s vision and mission statements.

### **Brief History of ASA Philippines**

ASA Philippines Foundation is a not-for-profit institution specializing in microfinance. It was conceptualized by Kamrul H. Tarafder who started work in the microfinance industry in Bangladesh. In 1998, he was sent to the Philippines by ASA Bangladesh and the United Nations Development Program to teach the ASA methodology to more than 20 microfinance institutions in the country over a span of 5 years. In August 2003, he met with Ambassador to the Vatican Howard Q. Dee to discuss the social and economic benefits received by the poor from microfinance operations. Soon after, in 2004, they set up ASA Philippines Foundation with financial assistance from the Assisi Development Foundation (“ADF”) and the Ninoy & Cory Aquino Foundation (“NCAF”). In 2007, PLDT Smart Foundation joined as a third benefactor. The three initial grants, totaling ₱41,360,000 (US\$827,200 @ ₱50/US\$1), were utilized as seed capital. Since then, ASA Philippines has not obtained any other grant and, unlike other foundations, it pledges not to source any more grants.

### **Vision Statement**

ASA Philippines is a not-for-profit organization devoted to helping an increasing number of poor Filipino families rise out of poverty by providing microfinancing to help them establish or improve their own microenterprises. This shall result in increasing family incomes and savings, while giving them greater access to life supporting goods and services in the most cost-effective and sustainable manner.

### **Mission Statement**

ASA Philippines Foundation is committed to three sectors:

1. The Marginalized Poor Sector – The Foundation shall deliver the highest value for money, client-responsive microfinance as well as supplementary products and services to the poor through the enterprising women of each family.
2. Its Staff – The Foundation shall create the best place to work in, where all staff members have the chance to live in dignity, develop a career path and experience the fulfillment of changing other people’s lives as well as their own.
3. Its Founders And Patrons – The Foundation shall be self-sustaining and be the best managed microfinance institution in the country.

### **A Clear Vision**

“**In the most cost-effective and sustainable manner**”.....this was clearly stated in ASA Philippines’ vision statement. From the beginning, the board of trustees had a clear vision of setting up a microfinance institution that would be cost-effective and sustainable. An institution is financially sustainable if its core work can continue despite the lack of external grant funding. For many NGOs like ASA Philippines, achieving financial sustainability is a major challenge indeed. When one considers that ASA Philippines operates in an industry which:

- targets the enterprising poor whose financial needs are not served by traditional banks due to the higher risks involved; and

- goes beyond simply providing financial services and seeks to encompass a broader perspective of social development and poverty alleviation,
- one can appreciate the very tall order laid out by the board of trustees for ASA Philippines Foundation.

The Foundation's management set out to achieve break-even in the shortest possible time. Businesses tend to make 5-year management and profitability plans. The Foundation's management reasoned that since ASA Philippines is a development organization that is not required to pay full taxes to the Philippine government, then why shouldn't they aim to achieve break-even in a shorter time frame, say 3 years? In fact, ASA Philippines did achieve profitability within 3 years. What's more, it accomplished this despite setting aside a high provision for possible loan losses. High provisioning was done due to the Philippines' historical experience of frequent devastating natural calamities. When the Foundation's clients are hit by these calamities, they are often unable to pay their loans on time, if at all. It was important for the Foundation to have the flexibility to respond to clients in their time of need, while at the same time maintaining continuous normal corporate operations, thus the decision to allocate conservative provisioning.

### **Organizational Growth**

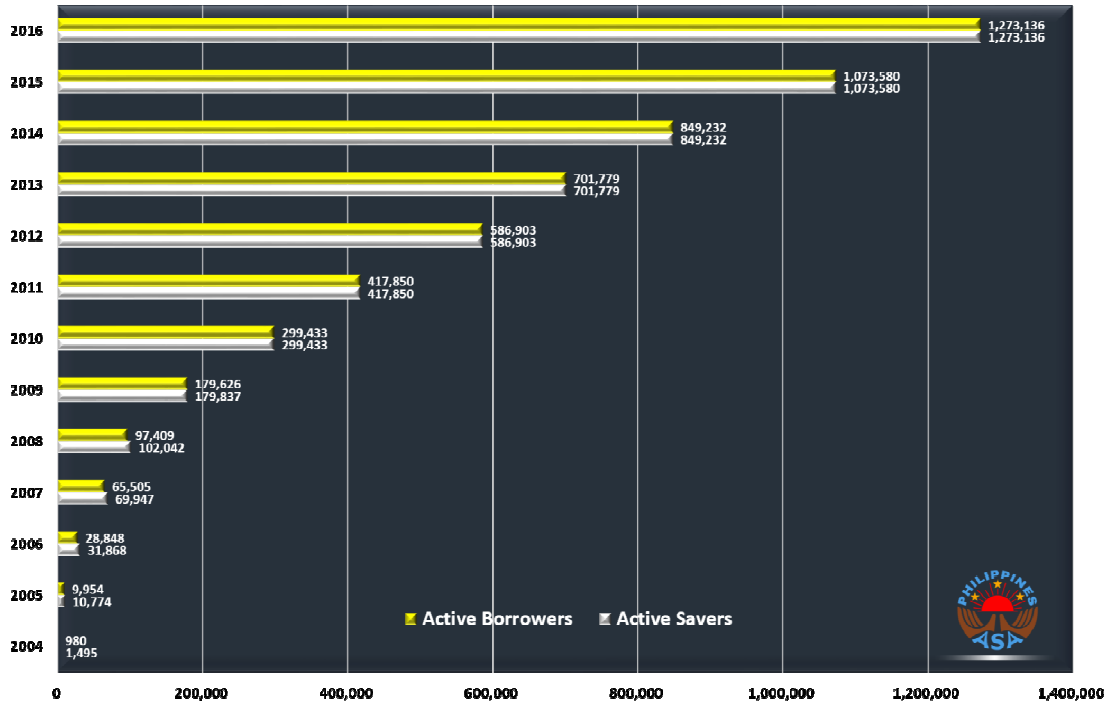
The primary services offered by ASA Philippines Foundation are loans and a micro savings service designed to promote the idea of poor families saving for future needs. The Foundation's first branch was established in Aug. 2004. By the end of the year, the Foundation had 5 branches in Metro Manila staffed by 24 people. The Foundation had 1,495 clients with a total savings of US\$11,031 of which 980 were borrowers with a total loan portfolio of US\$79,817. The Foundation ended its 1st year with a net loss of US\$22,351. Over the next years, the Foundation steadily grew its number of branches. By 2006, ASA Philippines had 36 branches in 5 provinces staffed by 201 people. The Foundation had 31,868 clients with a total savings of US\$1,098,124 of which 28,848 were borrowers with a total loan portfolio of US\$2,027,034. ASA Philippines had crossed over to profitability, recording a net income of US\$35,487. In 2015, eleven short years from its inception, ASA Philippines created history by becoming the first MFI in the country to achieve a milestone of over 1,000,000 active borrowers. One million poor clients plus their families were assisted – a solid step towards attaining the government's goal of inclusive growth. These clients, in turn, through their various businesses created 165,852 jobs. As of Dec. 2016, the Foundation had 850 branches plus 258 extension/satellite units, for a total of 1,108 service points located in 82 provinces. ASA Philippines holds the distinction of being the first MFI to establish a presence in all 82 provinces of the Philippines. Total staff had grown to 5,964 serving 1,273,136 clients with a total savings balance of US\$90,563,364 and a total loan portfolio of US\$176,807,703. Net income amounted to US\$27.1 million. As of the 1<sup>st</sup> Half of 2017, the Foundation has 975 branches plus 293 extension/satellite units, for a total of 1,268 service points. 6,671 staff serve 1,391,072 clients with a total savings balance of US\$110,489,565 and a total loan portfolio of US\$227,459,529. First Half 2017 net income is estimated at US\$8,862,000. ASA Philippines Foundation is now the country's largest MFI in terms of borrowers, loan portfolio & assets. In 2016, it was honored as the Philippines' most outstanding MFI.

**Table 01: ASA Philippines Foundation - At a Glance Report 2004 – 2016**

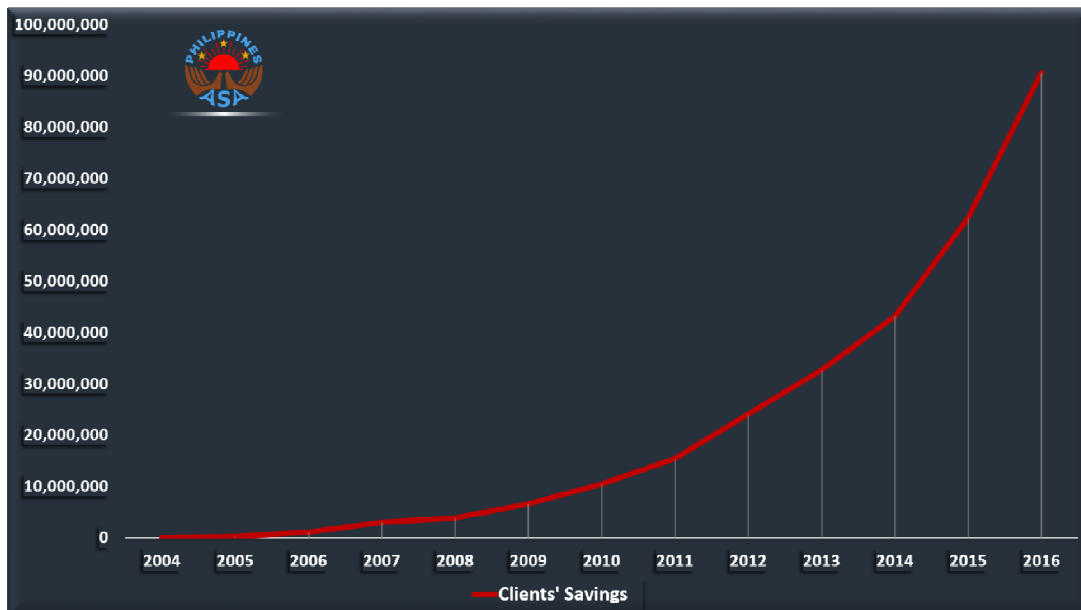
As of (Date)	Branches	Total Staff	Clients/ Borrowers	Savings Amount (US\$)	Loan Portfolio (US\$)
31 Dec 04	5	24	1,495	11,031	79,817
31 Dec 05	18	93	10,774	283,826	551,477
31 Dec 06	36	201	31,868	1,098,124	2,027,034
31 Dec 07	68	365	69,947	3,008,086	5,475,611
31 Dec 08	100	549	102,042	3,868,189	6,559,176
31 Dec 09	150	858	179,837	6,534,975	11,202,372
31 Dec 10	215	1,280	299,433	10,517,070	18,549,799
31 Dec 11	290	1,893	417,850	15,390,867	27,520,742
31 Dec 12	390	2,642	586,903	24,044,795	42,975,469
31 Dec 13	510	3,354	701,779	32,700,102	54,571,024
31 Dec 14	600	4,024	849,232	43,161,084	71,505,419
31 Dec 15	700	4,824	1,073,580	62,312,115	112,518,642
31 Dec 16	850	5,964	1,273,136	90,563,364	176,807,703
30 Jun 17	975	6,671	1,391,072	110,489,565	227,459,529

Note: For presentation purposes and for the benefit of international participants, Philippine Peso values have been converted to US\$ at the current exchange rate of ₱50/US\$1.

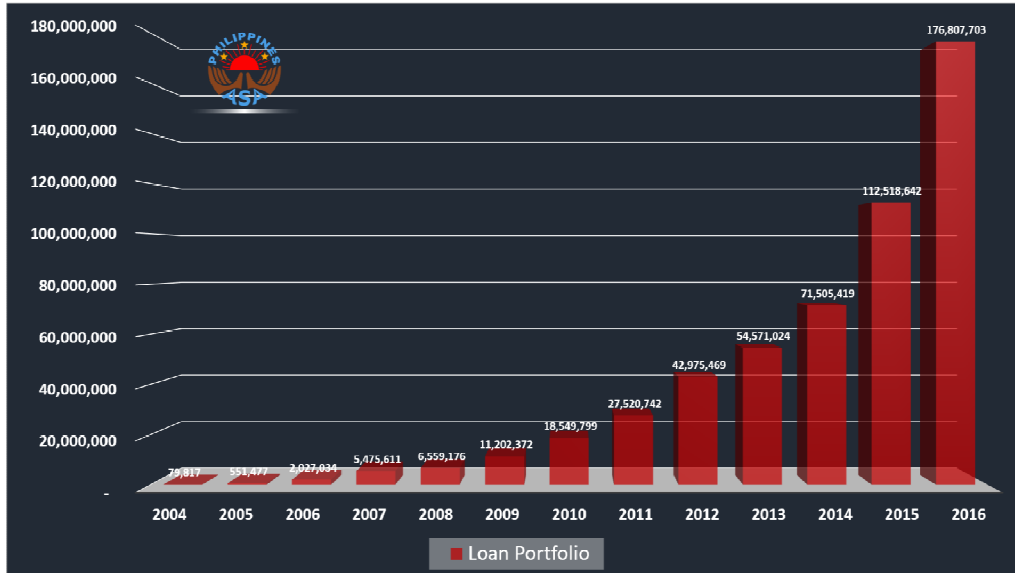
**Table 02: Number of Active Borrowers and Savers Per Year 2004 – 2016**



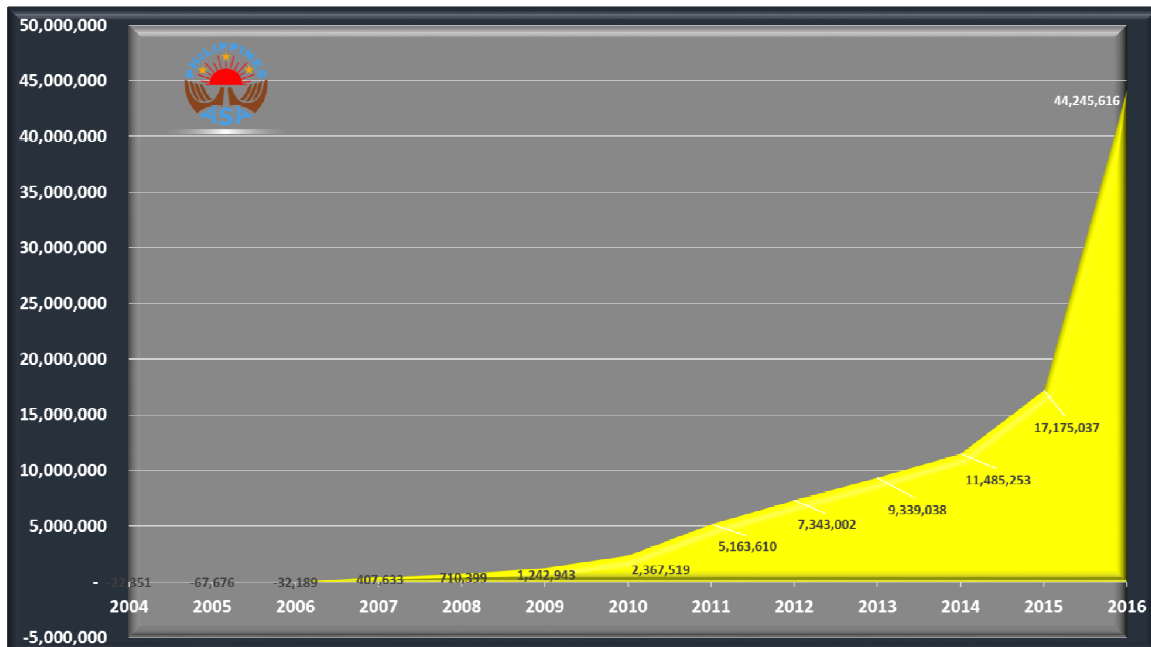
**Table 03: Clients' Savings Per Year 2004 – 2016 (Amounts In U.S. Dollars)**

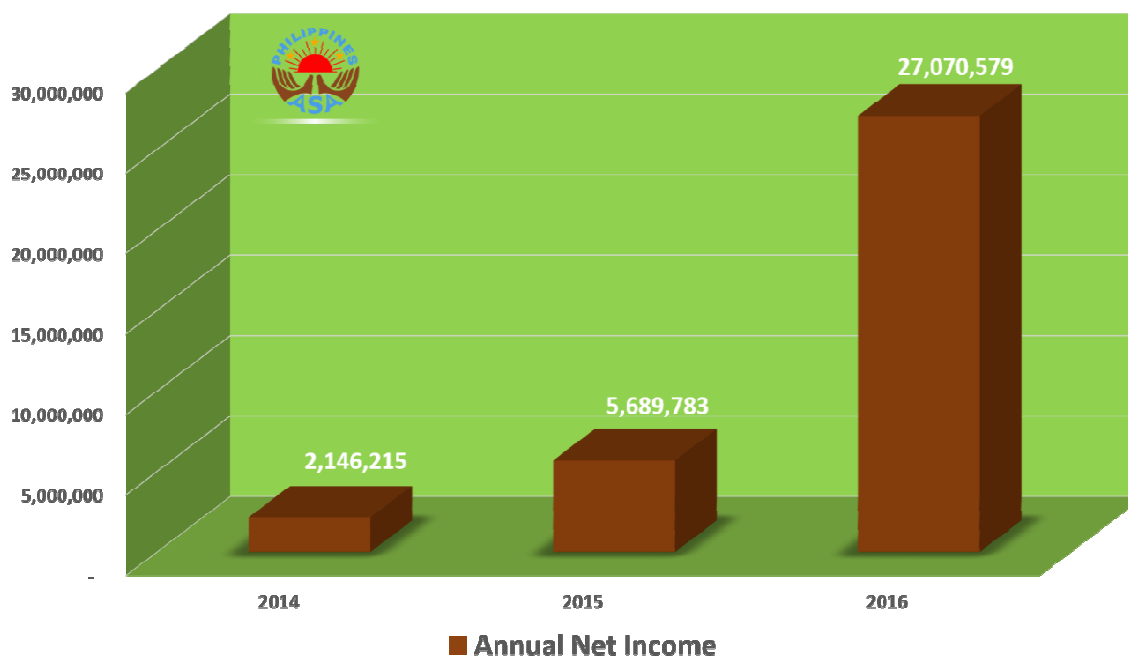


**Table 04: Loan Portfolio Per Year 2004 – 2016 (Amounts In U.S. Dollars)**



**Table 05: Cumulative Net Income August 2004 – December 2016 (Amounts In U.S. Dollars)**



**Table 06: Annual Net Income 2014 – 2016 (Amounts In U.S. Dollars)**

#### **Balancing Financial Sustainability with Achieving the Foundation's Mission**

For NGOs, pursuing their corporate mission while trying to attain financial sustainability is quite the challenge. Many NGOs, particularly those that deal with low-income communities, are unable to generate sufficient income and/or manage their expenses within their limited income. They are thus forced to rely on external sources of funds such as grants and project funding.

To achieve financial sustainability and thus enable it to carry out its corporate mission, ASA Philippines focused on both revenue generation and expense management. It did so by zeroing in on three key areas:

- Building a highly dedicated team of energetic, motivated microfinance/loan officers who serve as the institution's front-line workers in face-to-face interactions with clients
- Instilling a corporate-wide mentality of frugality in all areas
- Developing a superior product to quickly grow its client base

#### Building a highly dedicated team of microfinance/loan officers (MFOs) who serve as the institution's front-line workers:

- Young, energetic and motivated people are hired as MFOs.
- MFOs are expected to quickly develop multiple skill sets. In addition to marketing and administering the various loan and savings products of the Foundation, MFOs actively participate in the corporate social responsibility program.
- Loan repayments are collected by MFOs in morning group meetings with clients. If a client does not pay, the MFO promptly visits the client's home/business in the afternoon to collect. MFOs need to be committed to this to ensure a high loan repayment rate. MFOs are careful to employ respectful and ethical collection practices as outlined by The Smart Campaign.
- Contrary to global trend, the Foundation eschews mobile banking and encourages face to face interactions between MFOs and clients. An element of personal touch and strong relationships are more effective in working with clients.



- Branch offices have attached staff living quarters. This arrangement allows for more flexible staff working hours.

#### Instilling a corporate-wide mentality of frugality in all areas:

Amongst MFIs who have the same implementation strategy, the MFI with the most cost-efficient operations will have a significant advantage. Many MFIs establish their operations with a commercial bank model in mind. ASA Philippines, on the other hand, adopted a very lean approach. Operation costs were kept as low as possible, especially in the first several years:

- The 1<sup>st</sup> ASA Philippines Foundation signage was homemade by the wife of the president.
- Instead of buying register books in the early years, the accounting staff made their own books.
- Modest branch offices and staff houses are leased.
- Inexpensive furniture & fixtures were acquired in the first several years. Office furniture was ordered from a palochina house. Palochina is a cheap yet aesthetically pleasing softwood.
- In the early years, employees at head office were expected to multitask, thus leading to lean and cost-efficient operations.
- MFOs who handle the Foundation's primary services (loan and savings products) likewise handle the supplementary corporate social responsibility activities. There is no separation of tasks, hence minimizing coordination problems and keeping costs down.
- For the first 6-7 years of operation, the Foundation adopted a model of 5 people to a branch (composed of 1 business manager and 4 microfinance officers). Other MFIs have at least 2 additional people – a teller & an administrative staff who does encoding and client credit investigation. In hiring a teller, other MFIs styled themselves as a commercial bank. These 2 additional employees per branch make it that much more difficult for an MFI to achieve break-even, let alone fund corporate social responsibility activities. ASA Philippines on the other hand focused on cost cutting, resolutely deciding not to take on unnecessary staff.
- For 10 or 11 years, the Foundation did not pursue an automated system. Branches sent data via email once a week to head office for consolidation. Other MFIs were critical of the Foundation's MIS strategy. These MFIs from day one of their operations wanted to implement client/staff automation in their own institutions. But by holding off on automation, ASA Philippines was able to save at least US\$6.0 million. The Foundation only formed an IT department once the number of its branches reached close to 70 in 2007. Since then, the Foundation has been diversifying its product offerings. In 2014, the Foundation deemed it the proper time to automate the system. An advanced internal microfinance operations database system was developed.
- The Foundation allocated 1 computer per branch. Other MFIs were more generous, allocating a computer for each branch employee.
- The first branches opened were located close to head office, which facilitated management oversight and had the added benefit of minimizing staff development and transportation costs.

#### Developing a superior product to quickly grow its client base:

- The Foundation has a straightforward loan policy. It charges a simple interest rate on its loans. There are no hidden charges and no processing fees. There are no upfront deductions on the loan. The client receives the full loan amount.
- Processing time for loans is very quick. The Foundation can examine a client's business, do a background check and release a loan within one week as compared to other MFIs which take 2 weeks or more.
- Clients' basic savings can be withdrawn at any time. When a client wishes to leave the program, all excess savings are refundable on the same day. This is in contrast to other MFIs which take a very long time to return savings to offset clients.
- The Foundation is the first and only MFI in the country to offer free death and hospitalization benefits to its clients and their beneficiaries. It sees these as add-on services for its clients,

while other MFIs consider these as businesses and charge corresponding insurance premiums.

- College/university scholarships are given to deserving children of clients. Clients appreciate the importance of higher education in helping to break the poverty cycle.

### **Corporate Social Responsibility Program**

ASA Philippines' emphasis on cost-cutting enabled it to set aside funds for CSR activities from the very beginning. In its first year of operations, ASA Philippines decided to help out some clients by providing death benefits to 7 of them. It was neither a corporate brand-building exercise nor a product marketing strategy. The intention was just to serve the clients. It came as a surprise then when this informal CSR activity resulted in more business for the Foundation. Since then, the Foundation has formally adopted CSR as a core strategy and integrated various CSR activities into its business planning and operations. As the Foundation becomes more profitable, CSR initiatives are expanded and/or refined to cater to the needs of the marginalized poor communities. A corporate culture of employees helping out these poor communities is actively encouraged. CSR activities are viewed by the employees as a service to clients rather than additional work.

#### CSR History of ASA Philippines

##### 2005 – Death Benefits, Employment of Relatives of Clients

- Death benefits are provided free of premium to a client's beneficiary upon a client's death or to the client upon the death of her beneficiary.
- With respect to breaking the poverty cycle, the Foundation sees the bigger picture – aside from helping clients with their micro-businesses, the Foundation provides jobs for their unemployed son/daughter/other relative.

##### 2007 – College/University Scholarship Program

- Children of clients with above average grades in high school are given scholarships to continue their education in college or at university. Grants are good for a full 4-year course.

##### 2009 – Disaster Relief Assistance and Rehabilitation Loans

- Typhoons, floods, earthquakes and fires are common occurrences in the Philippines. ASA Philippines provides clients with relief goods (food/clothing/medicine/utensils/school supplies) packed by the staff themselves, outright cash assistance, non-interest bearing loans and/or interest forgiveness on outstanding loans. There have been many instances when outstanding loans were forgiven because of indigence reports related to calamities.

##### 2012 – Business Development Training and Marketing Support

- The Foundation, in collaboration with schools such as the University of Asia and the Pacific (“UA&P”) & the Quezon City local government through its Sikap Buhay program, conducts seminars for clients on business & financial management, business economics, accounting, and other specialized skills. The Foundation also organizes trade shows, bazaars and other displays to promote clients' products.

##### 2013 – Medical Missions, Tree Planting, Urban Gardening

- Health and dental check-ups for clients are conducted with the help of volunteer medical professionals.
- In coordination with the Department of Environment and Natural Resources, the Foundation participates in tree planting in order to mitigate the devastating effects of climate change.
- The urban gardening project was launched to help in greening the environment. Unutilized small spaces in the Foundation's branches are planted with vegetables and herbal plants for the use of branch staff. It is hoped that clients will be inspired to emulate this in their homes.

##### 2014 – Hospitalization Benefits, Cataract/Pterygium Operations, Cleft Lip/Palate Operations, Special Cases, Shari'ah Financing, Water and Sanitation Financing, Blood Donations

- Hospitalization benefits are provided free of premium to clients and their beneficiaries. These cover hospital rooms, doctors' fees and drugs.

- Cataract/pterygium and cleft lip/palate operations are done for clients and their children free of charge.
- The Foundation funds special cases (e.g. goiter, cyst, hernia, Pierre Robin Syndrome, cancer, bone fracture/deformity) which involve a one-time operation for clients or their beneficiaries.
- Shari'ah financing caters to Muslim female entrepreneurs who are given Murabaha (a cost plus product related to working capital) and Qard-e-Hasan (a product with zero charges) loans. To non-Muslims, Qard-e-Hasan is known as Rehabilitation Advance.
- Millions of poor Filipinos still don't have access to sanitary toilet facilities and clean water for drinking, cooking, bathing and washing. In collaboration with Water.org, the Foundation has launched a program offering clients health and hygiene education as well as loans tailored for the construction of clean water and proper sewage disposal facilities.
- In coordination with the Philippine National Red Cross, volunteer employees and clients of the Foundation donate blood for humanitarian purposes.

#### 2015 – Persons with Disability Rebates, Star Coke Program, SAF 44

- Loans with 50% interest rate rebates are given to clients who have or whose immediate family member has a disability (e.g. blindness, hearing loss, muteness, down syndrome, autism, physical deformity, psychiatric disorder). The rebates are intended to help defray some of their medical expenses.
- The Foundation collaborates with Coca-Cola Bottlers Corp. to help women entrepreneurs with a sari-sari (variety) store business by training them on financial literacy (ex. how to budget, debit/credit concept and inventory management) and giving them access to resources (fridge/cooler) and credit.
- SAF 44 refers to the 44 members of the Special Action Force, Philippine National Police who died in a terrorist operation. Financial assistance was given to widows of married soldiers and mothers of single soldiers to help them set up or improve their businesses.

#### 2016 – Child Feeding, Out-of-School Youth Training, Home Financing

- The Foundation assisted Assisi Development Foundation in its child feeding program. The program aims to reduce the malnutrition prevalence rate among children aged 12 years and under. Children are fed 5x a week for 6 months. At the end of each month, the children are weighed to measure the improvement in their nutritional status.
- ASA Philippines provides tuition funding to out-of-school children of clients who have finished high school and would like to pursue a 6-month course at the Technical Education and Skills Development Authority (“TESDA”). TESDA is the government agency tasked to manage the country's technical-vocational education and training system.
- Home financing loans are extended to clients who wish to renovate or improve their houses.

#### 2017 – Solar Home System Financing, Educational Financing

- Solar home system financing is offered to clients who don't have access to grid electricity or who experience frequent brownouts in their areas. A 50% interest subsidy as compared to a regular business loan is given for this type of financing.
- Educational financing assists clients in sending their children to elementary, secondary or tertiary schools. A 50% interest subsidy as compared to a regular business loan is given for this type of financing.

Today, ASA Philippines' CSR activities can be classified into these major areas:

- Disaster Relief – Typhoon/Fire/Flood/Earthquake Assistance, Rehabilitation Loans
- Health Care – Medical Missions, Death Benefits, Hospitalization Benefits, Cataract/Pterygium Operations, Cleft Lip/Palate Operations, Special Cases, Blood Donations, Water and Sanitation Financing, Persons with Disability Rebates, Child Feeding
- Education – College/University Scholarships, Out-of-School Youth (TESDA) Training, Educational Financing

- Livelihood – Business Development Training and Marketing Support, Employment of Relatives of Clients, Shari’ah Financing, Star Coke, SAF 44
- Housing – Home Financing, Solar Home System Financing
- Environment – Tree Planting, Urban Gardening

As of May 31, 2017, ASA Philippines Foundation has given assistance to 1,138,121 people and spent US\$17,018,595 on CSR activities.



**Table 07: ASA Philippines Foundation - CSR Activities From 2005 – May 2017**

YEAR	# PERSONS ASSISTED	AMOUNT SPENT* (IN US\$)
2005	7	1,100
2006	11	1,840
2007	173	63,780
2008	200	68,360
2009	21,914	246,640
2010	18,554	310,800
2011	37,348	684,960
2012	39,984	1,050,620
2013	180,642	2,714,688
2014	253,208	3,352,546
2015	133,479	2,744,743
2016	313,376	3,951,468
<b>TOTAL 2005-2016</b>	<b>998,896</b>	<b>15,191,545</b>
JAN. - MAY 2017	139,225	1,827,050
<b>TOTAL 2005-MAY 2017</b>	<b>1,138,121</b>	<b>17,018,595</b>

**\*Note:** Figures do not include Shari’ah, Water & Sanitation, Home, Solar Home System and Educational Financings. Peso amounts are converted to US\$ at the current rate of ₱50/\$1.

While cost-cutting, developing a superior product, and building a dedicated team of employees enabled ASA Philippines Foundation to engage in some CSR activities for its poor clients in the early years, these informal CSR activities unwittingly served as the extra fuel for the Foundation’s exponential growth thus enabling ASA Philippines to roll-out even more CSR activities. For instance, in places that experienced some sort of crisis, the Foundation conducted medical missions & subsequently saw the residents joining ASA Philippines as clients. Another example involved Super Typhoon Yolanda, one of the world’s strongest typhoons ever. The Foundation provided disaster relief assistance and rehabilitation loans to victims of Super Typhoon Yolanda, and experienced double its normal growth in the area after. CSR had inadvertently become a marketing tool. This was never the intention though. The intention of the Foundation has always been to serve the poor. The Filipino and Bengali word “asa” means hope and the Foundation stays true to its name by bringing hope to and uplifting the lives of the very poor.

Today, the Foundation can confidently say that its CSR program is sustainable. The Foundation does not see any need for further grants. In fact, not only is the CSR program sustainable, it is expandable as well. In past years, the Foundation primarily focused on helping its clients, while at times helping some non-clients. When the Foundation assisted its clients however, some non-clients in the various communities felt excluded and wondered why they didn't count. As a result, starting in 2014 (after the Yolanda crisis), the Foundation moved towards assisting non-clients in a more significant manner. ASA Philippines has now formally expanded its CSR mission coverage -- it's not only clients who should receive assistance, but their communities as well.

### Conclusion

Dr. Sebastian's paper [1] discusses how non-financial services or CSR programs in microfinance institutions have so far proven to be a cost center, thus unless an MFI has unused funds or available grants, providing them may cause the MFI some financial strain. The issue of sustainability is inevitably raised. Flores' and Serres' study [2] tracked five major Latin American MFIs and found that these MFIs were able to marry non-financial services with their traditional financial services. However, they faced a resultant heavier cost structure which they then passed on to their indigent clients through higher interest rates. Clients who were not willing or were unable to pay more for non-financial services were not given a choice to opt out. Gray, Gash, Reeves and Crookston in their study [3] made a case for the coordinated integration of financial and development services to lift families out of poverty. The two case studies they presented involved CSR programs which were implemented with donor support. History has shown us, however, that external funding cannot always be relied on. During the '90s, there was donor fatigue in funding MFIs. Commercialization of MFIs pushed through. The crisis led the microfinance sector towards the path of self-sufficiency. Many MFIs were unable to meet the new paradigm though and ceased operations.

So is it possible for a development institution, particularly one that deals with low-income communities, to achieve its corporate mission of making a social impact while attaining financial sustainability? Can an MFI provide non-financial services and survive without either relying on external grant funding or passing on the cost of NFS to its poor clients via a burdensome interest rate hike? The conventional wisdom is that it probably is not possible. ASA Philippines Foundation has however proven otherwise. It was able to incorporate an expanded, sustainable CSR program into its corporate mission while at the same time achieve financial sustainability. Management is the most critical factor. CSR needs to be part of a management's vision, mission and will. From day one, ASA Philippines went into the business of microfinance with the understanding that this was not enough to lift clients out of poverty. CSR activities needed to be married with microfinance services to truly improve the lives of the poor. The Foundation started out with a small and informal CSR program, then formalized and boosted up its CSR activities as its income increased. A low cost model, a dedicated workforce and an attractive product were fused together to achieve profitability within 3 years. As of end May 2017, internally generated funds or net surplus (fund balance less contributed capital) stands at US\$52,032,677. Total taxes paid to the government from 2004 - May 2017 amount to US\$14,869,524. Loan loss reserve as of end May 2017 is at US\$10,488,148. US\$17,018,595 has been spent for CSR activities from 2005 - May 2017. Today, approximately 5% of the Foundation's gross income or 15% of its net income is devoted yearly to CSR activities.

Initial grants to the Foundation totaling US\$827,200 were utilized as seed capital. The Foundation has subsequently politely declined all offers of grant funding. Given the challenges associated with relying on grant funding especially during tough economic times, ASA Philippines has excised grants out of the equation. The Foundation believes that a built-in sustainable CSR program in a microfinance institution is doable and replicable. Throughout its nearly 13-year track record, ASA Philippines Foundation has proven that social work, via a meaningful CSR program, can be implemented sustainably.

Note: For presentation purposes before an international audience, all Philippines Peso figures have been converted to US\$ at the prevailing exchange rate of ₱50/US\$1.

**References**

- [1] Sebastian, Asuncion M. (2017). *Non-Financial Services as Tools For Inclusive Development: The Philippine MFI Experience*. Manila: De La Salle University.
- [2] Flores, Iris Lanao and Serres, Philippe (September 2009). *Microfinance and non-financial services: an impossible marriage?*. *Private Sector & Development*, Proparco's Magazine, Issue 3.
- [3] Bobbi Gray, Megan Gash, Scarlett Reeves and Benjamin Crookston (2011). *Microfinance: A Sustainable Platform for Non-Financial Services*. *Progress in Economics Research*, Volume 20. Nova Science Publishers, Inc.