

## TSPI Development Corporation

### **Brief History**

TSPI Development Corporation is a non-stock, non-profit development organization duly registered with the Philippine Securities and Exchange Commission (SEC). It was established as Tulay sa Pag-Unlad, Inc. on October 9, 1981 by a group of Christian businessmen and professionals who shared the common vision of reaching out to the poor.

TSPI started its operations at the Conservatory Baptist Association of the Philippines (CBAP) headquarters. Its first program was the Individual Lending Assistance Program (ILAP) targeted at small entrepreneurs with business expansion plans that could create jobs for the poor. In 1989, it launched its Sasakyan ng Bayan (SAKBAYAN) program targeted at tricycle drivers and operators whose loans are used for the purchase of tricycle units. In 1992, it introduced its Kabuhayan Program, a loan product that targets poor women who need start-up or support funds for microenterprises. In 1995, TSPI changed its name from Tulay sa Pag-Unlad, Inc. to TSPI Development Corporation. The new name seeks to better reflect the emerging character of TSPI as a corporate agent of development aspiring to transform lives of poor people through micro and small enterprise development on a sustainable basis.

### **Methodology**

There are three main financial products that TSPI offers. These are: the TSPI Kabuhayan (Livelihood) Program (TKP), the Association for Social Advancement (ASA) Program, and the Small and Micro Enterprise Development Program (SME). Each program adopts a distinct methodology designed to cater to different target groups among the poor. Microfinance products offered include loans for business, housing, education and other purposes; savings; and micro-insurance.

**TKP1 (TSPI Kabuhayan Program 1)** targets poor women; adopts a modified Grameen Bank model; offers loans for micro-enterprises ranging from Php 500 - 20,000; requires group guarantee (20 members); mobilizes weekly savings; and extends micro-insurance benefits.

**TKP2 (TSPI Kabuhayan Program 2)** is a graduation model for TKP1 clients. It offers loans for business expansion, ranging from Php20,000 to Php50,000.

**ASA Program** targets low-income women and men micro-entrepreneurs. It adopts the modified ASA (Association for Social Advancement in Bangladesh) model, with loan size ranging from Php 1,000 - 50,000. It involves group membership (10-40 members) but adopting individual responsibility in loan payment. To secure a loan, it requires three co-makers. Like TKP1, it mobilizes weekly savings and extends micro-insurance benefits.

**Small and Medium Enterprise Development Program (SME)** caters to the needs of tricycle drivers and operators and other small entrepreneurs. The program provides credit for the purpose of business expansion and job creation. Loans are secured by collateral. The current programs under this are: SAKBAYAN or Sasakyan ng Bayan (Transport for the Masses), the TAP (Tricycle Drivers & Operators Assistance Program) and ILAP (Individual Loan Assistance Program)

To complement the financial services, TSPI also provides a capability-building program for clients involving leadership skills development and values formation on the one hand, and entrepreneurship development on the other.

### **Area of Operations**

TSPI operates 67 branches in the provinces of Metro Manila, Cavite, Quezon, Batangas, Laguna, Rizal, Bulacan, Nueva Ecija, Pangasinan, Tarlac, La Union, Ilocos Sur, Camarines Norte, Camarines Sur, and Albay.

### **Clients**

As of June 30, 2005, TSPI served 133,682 active clients, 109,629 of whom are active borrowers. 99.8% of borrowers are women. Its loan portfolio reached PhP 505.1 million.

Active clients	Active savers	Active borrowers	Gender
133,682	n/a	109,629	99.8% women

As of June 30, 2005

## Poverty Focus

TSPI targets poor women clients from both rural and urban areas. About 98% of its portfolio is dedicated to microentrepreneurs under its TKP and ASA Programs, while the remaining 2% is devoted to the development of small entrepreneurs and the transport sector under the SME Program. Its average loan balance is PhP 4,583, equivalent to 7.5% of per capita GNP.

Average loan outstanding	Average outstanding loan size/ GNP per capita	Average deposit size
US\$ 81	7.5%	n/a

As of December 31, 2004

Exchange rate: US\$1 = PhP 56.27

GNP per capita: PhP 60,859

## Distinctive Features

TSPI is one the pioneer microfinance institutions in the Philippines. It is responsible for setting-up six other MFIs in the Alliance of Philippine Partners in Enterprise Development (APPEND) network. Presently, TSPI is one of the largest MFIs in the Philippines in terms of the number of active borrowers and the value of gross loan portfolio.

## Innovations

Micro Insurance is an integrated value-added feature in TSPI microfinance programs. It is referred to as Damayan to reflect the essence of this social protection facility, which promotes mutual support among the TSPI clients. The Damayan offers clients a form of security in case of death, accident and disability. The micro-insurance benefits include: life insurance coverage of 2x-3x the loan value (with double indemnity benefit in case of death from accident), accidental medical expense reimbursement, accidental disability, and credit life.

TSPI recently launched its farm credit program, called the TSPI Palayan Program (TPP). This program aims to provide small Filipino rice farmers, tilling 5 hectares or less, with access to farm credit. With a production loan of PhP 20,000, rice farmers are provided with hybrid seeds and the necessary labor and farm inputs to maximize the productivity of a one-hectare rice land. The TPP pilot is being implemented in coordination with Bayer CropScience, the Department of Agriculture, Philippine Crop Insurance Corporation (PCIC), and accredited input suppliers and rice traders, with technical assistance from the Microfinance Council of the Philippines and Punla sa Tao Foundation.

Business Development Services or BDS is another value-added service being piloted for TSPI clients. The aim of complementing microfinance with BDS is to facilitate the growth of clients from micro level operations to small and medium scale. Among the BDS models being piloted include building the capacity of micro-entrepreneurs to develop business plans, inculcate the habit of record keeping and supporting the growth of community-based enterprises through product quality improvement, technology upgrading and broadening of market.

## Financial Results

As of June 2005, TSPI's total resources amounted to PhP 681.6 million with outstanding loans of PhP 505.1 million. It had liabilities and fund balance worth PhP 419.7 million and PhP 261.9 million, respectively. TSPI achieved an OSS ratio of 121.8% and an FSS ratio of 108.9% in June 2005. Its PAR > 30 days improved to 1.1% from last year's 1.7%. (Source: TSPI)

Loan portfolio	Portfolio at risk > 30 days	Savings deposits	OSS / FSS	RoE / RoA
US\$ 9 million	1.1%	n/a	121.8% / 108.9%	n/a

As of June 30, 2005

Exchange rate: US\$1 = PhP 56.27

## Challenges and Development Plans

TSPI aims to serve 500,000 clients by 2009. Accomplishing this outreach target requires continuing organizational strengthening to support the expansion thrust. TSPI has started to implement a four-pronged development strategy to address the capability building requirements that go with expansion, namely:

- **Organizational development**- calls for the decentralization and setting up of regional offices;
- **Manpower development** – calls for improved recruitment strategies, intensive staff training and building up of middle and top management capabilities;

- **Management Information System** – calls for the upgrading of the computerized MIS to enhance the integrity of records with the increasing volume of transactions;
- **Product development** – calls for the continuous development of products and services to respond to the needs of the clients.

Other vital components to the structural transformation include the establishment of:

- **TSPI Mutual Benefit Association (MBA)**  
TSPI shall spin-off its micro-insurance services from external service providers to its own mutual benefit association to directly extend micro-insurance to its clients;
- **TSPI Business Solutions**  
TSPI shall set-up its own business development services center to meet the capacity-building requirements of its small and medium entrepreneurs;
- **TSPI Knowledge and Development Centers**  
TSPI shall establish sectoral knowledge and development centers to meet the training and development needs of TSPI as well as other microfinance players;
- **TSPI Early Education Facility**  
TSPI shall also establish its own early education facility to delivery quality pre-school education to the children of clients.

### ***Inclusion in the Financial Sector***

TSPI plans to establish its own bank to broaden its resource capability to achieve its scale-up client outreach target. However, TSPI is at present advocating for the creation of a new category of microfinance banks, called social development banks or SDBs. The creation of this bank will enable TSPI to offer poor clients with a wider range of financial services, particularly savings. However, unlike the traditional banks, the concept of an SDB maintains the spirit of an NGO where all profits will continue to be plowed back to advance the mission and that, stakeholders will not receive any form of financial return. Since MFIs, like TSPI, are fundamentally in partnership with the government in doing what basically is a government mandate, that of poverty alleviation, TSPI is advocating that SDBs should not be taxed at all.

### ***Sources***

TSPI Annual Report 2004

TSPI Annual Report 2003

[www.tspi.org](http://www.tspi.org)

Microfinance Council of the Philippines Database