

# KASHF FOUNDATION

Quarterly Report | April – June 2015

## *Institutional Achievements*

- Active Clients: 250,062
- Outstanding Portfolio PKR 4.5 billion
- Cumulative Amount Disbursed: PKR 43.8 billion
- Cumulative Loans: 2.73 million
- Active Persons Insured in Health Insurance: 592,473
- Staff Attrition: 1.2%
- Staff Head Count: 2,061
- Cumulative Financial Education Participants: 1065113
- Cumulative Gender Training Participants: 80,036
- Cumulative Business Incubation Lab Graduates: 10,183
- Total Number of Low-cost Private Schools Financed: 171
- Total Number of Low-cost Private School Students Impacted: 19,080
- Total number of Low-Cost Private School Teachers Trained: 472
- Total number of School Owners Trained: 200



## *Social Performance Management Dashboard*

Percentage of Women-Led Businesses: 55%	Clients from Less-Developed Regions: 39%
New Clients Below the Poverty Line: 100%	Households Below 30 on Poverty-Scorecard: 36%
Client Retention Rate: 63%	Client Satisfaction: 99%
Staff at Different Management Levels: 45%	Loan Utilized for Business Purposes: 98%
Increase in Income for: 70% of the clients	Increase in Savings for: 79% of clients
Decrease in Domestic Violence for: 97%	

## *Quarterly Highlights*

Kashf Foundation has continued its work for the mainstreaming of low-income households through its suite of financial and non-financial products and services.

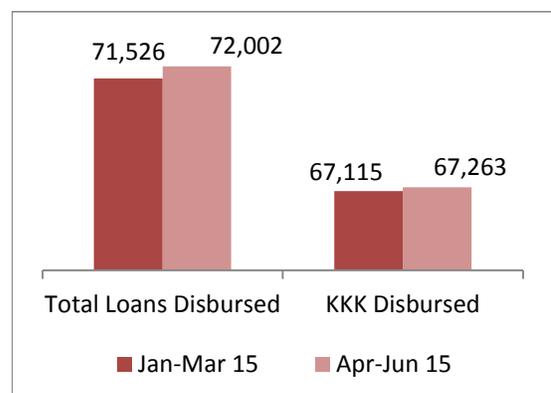
Kashf was able to disburse 72,002 loans, provide life insurance for 144,004 lives, cover 334,442 persons in micro-health insurance, and train 83,016 participants in Financial Education.

The unique number of low-income people insured by Kashf Foundation at June end, in its life and health insurance program, stood at 869,610.

## **Operational Performance- Overall Growth**

Kashf Foundation's active clientele at the end of June 2015 stood at 250,062 clients (compared with 233,677 clients in the previous quarter). 72,002 loans have been disbursed in the current quarter compared to 71,526 loans in the previous quarter, which represents a marginal increase of approximately 0.66%.

Consequently, there has also been a marginal increase in the outstanding portfolio from PKR 4.2 billion in March to PKR 4.5 billion by end of June.



### **Portfolio**

<b>Active Clients, Loans and Portfolio</b>		
	<b>Apr-Jun 2015</b>	<b>Jan-Mar 2015</b>
<b>Total Kashf Clients</b>	250,062	233,677
<b>Outstanding Portfolio</b>	4,608,418,200	4,217,581,654
<b>Amount Disbursed (KKK, KIKK, KM)</b>	2,135,909,000	2,135,066,000
<b>Loans Disbursed (KKK+KIK+KM)</b>	71,632 (67,263 + 2,192 + 2,177)	71,374 (67,115 + 2,012 + 2,247)

In the current quarter Kashf has disbursed 67,263 Kashf Karobar Karza Loans (KKK), 2,192 Kashf Ibtida-e-Karobar Karza Loans (KIKK), and 2,177 Kashf Murabaha loans (KM). The KKK continues to be the main lending product for the Foundation with disbursements of over PKR 2.02 billion. Kashf disbursed PKR 53.4 million under KIKK which supports start-up businesses. KM loans worth over PKR 60.8 million were disbursed in Abbottabad, Noshera, Mansehra and Haripur districts of KPK.

The average loan size witnessed a positive trend depicting a marginal increase from PKR 29,378 to PKR 30,000 by the end of the quarter. Kashf's loan size is determined by an extensive business and household appraisal of clients under Kashf's lending methodology which means that the loan is approved based on the cash-flows and business needs of the client.

### **Updates on Kashf Micro-Health Insurance - (Kashf Sehatmand Zindagi Bima)**

Kashf's unique pro-women family health insurance product is covering a total of 592,473 lives. In the current quarter, under the health insurance program, 334,442 lives have been insured (compared to 186,393 in the last quarter). Kashf's health insurance product provides cover to the entire family with hospitalization coverage for up to PKR 30,000 per family member. The product is currently being rolled out and is offered in 31 operational areas out of 33 existing operational areas. The uptake and performance of the product has been going well. The areas are well-serviced with respect to good quality hospitals and there is an array of well-established panel hospitals. Moreover, client awareness regarding the importance of seeking professional health-care is also on the higher side. The current quarter claims experienced a range of medical conditions including but not limited to Hypertension Management, Head Injuries, Chemotherapies, Gastroenteritis, Chronic Live Diseases, Caesarian Section, Hepatitis, Kidney Diseases, and Typhoid etc.

## ***Financial Sustainability – Overall Performance***

The overall liquidity has declined during the current quarter, mainly because of the debt repayments worth PKR 754 million – this includes a repayment of PKR 378 million to PPAF, PKR 140 million to JS bank, PKR 84 million to MCB, PKR 66 million to UBL Bank and PKR 9 million to Silk Bank. Kashf's overall consolidated PAR stood at around 0.65% at the end of this quarter.

The weighted average cost of funds for this quarter has been 9.82 %, with COF for commercial loans at 10.28% and PPAF loans at 8.90%. Currently, there is an available pool of PKR 365 million and an expected inflow of PKR 300 million from PPAF and PKR 300 million from UBL Bank; to support on-going cash-flow needs. Kashf expects to raise PKR 3.6 billion from local and foreign commercial

sources over the year 2015, along with expanding the outreach to several first and second tier banks. This will be particularly contingent on being able to provide assets to back up these commercial loans, and to improving the debt to equity ratios.

	<b>Apr – Jun 2015</b>	<b>Jan – Mar 2015</b>
<b>Cash to Total Assets</b>	4.61%	2.18%
<b>Short Term Investments &amp; Cash to Total Assets</b>	8.35%	8.04%
<b>Return on Investments</b>	8.17%	9.81%
<b>Cash to Current Liabilities</b>	10.96%	4.37%

Overall, the total income in the current quarter has increased by 8.6% due to an increase in income from service charges as a result of an increase in disbursements. Increased income and funding contributions will improve the organization's equity base, which is essential to increase the portfolio and reach out to more potential clients.

<b>Income From Financial Services</b>		
	<b>Apr-Jun 15</b>	<b>Jan-Mar 15</b>
<b>Service Charge</b>	443,082,952	397,518,774
<b>Investments</b>	31,386,427	39,362,687
<b>Other Income</b>	22,319,362	20,341,839
<b>Total Income</b>	496,788,741	457,223,300

There are several aspects that impact the overall financial performance of the organization. The key financial drivers that can impact include inflation, pricing, cost of funds, portfolio quality, BDO productivity and average loan size disbursed. These indicators have always played a very strategic role in strengthening Kashf's financial performance.

### ***Efficiency Ratios***

Kashf has been continuously working towards ensuring greater efficiency in its individual lending appraisal backed model. Along with various other initiatives, the organization has been extensively focusing on timely liquidity management and access to capital, through a focus on building the organization's equity.

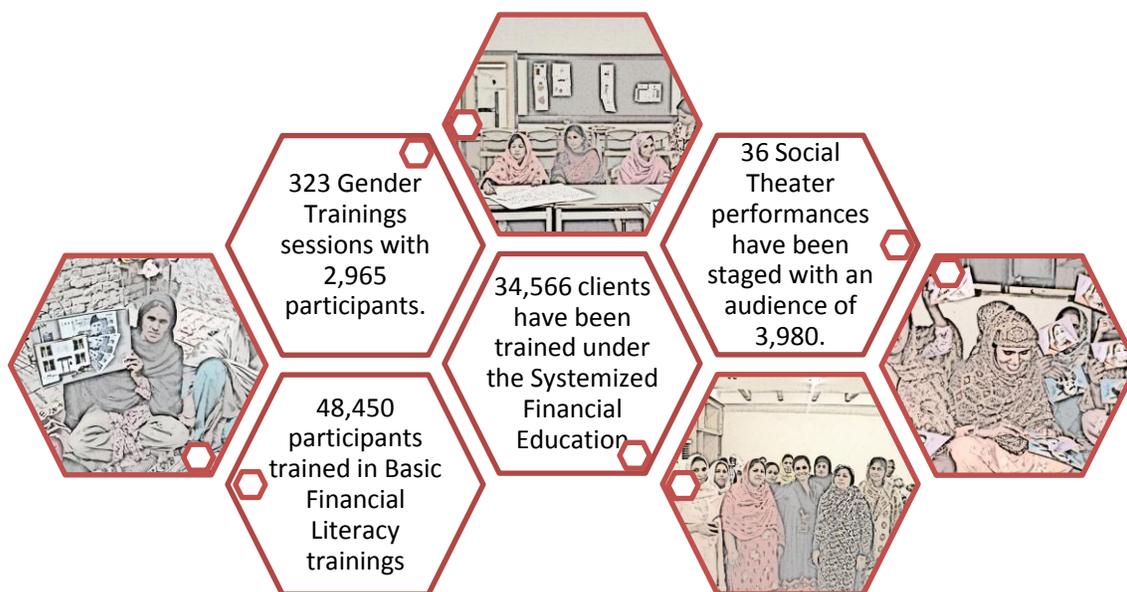
The administrative efficiency ratio, which maps the resources used to build a quality portfolio, has shown improvement, with the ratio standing at 20.45% at the end of this quarter (compared to 20.97%

at the end of previous quarter) due to a decrease in administrative expenses. The OSS has shown an increasing trend; with the ratio standing at 120.7% in Jun 2015 (compared to 116.2% in Mar 2015); whereas the FSS has increased to 109.2% (compared to 106.6% in Mar 2015). This increase can be attributed to the increase in number of disbursements and a reduction in the inflation rate.

	Jun 2015	Mar 2015
<b>Administrative Efficiency</b>	20.45%	20.97%
<b>Operational Self Sufficiency (OSS)</b>	120.7%	116.2%
<b>Financial Self Sufficiency (FSS)</b>	109.2%	106.6%

### ***Gender Empowerment and Social Advocacy***

GESA Programs have been effectively contributing towards achieving their project’s ultimate outcomes and improving the conditions and capacities for women’s participation in informal and formal economic activities by providing them financial literacy trainings and access to business development services.



### ***Women Entrepreneurs Council***

2 quarterly meetings of Women Entrepreneurs Council have been conducted (1 in Punjab and 1 in Karachi). 30 area level meetings have been conducted with WEC members of Sindh and Punjab with the agenda of collecting suggestions on Kashf’s policies, products and services from the council members. In total, 40 recommendations have been received through WEC’s feedback during this quarter regarding relaxation in the loan criteria, efficiency of the disbursement process and expansion of non-financial training services. These recommendations have been compiled together and are yet to be shared with the Executive Body for revision and implementation.

### ***Business Incubations Labs***

In the current quarter 185 clients from the 6<sup>th</sup> batch graduated from the Business Incubation Lab program which brings the total number of graduates from the 6<sup>th</sup> batch to 1,849 clients. Moreover, 1,971 clients have been inducted into the program for the 7<sup>th</sup> Batch. These clients are trained on business management, marketing and networking and product innovation techniques. These entrepreneurs have also been taken on market visits to local market places to help them understand various marketing techniques employed by vendors. During this period, 521 market linkages have been developed with vendors.

The Business Incubation Labs program is a first of its kind intervention in the microfinance sector aimed at helping self-employed and micro-entrepreneurs enhance their business scope and scale. Currently, 37 BILs are operating across the network and providing business support services to participating women clients, whereas 19 additional Trainers were hired and trained for BIL scale up activities across the network. The financial tracking and budgeting taught to female entrepreneurs during the BIL trainings has aided them to maintain simple budgets, determine exactly how much revenues and expenses they incur and make effective business decisions. BIL clients and graduates have submitted their embroidery samples; the selected embroidery samples will be provided opportunity to display their embroidery work at Kashf's 20 years celebrations.

### ***Kashf Foundation's Vocational Skills Training Program***

During this quarter, Kashf Foundation continued its classes for its Vocational Skills Training Program under PSDF Skills for Market 14-15 Project. For 2nd phase of the project, Kashf has enrolled 376 trainees through its 20 training centers established in Lahore for Domestic Tailoring, Beautician and Adda Work in order to equip them with technical and vocational skills to make them economically empowered and self-sufficient. A two-day Training of Trainers has been conducted with Teachers and Supervisors. 13 % of the certified participants from the previous batch have been provided KF loan services to establish their businesses. Monthly reports have submitted to PSDF. Third party monitoring of project has started.

## ***Human Resource Management & Development***

### ***Key Trends***

- The total staff count at the end of June 2015 stood at 1,687 and the female gender ratio at the organizational level was 50%.
- A total of 125 employees have been recruited for the field and 5 employees have been hired for Head Office positions. Out of the total recruited staff, 64 employees have been females.
- Overall Employee Turnover has been 3% owing to the resignation of 50 staff members and termination of 8 members.
- 39% of Kashf staff report to a female boss.

### ***HR Initiatives***

- Live-in Sessions for 19 staff members from newly opened branches from Region 5 (Gulshan e Hadeed, Khairpur, Bin Qasim and Chundiko) were conducted in April. The training included sessions on Kashf's History & Values, Organizational Culture & Diversity, Dignity at Workplace, Fraud & Internal Control, Operations Policy, Customer Care & Client Protection Code and Importance of Teams & field exposure.
- In collaboration with IMS Knowledge the Learning and Development team arranged a two days **"Leading with Passion"** Training. The training was conducted by Dr. Mehvish Baig who is a certified Franklin Covey trainer, having more than 11 years of administration and management experience in USA. 31 Head Office staff including Deputy Managers, Assistant Managers, Senior Area Managers and Senior Associates were participants of this training.

- The learning team completed the 4 phases of the follow up strategy on Kashf as Wealth Management Company. The phases included communication on Kashf as an emerging wealth management company, marketing strategies on introducing new products and services to the clients, questionnaire based on the previous communications and the field follow-ups by HR team to gauge field level understanding.
- 4 New staff orientations were conducted by the Learning Team in which 81 participants were monitored and assessed.
- Monthly ongoing initiatives including Employee of the Month (for all tiers and functions), Peer Recognition Program, HR Newsletter, Exit Interviews, Late Closing Survey and Star Performers Lunch with the Managing Director. Moreover, ‘Tea with HR’ which is a recognition session with top performers for the month has been initiated from June 2015 for staff from the South region. The HR helpline received 181 queries in total. The maximum numbers of queries have been regarding benefits (health claims & final settlement).
- 360 Degree Feedback of Head Office Management (Chiefs, Heads, Sr. Managers and Managers was completed. The feedback was taken from peers and direct reportees. Results were shared with the respective line managers.
- HO Annual Iftar was organized in last week of June.

### *Human Resources Trend Analysis*

	April-June 2015		Jan-March 2015	
<b>Total Permanent Staff</b>	1687		1714	
<b>Total HO Staff</b>	109		116	
<b>Total Field Staff</b>	1578		1598	
<b>Gender</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
<b>Number</b>	854	833	858	856
<b>Total Staff (Trainee + Permanent)</b>	1774		1764	
<b>Total Staff (HO)</b>	112		116	
<b>Total Staff (Field)</b>	1662		1648	
<b>Gender (Trainee + Permanent)</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
<b>Ratio</b>	50%	50%	50%	50%
<b>Number</b>	896	878	858	856
<b>Total Staff Recruited</b>	130		43	
<b>Total Staff Recruited – HO</b>	5		2	
<b>Total Staff Recruited - Field</b>	125		41	
<b>Gender Recruited Staff</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
<b>Number</b>	66	64	16	27
<b>Turnover (Quarterly)</b>	<b>Voluntary</b>	<b>Involuntary</b>	<b>Voluntary</b>	<b>Involuntary</b>
<b>Number</b>	50	8	39	10
<b>Overall Turnover</b>	3.4%		3%	
<b>Number</b>	58		49	