



**Financial Services for All**

(A Company set up under Section 42 of the Companies Ordinance 1984)

**QUARTERLY REPORT**

**July – September 2010**



**Contents**

**Overall Growth .....3**

*General Loan and Outreach ..... 4*

*Providing Ancillary Services to Clients ..... 5*

**Financial Sustainability .....6**

*Overall Performance..... 6*

*Efficiency Ratios ..... 7*

*Life Insurance ..... 8*

**Human Resources .....9**

*HR Trend Analysis..... 9*

*HR Achievements..... 10*

**Gender Empowerment and Social Advocacy (GESA) .....11**

*Basic Financial Literacy ..... 11*

*Monitoring and Refresher Sessions on Basic Financial Literacy:..... 11*

*Systemized Financial Education Program ..... 12*

## Overall Growth

The recent flooding in Khyber Pakhtoonkhwa and Punjab has impacted Kashf Foundation's business. Even though Kashf Foundation's program is a largely urban program some areas served by Kashf Foundation have been directly impacted by flooding, i.e. South Punjab and Sargodha. In these areas Kashf Foundation has re-oriented its strategy and field teams have been asked to suspend disbursements for the short-medium term with a special focus on follow ups with clients. For clients that have lost a significant part of their businesses and whose income generation capacity has been diminished due to the flooding, clients have been given grace periods to pay back their installments.

The affect of the flooding has also spilled over to other areas which have not been impacted directly by flooding through food inflation and price hikes due to flooding. In these areas also for some branches disbursements have been suspended and Kashf staff is undertaking increasing follow-ups on outstanding loans.

Consequently, the pace of growth for the new portfolio has been slower in this quarter compared to the last quarter. Kashf Foundation closed the current quarter, i.e. July – September, with an outstanding portfolio of Rs. 3.5 Billion and an active clientele of 324, 547.

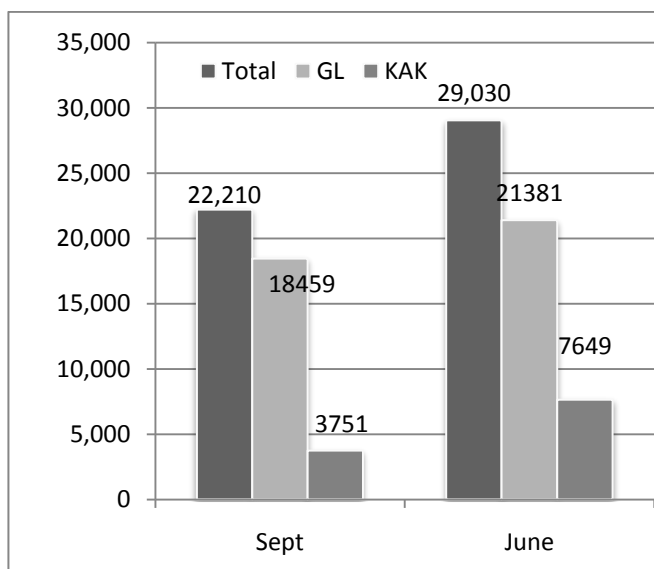
Moreover, there was continued emphasis on building a strong and healthy relationship with clients along with introducing initial plans to scale up a financial literacy programme. Kashf Foundation continues its focus on building a robust eco system in the sector by enabling clients to make responsible financial decisions through its newly piloted financial literacy approach.

There was a marginal increase in the number of active clients; from 323,334 in June 2010 to 324,547 active clients in September 2010. New disbursements worth Rs. 482 M were made in this quarter.

## General Loan and Outreach<sup>1</sup>

OUTREACH		
	JULY – SEP 10	APR 10 – JUN 10
Active Clients and Outstanding Portfolio		
<b>Total Kashf Clients</b>	324,547	323,334
<b>Cumulative Portfolio</b>	3,482,583,485	3,583,647,709
Cumulative Loans Disbursed		
<b>Cumulative GL Loans</b>	1,114,606	1,092,396
Loans Disbursed in Quarter		
<b>Amount Disbursed</b>	482,678,000	627,167,000
<b>Loans Disbursed (GL + KAK)</b>	22,210 (18,459 + 3,751)	29,030 (21,381 + 7649)

In the third quarter of 2010, 18,459 General Loans were disbursed under the new methodology (compared with 21,381 loans disbursed in the previous quarter). This denotes a slight decrease in the pace of new disbursements due to branch level disbursement suspensions. The number of KAK disbursements have also decreased due to the same reason from 7,649 in April – June 2010 to 3,741 in July – Sept 2010.



<sup>1</sup> Emergency Loan Disbursements are still on hold based on so that more funds can be channelized towards the setting up of long-term income-generating businesses which is the need of the hour in the current economic environment, especially for Kashf's clientele

### **Providing Ancillary Services to Clients**

In the current quarter Kashf Foundation continued with the Breast Cancer Awareness Campaign in collaboration with the Women Empowerment group. This campaign launched by the Women Empowerment Group aims to increase awareness about breast cancer and provide free of cost mammography services to high risk population.

Kashf Foundation collaborated with Women Empowerment Group and provided logistical support for these sessions in selected branches. The Women Empowerment Group arranged for a mobile van equipped with state of the art mammogram and ultrasound machinery. Free screening services were provided to clients that would otherwise cost them from Rs. 3,000 – 8,000. The lady doctors and technicians involved with the clinical examination belonged to Anmol Hospital Lahore. The program was piloted in 4 branches i.e. Baghbanpura, Begumpura, Chungi2, and Qainchi with an outreach of 120 clients. Kashf Foundation received a very positive feedback from clients about this campaign and client were very satisfied through with the process and appreciated the services of Kashf Foundation and Women Empowerment Group.



## Financial Sustainability

### Overall Performance<sup>2</sup>

Kashf continued with its strategy to maintain high levels of liquidity; consequently a higher proportion of funds was invested in short-term investments (approximately 55% percent of the total investment pool) to increase efficiency through a higher yield. At the end of the quarter, the total investment portfolio stood at to Rs. 551 Million [compared with Jun where it was Rs. 946 Million].

RATIOS		
	JUL-SEP 2010	APR-JUN 2010
Cash to Total Assets (%)	30.13%	19.60%
Short Term Investments and Cash to Total Assets (%)	40.01%	41.11%
Cash to Current Liabilities	0.3x	0.2x
Return on Investments	11.79%	12.10%

The sources of finance for the quarter ending September 2010 remained the same as the previous quarter and on-lending funds were met through PPAF funds. Kashf has received Rs. 455 Million from PPAF. The average Cost of Funds (COF) for this quarter was 11.52% (compared to 11.47% in June 2010). The reason for this increase is due to new loan facility of Rs. 1.75 Billion from PPAF was acquired at a rate of 11.77%.

<sup>2</sup> Figures in this for Quarter 3 are audited figures, which may vary from the unaudited figures provided in the previous quarterly report.

<b>INCOME FROM FINANCIAL SERVICES</b>			
	Jul-Sep 2010	Apr-Jun 2010	Weight age (%)
Service Charge	126,867,055	143,537,436	70.61%
Investments	43,940,700	39,406,113	24.46%
Other Income	8,867,364	23,424,530	4.94%
<b>Total Income</b>	<b>179,675,119</b>	<b>206,368,079</b>	

There has been a 13% decrease in income from service charge during this quarter as compared to the 2<sup>nd</sup> quarter of 2010. This difference is mainly due to audit adjustments and a slower pace of disbursements in the current quarter. However, income from investments has increased by 10% over last quarter.

The return on investments has decreased to 11.79% [Apr-June: 12.10%]. The income from insurance premium (which is

a major part of Other Income) decreased in this quarter due to a slower pace of new disbursements.

### Efficiency Ratios

There is improvement in the administrative efficiency ratio when compared the previous quarter. This has been due to an increase of Rs. 225 M in the outstanding portfolio.

The operating expense ratio stood at 26% in the current quarter (compared to 28% in Jun 2010).

<b>EFFICIENCY RATIOS</b>		
	SEP 2010	JUN 2010
Administrative Efficiency	47.11%	61.75%
Operating Efficiency	26%	28%
Operational Self Sufficiency (OSS)	89%	72.76%
Financial Self Sufficiency (FSS)	71%	70.75%

At September end, the OSS stood at 89% (compared to 72.76% in Jun 2010) and the FSS is 71% (compared to 70.75% in Jun 2010). The improvement in both, the OSS and the FSS, can be attributed to the smooth recovery and controlled PAR of the new portfolio.

## Life Insurance

The table below shows the number of life insurance clients during the first quarter of 2010. Life Insurance follows disbursement trends, and has consequently shown a decrease compared to the previous quarter.

Insurance Enrollment		July – Sep 2010	Apr - Jun 2010	Total
Premium Received	Lives Covered	44,100	56,558	100,658
	Amount (In Rs.)	8,914,790	11,606,310	20,521,100
Payout		1,561,590	2,679,200	4,240,790
Number of Claims		174	130	301

The total number of lives insured cumulatively by Kashf Foundation till Sep 2010 is 20,521,100. The total number of claims for the quarter was 174 totaling to a payout of Rs. 1.5 Million.



## Human Resources

### HR Trend Analysis

HR TREND ANALYSIS				
	JULY – SEP 10		APR 10 – JUN 10	
<b>Total Permanent Staff</b>	1,287		1,271	
Total HO Staff	93		95	
Total Field Staff	1,194		1,176	
<b>Gender</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Number	749	538	765	506
<b>Total Staff (Trainee + Permanent)</b>	1,399		1,392	
Total Staff (HO)	96		99	
Total Staff(Field)	1303		1,293	
<b>Gender (Trainee + Permanent)</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Ratio	56	44%	58%	42%
Number	789	610	802	590
<b>Total Staff Recruited</b>	108		111	
Total Staff Recruited – HO	4		3	
Total Staff Recruited - Field	104		108	
<b>Gender Recruited Staff</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Number	39	69	33	78
<b>Turnover (Quarterly)</b>	<b>Voluntary</b>	<b>Involuntary</b>	<b>Voluntary</b>	<b>Involuntary</b>
Number	57	12	51	15
<b>Overall Turnover</b>	5%		5%	
Number	69		66	

- The total staff count is currently 1,399 and the female gender ratio at the organizational level stood at 44% at the close of this quarter of 2010.
- The recruitment team continued to identify and employ talented and committed staff as 108 employees were inducted during the last quarter.
- Total 104 employees were recruited for the field and 64% of these were females, whereas 4 employees were hired for Head Office positions.
- Overall Employee Turnover was 5% as 57 staff resigned and 12 staff were terminated

### Learning Team Activities

Activity	Quarter ended Sept 2010	
	# of Trainings	# of Participants
New Staff Orientation	4	109
External Training	2	2
Internal Trainings	75	1,968

Trainings: Internal and External

### HR Achievements

The following initiatives were taken in the HR department during the current quarter:

- Incentive was given for HO & regional staff.
- 360\* evaluations of Area Managers were conducted.
- The climate survey for HO staff was conducted and the outcomes were analyzed.
- There was an improvement in gender ratio from 42% to 44% female staff at an organizational level
- The Branch Manager development program was conducted.
- HR also collaborated with the Kashf Microfinance Bank Limited and Women's World Banking to develop a strategy for Kashf Kamal Committee marketing. For this, manual on saving was designed and pilot tested in Kiosk branches. 2 Kiosk trainers were also hired and trained.

## **Gender Empowerment and Social Advocacy (GESA)**

The third quarter of 2010 was particularly important for GESA as the Basic Financial Literacy project was initiated with USAID grants. The basic financial literacy program aims to educate clients about the proper use of credit to get maximum benefits from the loan they acquire. Kashf foundation is the first organization in the sector to introduce this innovative program for clients. In the current quarter the basic financial literacy program was piloted in 75 branches of Punjab from August to September 2010.

### **Basic Financial Literacy**

The aim of the basic financial literacy project is to educate Kashf's clients about the proper use of the loan taken from Kashf Foundation. The project will help clients understand proper planning for loan utilization and enable them to manage their income and expenses. Through the basic financial literacy program, Kashf Foundation's vision of transforming lives of low income households will be furthered. Under the basic financial literacy program, loan officers provide a one-on-one training to new clients on key themes of financial literacy and good financial management.

In the current quarter, the module and calendar on basic financial literacy were designed and disseminated in branches. For the pilot phase, 75 branches were selected. Since this program is implemented in field by Loan Officers and Branch Managers, TOTs (Training of the trainers) were conducted by GESA team for the Branch Managers and Loan officers. The GESA team arranged 36 area based TOT sessions for 960 staff members on Basic Financial Literacy and Consumer Protection. Moreover, a grading report on TOT was generated.

### **Monitoring and Refresher Sessions on Basic Financial Literacy:**

The basic financial literacy program pilot was initiated from August 2nd in 75 branches across Punjab. For effective implementation, staff facilitation and guidance the GESA team has devised monitoring and refresher sessions for branch managers and loan officers.

A total of 39 monitoring visits were conducted in the current quarter. These visits also included a refresher session on the basic financial literacy training. During these monitoring visits, GESA team observed and identified gaps in trainings being conducted by staff and helped staff develop a better understanding of the training content. Moreover, the monthly monitoring report was also compiled and shared with Kashf Management.

### **Systemized Financial Education Program**

Kashf Foundation is also developing a longer term financial education program for Kashf Foundation's mature clients. This project is also being undertaken with the help of USAID grants. For the systemized financial education program, the GESA team has started designing the curriculum. These trainings will be undertaken in the community with groups of 10-15 selected entrepreneurs. Each entrepreneur will have to go through all four modules and will be given a certification. The objective of this project is to enhance client productivity, increase incomes and expand businesses. It also aims to empower clients to make better financial choices, and manage their money in a better way.

In this quarter, GESA undertook research and developed modules on Saving, Budgeting and Debt Management. 20 sessions were conducted to test out these modules (10 sessions on Savings, 7 sessions on Debt Management, 3 on Budgeting). Fourth and the final module on Financial Transactions is in designing phase; which will be pilot test in next quarter.