



Kashf Foundation Quarterly Report

July – September 2011

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Operational Performance¹

Overall Growth

In the period July to September 2011, Kashf Foundation continued with the growth pace from the last quarter and closed the quarter with an outstanding portfolio of PKR 2.3 Billion and an active clientele of 240,335. The total number of disbursements in the current quarter were 37,145 (compared to 40,980 in April - June 2011) which shows a slight decrease, approximately 9%. This can be attributed to the relatively slow pace of disbursements in August which were consciously kept low to account for Ramadan- the Islamic month of fasting. As the month of Ramadan fell in the summer season which meant that fasts were up to 12-14 hours long- Kashf Management has preemptively planned to account for this by keeping disbursement targets for August on the lower side.

Despite the low targets in August, there was an increase of approximately 7% in the number of Active Clients i.e. 240,335 clients in September 2011 compared to 225,298 active clients in June 2011.

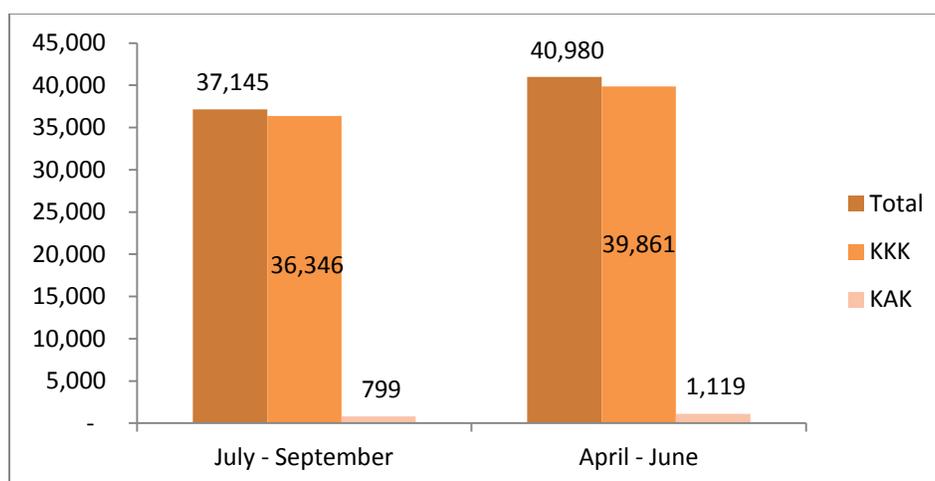
General Loan and Outreach²

	JULY – SEPT 11	APR – JUNE 11
<i>Active Clients and Outstanding Portfolio</i>		
<i>Total Kashf Clients</i>	240,335	225,298
<i>Cumulative Portfolio</i>	2,334,317,841	2,115,412,478
<i>Cumulative Loans Disbursed</i>		
<i>Cumulative KKK Loans</i>	1,235,287	1,198,142
<i>Loans Disbursed in Quarter</i>		
<i>Amount Disbursed</i>	809,999,000	916,489,000
<i>Loans Disbursed (KKK + KAK)</i>	37,145 (36,346 + 799)	40,980 (39,861+ 1,119)

¹ Figures in this for Quarter 3 are audited figures, which may vary from the unaudited figures provided in the previous quarterly report.

² 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

In the current quarter, i.e. July - September 2011, 36,346 KKK loans were disbursed under the new methodology (compared with 39,861 loans disbursed in the previous quarter). This denotes approximately decrease of approximately 8% in the pace of new KKK disbursements which as explained earlier has been due to adjusted targets in lieu of the month of *Ramdan*. The number of KAK disbursements has continued to decrease with total disbursements in the current quarter at 799 compared to 1,094 in Oct-Dec 2010 and 811 in Jan-March 2011. This has been due to the Management's strategy of prioritizing KKK disbursements over KAK at the branch level.



Financial Sustainability

Overall Performance³

The liquidity ratio has shown a slight increase as compared to last quarter as a result of the funds received from PPAF in the current quarter. In order to manage the total available liquidity pool more efficiently, Kashf Foundation has continued to follow its strategy of rolling over short term investment to maximize

	JULY – SEPT 11	APR – JUNE 11
Cash to Total Assets (%)	22%	20.54%
Short Term Investments and Cash to Total Assets (%)	25.10%	27.25%
Return on Investments	11.50%	12.10%
Current Ratio	1.074x	0.868x
Quick Ratio	0.74x	0.74x

³ 3rd quarter figures are restated based on the audited financial which may vary from the previous quarterly report.

the yield on investment portfolio, currently 24 percent of the total investment pool can be characterized as 'short-term investment'. At the end of the quarter, the total investment portfolio stood at Rs. 426 Million [compared with Rs. 534Million in June 2011].

The major source of funding during the current quarter was PPAF which provided Rs. 1.0 billion whereas an amount of Rs. 150 million was also raised from commercial market i.e. HBL under the PRISM facility. The weighted average cost of funds for the current quarter is 13.17%, with COF for commercial loans at 12.93% and COF from PPAF at 13.27%, compared to 12.89% (weighted average COF) for the last quarter. Currently, there is an available pool of Rs. 885 million which will be used to meet the debt obligation of Rs. 276 million over the next two months.

There has been an 8% increase in 'income from service charge' during the current quarter as compared to the previous quarter. The increase in income can be attributed to growth in portfolio size. The table on the right shows the mix of total income for the current quarter. Due to the repayments made to commercial banks and PPAF of the existing loans, there is a decline in investment income by 30%.

INCOME FROM FINANCIAL SERVICES			
	July-Sep 2011	Apr-Jun 2011	Weight age (%)
Service Charge	156,439,358	128,103,189	81.28%
Investments	26,126,842	38,011,590	13.58%
Other Income	9,893,801	9,657,382	5.14%
Total Income	192,459,301	175,772,161	100%

Efficiency Ratios

There has been a slight decrease in administrative efficiency ratio, which is 41.12% in the current quarter (compared to the previous quarter where it was 40.24%). The operating expense ratio stood at 28.86% in the current quarter (compared to 31.66% in June 2011). The profitability ratios have demonstrated an upward trend in the last two quarters, the OSS stood at 88% in Sep 2011 (compared to 86% in June 2011) and the FSS is 79% (compared to 77% in June 2011).

EFFICIENCY RATIOS		
	SEP 2011	JUN 2011
Administrative Efficiency	41.12%	40.24%
Operating Efficiency	28.86%	31.66%
Operational Self Sufficiency (OSS)	88%	86%
Financial Self Sufficiency (FSS)	79%	77%

Life Insurance

The table below shows the number of lives insured through Kashf Foundation during the current quarter and its comparison with the previous quarter. Life Insurance follows the same trend of disbursements, and has consequently shown a decrease over the previous quarter.

Insurance Enrollment		July-Sep 2011	Apr – Jun 2011	Total
Premium Received	Lives Covered	74,290	81,962	156,252
	Sum insured (In Rs.)	14,967,750	16,796,690	31,764,440

Human Resources

HR Trend Analysis at a Glance

- The total staff count is currently 1,592 and the female gender ratio at the organizational level stood at 49% at the close of this third quarter of 2011.
- The recruitment team continued to identify and employ talented and committed staff as 112 employees were inducted during the current quarter.
- A total of 110 employees were recruited for the field and 52 of these were females, whereas 2 employees were hired for Head Office positions.
- Overall Employee Turnover was 5% as 42 staff resigned and 13 staff were terminated

HR TREND ANALYSIS				
July-Sept-2011			April-June-2011	
Total Permanent Staff	1,468		1,396	
Total HO Staff	98		96	
Total Field Staff	1,370		1,300	
Gender	Male	Female	Male	Female
Number	760	708	750	626
Total Staff (Trainee + Permanent)	1,592		1,562	
Total Staff (HO)	101		102	
Total Staff(Field)	1,491		1,460	
Gender (Trainee + Permanent)	Male	Female	Male	Female
Ratio	51%	49%	51%	46%
Number	818	774	800	688
Total Staff Recruited	112		166	
Total Staff Recruited – HO	2		6	
Total Staff Recruited - Field	110		160	
Gender Recruited Staff	Male	Female	Male	Female
Number	58	54	50	55
Turnover (Quarterly)	Voluntary	Involuntary	Voluntary	Involuntary
Number	42	13	51	21
Overall Turnover	5%		5%	
Number	55		68	

Learning Team Activities

Activity	Quarter ended Sept 2011	
	# of Trainings	# of Participants
New Staff Orientation	6	84
External Training	4	17
Refreshers	37	2,483
Internal Trainings	15	451

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

- The Kashf Certification Program was undertaken with 308 participants which included BDOs and BAs. These participants had been nominated for the program by their AMs and RMs. The Program consists of a 3 day live-in session in Lahore aimed at developing the skills of the participants to enhance their efficiency, increase their impact, enable them to become better professionals, and help them meet upcoming challenges in a more effective manner.
- An exposure visit was organized to the Hatton National Bank, Sri Lanka for a contingent of 15 participants including HO Managers and Area managers. The aim of the exposure was to familiarize the team with Hatton Bank's microfinance operations and observe their strategies for mobilizing and retaining clients.
- A training was organized for the HO staff Culture and Ethics which was led by the senior management including the Managing Director, Head of Operations and Head of Internal Audit.
- Star Performer BDOs, BA and BM Lunch with the Managing Director has been organized in August and September, to acknowledge the hard work of high achieving BDOs, BAs and BMs. Under this initiative, the top performing BDOs, BAs and BMs from all regions are selected and invited to the head office to discuss their performance over lunch with the Managing Director. This session not only recognizes the efforts and hard work of the BDOs, BA's and BM's but also motivates them to maintain their high performance and encourages others to follow suit.
- The employee engagement function has introduced an Employee of the Month scheme across all areas at all field levels, i.e. BDO, BA, BM and AM. In the coming

months, Compliance, IT and IA functions will also be added in the Employee of the Month Initiative.

- A Women Leadership Development Program for female BM pipeline staff was undertaken with 10 pipeline BMs which comprised of a leadership module and a module on essential management skills development.
- Customer Care and Client Protection Trainings and Policy Refreshers were undertaken with all field staff.

Gender Empowerment and Social Advocacy (GESA)

Major Highlights

- The Basic Financial Literacy & Consumer Protection Trainings continued across Kashf branches. Basic Financial Literacy trainings focus on educating clients about the more efficient use of loans to maximize the benefit they can get from the loan. Along with this GESA also carried out Systemized Financial Education Program for female entrepreneurs through 32 Area-based Trainers.
- The ground-work for the Business Incubation Lab project was initiated.
- Pilot test for Gender Training was initiated in 4 districts; Lahore, Gujranwala, Kasur, and Karachi.

Kashf Foundation Holistic Financial Inclusion Program

Basic Financial Literacy

Basic Financial Literacy trainings were delivered by KF's Business Development Officers to potential women clients and any additional male family members where necessary. These trainings are provided prior to loan disbursement in order to educate clients on the basics of borrowing, debt management, savings, client rights, and details of the financial agreement that they are undertaking with KF. In the current quarter 37,117 clients received Basic Financial Literacy Trainings.

Advanced/Systemized Financial Education

The Advanced/Systemized Financial Education training is being delivered by 32 specialized trainers to women clients who have existing loans with KF. In this quarter, 21,693 clients were trained in the Systemized Financial Education trainings. These training sessions were module-based workshops with certification in four subject areas: Savings, Budgeting, Debt Management and Financial Transactions.

Business Incubation Labs

In this quarter, a total of 150 women entrepreneurs were selected from branches in Lahore, Gujranwala and Multan to carry out the research. The 3 BIL trainers were posted at each of these areas to select an estimated 100 entrepreneurs per branch (i.e. total of 300 entrepreneurs) and they conducted 42 focus group discussions with a total of 300 women entrepreneurs to assess their (1) entrepreneurial capacity, (2) access to finance, (3) access to markets and (4) social barriers preventing growth of women enterprises. Moreover after FGDs completion, trainers shortlisted 150 entrepreneurs and are conducting a baseline survey using semi-structured interviews to gauge their existing capacities. In total 20 quality checks were undertaken by Asst Manager GESA on the focus group discussions. These included spot checks during FGDs and follow-ups with clients after the FGDs were conducted.

Gender Trainings

In this quarter, GESA initiated pilot test of Gender Trainings for clients and their male spouses and adolescent sons/brothers. GESA Trainers successfully completed pilot phase of gender trainings and trained 602 clients, 683 male and 333 boys through 118 training sessions. These trainings created awareness about gender discrimination and help change the mindsets of participants about gender norms in relation to women's participation in the economy and their access to financial services.

Financial Education in PPAF Priority Districts

GESA has also conducted 46 trainings with 2,370 clients in PPAF priority districts of Gujrat, Sialkot, Khushab, Multan and Bahawalpur. These trainings aim to improve clients understanding of financial matters and help them manage their businesses better. In these sessions clients were trained on benefits of effective use of loans in productive purposes, improving their negotiation skills, making their household and business budgets, and the

importance of savings. These group based trainings were complimented with a video tutorial to increase the recall value and efficacy of the training content.

PPAF Theatre Program

Theater Program is another exclusive task of GESA, which aims to generate awareness among both clients and non clients through social messaging on financial education and gender equality. In this quarter, GESA celebrated 60 theatre performances, reaching a total of 6,280 clients. Males also attended these performances and acknowledge Kashf on this promotion.