



**Financial Services for All**

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

**QUARTERLY REPORT**

**October - December 2010**

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## Overall Growth

In the time period October to December, Pakistan continued to face the negative effects of the August flooding through food inflation, price hikes and commodity shortages. Consequently, Kashf management slowed down the pace of growth during this period. This resulted in lower disbursements and Kashf Foundation closed the current quarter, i.e. October – December, with an outstanding portfolio of PKR 3.3 Billion and an active clientele of 312,146. In the current quarter staff continued to focus on building a strong and healthy relationship with clients through field follow-ups and the scaling up of the financial literacy program.

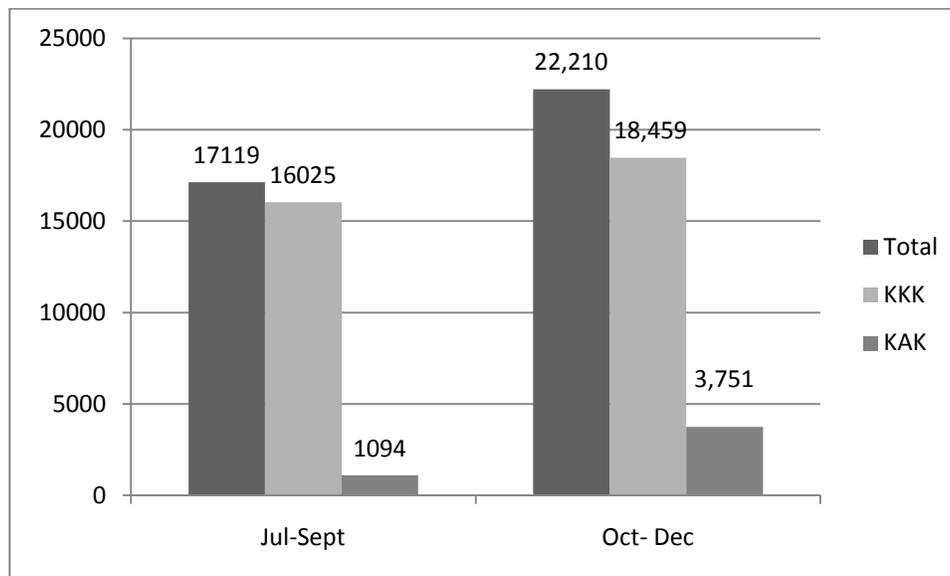
Consequently, there was a decrease in the number of active clients; from 324,547 in September 2010 to 312,146 clients in December 2010. New disbursements worth Rs. 368 M were made in this quarter.

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

OUTREACH		
	OCT – DEC 10	JULY – SEP 10
<i>Active Clients and Outstanding Portfolio</i>		
<b>Total Kashf Clients</b>	312,146	324,547
<b>Cumulative Portfolio</b>	3,303,725,748	3,482,583,485
<i>Cumulative Loans Disbursed</i>		
<b>Cumulative GL Loans</b>	1,131,725	1,114,606
<i>Loans Disbursed in Quarter</i>		
<b>Amount Disbursed</b>	369,429,000	482,678,000
<b>Loans Disbursed (GL + KAK)</b>	17,119 ( 16,025 + 1,094 )	22,210 (18,459 + 3,751)

In the fourth quarter of 2010, 16,025 KKK Loans were disbursed under the new methodology (compared with 18,459 loans disbursed in the previous quarter). This denotes a decrease in the pace of new disbursements due to branch level disbursement suspensions, which were undertaken keeping in mind the external risk environment. The number of KAK disbursements have also decreased due to the same reason from 3,741 in July – Sept 2010 to 1,094 in Oct-Dec 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. In this quarter 65 clients of Kashf Foundation availed this service in Jallo 1, Jallo 2, Chungi 2, and Shahdaramore. Clients were very happy and satisfied with the process and also appreciate the services of Kashf Foundation.

## 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 (51 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 Rs. 479 Million [compared with Sep where it was Rs. 551 Million].

RATIOS		
	OCT-DEC 2010	JUL-SEP 2010
Cash to Total Assets (%)	41.17%	30.13%
Short Term Investments and Cash to Total Assets (%)	48.78%	40.01%
Cash to Current Liabilities	0.5x	0.3x
Return on Investments	11.79%	11.79%

The major sources of finance for the Foundation were the PPAF and MCB during October-December 2010. An amount of PKR 1,160 million was received from PPAF and PKR 225 million term loan was received from MCB under the MCGF of the State Bank. The average Cost of Funds (COF) for this quarter was 12.70% (compared to 11.52% in Sep 2010). The main reason for the increase in COF is because the new loan facilities of Rs. 1.75 billion from PPAF have a higher mark up, i.e. it is linked with the one year KIBOR and stood at 13.26%.

There has been a 13% decrease in income from service charge during this quarter as compared to the 3<sup>rd</sup> quarter 2010. The major reason for the decline in income is reducing outstanding portfolio, which has reduced by Rs. 180 million approximately over the quarter. This contraction in portfolio was a deliberate decision on the part of the management (as explained in the section above) as a reaction to increased

<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.

risk resulting from inflation and macro-economic turbulences. The table on the right shows the income for the Foundation for the current quarter. Income from investments has increased

INCOME FROM FINANCIAL SERVICES			
	Oct-Dec 2010	Jul-Sep 2010	Weight age (%)
Service Charge	110,312,867	126,867,055	66.69%
Investments	50,519,171	43,940,700	30.54%
Other Income	4,581,653	8,867,364	2.77%
<b>Total Income</b>	<b>165,413,691</b>	<b>179,675,119</b>	<b>100%</b>

by 15% and average return on investments is 11.79%. Other income (i.e. documentation charges and insurance premium) reduced substantially due to the lesser disbursements during this quarter.

### Efficiency Ratios

There has been an improvement in the administrative efficiency ratio, which is 40.54% in the current quarter [compared to the previous quarter; 47.11%] due to an increase in the average portfolio from October to December (1,096 M in current quarter compared to 972 M in previous

EFFICIENCY RATIOS		
	DEC 2010	SEP 2010
Administrative Efficiency	40.54%	47.11%
Operating Efficiency	27.46%	26%
Operational Self Sufficiency (OSS)	88%	89%
Financial Self Sufficiency (FSS)	72%	71%

quarter). The operating expense ratio stood at 27.46% in the current quarter (compared to 26% in Sep 2010) which can be attributed to (1) decreased income as growth declined, and (2) a one-off performance incentive given to all field and head office staff.

At December end, the OSS stood at 88% (compared to 89% in Sep 2010) and the FSS is 72% (compared to 71% in Sep 2010). The OSS and the FSS has remained constant mainly due to greater focus on quality of portfolio.

### Life Insurance

The table below shows the number of life insurance clients in the current and previous quarters. Life Insurance follows disbursement trends, and has consequently shown a decrease compared to the previous quarter. The total number of lives insured cumulatively by Kashf till Dec 2010 is 15,729,160. The total number of claims for the quarter was 200 totaling to a payout of Rs. 1.7 Million.

Insurance Enrollment		Oct – Dec 2010	July – Sep 2010	Total
Premium Received	Lives Covered	34,020	44,100	78,120
	Amount (In Rs.)	6,814,370	8,914,790	15,729,160
Payout		1,767,200	1,561,590	5,040,690
Number of Claims		200	174	374

## Human Resources

### HR Trend Analysis

HR TREND ANALYSIS					
		Oct – Dec 10		APR 10 – JUN 10	
<b>Total Permanent Staff</b>		1,268		1,271	
Total HO Staff		95		95	
Total Field Staff		1,173		1,176	
<b>Gender</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	
Number	705	563	765	506	
<b>Total Staff (Trainee + Permanent)</b>		1,487		1,392	
Total Staff (HO)		98		99	
Total Staff(Field)		1389		1,293	
<b>Gender (Trainee + Permanent)</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	
Ratio	54%	46%	58%	42%	
Number	802	685	802	590	
<b>Total Staff Recruited</b>		217		111	
Total Staff Recruited – HO		3		3	
Total Staff Recruited - Field		214		108	
<b>Gender Recruited Staff</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	
Number	99	118	33	78	
<b>Turnover (Quarterly)</b>	<b>Voluntary</b>	<b>Involuntary</b>	<b>Voluntary</b>	<b>Involuntary</b>	
Number	72	23	51	15	
<b>Overall Turnover</b>		8%		5%	
Number		95		66	

- The total staff count is currently 1,487 and the female gender ratio at the organizational level stood at 46% at the close of this quarter of 2010.
- The recruitment team continued to identify and employ talented and committed staff as 217 employees were inducted during the last quarter.
- Total 214 employees were recruited for the field and 56% of these were females, whereas 3 employees were hired for Head Office positions.
- Overall Employee Turnover was 8% as 72 staff resigned and 23 staff were terminated

### Learning Team Activities

Activity	Quarter ended Dec- 2010	
	# of Trainings	# of Participants
New Staff Orientation	8	197
External Training	2	21
Refreshers	1	1,500
Internal Trainings	90	1,583

### HR Initiatives

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

- A staff policy Jalsa was organized in collaboration with USAID. This Jalsa had over 1600 staff from all over Punjab and Karachi in attendance. The event was very successful in increasing staff morale and increasing policy clarity across all tiers.
- Health Insurance and Life Insurance benefits for all employees were renewed with a EFU insurance policy covers;
- HR department reiterated and re- emphasized the importance of the HR help line to staff;
- Initiatives to increase the gender ratio were continued, and in the current quarter there was an improvement in the gender ratio from 44% to 46% female staff at an organizational level
- HR initiated the Certifications Process for trainee staff;
- Increased visits of the HR team to the field to enhance relationship with field staff through more personal interaction;
- Internal promotions were focused upon, and this was linked with the learning team activities, i.e. module development to help staff develop and graduate to the next level.

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

The last quarter of 2010 was important for GESA as 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. GESA also carried out research and development for the modules on Savings, Budgeting, Debt Management and Financial Negotiations. These modules will be incorporated in the Systemized Financial Education program that the Foundation plans to implement.

Moreover, to mark the start of the “16 Days of Activism to End Gender Based Violence Against Women Campaign”, GESA initiated a Signature Campaign at the Kashf Head Office in which all head office staff signed a commitment to end violence against women.

## **Basic Financial Literacy Programme**

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 this quarter 22,123 clients were trained in 134 branches. GESA team monitored 52 BDOs and conducted 63 refresher sessions. In these refresher sessions, GESA team gave guidelines to staff about conducting trainings. The monthly monitoring report was also compiled and discussed with the management team. Calendars on BFL were also disseminated on monthly basis.

## **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.

For Systematic Financial Education Program, four modules i.e. Saving, Debt Management, Budgeting and Financial Negotiation were developed and piloted in Bedian and Chunian branches with groups of 10-12 female entrepreneurs. These sessions were found successful, as the clients actively participated in all activities gave positive feedback to improve the modules.

## **Signature Campaign to end Violence against Women**

On the occasion of the "16 Days of Activism to End Gender-based Violence Campaign", GESA initiated a Signature Campaign at the Head Office in which Kashf Management and staff actively participated by signing a banner having slogan of "No one is safe until women are safe". The staff also gave their commitments to end violence against women. At this signature campaign, Managing Director Roshaneh Zafar said that:

"Violence against women is antithetical to the integrity, self esteem and status of women. Thus it is necessary to provide equal opportunities and facilities to women at every level. The main reason of violence on women is that women are economically weak. By providing economic opportunities to women we will help them to become independent so that women's social status can be changes and decision making power can be enhanced."

Ms. Roshaneh Zafar further said that we will have to understand the importance to 16 Days of Activism with this hope and enthusiasm that where ever woman is not safe, not a single member of the society is safe.