



Kashf Foundation Quarterly Report

October-December 2013

KASHF FOUNDATION

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Operational Performance¹

Overall Growth

Kashf Foundation ended the period October - December 2013 with an active clientele of 323,820 clients (compared with 316,483 clients in the previous quarter) and an outstanding portfolio of Rs. 4.02 billion (compared to Rs. 3.7 billion at September 2013 closing).

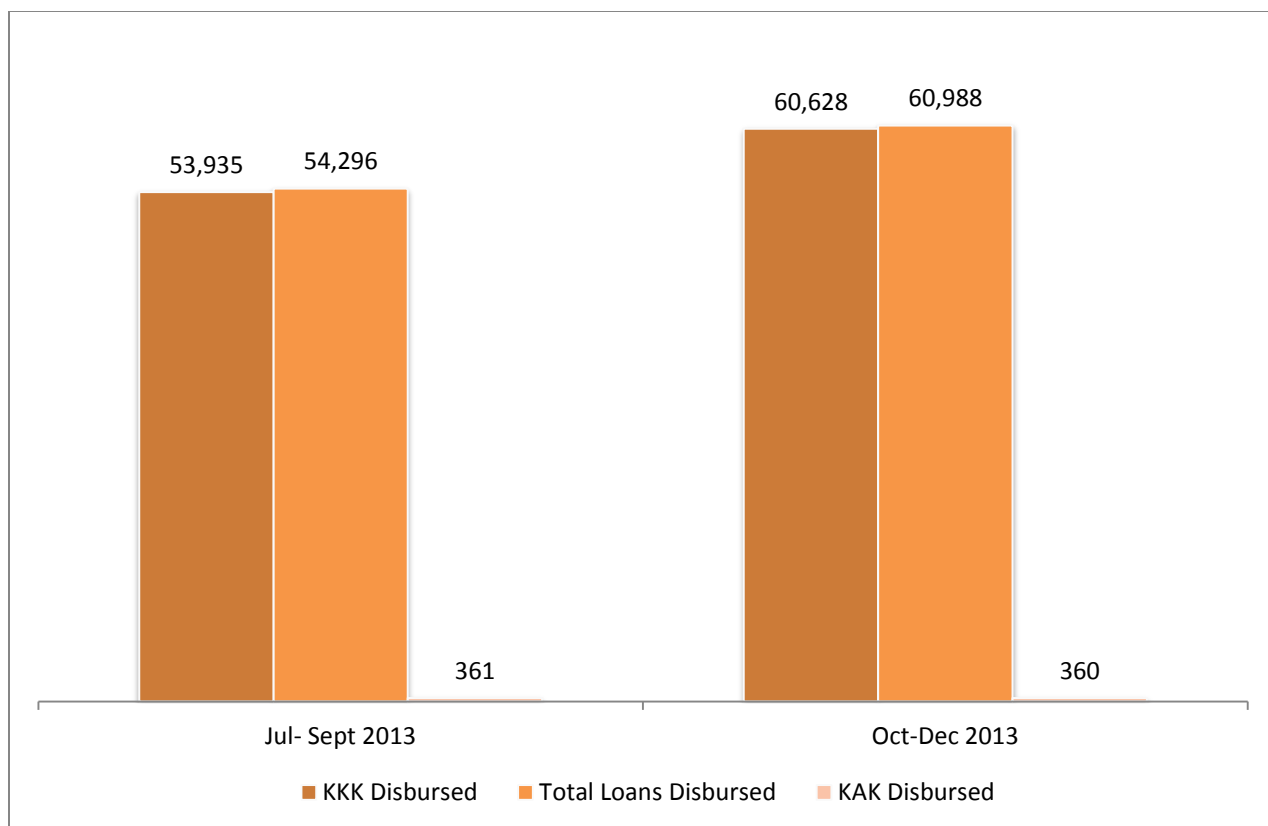
61,392 loans were disbursed in the current quarter compared to 54,780 loans in the previous quarter, which represents an increase of approximately 12%. For the current quarter, field teams were able to over achieve weekly, monthly and quarterly branch targets.

General Loan and Outreach

	October – December 2013	July – September 2013
Active Clients and Outstanding Portfolio		
Total Kashf Clients	323,820	316,483
Cumulative Portfolio	4,026,530,363	3,703,195,355
Cumulative Loans Disbursed		
Cumulative Loans	1,696,311	1,634,919
Loans Disbursed in Quarter		
Amount Disbursed (KKK+KAK)	1,691,772,000	1,452,465,000
Loans Disbursed (KKK + KAK)	60,988 (60,628 + 360)	54,296 (53,935 + 361)
Average Loan Size (KKK+KAK)	27,557	26,751

Kashf Foundation disbursed 60,628 Kashf Karobar Karza loans in the current quarter compared to 53,935 loans disbursed in the previous quarter.

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



The average loan size has increased from Rs. 26,751 in the last quarter to Rs. 27,587 in the current quarter – the average loan size for the sector is Rs.26, 838². Kashf Foundation’s lending methodology allows an extensive business and household appraisal for the clients, based on which the loan size is determined. The capital provided through Kashf is thus aligned to the business needs of the clients while ensuring that the client is not over-burdened by the debt.

Kashf Murabaha (Shariah Compliant Product)

Kashf Foundation introduced a Shariah Compliant Kashf Murabaha product in the province of Khyber Pakhtoonkhwa (KPK) in the previous quarter. In the current quarter, Kashf has expanded operations in KPK to Mansehra and Noshera districts also through a network of 3

² Microwatch – Pakistan Microfinance Network, December 2013.

branches. 649 Murabaha loans worth 10.5 million were disbursed in this quarter compared to last quarter's 484 Murabaha loans worth Rs. 10.4 million.

Financial Sustainability Overall Performance³

In the current quarter the liquidity ratio increased compared to the last quarter due to inflow of funds from PPAF obligations. Overall there were inflows of Rs. 730 million (Rs.700 million from PPAF and Rs. 30 million from KIVA) and total outflows of Rs. 580 million against the repayment of loans.

	Oct– Dec 13	July – Sep 13
Cash to Total Assets (%)	10.37%	8.60%
Short Term Investments and Cash to Total Assets (%)	15.36%	15.28%
Return on Investments	9.48%	10.10%
Cash to Current Liabilities	23.0%	19.0%

In order to manage the total available liquidity pool more efficiently, the Foundation undertook the following; (1) maintenance of the balance in high yield bank accounts, and (2) continued roll-over of short term investment to maximize the yield on investment portfolio. Currently 38 % of the total investment pool can be characterized as 'short-term investment'.

The major source of funding during the current period has been PPAF and KIVA, which as mentioned earlier have provided Rs. 700 million and 30 million respectively. The weighted average cost of funds for the current quarter is 10.20%, with COF for commercial loans at 11.38% and PPAF loans at 9.06%. Currently, there is an available pool of Rs. 547 million and an expected inflow of Rs. 375 million for the next quarter consisting of Rs. 300 million from Silk Bank to support on-going cash-flow needs and Rs.75 million from MCB bank for head office building construction.

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

In the current quarter, the income from service charge has increased due to the increase in the size of the portfolio. However, other income has shown a decrease which is mainly due to the disposal gain on sale of vehicles that was booked in last quarter (Jul-Sep 13). There has been a decrease in income from investments due to the decrease in return on investment as a result of encashment of HBL TDR of Rs. 30 million and JS Bank TDR of Rs. 30 million. Overall, total income has increased by 2.8% compared to the previous quarter.

INCOME FROM FINANCIAL SERVICES			
	Oct-Dec 13	Jul-Sep 13	Weight age
Service Charge	313,147,263	289,855,337	88.35%
Investments	21,956,983	30,198,148	06.20%
Other Income	19,316,557	24,678,084	05.45%
Total Income	354,420,803	344,731,569	100%

Efficiency Ratios

There has been a slight improvement in the administrative efficiency ratio, which is 21.47% in the current quarter (compared to 22.02% in the previous quarter). The Sustainability ratios have shown a declining trend; the OSS decreased to 118.6% in Dec 13 (compared to 121.5% in Sep 13) and the FSS decreased to 107.5% (compared to 110% in Sep 13). Decline in sustainability ratios can be attributed to decline of approximately Rs. 14 million in investment income and other income and increases in financial cost by Rs. 7 million as compared to the previous quarter.

EFFICIENCY RATIOS		
	Dec 2013	Sep 2013
Administrative Efficiency	21.47%	22.02%
Operational Self Sufficiency (OSS)	118.6%	121.5%
Financial Self Sufficiency (FSS)	107.5%	110%

Gender Empowerment and Social Advocacy (GESA)

Kashf Foundation Holistic Financial Inclusion Program

Business Incubation Labs

In this quarter, the second batch of 1,680 women entrepreneurs graduated under the Business Incubation Lab program. These clients were trained on Business Management, Marketing and Networking, and Product Innovation modules of Business Incubation Lab Program. 15% these inducted entrepreneurs were taken to the local market places to help them understand various market techniques employed by vendors. During this period, 149 market linkages were developed with vendors. Trained entrepreneurs also developed linkages with other entrepreneurs, which will help them get support in the form of labor, selling products, identifying markets etc. A new batch of 1,700 women entrepreneurs has been inducted.

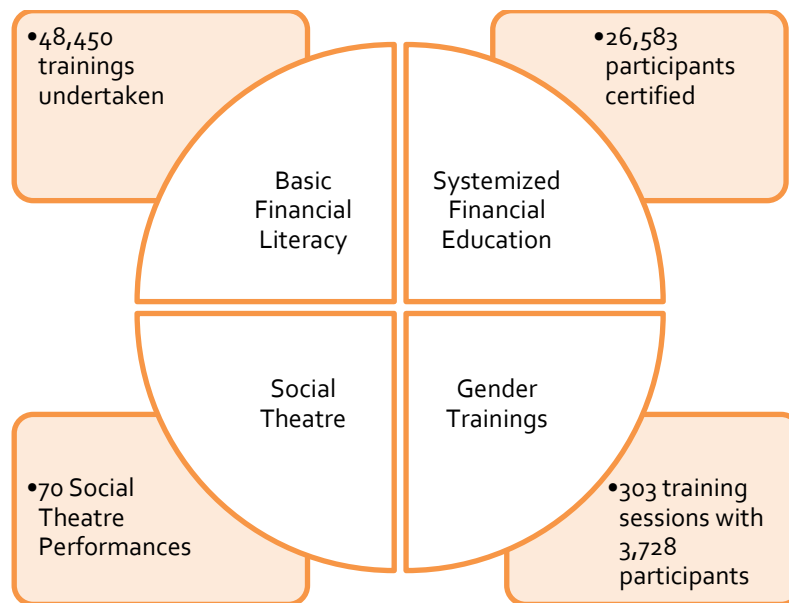
Women Entrepreneurs Council (WEC)

In this quarter, the Women Entrepreneurs Council meeting Of Punjab was held in December 2013. Other than the usual agenda, the WEC members were also taken to taken for a market visit and given a short training on Business Management due to which two entrepreneurs were able to establish market linkages.

Round-up of GESA Activities

- In the current quarter, 48,450 Basic Financial Literacy trainings were undertaken. These trainings aim to enhance financial literacy skills of participants and to familiarize them with basic knowledge on borrowing, debt management, savings and basic numeracy. In addition to that, BFL Data entry system was developed.
- A total of 26,583 clients were trained under the Systemized Financial Education program. These clients completed their certification in four subject areas; Savings, Budgeting, Debt Management and Financial Transactions.

- A total of 303 Gender Trainings sessions were undertaken in the period October-December with 3,728 participants. These participants included 1,174 clients, 1,740 males, and 814 young boys from the communities. The trainings aimed to create 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.
- 70 Social Theater performances in the areas of Karachi and Lahore were staged which were attended by 7,417 individuals. The play featured was based around the story-line of Kashf Drama Serial “Rehain”. The clients and their families appreciated the play.



Human Resources

HR Trends at a Glance

- The total staff count at the end of December 2013 stood at 1,674 and the female gender ratio at the organizational level stood at 50%.
- The recruitment team continued to identify and employ talented and committed staff as 105 employees were inducted during the current quarter.
- A total of 101 employees were recruited for the field and 4 employees were hired for Head Office positions. Out of the total recruited staff, 56 employees were female.

- Overall Employee Turnover was 307% as 49 staff resigned and 16 staff members were terminated.

HR TREND ANALYSIS				
	Oct-Dec 2013		Jul – Sep 2013	
Total Permanent Staff	1674		1,607	
Total HO Staff	111		110	
Total Field Staff	1563		1497	
Gender	Male	Female	Male	Female
Number	839	835	816	791
Total Staff (Trainee + Permanent)	1766		1790	
Total Staff (HO)	113		112	
Total Staff(Field)	1653		1678	
Gender (Trainee + Permanent)	Male	Female	Male	Female
Ratio	50%	50%	51%	49%
Number	881	885	899	891
Total Staff Recruited	105		181	
Total Staff Recruited – HO	4		5	
Total Staff Recruited - Field	101		176	
Gender Recruited Staff	Male	Female	Male	Female
Number	49	56	84	97
Turnover (Quarterly)	Voluntary	Involuntary	Voluntary	Involuntary
Number	49	16	53	24
Overall Turnover	3.7%		5%	
Number	65		77	

Learning Team Activities

Activity	Quarter Ended December, 2013	
	# of Trainings	# of Participants
New Staff Orientations	6	119
Regional Seminars	4	1336
Leadership and Communication training of HO staff	2	46
Time Management Training	1	221
Leadership Development Training of Pipeline Staff	2	36
Certification Training	12	182

HR Initiatives

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

- Regional level seminars were organized in all regions of Punjab with 1,336 staff. The key sessions undertaken in the seminars were ;(1) Social Performance and Social Values in Microfinance (2) Identifying Clients needs through change in life cycle – Case Study (3) Panel and Moderator session with Management. The staff appreciated the learning opportunity that was provided to them and especially enjoyed the interaction with the Senior Management.
- A certification training was conducted all over Kashf Foundation for all Branch Managers and newly promoted/hired Branch Accountants on Good Accounting Practices and Making Bank Reconciliation Statements. The module covered the purpose and utilization guidelines for budget, making proper bills/Invoice and procurement & verification process. A certification test was conducted in the end to ensure learning and certify participants according to their skill level.
- A Leadership and Communication training was conducted with 46 Head Office Staff members including Assistant Managers, Senior Associates and Associates. The participants ranked the training very highly both in terms of relevance and quality.
- A training module entitled “Finding the Time for Time Management” was prepared and implemented with 32 Area Managers and 185 Branch Managers.

- A Leadership and Team Management training module was prepared and implemented with 15 Pipeline Area Managers and 21 Pipeline Branch Managers. The training covered subjects like Identifying and Improving Personal Leadership Style, Communicating in a more Meaningful Manner, Using Negotiation skills to manage team conflicts, Improving Listening Skills through Questions, and Ensuring effective feedback.
- The HR department also undertook the 5 Star Branch Ranking Program for Kashf Foundation branches. Overall the initiative was taken very positively and a sense of competition was created amongst the branches to earn more stars. The number of branches that earned each star can be seen below:

Commitment to Sustainability - 149	Commitment to Gender Equity - 21	Commitment to Outreach - 105
Commitment to Customer Loyalty – 100	Commitment to Accuracy – 25	

- Monthly ongoing initiatives which include Employee of the Month (for all tiers and functions), HR Newsletter, Gender Champion Program, Exit Interviews and Star Performers Lunch with MD were also undertaken.
- The HR Helpline received 222 queries in the current quarter, a majority of the queries were relating to compensation and benefits especially health insurance, while the second highest number of queries were relating to payroll.
- The Organizational Climate Survey was initiated in November 2013. Form filling and data entry was completed till end of December 2013. The purpose of undertaking the organizational climate survey is to examine employee opinions about the quality of their organization's work climate and can be used to identify opportunities for workplace improvements. 1410 employees participated in the climate survey.

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