



Kashf Foundation Quarterly Report

July - September 2013

KASHF FOUNDATION

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Major Highlights

- *Kashf Foundation takes its media campaign forward – produces a 110 minute Feature Film to raise awareness about microfinance and showcase issues faced by low-income women in Pakistan!*
- *Kashf Closes the Current Quarter with an Active Client Base of 316,483 clients and an outstanding portfolio of Rs. 3.7 Billion.*
- *Kashf Foundation achieves an OSS of 118% and FSS of 107%*

Operational Performance¹

Overall Growth

Kashf Foundation ended the period July - September 2013 with an active clientele of 316,483 clients (compared with 312,182 clients in the previous quarter) and an outstanding portfolio of Rs. 3.7 billion (compared to Rs. 3.5 billion at June 2013 closing).

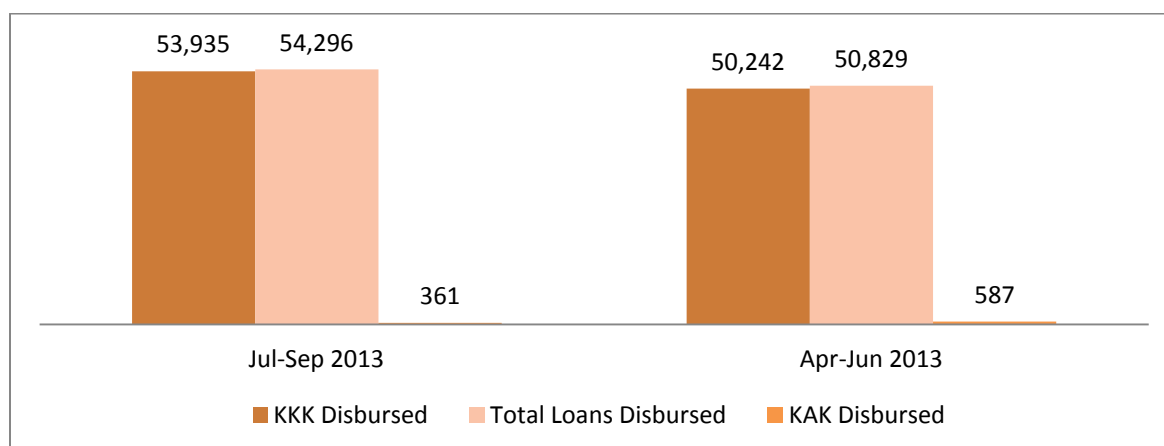
¹ Figures in this for Quarter 3 are audited figures, which may vary from the unaudited figures provided in the previous quarterly report.

54,780 loans were disbursed in the current quarter compared to 50,829 loans in the previous quarter, which represents an increase of approximately 7%. For the current quarter, field teams were able to over achieve weekly, monthly and quarterly branch targets.

General Loan and Outreach

	July – September 2013	April – June 2013
Active Clients and Outstanding Portfolio		
Total Kashf Clients	316,483	312,182
Cumulative Portfolio	3,703,195, 355	3,542,990, 359
Cumulative Loans Disbursed		
Cumulative Loans	1,635,403	1,580,623
Loans Disbursed in Quarter		
Amount Disbursed (KKK+KAK)	1,452,465,000	1,330,738,000
Loans Disbursed (KKK + KAK)	54,296 (53,935 + 361)	50,829 (50,242 + 587)
Average Loan Size (KKK+KAK)	26,751	26,181

Kashf Foundation disbursed 53,935 KKK loans in the current quarter compared to 50,242 loans disbursed in the previous quarter.



The average loan size has increased from Rs. 26,181 in the last quarter to Rs. 26,751 in the current quarter – the average loan size for the sector is Rs.26, 004². Kashf Foundation’s lending

² Microwatch – Pakistan Microfinance Network, March 2013.

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 has introduced a new Shariah Compliant product called the Kashf Murabaha. The product is currently offered in branches in Khyber Pakhtoonkhwa (KPK) and is available for clients that want to expand their business. The development of Kashf's pro-women women Murabaha product will help Kashf Foundation penetrate more conservative markets. A large number of families in Pakistan that need access to credit are hesitant in accessing conventional interest bearing microfinance products. Kashf Murabaha provides a more socially acceptable solution that can help poor households, especially women, will be able to set up/expand their business ventures.

Moreover, Kashf will be using this product to tap into newer markets in more conservative areas such as Khyber Pakhtunkhwa, Azad Jammu Kashmir, and Balochistan. These areas are more traditional and thus most of these markets have very little penetration by microfinance providers as the cultural norms act as a barrier to conventional interest bearing microfinance products

Under Kashf Murabaha, Kashf Foundation purchases goods as per client's demand and sells them to the client on a cost plus profit basis. In this product the transaction is done on a "Cost +Profit" basis. The distinguishing feature of this new product is that the seller discloses the cost to the buyer; and a known profit is added.

In the current quarter Kashf Foundation disbursed 484 Murabaha loans worth Rs. 10.4 million in Abbottabad and Haripur districts in KPK.

Financial Sustainability

Overall Performance³

In the current quarter the liquidity ratio decreased compared to the last quarter due to debt repayment obligations. Overall there were inflows of Rs 494 million (Rs. 467 million from JS Bank and Rs. 27

	July – Sep 13	April – June 13
Cash to Total Assets (%)	8.61%	12.34%
Short Term Investments and Cash to Total Assets (%)	15.30%	19.22%
Return on Investments	9.48%	10.10%
Cash to Current Liabilities	19.0%	31.4%

million from KIVA) and total outflows of Rs. 621 Million against the repayment of loans.

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 52 % of the total investment pool can be characterized as 'short-term investment'.

The major source of funding during the current period has been JS Bank and KIVA, which as mentioned earlier have provided Rs. 467 million and 27 million respectively. The weighted average cost of funds for the current quarter is 10.07%, with COF for commercial loans at 11.17% and PPAF loans at 9.06%. Currently, there is an available pool of Rs. 441 million and an expected inflow of Rs. 650 million for the next quarter; Rs. 350 million from PPAF, and Rs. 300 million from Silk Bank to support on-going cash-flow needs.

In the current quarter, the income from service charge has increased due to the increase in the size of the portfolio. Moreover, other income has also shown an increase due to gains from disposal of fixed assets. However, 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 and PIBs.

Overall, Total Income has increased by 2.1% compared to the previous quarter.

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

INCOME FROM FINANCIAL SERVICES			
	Jul-Sep 13	Apr-Jun 13	Weight age
Service Charge	289,855,337	283,441,938	85.41%
Investments	24,814,461	31,933,294	07.31%
Other Income	24,678,084	17,441,764	07.27%
Total Income	339,347,882	332,816,996	100%

Efficiency Ratios

There has been a slight improvement in the administrative efficiency ratio, which is 21.80% in the current quarter (compared to 22.07% in the previous quarter). The Sustainability ratios have shown an improvement; the OSS increased to 118.4% in Sep 2013 (compared to 108% in June 2013) and the FSS increased to 107.6% (compared to 101.04% in June 2013). Improvement in sustainability ratios can be attributed to an increase of approximately Rs. 20 million in income from portfolio and other sources as compared to the previous quarter.

EFFICIENCY RATIOS		
	Sep 2013	Jun 2013
Administrative Efficiency	21.80%	22.3%
Operational Self Sufficiency (OSS)	118.4%	108%
Financial Self Sufficiency (FSS)	107.6%	101.04%

Human Resources

HR Trends at a Glance

- The total staff count at the end of September 2013 stood at 1,607 and the female gender ratio at the organizational level stood at 49%.
- The recruitment team continued to identify and employ talented and committed staff as 181 employees were inducted during the current quarter.

- A total of 176 employees were recruited for the field and 5 employees were hired for Head Office positions. Out of the total recruited staff, 97 employees were female.
- Overall Employee Turnover was 5% as 77 staff resigned and 24 staff members were terminated.

HR TREND ANALYSIS					
		Jul-Sep 2013		April – June 2013	
Total Permanent Staff		1,607		1,609	
Total HO Staff		110		107	
Total Field Staff		1497		1502	
Gender	Male	Female	Male	Female	
Number	816	791	823	786	
Total Staff (Trainee + Permanent)		1790		1713	
Total Staff (HO)		112		109	
Total Staff(Field)		1678		1604	
Gender (Trainee + Permanent)	Male	Female	Male	Female	
Ratio	51%	49%	51%	49%	
Number	899	891	869	844	
Total Staff Recruited		181		99	
Total Staff Recruited – HO		5		2	
Total Staff Recruited - Field		176		97	
Gender Recruited Staff	Male	Female	Male	Female	
Number	84	97	44	53	
Turnover (Quarterly)	Voluntary	Involuntary	Voluntary	Involuntary	
Number	53	24	51	16	
Overall Turnover		5%		4%	
Number		77		67	

Learning Team Activities

Activity	Quarter Ended March, 2013	
	# of Trainings	# of Participants
New Staff Orientations	5	118
Internal Trainings	4	280
Pipeline Staff Trainings	2	40

HR Initiatives

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

- All Branch Managers and Area Managers of Punjab were part of a training on **“Effective Decision Making and Problem solving”**. The aim of the training was to enable participants to become better decision makers and improve their problem solving skills so that they could become better and more effective managers.
- A Leadership and Communication training module was prepared and implemented with Pipeline Area Managers and Branch Managers at the Head Office. In these trainings 15 pipeline Area Managers and 25 pipeline Branch Managers were trained to equip them with leadership and communication skills suited to their future roles.
- The HR department also undertook the 5 Star Branch Ranking Program for Kashf Foundation branches. Overall the initiative has been taken very positively and a sense of competition has been created amongst the branches to earn more stars. The number of branches that earned each star can be seen below:

Commitment to Sustainability - 64	Commitment to Gender Equity - 92	Commitment to Outreach - 43
Commitment to Customer Loyalty – 46	Commitment to Accuracy – 9	

- Monthly ongoing initiatives which include Employee of the Month (for all tiers and functions), HR Newsletter and Star Performers Lunch with MD were also undertaken.
- The HR Helpline received 247 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.

Gender Empowerment and Social Advocacy (GESA) Kashf Foundation Holistic Financial Inclusion Program

Media Campaign

In the current quarter, Kashf Foundation has produced a 110 minute movie feature from the footage collected for the Rehaii TV show. The movie has also been subtitled and will be screened in the upcoming Partnerships Against Poverty Summit in the Philippines, and the Annual Meeting of WWB in Jordan. Kashf is also trying to organize local screenings at colleges and cinemas.

Business Incubation Labs

In the current quarter the second batch of 1,673 women entrepreneurs graduated from 32 Business Incubation Labs. These clients were trained on Business Management, Marketing and Networking, and Product Innovation. Moreover, participating women entrepreneurs were taken to the local market places to help them understand various market techniques employed by vendors. Trained entrepreneurs also developed linkages with other entrepreneurs, to help them get support with respect to labor, selling products, identifying markets etc.

Furthermore, a 2 day Training of Trainers (TOT) was conducted with Business Incubation Lab trainers in September 2013, on Facilitation Skills, Planning, Marketing, Business Analysis, Teamwork and Problem Solving.

According to a research undertaken with graduates from the first batch of participating entrepreneurs the following trends were seen:

- 77 % businesses recorded an increase in sales – out of these 37 % recorded an increase between the range of 10,000 to 20,000
- 81 % graduates reported increase in business gross profit
- 75 % graduates reported increase in monthly income over the past 6 months
- 22 % graduates reported that they had formed new market linkages due to participation in the program
- 23 % graduates business reported increase in employee base

- 56 % WE reported increase in saving while 38 % reported no change and 5 % recorded decrease in their savings :

Women Entrepreneurs Council

In this quarter, meetings for Women Entrepreneurs in Council of Punjab and Sindh were held with the main agenda of soliciting suggestions on Kashf policies, products and services from the council members. Some of the recommendations from the Women Entrepreneurs Council (WEC) Punjab and Sindh along with Kashf's strategies on the proposed recommendations can be seen in the table below:

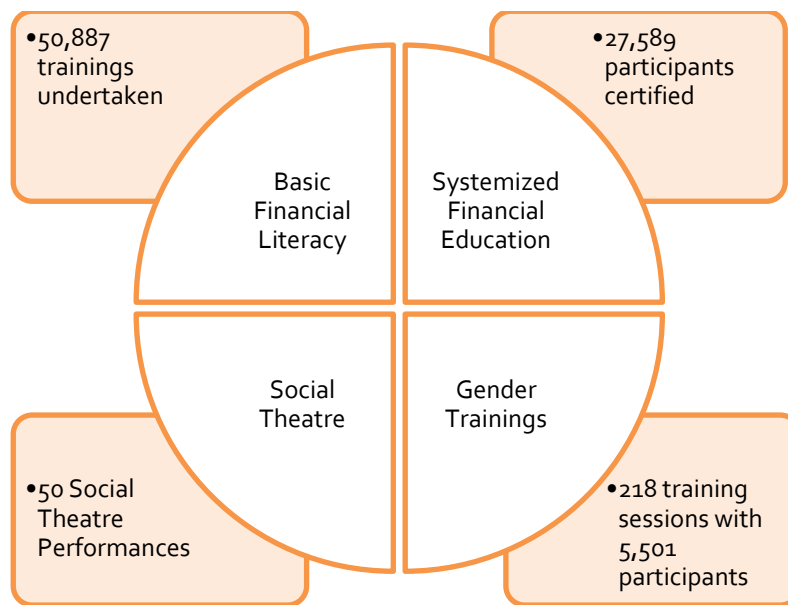
WEC Recommendations	Strategies Adopted by Kashf
Improvements should be made in marketing of the Financial Education Program	<ul style="list-style-type: none"> • Memo has been issued for Branch Managers for marketing of GESA activities during loan disbursement. • Moreover, Financial Education Trainers have been asked to get participants on board for marketing of the program
Kashf should develop a collaboration with vocational training centers to identify women that need capital for setting up businesses	<ul style="list-style-type: none"> • The Business Incubation Lab program at Kashf Foundation is developing linkages with vocational and skill development institutions to identify skilled women, who are interested in doing their own business.

Round-up of GESA Activities

- In the current quarter, 50,887 **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 and hired 3 data entry operators to verify BFL data at HO.
- A total of 27,589 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 quarterly meeting with all

SFE and Gender Trainers was conducted, in which Trainers were educated on communication skills, effective planning, target achievement, community wise area mapping of branches. Focus Group Discussions for impact assessment was also conducted in this quarter.

- A total of 218 **Gender Trainings** sessions were undertaken in the period July-October with 2,669 participants. These participants included 672 clients, 1,013 males, and 445 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. Group Discussions for impact assessment was also conducted in this quarter.
- 50 **Social Theater performances** in the areas of Karachi and Lahore were staged which were attended by 5,590 individuals. The play featured was based around the story-line of Kashf Drama Serial “Rehail”. The clients and their families gave tremendous appreciation on the stage play “Rehail”. Group Discussions for impact assessment was also conducted in this quarter.



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