
Kashf Foundation

“Towards the Economic Empowerment of Women”

Quarterly Report

April - June 2006

Kashf Foundation

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1. April- June 2006 at a Glance

Total Outreach For Programme

	Jan-March '06	April-June '06
Outreach (cumulative)	80,191	90,326
Number of Loans (GL) (cumulative)	263,104	287,246
Number of Loans (EL) (cumulative)	179,847	200,552
Number of Loans (BSL) (cumulative)	518	698
Total Loans (Cumulative)	443,469	488,496
Savings (cumulative)	6,520,632	6,148,431
Saving per client (Rs.)	82	73
Customers attrition rate (%)	3.85%	2.85%

Portfolio Quality-Recovery & Risk Analysis

	Jan- March	April-June
Recovery %	100 %	100 %
PAR (%)	0.27 %	0.10 %
Overdue amount	2,062,735	5,792,305

Source of Income Generation

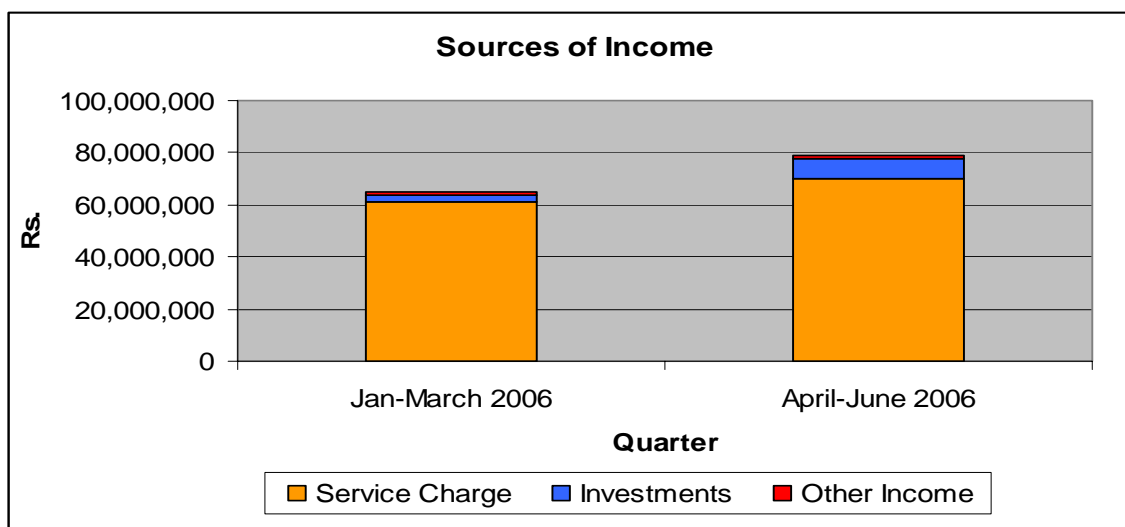
Income from Financial Services	Jan-March 2006	April-June 2006	Percentage Change	Percentage Share (%)
Service Charge	61,123,562	69,955,719	14.5%	88.5
Investments	2,480,444	7,862,252	217%	9.9
Other Income	1,483,991	1,213,775	(-)18.2%	1.53
Total Income	65,087,997	79,031,746	21.5%	100

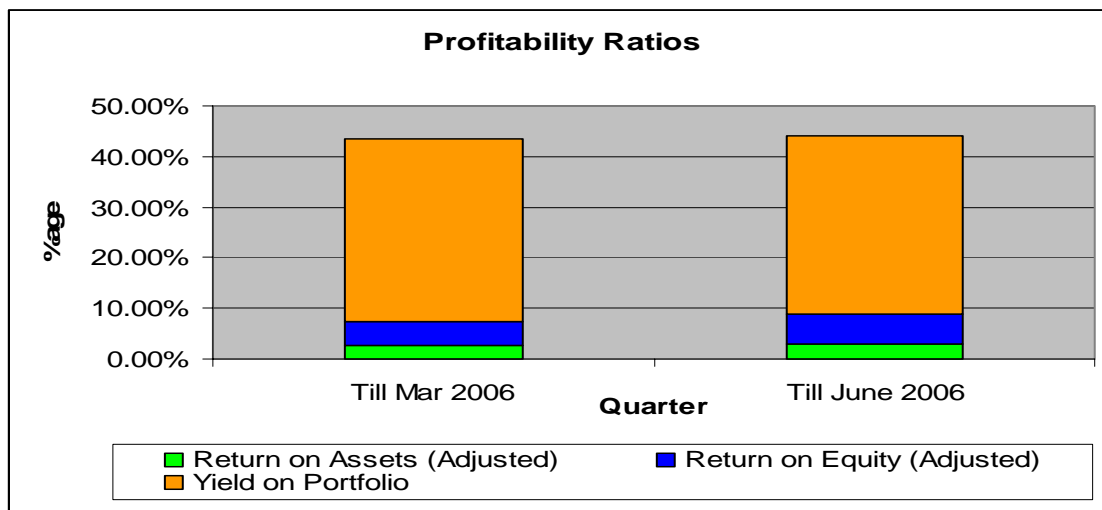
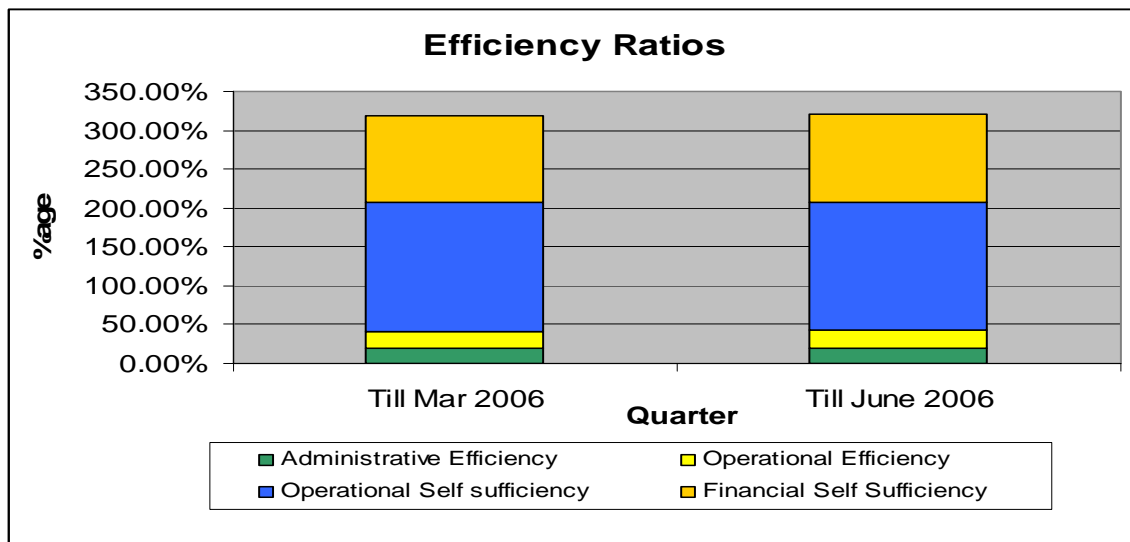
Efficiency Ratios

Efficiency Ratios	FY to March 2006	FY to June 2006
Administrative Efficiency	18.67%	18.96%
Operational Efficiency	23.26%	23.59%
Operational Self sufficiency	164.98%	164.60%
Financial Self Sufficiency	112.63%	114.11%

Profitability Ratios

Profitability Ratios	FY to March 2006	FY to June 2006
Return on Assets (Adjusted)	2.64%	3.03%
Return on Equity (Adjusted)	4.89%	5.80%
Yield on Portfolio	36.03%	35.31 %





2. Summary of the Main Outcomes

During the course of the Quarter April-June 2006, the programme reached out to 90,000 clients. In terms of amount disbursed, the disbursement of all loan products, that is the **General Loan (GL)**, the **Emergency Loan (EL)** and **Business Surmaya Loan (BSL)** increased over this quarter and can be attributed to greater turn around time of repeat clients and reduction in the exit ratio. The number of customers increased primarily due to upgradation of branches from 4/5 LOs to 5/6 LOs. Due to better monitoring polices and weekly tracking of pending centers client delinquency and dropout rates have been checked to a considerable extent.

The recovery rate has been maintained at 100%, while PAR has fallen from 0.27% to 0.1 % this quarter and can be attributed to the continuing emphasis on strong portfolio management and strong client screening procedures. The cumulative amount saved, however, decreased over the quarter. The pilot phase of the **Home Improvement Loan (HIL)** is running in two of Kashf's branches: Ravi Rayon and Jorah Pull. The response to this new product is very encouraging and the pilot phase has been monitored to streamline all operational and policy features

Over this quarter, the organization has continued to concentrate on maintaining a strong portfolio quality, curbing the client attrition rate, propelling portfolio growth and catering to the needs of its clients by offering them a wider range of even more flexible services.

Kashf's Economic Empowerment Programme

True to its meaning, Kashf is an organization that has become the means of a 'miracle' or a 'revelation' for its clients. Through a sustained financial window, clients have been able to overcome their destitution by realizing their own potential and discovering that poverty is assailable through determination and enterprise. Kashf commenced as an action research programme in 1996, to evaluate whether formal credit opportunities for women from low income households would serve to enhance their productivity and facilitate opportunities for them to earn a steady income in order to ensure a dignified standard of living for their families. Having been spurred by 15 poor women who decided to put their faith in Kashf, the organization has been able to sustain rapid growth and currently caters to thousands of clients involved in various enterprises including livestock, basket making, shoe making, carpet making, weaving, sewing, and trading in cloth, wheat, rice etc and other accessories. The centerpiece of Kashf's methodology is the alleviation of poverty by greater investment in gender empowerment. Therefore even while maintaining a household focus, at present Kashf is one of the few microfinance institutions in Pakistan that provides micro credit exclusively to poor women.

Kashf's economic empowerment strategy is based on the provision of the following services:

- **Microfinance Services:** Kashf offers sustained access to small loans and micro deposit services to its customers. The loans are provided without any physical collateral or personal guarantees. However, in order to qualify for loans, women must self-select into a center of 25 members, who then take responsibility for loan repayment.
- **Capacity Development:** In addition to its microfinance programme, Kashf also offers its customers a host of training opportunities: these range from leadership trainings and gender awareness trainings to basic functional trainings. Kashf provides all trainings to its customers within their own communities.

3. Program performance during April - June

- New branches opened during the quarter:

Location	No. of branches
Area-5 Okara	3
Area-7 Faisalabad	4
Area-8 Faisalabad	2
Area-9 Sargodha	1
Area-10 Sahiwal	1
Yakki Gate (BSL branch)	1
Total	12

Total Outreach of the Programme

Outreach					
	Quarter Jan- March 2006	April	May	June	Quarter April-June
Outreach (cumulative)	80,191	82,736	86,315	90,326	90,326
Customers (drop out)	3,091	801	1,020	749	2,570
Customers attrition rate (%)	3.85%	0.96	1.18	0.82	2.85%

There has been an increase in the number of customers which has primarily been due to upgradation of branches from 4/5 LOs to 5/6 LOs increasing output. Furthermore, due to better monitoring policies and weekly tracking of pending centers, client delinquency and dropout rates have been curtailed to a considerable extent.

Weekly tracking of pending centers report resulted in the time of average pending centers per month to drop considerably. This substantial decrease in pending centers is due to diligent and timely feedback from HO to AMs to eliminate pending centers on the basis of aforementioned report which was started from Mar'06 onwards.

Currently the General Loan constitutes one of Kashf's most popular services since it has enabled a number of clients to benefit from a marked increase in their income by granting them an opportunity to invest in various small enterprises and thus continues to grow strongly.

Disbursement – General Loan

Disbursement-General Loan					
	By end Qtr Jan-March	April	May	June	By end Quarter April-June 2006
Loan Amount Disbursed (Rs.)	2,980,143,083 (cumulative)	107,703,000	151,886,083	109,375,000	3,349,107,166 (cumulative)
Number of Loans Average Loan Size (Rs.)	263,104 (cumulative)	6,860	9,651	7,631	287,246 (cumulative)
	11,327	15,700	15,738	14,333	11,659 (cumulative)

The table above illustrates the trends in GL disbursement over the last two quarters. The total amount of loans disbursed in the quarter April-June 2006 has increased by 12.4% while that of the number of loans granted have registered a rise of 9.2%. These statistics indicate an increase in GL disbursement; this may be explained by the increase in the Average Loan Size, which increased by 2.9% this quarter. Previously, due to lack of monitoring thorough out the year

branches tried to reach their targets at year end i.e. during the Quarter Oct-Dec. However, now that branches are being monitored on a monthly basis, disbursements are expected to be equally staggered through out the year. The difference between the two quarters, the current and the previous can be explained by this practice.

Disbursement – Emergency Loan

Disbursement-Emergency Loan					
	By end Quarter March 2006	Jan- April	May	June	By end Quarter April-June 2006
Loan Amount Disbursed (Rs.)	443,777,669 (cumulative)	23,839,000	28,987,000	22,624,000	519,227,669 (cumulative)
Number of Loans Average Loan Size (Rs.)	179,847 (cumulative)	6536	7,883	6,286	200,552 (cumulative)
	2,467	3,647	3,677	3,599	2,589 (cumulative)

The Emergency Loan is mainly utilized for contingency reasons or for day to day running expenses which have to be incurred immediately. The particular value of the emergency loan is that it is “women friendly” product and enables the clients to access ready cash in the case of any small family emergency. Informal evidence has shown that the EL is often used to pay school fees or meet basic health care expenditures.

The average loan size has showed a modest increase when compared with the previous Quarter. The loan amount disbursed increased by 17% in the Quarter April-June 2006. In other words, the growth in disbursement of the EL has been sustained over this period. The number of loans disbursed has undergone an increase due to change in policy of the loan, which was previously disbursed once a year and is now available twice a year to the same client.

Disbursement – Business Sarmaya Loan

Disbursement-Business Sarmaya Loan					
By end Qtr	Jan-March	April	May	June	By end Qtr April-June
Loan Amount Disbursed (Rs.)	20,405,000 (cumulative)	1,535,000	2,420,000	2,800,000	27,130,000 (cumulative)
Number of Loans Average Loan Size (Rs.)	518 (cumulative)	45	66	69	698 (cumulative)
	39,392	34,111	36,666	40,580	38,868 (cumulative)

The provision of the Business Sarmaya Loan (BSL) represents Kashf’s commitment to providing quality services to its customers according to their evolving needs. This product targets the missing middle of the market, that is, small entrepreneurs with existing businesses who require greater amounts of capital for developing and “running” their enterprises.

The table above illustrates the trends in BSL disbursement over the last two quarters. The total amount of loans disbursed in the current quarter has registered a rise while that of the number of loans granted have also aggravated.

Savings

Savings					
	By end Qtr Jan-March	April	May	June	
Savings (cumulative)	6,520,632	<i>6,353,292</i>	<i>6,260,612</i>	<i>6,148,431</i>	
Saving per client (Rs.)	82	77	73	68	

The savings product has exhibited a slight downward trend. In this quarter, the total amount saved decreased by 5.7%, and the average savings per client also took a hit and came down to an average of Rs 73 for the quarter. This may be an early indicator telling us that we really need to focus on improving our saving product design that gives the right incentives to save.

Portfolio Quality-Recovery & Risk Analysis (PAR)

Portfolio Quality-Recovery & Portfolio at Risk Analysis (PAR)					
	End of Qtr Jan- march	April	May	June	End of Qtr April-June
Recovery %	100 %	100 %	100 %	100 %	100 %
PAR (%)	0.27 %	0.26 %	0.25 %	0.10 %	0.10 %
Overdue amount	2,062,735	2,017,312	2,008,754	792,305	792,305

Indicators attesting portfolio quality and recovery rates are essential to gauge the success and feasibility of any micro finance institution. Kashf's recovery rate has continued to be maintained at 100% this quarter. The table above shows PAR declining to 0.10%. The reduction in the PAR can be ascribed to the fact that additional clients have not been added to the delinquent portfolio while new loans have been disbursed over this period, thus bringing down this ratio.

In June'06, PAR of KRK Branch was excluded from the total PAR due to closure of the branch.

4. Financial Sustainability

1) Overall performance

The period under review experienced high growth strategy, opening of 12 new branches inclusive of 1 BSL branch, regional office in Karachi and launching of the new product dubbed “Home Improvement Loan” in two existing branches.

The organization’s equity stood at Rs 656 M [Mar 2006: Rs 626 M]. The growth of Rs. 30M in equity resulted from higher net income earned by Kashf. The income from loans increased to Rs. 69M from Rs 61 M for the quarter ended Mar, 2006. Personnel cost increased by 13% to Rs. 25.63Million [Quarter ended March 2006: 22.67 M]. The major variation in personnel cost is due to hiring of staff for new branches. Number of total staff has increased to 535 [Quarter ended March 2006: 446]. The administrative costs increased by 46% to Rs. 4.11M over the quarter. The major increase is due to setup cost of new branches and regional office.

Quarterly Income From Financial Services				
Income from Financial Services	Jan-March 2006	April-June 2006	Percentage Change from last quarter	Percentage Share (%) In total income
Income from Service Charge	61,123,562	69,955,719	14.5	88.5
Income from Investments	2,480,444	7,862,252	217	9.9
Other Income	1,483,991	1,213,775	(-)18.2	1.53
Total Income	65,087,997	79,031,746	21.5	100

Compared to the last quarter, income rose from 65 million to 79 million registering an increase of 21.5%. Percentage share of income generated over the quarter resulted from 88.5% income generation in service charges, 9.9% from investment income and 1.53% from other sources. The respective indicators for the previous quarter were 94%, 3.8% and 2.2%.

This quarter the share of income generated from service charges has decreased and the share of income from investments has expanded. The income from other sources has also decreased as well.

2) Profitability Ratios

Profitability Ratios			
Profitability Ratios	FY to Dec 2005	FY to March 2006	FY to June 2006
Return on Assets (Adjusted)	2.08%	2.64%	3.03%
Return on Equity (Adjusted)	3.45%	4.89%	5.80%
Yield on Portfolio	33.02%	36.03%	35.31 %

Definition of important ratios:

The **Return on Assets** maps the ability of the organization to generate income from all of its assets, i.e. how profitable has the organization been in investing its resources.

The **Return on Equity** maps the ability of the organization to generate income relative to the equity (donor funds).

The **Yield on Portfolio** maps the ability of the organization to generate income from its loan portfolio.

The return on assets ratio rose from 2.64% last quarter to 3.03% this quarter, while the return on equity ratio jumped from 4.89% to 5.80%. Yield on portfolio slipped from 36.03% last quarter to 35.31% showing a negative trend this quarter.

3) Efficiency Ratios

Efficiency Ratios			
Efficiency Ratios	FY to Dec 2005	FY to March 2006	FY to June 2006
Administrative Efficiency	15.80%	18.67%	18.96%
Operational Efficiency	20.51%	23.26%	23.59%
Operational Self sufficiency	183.46%	164.98%	164.60%
Financial Self Sufficiency	110.61%	112.63%	114.11%

The above table illustrates the trend of administrative efficiency, operational efficiency, operational self sufficiency and financial self sufficiency over successive quarters from Oct-Dec 2005 to May-June 2006.

Administrative efficiency, defined as the cost required in maintaining Rs 1 in the market increased from 18.67% last quarter to 18.96% this quarter. **Operational efficiency** highlights the efficiency of the loan disbursement system and has slightly increased from 23.26% last quarter to 23.59% this quarter.

Operational self-sufficiency measures whether the revenue generated by the program is sufficient to cover its overheads and **financial self-sufficiency** estimates whether the program would still be sustainable if it is compelled to borrow at market rates. Operational self-sufficiency somewhat remained steady since last quarter dropping only from 164.98% to 164.60%. Financial self-sufficiency increased from 112.63% last quarter to 114.11% this quarter.

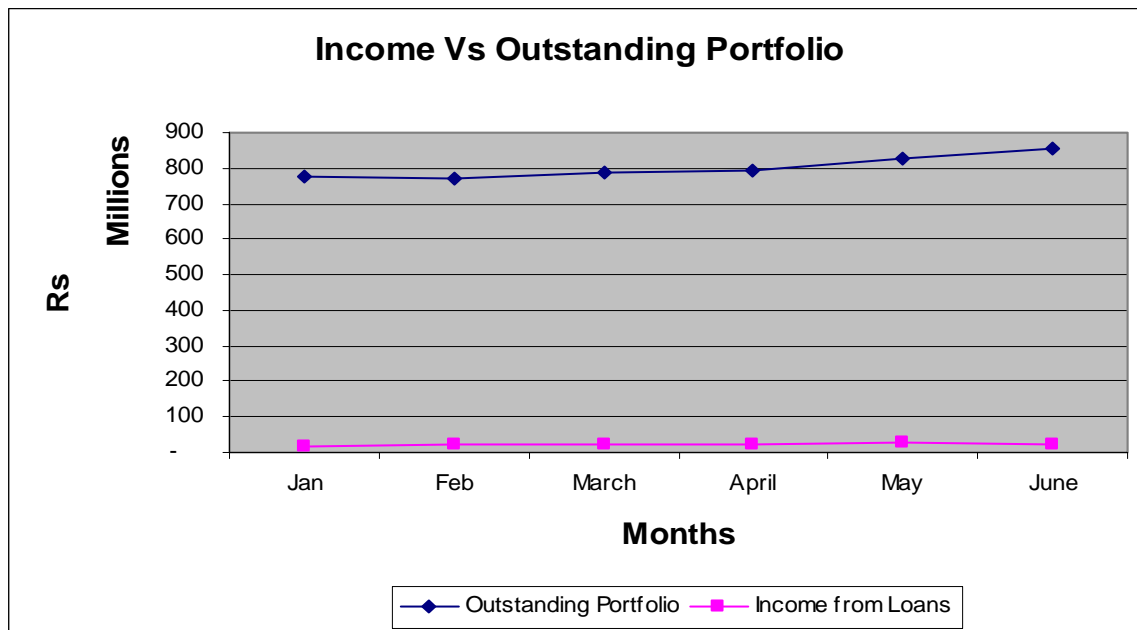
4) Operational performance

OSS, Yield and Efficiency Ratios

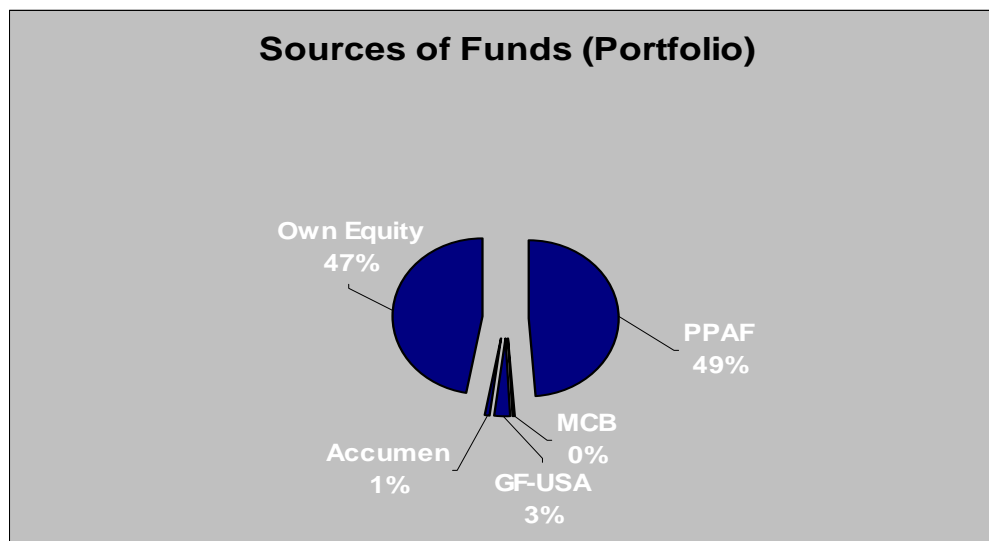
The sustainability ratios show a very consistent trend as compared to previous quarter, OSS stood at 165% [Mar 2006 165%] despite of opening of 11 [March 2006:7] new branches in the quarter.

Income on loans has shown increase of over 9% as compared to previous quarter however 9% less compared with targeted income. This shortfall is primarily due to summer vacations in branches during the month of June. The overall impact of summer break on income is around 6.4M.

The operating efficiency ratio has slightly gone up by 0.33% as compared to previous quarter; this variation is due to additional costs of 11 new branches and Regional office in Karachi. As on June'06 there were 44 productive branches out of 53.



5) Financing Sources:



As of June 2006, the amounts accessed as loan from different sources are as under

Source	Limit	Interest rate	Loan proceeds	Outstanding as on June 30,2006- Rupees in millions
PPAF	1.350M	6-8%	100 M	381
* MCB	300M	10%	RF	0
Grameen	21.19M	2%	NIL	21.19
Acumen	8.9 M	6%	NIL	8.9
Total				411.09

We accessed funds from PPAF as the market interest rate is higher than what PPAF is offering. Among all the loans agreements, only the arrangement with MCB exposes the organization to interest rate risk. All other agreements neither carry interest rate or currency risk.

During the quarter, we finalized our long term financing strategy. The objective of the strategy is to secure adequate funds to fuel the projected growth of reaching half a million clients in 5 years. The intended steps and sources include commercial sources (financial and money market), privately and publicly placed bonds, funds from international agencies and subsidized funds. In line with the strategy, we have been able to secure offers from three commercial banks which are under consideration in consultation with the treasurer.

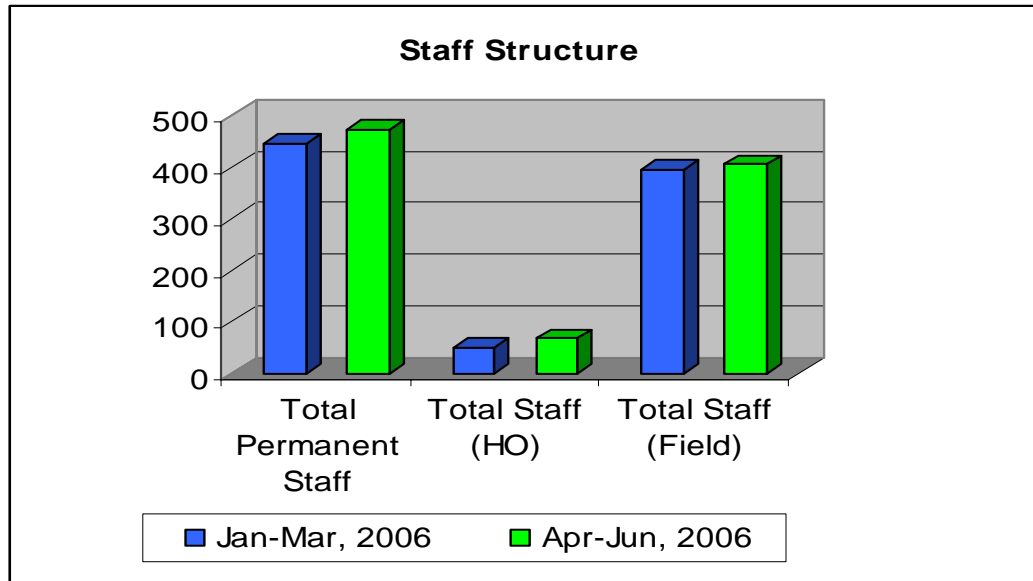
5. Human Resource Management

As a dynamic, sustainable and enterprising organization, the expansion, capacity building and development of its staff represent some of Kashf's integral policy objectives.

During this quarter HR implemented an extensive exercise of salary mapping for Kashf staff on upgraded compensation and grading structure along with the completion of the annual performance management system. The table below gives a brief on the structure of the Kashf staff and how it compares vis-à-vis the previous quarter

	Jan-Mar, 2006		Apr-Jun, 2006		%age Change	
Total Permanent Staff	446		474		6.3%	
Total Staff (HO)	50		68		36%	
Total Staff (Field)	396		406		2.5%	
Gender Ratio	Male	Female	Male	Female	Male	Female
	58%	42%	58%	42%	Same	Same

The table shows a considerable expansion of staff in the Head Office for better management of existing operations plus researching on product development for further expansion, research on new localities and scaling up operations.



A more detailed overview of the April-June quarter follows:

	Beginning of Period		End of Period	
Total Permanent Staff	447		474	
Total Staff (HO)	64		68	
Total Staff (Field)	383		406	
Gender Ratio	Male	Female	Male	Female
	57%	43%	58%	42%
Total Trainee Staff	37		157	
Total Trainees (HO)	8		3	
Total Trainees (Field)	29		154	
Gender Ratio	Male	Female	Male	Female
	78%	22%	72%	28%
Turn Over (Quarterly)	12%		16%	

Staff Capacity Development

The need of trainings can just not be understated enough and Kashf is committed to providing its employees with trainings which help the latter with personal and technical skills development so as to contribute towards capacity building. These trainings assist staff to innovate and see things in their work environment from a new angle and thus provide with a qualified and skillful staff pool that sustain the organization's growth rate.

In order to facilitate staff members to enhance their skills set, incorporate more efficient practices and systems and to be able to communicate more effectively, the following trainings were held under the auspices of Kashf:-

Objective of Training	Location	Trainer Institution	Date	Trainees
Gender Strategic Review	Islamabad	Shazreh Hussain	May 11-12, 2006	Nasir, Farzana, and Hafsa, PAs (GESA)
Financial Management	Lahore	PIM	May 15-18, 2006	Noman Shaukat, Jr. Associate Finance
National Consultative Workshop	Islamabad	PPAF	May 24-25, 2006	Shahla Sattar, Assistant Manager Finance
Effective Communication Skills	Lahore	PIM	May 29-Aug 3, 2006	Robina Alvi, Mubashir Hassan and Riffat Anwer, Area Managers, Asim Salim, Ops Analyst, Hassan Ali Zaidi, Ops Associate Noreen Shaukat, Ops Associate, Ahsan Ali Khan, IT Analyst
Financial Analysis: Concepts & Techniques	Lahore	PIM	Aug 13-16, 2006	Waseem Aslam, PA Finance, Kamran Yousaf and Asjid Qureshi ILBMs
English Business Program	Lahore	PIM	August 20, 2006	Sadia Akram, Jr. Associate Admin SanaUllah, Associate Admin Irshad Ahmad, Zeeshan Ahmad, Iqbal
Development Course for Managers	Lahore	PIM	Aug 26-Sept 1, 2006	Shahla Sattar, Assistant Manager Finance

6. Gender Empowerment & Social Advocacy (GESA)

During April – June 2006, GESA participated enthusiastically in various activities as part of its efforts to effectively disseminate information on a multitude of social issues. The diverse trainings imparted to our employees show our keenness in exposing them to different ideas and innovative methodologies so that they can better themselves. The table below gives further details about the training programmes offered here at Kashf:

Initiative	Key Outcomes
Leadership	<ul style="list-style-type: none"> - Module Redesigned after research - 12 sessions conducted in YG and DP - 300 CMs, CSs participated
GESA Staffing	<ul style="list-style-type: none"> - 3 Loan officers selected for Junior Associates position. - Training on going
Gender Sensitization training	<ul style="list-style-type: none"> - 6 Gender workshops conducted - 150 Loan officers sensitized
Gender Client Council	<ul style="list-style-type: none"> - 2 Gender councils set up at Karim Park and Ravi Rayon. - 5 Gender council meetings for each council conducted - Ravi Rayon Gender council has solved the health facilities issue of their Tehsil hospital. Ravi Rayon council arranged community seminar in which Medical Superintendent, 2 lady doctors, Nazim and councilors with 150 people participated - KP GCC has addressed the issue of birth certificate of their children and actively participated to solve this issue - Meetings/correspondence with concerned departments is currently under progress to resolve this issue
Theatre	<ul style="list-style-type: none"> - Chanan theatre group trained for area 1&2 on the theme of Hadood Ordinance - Theatre performances planned and coordinated with branches and groups - Total 21 performances delivered with an out reach of 3675 clients on themes of gender discrimination and Hadood Laws - New theatre group has been identified for LHR
Training for the councilors at UC level	<ul style="list-style-type: none"> - Area-wise database of UCs provided to AOMs, AMs & BMs - 4 Orientation sessions have been conducted for the Union and Tehsil councils
Media & Networking	<ul style="list-style-type: none"> - One staff member was elected as a Co-focal person for Gender Network Lahore - Press reporting for dignitary visit of Ms. Cherie Blair - Press coverage of Kashf's 3rd phase project with DFID. - Database of the media official for Lahore, Kasur and Faisalabad - Daily "Jang" interview of Kashf Foundation's President. - Contact person list has been provided to HR coordinator - Kashf media products are archived
Study Circle	<ul style="list-style-type: none"> - Concept paper documented - Seminar on Hadood laws organized for all HO staff, AMs and BMs
HIV/Aids Sessions	<ul style="list-style-type: none"> - 5 session were arranged with the collaboration of CWS in which 300 clients got awareness
Orientation Session for new LOs	<ul style="list-style-type: none"> - Provide assistance in session conduction and feedback to improve the quality of sessions