



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

# Kashf Foundation

*“Financial Services for All”*

---

---

---

## Quarterly Report

---

**Jan-Mar 2007**

---

**Kashf Foundation**

**Head Office: 19 Aibak Block, New Garden Town, Lahore, Pakistan.**

**Tel: 92-111-981-981 Fax: 92-42-5847816**

**Email: [info@kashf.org.pk](mailto:info@kashf.org.pk)**

**Website: [www.kashf.org](http://www.kashf.org)**

**TABLE OF CONTENTS:**

*JANUARY-MARCH 2007: AT A GLANCE: ..... 3*

*PROGRAM PERFORMANCE DURING JANUARY-MARCH 2007 ..... 5*

*FINANCIAL SUSTAINABILITY ..... 7*

*HUMAN RESOURCES ..... 9*

*GENDER EMPOWERMENT & SOCIAL ADVOCACY ..... 10*

*ANNEXURE: ..... 13*

## JANUARY-MARCH 2007: AT A GLANCE:

<i>Total Outreach For Programme</i>		
	As on Dec '06	As on Mar '07
Active Clients (Cum.)	133,363	164,391
# of Loans (GL) (Cum.)	379,616	427,670
# of Loans (EL) (Cum.)	252,400	288,788
# of Loans (BSL) (Cum.)	2,814	5,188
Total Loans (Cum.)	634,830	721,646
Attrition rate (%) <sup>1</sup>	10%	2%

<i>Source of Income Generation</i>				
Income from Financial Services	Oct-Dec '06	Jan-Mar '07	%age Change	Share (%)
Service Charge	99,587,948	116,745,570	17.2%	96.14%
Investments	16,929,268	1,414,254	-91.6%	1.16%
Other Income	4,459,041	3,264,391	26.8%	2.69%
<b>Total Income</b>	<b>105,709,542</b>	<b>121,424,215</b>	<b>14.9%</b>	<b>100%</b>

<i>Portfolio Quality-Recovery &amp; Risk Analysis</i>		
	Oct-Dec '06	Jan-Mar '07
Recovery %	100%	100%
PAR (%)	0.08%	0.09%
Overdue amount	825,717	854,550

<i>Efficiency Ratios</i>		
Efficiency Ratios	FY-Dec '06	FY-Mar '07
Administrative Efficiency	18.37%	20.60%
Operational Self sufficiency	146.00%	142.32%
Financial Self Sufficiency	104.95%	116.74%

<i>Profitability Ratios</i>		
Profit Ratios	FY-Dec '06	FY-Mar '07
Return on Assets (Adj.)	2.26%	4.19%
Return on Equity (Adj.)	4.81%	9.28%
Yield on Portfolio	36.60%	40.48%

## ***CHANGES THIS QUARTER:***

The first quarter of 2007 closed on 167,970 Clients<sup>2</sup>, 1.7 billion outstanding loan portfolio and 85 branches. During the quarter organization experienced a growth of 23 % in terms of clients and 14% in terms of loan portfolio. Kashf opened 13 new branches during the quarter with PAR <1%. The current branch network includes 9 BSL and 76 GL branches operating in 14 districts.

Moving ahead with last quarter performance of winning accolades, this year Kashf won the prestigious Skoll Award for Social entrepreneurship. As a recipient of the 2007 Social Entrepreneurship award Kashf Foundation will receive a grant amount of US \$1,015,000 over a period of three years.

Furthermore, Kashf Foundation announced a landmark deal with Citibank NA Pakistan securing another financial avenue for its funding. This term funding structure is the first commercial syndication for the microfinance sector in the country and Kashf will be given US\$ 22 million over a period of 5 years.

This financing program acknowledges KASHF's significant growth plans and its proven business model as one of the leading microfinance institutions in the sector.

---

<sup>2</sup> Outreach = Total clients in all loan portfolios i.e. GL,BSL and HIL

## PROGRAM PERFORMANCE DURING JANUARY-MARCH 2007

### Total Outreach of the Programme

Outreach					
	As on Dec 06	Jan	Feb	Mar	As on Mar 07'
Active Clients (cumulative)	133,363	140,696	151,515	164,391	164,391
Exit Clients (Cumulative)	13,383	645	1,075	1,108	2,828
Customers attrition rate (%)	10%	0.5%	0.7%	0.7%	2%

The programme has been expanding its client base steadily, as can be seen from the table above total cumulative outreach increased by 23.2% since the last quarter.

### Disbursement – General Loan

The following table illustrates the trends in GL disbursement over the last two quarters. The total cumulative amount of loans disbursed in the quarter January-March 2007 has increased by approx. 13.5%, while the cumulative number of loans disbursed registered a raise of 12.6% vis-à-vis the previous quarter.

These statistics indicate an increase in cumulative GL disbursement due to increased outreach by new branches and also retention of clients in higher loan cycles. Branches are being monitored on a monthly basis, target achievement and monitoring of exits is now being taken care of with due diligence.

Disbursement-General Loan					
	Oct-Dec	Jan	Feb	Mar	Jan-Mar
Loan Amount Disbursed (cumulative)	4,743,688,166	139,777,000	213,121,000	288,319,000	5,384,905,166
Number of Loans	379,616	11,179	16,134	20,741	427,670
Average Loan Size (Rs.)	12,496	12,504	13,209	13,901	12,591

Disbursement-General Loan			
	Oct-Dec	Jan-Mar	% change
Loan Amount Disbursed (cumulative)	840,026,000	641,217,000	-24%
Number of Loans	57,027	48,054	-16%
Average Loan Size (Rs.)	14,730	13,344	-9%

The loan amount disbursed decreased by nearly 24% during the quarter January- March 2007. The decline in GL has resulted from the fact that majority of the disbursements are skewed in the third and fourth quarter, the decline in the ALS also resulted due to the same reason.

### Disbursement – Emergency Loan

Disbursement-Emergency Loan					
	Oct-Dec	Jan	Feb	Mar	Jan-Mar '07
Cumulative Loan Amount Disbursed (Rs.)	713,047,669	28,538,000	48,528,000	60,381,000	850,494,669
Number of Loans	252,400	7,582	12,825	15,981	288,788
Average Loan Size (Rs.)	2,825	3,764	3,784	3,778	2,945

The disbursements in the EL have been sustained over the quarter and there has been an increase of 19.2% in the cumulative loan amount disbursed and an increase of 18% in the loan amount disbursed as compared to the previous quarter. The ALS has also undergone a modest increase of 4.2%.

The cumulative number of loans disbursed underwent an increase of 14.4% and the number of loans disbursed increased by 18% as compared with the previous quarter.

Disbursement-Emergency Loan			
	Oct-Dec	Jan-Mar	% change
Loan Amount Disbursed	116,862,000	137,447,000	18%
Number of Loans	31,281	36,388	16%
Average Loan Size (Rs.)	3,736	3,777	1%

A concerted effort has been made on promoting this product among clients, new and old. This was done so that client's reliance on money lenders which charge exorbitant interest rates should be minimized. To make the product more favorable, timely access has been stressed upon. Furthermore, the frequency of accessing a consumption loan has been increased to twice a year .

### Disbursement – Business Surmaya Loan

Disbursement-Business Surmaya Loan					
	Oct-Dec	Jan	Feb	Mar	Jan-Mar '07
Loan Amount Disbursed (Rs.)	110,243,000	17,595,000	32,800,000	38,000,000	198,638,000
Number of Loans	2,814	464	875	1,035	5,188
Average Loan Size (Rs.)	39,177	37,920	37,486	36,715	38,288

IL disbursement is summarized in the following table. The organization is concentrating on expanding outreach for the IL product as can be seen from the product's growth trends. The loan amount has undergone a tremendous increase of 80% and the number of loans disbursed has increased by 84%.

The average loan size has dropped compared to previous quarter. Since the number of IL branches have increased rapidly, a greater proportion of clients are in the first loan cycle (ranging from Rs 20,000 to Rs 50,000) which has lead to a decreasing trend in the ALS. The trend shall change over this year as clients progress to the second loan cycle where amounts significantly increase (from Rs 50,000 to Rs 1 Lakh)

## FINANCIAL SUSTAINABILITY

### Overall performance

The organization's equity stood at Rs 967 M [Dec 2006: Rs 944 M]. The growth of Rs 23 M in equity resulted from income for the quarter of Rs 119 M. The income from loans increased by 17% to Rs.116M [Quarter ended Dec, 2006: 99M]. Income from loans has steadily been increasing over the years primarily as clients in mature branches progress to higher loan sizes. Secondly, but more importantly the organization is also rapidly expanding its client base by entering new districts and enhancing outreach in mature markets consequently leading to increased disbursement to clients.

The total assets base grew to Rs 2.3 billion [Dec 2006: 2.2 billion]. The asset mix by weight showed improvement in general, enhancing ability of entity to generate income at a higher rate. The sources of finances did not change during the quarter and on lending funds were met through PPAF funds.

Personnel cost decreased to Rs 39Million [Dec 2006: 41 M]. The major variation was due to annual bonus which had accrued in December. Total staff strength has reached to 952 [Dec 2006:853]. The administrative costs increased by Rs. 3M over the quarter due to setup cost of 13 more branches. However, total admin expenses are 47% as compare with projected.

Expenditure Head	Jan-Mar 07 (Actual in millions)	Jan-Mar 07 (Projected in millions )
Personnel Expenditure	39	37
Admin Expenditure	19	36
Financial charges	21	55

The total amount outstanding as on Mar is Rs 1,748M [Dec 2006: Rs 1,530M]. The average loan size disbursed during the period was Rs 14,092 [Dec 2005: Rs 16,080], while PAR has gone down to 1.5 M [Dec 2006: 1.7M] representing 0.09% and it remained below 1%. PAR continues to remain low due to the organization's emphasis on portfolio quality. Furthermore, established systems, expertise and experience gained in mature branches over the years are being transferred to the new branches thus leading to a quality portfolio being replicated in these branches.

Source of Income Generation				
Income from Financial Services	Oct-Dec '06	Jan-Mar '07	%age Change	Share (%)
Income from Loans	99,587,948	116,745,570	17.2%	96.14%
Investments	16,929,268	1,414,254	-91.6%	1.16%
Other Income	4,459,041	3,264,391	26.8%	2.69%
<b>Total Income</b>	<b>105,709,542</b>	<b>121,424,215</b>	<b>14.9%</b>	<b>100%</b>

Compared to the last quarter, income rose from 105 million to 121 million registering a percentage increase of 14.9%. Percentage share of income generated over the quarter resulted from 96.14% income generation in service charges, 1.16% from investment income (on receipt basis) and 2.69% from other sources.

The respective indicators for the previous quarter were 91.7%, 5.17% and 3.09%. This quarter the share of income generated from service charges has increased slightly and the share of income from

investments and other sources has both showed declining trends. Comprehensive information has also been provided in the ANNEXURE

## Profitability Ratios

Profitability Ratios		
Profit Ratios	FY-Dec '06	FY-Mar '07
Return on Assets (Adj.)	2.26%	4.19%
Return on Equity (Adj.)	4.81%	9.28%
Yield on Portfolio	36.60%	40.48%

The return on assets increased from 2.26% last quarter to 4.19% this quarter, the return on equity increased from 4.81% to 9.28%.

Yield on portfolio increased from 35.60% last quarter to 40.48% showing a positive trend this quarter. The yield on portfolio is primarily judged on how efficiently and swiftly have the loans been disbursed. Repeat center clients were taking more than 24 hours to disburse and there were delays in center disbursement. Changes have been made to monitor the trend and

minimize the number of days in disbursement to a repeat center. As a result this has impacted the yield in portfolio positively.

## Efficiency Ratios

Efficiency Ratios		
Efficiency Ratios	FY-Dec '06	FY-Mar '07
Administrative Efficiency	18.37%	20.60%
Operational Efficiency	24.23%	29.58%
Operational Self sufficiency	146%	142.32%
Financial Self Sufficiency	104.95%	116.74%

**Administrative efficiency** is defined as the cost required in maintaining Rs 1 in the market. **Operational efficiency** highlights the efficiency of the loan disbursement system. The operating efficiency ratio has gone up to 29% [Dec 2006: 23%], the variation is primarily due to additional costs of new branches, which are not operationalized and salary adjustment for the year.

**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. The sustainability ratios shows decreasing trend due to additional costs of 13 new branches, OSS stood at 142% [Dec 2006: 146%]. However the FSS has slightly improved to 116% [Dec 2006:104%]

## HUMAN RESOURCES

	Oct-Dec 2006		Jan-Mar 2007	
<b>Total Permanent Staff</b>	727		803	
Total Staff (HO Field)	67	660	67	736
<b>Gender Ratio</b>	Male 61%	Female 39%	Male 57%	Female 43%
<b>Total Trainee Staff</b>	123		171	
Total Trainees (HO Field)	2	121	4	167
<b>Trainees Gender Ratio</b>	Male 38%	Female 62%	Male 45%	Female 55%
<b>Total Staff Recruited</b>	146		162	
Staff Recruited (HO Field)	4	142	8	154
<b>Gender Ratio</b>	Male 37%	Female 63%	Male 43%	Female 57%
<b>Turn Over (Quarterly)</b>	Voluntary 100%	Involuntary 0%	Voluntary 81%	Involuntary 19%
<b>Overall Turn Over</b>	4%		4%	

Keeping in view KASHF's expanding portfolio of clients, research and opening up of branches in new areas and increased penetration in mature branches, staff numbers continued to increase to satisfy the organization's growth pattern. Since, a lot of new branches are being set up a greater chunk of staff that has been hired was for the purpose of field operations.

A 10% increase in staff strength registered this quarter taking total staff count to 803. The overall female staff ratio increased from 39% in December to 43% in March because of hiring more women so as to achieve a gender balance. We as an

organization are committed towards providing women an empowering role in society whether it is through providing financial services or hiring women at the work place. The gender ratio at the office level however remained unchanged in the quarter and the focus in the coming quarters would be to pursue an active policy of hiring women.

S #	Training Objectives	Trainer/Institution
1	Training of Trainers (ToT)	Management Consultant
2	Deeper knowledge of risk management, Mitigation tools and technique	EDA Rural System India
3	Skills for Computer and internet security	PIM
4	To enhance management and team building skills	Octara
5	Brand Launch Plan and Strategy	Ace Consultants
6	Learning best Practices	Grameen, BRAC, ASA
7	Deeper knowledge of Risk Management, Mitigation tools and Technique	EDA Rural system India
8	Enhancing Value of Internal Audit	Institute of Chartered Accountants

A list of trainings that were undertaken during the quarter is on the left. The focus of the trainings was on a multitude of subjects i.e. from product development to exposure visits, enhancing auditing controls to enhancing team building skills etc. Kashf believes that such training courses not only have a positive impact on the productivity of an individual but also is a very important factor in staff retention. The wide variety of trainings imparted to our staff members both internally and externally, help enhance their capabilities as an individual and in building a world class team of professionals actively engaged in assisting each other in serving our clients.

## ***GENDER EMPOWERMENT & SOCIAL ADVOCACY***

Since its inception, Kashf also maintained a focus on gender empowerment and social advocacy through social means. GESA's role is central to the overall vision of Kashf. Unlike other departments, gender empowerment and social advocacy is its core business. It sees itself as the conscience of the organization.

The department/ program was conceptualized as providing a whole host of non-financial services to clients and staff which would both enhance the impact of KASHF's financial services but also complement these by offering trainings and information that would enhance the social mission of Kashf. In other words, the department is dedicated to realizing the potential for self-actualization for both clients and staff.

During this quarter GESA focus was program's cost-effective expansion and marketing and promotion of its activities

<b>Initiative</b>	<b>OUTCOME</b>
<b>Theater</b>	<p>GESA has been at the forefront of promoting KASHF's image as a responsible MFI and creating awareness among its clients through various initiatives. Theatre is the most effective interactive tool to delight and inform the clients on a multiple of social issues and involve them actively in the debate which naturally proceeds from open ended theatre performance. The performance is usually based on a true story depicting the socio-economic plight of women in the patriarchal set-up of our society. In the interactive session, true stories of the clients who voluntarily climb up the stage and share their experiences are recorded.</p> <ul style="list-style-type: none"> <li>▪ <b>29 performances conducted</b></li> <li>▪ <b>8,000 clients out reach covered</b></li> <li>▪ <b>2 New Groups trained for Kasur and Faisalabad</b></li> <li>▪ <b>2 days training for staff on invisible theatre by IRC and skits recording for the GEO program.</b></li> <li>▪ GESA implemented an extensive exercise of mapping places in local communities for KASHF's theater program.</li> <li>▪ GESA consulted IRC to reduce cost of the program</li> <li>▪ Clients found theater as a unique and delightful feature of KASHF's program which no other competitor offered and provided a platform to clients in sharing their problems</li> <li>▪ GESA also collaborated with IRC for initiating the project of awareness on water &amp; sanitation service delivery in Shalimar town and conducted 4 theatre performance</li> </ul>
<b>Leadership</b>	<ul style="list-style-type: none"> <li>▪ The purpose of leadership training is to make the Center managers become aware about their roles in their center as well as become efficient in solving center problems such as conflict management, delinquency management that arise.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ <b>8 branches covered (ST, SP, JP, SM, Chungi ,Bedian ,Walton, GT, Ichra)</b></li> <li>▪ <b>47 sessions conducted</b></li> <li>▪ <b>900 center Managers trained</b></li> </ul>
<b>Gender Client Council</b>	<ul style="list-style-type: none"> <li>▪ IRC initiated the project for awareness of water &amp; sanitation through Baghbanpura gender council. This initiative builds a strong image of Kashf as a socially responsible institution. Our clients highlighted issues and concerns regarding water &amp; sanitation to the local Nazims and the service providers.</li> <li>▪ Free Legal aide provided to different clients and a staff member</li> <li>▪ Anti-violence committees formed to reduce incidence of domestic violence</li> <li>▪ Client's satisfaction gained, as no other competitor provide such services in these areas</li> <li>▪ <b>2 new GCCs were formed as anti-violence committees at Qainchi and Bedian (total 6 GCCs)</b></li> <li>▪ <b>18 monthly meetings in 6 GCCs</b></li> </ul>
<b>GAD Workshop</b>	<ul style="list-style-type: none"> <li>▪ Staff, play an active role in addressing gender related issues in communities and in developing gender-sensitive culture within the organization.</li> <li>▪ <b>2 Gender workshop for Sahiwal and Gujranwala staff</b></li> <li>▪ <b>54 Los and COs from Sahiwal and Gujranwala were sensitized on gender issues</b> and they will take forward KASHF's mission with conceptual clarity</li> </ul>
<b>Media and Networking</b>	<ul style="list-style-type: none"> <li>▪ <b>Media:</b> The purpose of all these media activities to promote and highlight the Kashf's contribution in the microfinance sector and to generate awareness amongst masses about the importance of microfinance.</li> <li>▪</li> <li>▪ 10 YCC event coverage</li> <li>▪ Press coverage to Professor Yunas visits</li> <li>▪ Press Conference at Sargodha Press Club</li> <li>▪ Updated list of client for media officials</li> <li>▪ Meeting with media officials in Kasur, Okara, Sahiwal</li> <li>▪ Coordinated interview of Roshaneh for PTV</li> <li>▪ 3 Gender Network meetings</li> <li>▪ Participation in gender network meeting to generate awareness on social issues.</li> <li>▪ <b>Union councils:</b></li> <li>▪ 11 Kashf orientation sessions were conducted with UCs for area 1, 2, 3</li> <li>▪ Through these sessions, BMs identified more potential areas for their growth</li> <li>▪ Contact list provided to HR and Ops for research and hiring</li> </ul>

<p><b>10 Year celebration</b></p>	<p><b>10 YCC</b> – an event held for the branch staff to commemorate the achievements of Kashf in the past 10 years, commend the field staff on their performance by giving awards and to give them a direction for the future.</p> <ul style="list-style-type: none"> <li>▪ Coordination for event</li> <li>▪ Follow up of committees</li> <li>▪ Logistical arrangement</li> <li>▪ Musical evening</li> </ul>
<p><b>Staff Capacity Building</b></p>	<ul style="list-style-type: none"> <li>▪ 8 days training on gender by Insan Foundation</li> <li>▪ 2 day training on Leadership/ supervisor by “Octara”</li> </ul>

**ANNEXURE:**

**PERFORMANCE INDICATORS & RATIO ANALYSIS**

<b>Indicators</b>		<b><u>Actual For</u></b> <b><u>Quarter</u></b> <b><u>Mar07</u></b>	<b><u>Target For</u></b> <b><u>Quarter</u></b> <b><u>Mar07</u></b>	<b><u>FY 2006</u></b>
<b>Institutional Characteristic:</b>				
1	Total Assets (In Million)	2,273	2,471	1,986
2	Number Of Offices	99	109	84
3	Number Of Employees	952	1,604	853
<b>Outreach Indicators:</b>				
4	Number Of Branches	85	95	72
5	Number Of Active Borrowers	167,970	169,969	136,015
6	Number Of Active Borrowers Per Branch	1,976	1,789	1,889
7	Number Of Loan Officers	545	1,075	479
<b>Loan Portfolio</b>				
8	Total Loan Outstanding (Gross) (In Millions)	1,739	2,005	1,552
9	Overdue Loans (In Milion)	1.26	0	2.41
<b>Sustainability/Profitability Ratios:</b>				
10	Return On Equity (ROE)	19.24%	18.53%	16.36%
11	Operating Self Sufficiency (OSS)	142.32%	152.00%	146.00%
12	Financial Self Sufficiency (FSS)	116.74%	115.00%	104.95%
<b>Asset / Liability Management Ratios:</b>				
13	Yield On Gross Portfolio	40.48%	35.80%	32.39%
14	Financial Cost Ratio	7.60%	7.60%	4.32%
<b>Portfolio Quality:</b>				
15	Portfolio At Risk Ratio (PAR)	0.09%	1.70%	0.19%
<b>Efficiency And Productivity Ratios:</b>				
16	Active Clients Per LO	308	158	284
17	Active Clients Per Total Staff	176	106	159
18	Operating Expense Ratio	29.58%	25.75%	24.23%
19	Personnel Expense / Loan Portfolio	13.84%	7.50%	12.29%
20	Portfolio Per Loan Officer (In Million)	3.19	1.87	3.24
<b>Financing Structure:</b>				
21	Debt/equity ratio	1.2x	1.0x	1.4x