
Kashf Foundation

Towards the Economic Empowerment of Women

Quarterly Report

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1 Summary of Main Outcomes

Unexpected challenges arise in the lives of growing organizations. Some of these challenges may not even have been conceived or highlighted when developing business plans or undertaking strategic analysis of the institution. The risks faced by microfinance are mostly determined in terms of financial and institutional factors – however, sometimes unprecedented events can shake the foundation of the institution. In this quarter, the tragic death of one of Kashf's loan officers, Shazia Alam, was one such event. The entire institution, its staff, its board, its donors and its clients were rudely shocked and outraged by this heinous and unforgivable act, where Shazia was gunned down by two armed assailants when returning from her center meeting.

The institution mourns Shazia's loss and has commemorated her memory in several ways: For each year the award for the best loan officer has been named The SHAZIA ALAM EXCELLENCE Award, this is to recognize the high performance standards that Shazia had established at Kashf. Several events were also held in Shazia's memory, which included a duwa (prayer) at the branch and the head office, along with a condolence resolution meeting, where Shazia's work was highlighted and messages from all over the world were read out to recognize the importance of Kashf's work in Pakistan. Furthermore, a monetary reward from Kashf directly and a financial contribution by all the staff of CGAP was also provided to Shazia's bereaved family. The Kashf Newsletter (Kashf kee Khabrain) was completely dedicated to Shazia Alam for the current month. Supporters and friends of Kashf Foundation also wrote in several local newspapers about the event along with raising support for the issue amongst the local administration.

In the light of the above several changes had to be made in the overall operational strategy of the institution. Several stages of discussions and meetings were held at all levels of the institution, including a special board meeting, series of meetings at the branch manager and area level, along with meetings of the Executive Body. After suggestions and recommendations were received from all levels of the institution, the following options were agreed upon and plans to introduce these were immediately implemented:

- Given the poor law and order situation in the country, Kashf will revise its loan collection system to try and minimize cash transactions at all levels. The clients will be required to deposit cash directly at the bank branch one day prior to the center meeting.
- Cash insurance will be in place for all levels of cash transactions.
- A security taskforce will be established at the head office, with representatives from all levels of the institution, who will monitor and handle all types of security issues.
- Community involvement in ensuring staff's safe passage at all times will be vitalized through direct contact with the police, the local nazims (councilors) and other persons, along with developing the norm that clients must escort staff after the meetings to the next center or the local transportation.

At the same time, during this period in addition to the above unforeseen challenge, there have been several other issues. The overall growth of the programme has been much slower over this quarter, primarily caused by the above event, along with the fact that the existing branches have matured in terms of their outreach. In one particular branch, there has been an issue of exit clients and delinquency and this branch has been the major cause for higher client attrition over

this period. Both these aspects, that is growth in an efficient environment and minimizing programme risk at all levels will be the focus in the upcoming period.

Other programmes have also gone through a rapid self reflection. The Dastkaari programme has completely revised its strategy, which now includes less products and more stream lined systems along the lines of multinational manufacturing concepts. Business units have been established which will operate as profit loss centers – there are three business units as follows: crafts, candles and corporate (which deals with hand embroidery). The Social Advocacy and Capacity Building Programme has worked on broadening the outreach and the focus of SA and CB to incorporate awareness building of local administration, local government and the police in particular. Furthermore major headway has been made in the male gender training programme, which has been undertaken in several communities.

2. Kashf's Economic Empowerment Programme

In a few words, it may be important to highlight the meaning of the word “Kashf”. Kashf is a multifaceted word - literally translated it means miracle or revelation. In other words, Kashf is a process of self-discovery - a conscious realisation of one's inner capacity - where the hidden potential of women can be brought out and accentuated.

Kashf Foundation initiated its operations in 1996 as an action research programme to demonstrate the credibility and economic competence of women from poor communities in the district of Lahore. Kashf's original programme began with 15 courageous women who decided to utilise credit to begin small income generating activities. Of these 15, most chose trading in cloth, dry rations, wheat, rice and other commodities, while the remaining invested in livestock (goats).

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

2.1 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 a group of five members, who then take responsibility for loan repayment.

2.2 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. Kashf is also providing access to women artisans in basic product design, production management and marketing.

3. Achievements of the Microfinance Programme:

3.1 Outreach:

**Outreach for Total Programme
April-June, 2002**

	Beginning of Period	Apr	May	Jun	Cumulative
Customers (New)	15,520	434	350	465	15,706
Customers (Active)	15,520	15,504	15,579	15,706	15,706
Customers (Drop Out)	2,826	450	275	338	3,889
Customers Attrition Rate	18%	2.9%	2%	2%	25%
Mobilisation Rate / LO Per Month	15	11	9	6	6

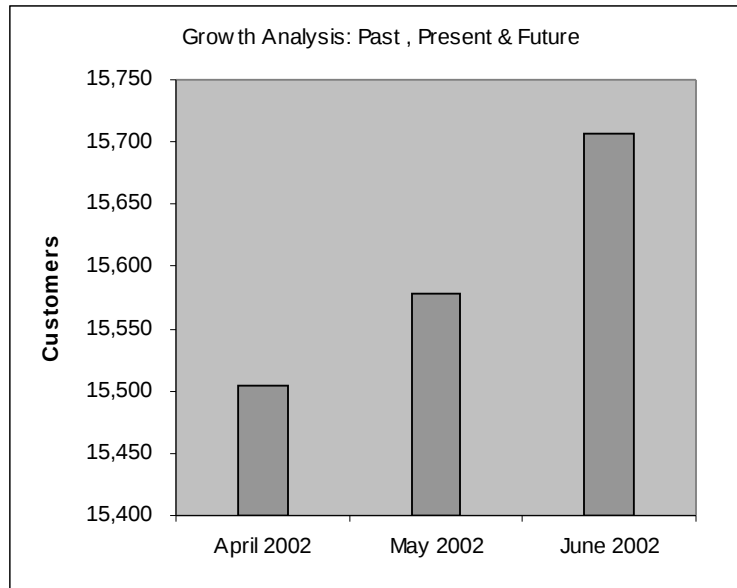
During the fourth quarter of the current financial year (2001-02), the programme experienced slower growth. One of the reasons included the level of maturity of most of the branches, however the programme is experimenting with pushing the frontiers of productivity in its mature branches. Kashf also experienced a setback in the month of May when one of its experienced loan officers was gunned down. This incident as expected had an impact on staff morale and well being. A series of confidence building sessions were undertaken with the field teams to improve their sense of security and address their concerns. At the same time, some changes in delivery were also introduced with the staff involvement. As a result, the growth of the programme in this period remained slow. Kashf operations team's commitment to microfinance and their mission has only increased after this event and the team is determined to take the mission forward to an increasing number of poor and vulnerable households in Pakistan.

From the perspective of programme expansion, six new branches were opened in Green Town, Jora Pull, Shahdara I & II, Quainchee and Band Road. Demand for financial services is rated to be quite high and the programme has had a very positive response. The staff in these branches has been well trained and has made their six month targets. It is expected that the Kashf's Microfinance will add 11, 294 clients in the next six months. This will bring Kashf's total client base to 27,000 women by December 2002.

In this quarter, the programme experienced a monthly growth rate of 2.7% compared to 3.5% in the last quarter. A total of 1,249 new customers were provided access to financial services in this quarter. The loan officer productivity has decreased from 389 clients in March 2002 to 245 clients per loan officer in June 2002. This dip is due to the 24 new loan officers who were added in this period. In the mature branches, loan officers are managing 450-500 clients.

Research has been completed on the four new branches which will be opened in the month of September in Kasur. This will be Kashf's first experience of working beyond Lahore and Sheikhpura.

Figure One



The client attrition rate for the programme for the year is 14%. In terms of numbers, a total of 2,186 clients exited from the programme in this one year period. Migration in the urban communities where clients move from one area to another to search for better livelihood or cheaper rent facilities continues to be one of the factors contributing towards attrition. In the next quarter, Operations is planning an exit study with an intern from Duke University to interview exit clients and draw lessons for Kashf. The household data from the loan application will be linked to exit clients to examine commonalities and trends.

In the quarter, a total of 1,063 clients exited from the programme with the majority being cancelled from one of Kashf's programme which has been experiencing delinquency. Lags in policy application and standards has resulted in high cancellation in this branch.

3.2 Branch Operations:

In terms of local growth, the programme has opened 49 centres and formed 250 new groups, bringing the cumulative total to be 628 centres and a total of 3,139 groups.

The mix of clients for rural and urban communities ranges between 6,687 clients housed in rural communities to 9,011 in urban areas.

3.3 Loan Officer Productivity:

The average loan officer productivity level has dropped from 389 clients in the last quarter to 245 this quarter. The main reason for this is the opening of six new branches where 24 new loan officers have been recruited. This has brought the overall productivity

of the branches down, however if we just observe the productivity level in the mature branches, it ranges from 400-500 clients per Loan officer.

In terms of portfolio size, each loan officer is on average managing a portfolio of Rs 628, 697 which has dropped from Rs. 1,210,727 in the last quarter. This is expected to increase in the last quarter and onwards as the new branches begin disbursements and increasing their portfolio size.

3.4 Portfolio Growth and Quality:

3.4.1 Disbursement - General Purpose Loan:

General Purpose Loan (GPL)

	Beginning of Period	Apr	May	Jun	Cumulative
Loan Amount Disbursed	105,213,650	3,860,000	3,804,000	3,083,000	115,960,650
Loans (Number)	22,843	704	675	551	24,773
Average Loan Size (ALS)	4,606	5,483	5,636	5,595	4,681
Amount Disbursed / LO	2,630,341	96,500	95,100	41,662	1,567,036

Amongst the variety of financial products that Kashf offers, the first and in some ways the most important product is the General purpose loan (GL). Overall, disbursement for the GL increased from Rs 105.2 million to Rs 115.9 million, in other words a monthly growth rate of 3.4% per month. In terms of number of loans, a total of 1,930 new loans were provided. Ensuring the quality of these green loans is a priority of the Foundation and different mechanisms have been put into place to ensure portfolio quality.

The Average Loan Size (ALS) for the GL has remained the same at about Rs. 4,681. This figure indicates that the average loan size for repeat clients is not being actively marketed in the field. This is an area that needs to be improved to increase client satisfaction. The amount disbursed per month during this quarter ranged from Rs 48,171 to Rs 96,500 per loan officer.

3.4.2 Disbursement - Consumption Loan:

Consumption Loan (CL)

	Beginning of Period	Apr	May	Jun	Cummulative
Loan Amount Disbursed	12,055,460	171,500	67,500	110,500	12,404,960
Loans (Number)	8,962	140	56	76	9,234

Average Loan Size (ALS)	1,345	1,225	1,205	1,454	1,343
Amount Disbursed / LO	301,387	4,288	1,688	1,493	167,635

The Consumption Loan based on the idea of a credit card allows Kashf clients to draw small amounts of cash ranging from Rs 500 to Rs 2,000 from Kashf. The flexibility and speedy access are key features that make the product responsive to client needs and preferences enabling them to manage risk and vulnerability in life. The loan is repayable in small installments over a period of six months.

Over this quarter, there has been a very slow increase in the consumption loan reflecting some bottlenecks in the implementation of the new policy. It has been found that the loan officers and branch managers have imposed some restrictions to limit the access of Consumption loans to the clients. Various confidence building sessions are planned by the Area managers to build consensus on the new changes and promote their marketing.

A total of 272 consumption loans were provided in the current period, bringing the total number of loans disbursed to 9,234 while the ALS continues to be around Rs 1,300.

3.4.3 Accidental Insurance – new entrant in the products and services portfolio

The accidental insurance is the new financial product offered by the Foundation. The product has been devised on a partner-agent model where Kashf will work with an insurance company in giving insurance coverage to all its clients. The insurance, in case of accidental death, offers coverage to the client by paying the outstanding loan amount and also paying Rs. 1500 (US \$ 23) to the deceased family for bearing burial and other such expenses at the time of death. The product has been highly appreciated by the Kashf client.

3.4.4 Portfolio Quality - Recovery & Portfolio at Risk Analysis (PAR):

Asset Quality

June, 2002

	Beginning of Period	Apr	May	Jun	Cumulative
Recovery %	100%	100%	100%	100%	100%
PAR (outstanding balance of loans with late repayments over total outstanding balance)	1.35%	0.93%	0.97%	1.01%	1.01%
Number of Delinquent Customers	461	426	410	371	371
% of Delinquent Customers	3.0%	2.7%	2.6%	2.4%	2.4%
Outstanding Balance (with service Charges)	654,558	410,974	409,689	408,029	408,029

Outstanding Balance Portfolio	48,429,088	44,424,074	42,283,404	40,236,638	40,236,638
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Kashf uses various techniques to gauge the portfolio quality, the timeliness of recovery and PAR being the two key measures. The recovery rate for the programme has been 100%, however this includes some advance payments and hence is not a clear measure of portfolio quality. The PAR ratio which is a more stringent measure for mapping late payments has been 1% and has decreased slightly since the last quarter. The efforts to manage delinquency in two of Kashf's branches are on-going. In Bedian branch, delinquency has been controlled to a great extent and the branch teams are working on establishing a disciplined and customer oriented environment. The results in this branch can be attributed to consistent follow up, planning, information management and a strong leadership. In the Sukh Nehar, a large amount of late loans are stuck and further increase in the late payments has been contained. In this branch, Nazims and councilors will also be engaged to help in the recovery of the loans. While the rise in overdue has been controlled, the recovery of the late payments remains a challenge particularly in cases where a client may have used more than one loan. The programme is developing a strategy to manage this.

While analysing the relative riskiness of the late repayments, the table below reveals that the total number of delinquent clients as well as the outstanding balance of late payments has decreased. In other words, there has been a decrease in the number of late payment clients by 19% while the outstanding balance of late payments has reduced by 38%. These figures indicate that the delinquency management strategy is bearing fruit. Another important step taken in this period is the formation of delinquency management teams in different areas comprising of the branch managers as well as the loan officers. This team will be activated as soon as delinquency occurs and will go out in the fields to support the branch as well as conduct an independent review. The team will be managed and run by the Area managers and will report directly to the AMs.

An important trend to note in the table below is the ageing of the portfolio and the relative riskiness of the Kashf loans. The table indicates that portfolio quality has improved in this quarter with the number of new late payments being added going down drastically. This means that a culture of on-time payments is being re-established in the troubled branches. However, the riskiness of the portfolio is on the rise as majority of the loan portfolio is spread over the 61 plus days. This requires attention and focus.

PAR – Outstanding Balance of Loans with Late Payments
Kashf Foundation

Months	1 - 30 days		31 - 60 Days		61 + days		Total > 1 day late	
	Amount	%	Amount	%	Amount	%	Amount	%
Apr	8,545	0.02	29,145	0.07	373,284	0.84	410,974	0.93
May	-	-	-	-	409,689	0.97	409,689	0.97
Jun	11,920	0.03	-	-	396,109	0.98	408,029	1.01

3.5 Savings:

Kashf offers a flexible saving product which provides the customers the opportunity to deposit in multiples of Rs 10 and offers open withdraw facility at the centre meeting or in case of emergencies at the branch office. Due to the changes in the new cash systems with clients making installment payments directly in the banks, the savings product features have also been modified. Savings withdrawals have been moved from the center to the branch. This is bound to create some level of inconvenience for the client, however it has enabled the product to add a component of confidentiality to its existing features. Discussions have been carried out with the clients while making these changes. It is important to map the progress of the product in the coming months particularly in the rural branches where distances are greater and hence costs of transactions may increase significantly for the client.

The savings product continues to show a decline with the average monthly deposit per client ranging from Rs 22-38, this may also reflect the changes in the savings product. The average deposit size per customer has also declined from Rs. 80 in the last quarter to Rs. 76. A more systematic study of the savings needs, preferences and the current features of the product needs to be undertaken.

	Beginning of Period	Apr	May	Jun	Cumulative
Total Active Savers	13,463	13,521	13,311	13,463	13,463
Total Amount Saved	1,077,488	1,101,783	1,104,654	1,027,552	1,027,552
Monthly Amount Saved	451,122	508,754	395,751	293,041	293,041
Average Amount Saved	34	38	30	22	22
Average Deposit Size	80	81	83	76	76

Financial Performance of the Microfinance Programme

4.1 Income From Financial Services:

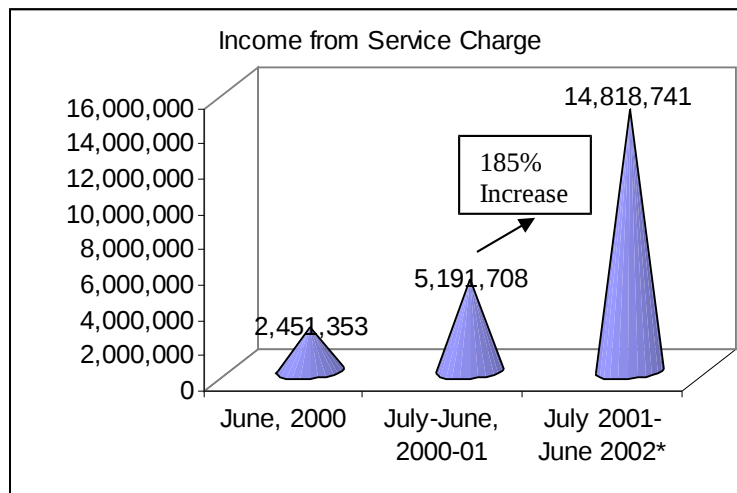
This section will focus on the ability of the programme to generate income from its core activity or its main performing asset, that is, from its credit programme or its loan portfolio. In the income statement this income is detailed under “Income from Service Charge”. The income from service charge is primarily generated from branch operations and is a measure for gauging the relative profitability of the branch unit.

	June, 2000	July-June, 2000-01	July 2001-June 2002*
Income from Service Charge	2,451,353	5,191,708	14,818,741
Income from	62,468	1,539,312	2,972,031

Investments			
Income from other finance related services	268,797	330	612,896
Total Income	2,782,618	6,731,350	18,403,668

*Please note these figures are based on unaudited accounts and are liable to change at year end.

The overall income from this fiscal year, as compared to the previous fiscal year is 185% higher. This implies that over a one year period the ability of the programme to generate income or sales has more than doubled. In terms of overall percentages, 81% of the income generated over the year was from service charges, while 16% was from investment income and 3% was other income, which includes income from insurance services. However, if the same comparison is made over the past two years, the ability of the programme to generate income has more than quadrupled (504%). Furthermore, if one reviews the progression of investment income, the application of idle funds has been more effective during the current fiscal period, however, it could be improved over the next year as well.



Profitability Ratios

Ratio	Upto June 2000	Upto June 2001	Upto June 2002	Projected
Return on Assets (Adjusted)	(26%)	(13%)	(5%)	(13%)
Return on Equity (Adjusted)	(59%)	(24%)	(15%)	(25%)
Yield on Portfolio	52%	52%	54%	41%

First, it may be important to define the above ratios:

The Return on Assets: maps the ability of the organisation to generate income from all of its assets, that is how profitable has the organisation been in applying (investing) its resources.

The Yield on Portfolio: this isolates the ability of the organisation to generate income from its main performing asset, the loan portfolio.

In terms of the above ratios, it is important to undertake a trend analysis of how they behave across time. Compared to the figures for June 2001, there has been an improvement in all three ratios in the final quarter of the current fiscal year, and in fact on all three indicators the programme has performed better than its projections. This has been realized after active engagement at several fronts: enhancing the loan size from 4,000 to 6,000, focusing on repeat client satisfaction, setting up and applying cost standards at all levels etc. However, given the slower growth in the current period, the ratios have been fairly static over the past 6 months.

4.2 Financial Self-Sufficiency and Efficiency Ratios:

	1999-00 June	2000-01 July-June	2001-02 July-June
ADMINISTRATIVE EFFICIENCY	174%	72%	50%
OPERATIONAL EFFICIENCY	223%	77%	57%
SUSTAINABILITY			
Operational self-sufficiency	43%	67%	96%
Financial self-sufficiency	33%	52%	75%
Operating cost per unit of money lent *	0.54	0.20	0.26

Over this year, there has been sustained improvement in several of the efficiency ratios, however, they are still not close the “ideals” or best practice levels. Both administrative efficiency and operational efficiency had improved from 72% and 77% respectively in June 2001 to 50% and 57% in June, 2002. Compared to the figure of 44% and 50% for the last quarter, there has been a slight deterioration in these ratios over the current period. As mentioned, this can be directly attributed to the slower growth in the client base, along with the investment in 6 non-productive branch units. It is expected that by the next reporting quarter, provided growth and efficiency targets are met, these indicators will improve to 32% and 52% respectively.

In terms of cost recovery, as expected with expansion the programme operational self sufficiency has gone to 96% while financial self sufficiency has been 75% over this period. However the management maintains a strong commitment to cost effectiveness as well as achieving self-sufficiency as strategically and rapidly as possible

5.1 Staff Capacity Development

In keeping with its view to invest in staff skills and capacity, the following trainings were attended by Kashf's Staff during the quarter of April to June 2002:

Training Activity	Objectives	Location	Collaborating Agency (if any)	Date	Trainees
Introduction to Quality	<ul style="list-style-type: none"> The course gave an overview of the importance of quality in any institution and the benefits attached to it. It also gave exposure to key tools used for collecting data on quality improvements. 	New York	WWB	May 20-22, 2002	Manager Operations
Entrepreneurship for women	<ul style="list-style-type: none"> Awareness of entrepreneurial characteristics Knowledge of entrepreneurial functions. Marketing, costing pricing Relationship with customers 	Lahore	Kashf Foundation	June 01-03, 2002	ED Programme Associates
Developing Standardized formats for MIS Input	<ul style="list-style-type: none"> Auto generation of report Tracking of individual beneficiaries Store data in a decentralized manner Monitor programmes including HRD and social mobilization 	Islamabad	PPAF	April 2002	Manager Finance & MIS
Basic Computer, Financial Package and New Accounting Policies	<ul style="list-style-type: none"> To learn basic working of computers, basic word, excel and email system Advance Financial Package, to give bank book and 	NCBA, Lahore	Kashf Foundation	May 2002	Area managers and trainee area manager, Branch managers, trainee branch managers

	cashbook concept, JV concepts <ul style="list-style-type: none"> • New accounting policies viz a viz disbursement and recovery methods 				
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6.1 Capacity Building for Customers

Customer Trainings at Kashf Foundation Up to June 2002

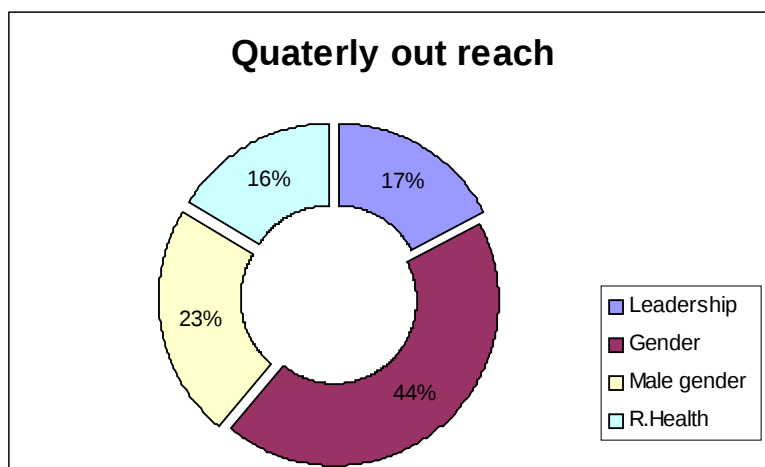
The SACB team was faced with the dual challenge of leadership and managing and improving the quality of the programme as the manager had to leave due to personal reasons. The team members developed a system whereby one of them took on the role of a coordinator with additional responsibilities of supervision and training the new staff members.

The summary of the main quarterly achievements are as follows:

Training Type	# of Trainings this Quarter	Cumulative # of Trainings	Average # of Participants per Training
Leadership	15	305	27
Gender	38	323	26
Male Gender	23	23	19
Business Development	0	5	15
Reproductive Health	14	59	24

Issues & Outcomes:

In this quarter, total 87 trainings were planned and all were attained. Over all 2147 clients were trained at leadership, gender, and reproductive health packages including male gender training. Out of the four packages, the highest number of trainings conducted were the Gender trainings, that is a total of 38 trainings or in other words 969 clients were made aware of their role as women, implications and challenges and their rights and responsibilities. 402 clients were trained at leadership, 336 clients were provided Reproductive health training and 440 husband's of clients were also provided gender training.



New developments and Challenges:

In Kashf, the Gender Training was conducted initiated in 1998 for women. It was soon realized that gender issues relate not only to women but also to men. In order to bring sustained change, there is need to change to involve both men and women and to look at both perspectives. Thus a male gender program was initiated. This program has added value in the SACB mission and also reinforced Kashf’s mission of women’s empowerment. This is an important step forward to create gender sensitivity within the society.

Furthermore in this quarter 20 loan officers were monitored to ensure high delivery of the social themes. It was observed that the presentation skills of staff members have been enhanced. Clients also felt that the quality of social themes were more relevant than the previous quarters and it gave them a new way of thinking about social issues. One of the woman remarked that the social theme made her more aware about the laws which regarding women problem.regarding women’s issues, while previously she had no such information.

Another critical area where the SACB team joined hands with the Microfinance Operations was in dealing with the murder of Shazia, Kashf’s loan officer. The team took on the task of raising awareness amongst the Nazim’s on Kashf, its mission and scope of the program. The team also picked up the core issue of staff security and well being. The Social advocacy team split up and covered all the union councils of Kashf’s target areas. They received a very positive response and then shared this information with the branch teams. This focus would continue in the next quarter.

SACB team also attended the PNCC (Punjab NGO’s coordinating council) meeting and highlighted the Kashf staff murder issue during work hours. The members of the council regretted the murder of the loan officer and sent letters to the Minister of Punjab and DIG to take appropriate action. Social advocacy also arranged a condolence meeting in Kashf ‘s Head office. Representatives from different NGOs came for condolence with the Kashf management team and Shazia Alam’s family.

Leadership Training :

On the whole, Fifteen leadership training sessions were conducted. Their break down is as follows: six trainings were conducted in April, five in May and four in June.

Leadership training is the most popular training much liked by the clients. The facilitator enhances the capacity of clients as leaders, and develops skills to manage conflicts. The activities of the module generate team work and also provide clients with important tips for center functioning. It also brings conceptual clarity regarding the responsibilities as center members.

During the quarter, clients favorite activity was the time management role-play. Customers were quick in picking up the message through the role-play. This role-play helped the participants to understand the importance of punctuality and timely payment of installments. The clients remembered this role-play even later when they were visited for some other training session.

The Conflict resolution session is a newly introduced activity enhancing the client's decision making ability. In the activity clients are divided into four subgroups and the facilitator narrates a conflict which after ten to fifteen minutes the group resolves and arrives at a solution. This activity makes the clients realize that Kashf is providing them with an opportunity to enhance their decision making power.

Gender Training:

A total of 38 gender trainings were conducted, of which fifteen were conducted in April, sixteen in May and seven in June. Five video sessions were also undertaken.

In gender training, the activity of choosing the sex of your child has some very important messages. It provides women a chance to analyze their own perceptions and reflect on the images prevalent in the society. The reasons for preference for a male baby include that boys are earning hands for the family, that boys continue the kin, they provide care in old age and they create importance in the in-laws! It was also discussed whether these perceptions were right and how wrong perceptions create an imbalance in society.

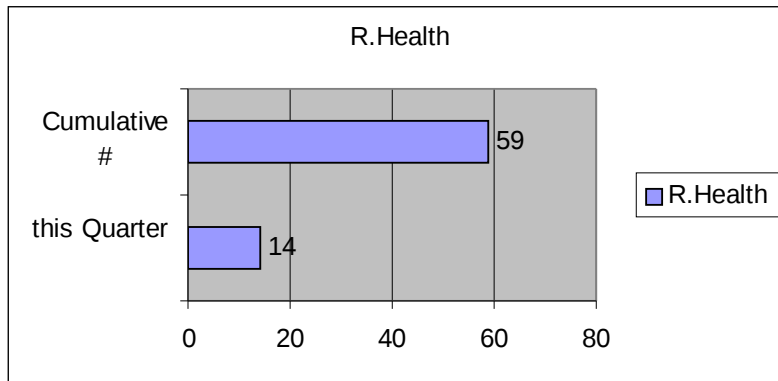
In this quarter, gender module two was also tested out. The response was positive and the video clipping regarding rights of men and women helped in generating discussions. The Oran Khatola activity was also conducted. In this activity, members were divided into two groups male and female. Each member was given a chance to choose the basic essentials to take on a long trip to the moon, outside this world. The basic essentials were termed as the basic necessities of any human being and being a human being the fundamental rights of women are necessities. The implications of lack of these fundamental rights was also discussed.

Male gender Program:

In this quarter, the male gender program was introduced within the Social Advocacy department. A total of twenty male trainings and three video sessions were conducted. The training sessions explored men's perceptions and views and their level of sensitivity towards gender. Gender trainings draws their attention towards the concept of a balanced society. At one of the rural branches during discussion men said that women should not work outside as it was restricted in Islam. The facilitator then engaged in discussions with them and also shared elected verses from the Holy Quran to demonstrate the rights awarded to women.

Reproductive health Training

A total of fourteen reproductive health trainings were conducted. Six trainings were conducted in April, two in may and six in June. In the previous quarter, six new health modules were also prepared on the basis of Ahun's health training, four modules were for female and two modules for male participants.



New health module covers the following topics and related problems:

- We and our body
- Sexually transmitted diseases
- Menstruation
- Urethral Discharge
- Family Planning
- Breast Examination

Male modules covers the following topics:

- Our body
- Urethral Discharge
- Family Planning

The Health training module continues to break myths that women hold regarding virginity, sex determination and other areas. Accurate information on these areas is provided to the women and commitments are also collected regarding the access of information to their daughters and other female members in the family.

Lastly, to enhance the capacity of staff a one day Gender and development training session was conducted for trainee Branch managers and Area manager. On day report writing training was also provided to SACB team with the coordination of Lok Rehse.

7. Enterprise Development

Programme Highlights

This quarter has been utilized in the strategic planning and implementation of the new strategy. Work has been done on the practical implication of the Business Strategy so formulated in March. The focus has been on the production side and better utilization of resources. Research and development have been given priority so that when the products are launched they are acceptable in the local market and can also be instigated in the international market.

There has been a re-launching of the DASTAKARI BRAND. To make continuous improvements in the designs and come up with innovative ideas, a designer has been hired. Now techniques are also being updated.

Buyers are being targeted for the hand embroidery (SKILL PROJECT).

Strong results in the next upcoming quarter are expected since the main aim for this production break was to improve the productivity and image of the DASTAKARI products.

The high lights of the plan are as follows:

Restructuring

The program has been restructured and decentralized to reduce inefficiencies. The new structure comprises of the following team members:

- 1) One Enterprise Development Manager at the RDC
- 2) One accountant at the RDC
- 3) Two Business Unit Managers, one each for the following Units: Candles and Crafts. Corporate unit is currently been managed by the ED Manager.
- 4) Three supervisors: One for Candles & two for Crafts.
- 5) Four Leaders: Each workstation has an appointed leader who is also part of the production workforce.
- 6) Workers for two Business Units: 5 workers in candles, around 21 workers in crafts.
- 7) Locations for the candle business unit are in the urban setting and the crafts business unit functions in 2 rural areas. Excess capacity at Bullar, one of the craft workstations is being used to accommodate a larger order under the Corporate unit.

Quality Assurance & Customer Satisfaction

Quality assurance is critical to the success of a product in the market.

The focus upon quality has been embedded at all levels i.e. procurement, production, distribution and marketing. At the procurement level, raw materials are being purchased from specified wholesalers and are being tested before use. Sample testing is being conducted each time a new product is launched. In addition, from each production batch a mandatory percentage (based on experience) is being tested for quality. In production, quality indicators have been established (with specified variance levels) for each product. Production aims towards zero tolerance for sub-standard quality. In distribution and marketing, regular monitoring visits by the business unit manager to the outlets ensures quality of the product display as well as a good business relationship.

Customer satisfaction is targeted through:

- Providing the best quality for the price.
- Ensuring consistency in quality.

Customer satisfaction is being gauged on a regular basis through focus groups and feedback mechanisms. A customer database is also being maintained, updated and regular feedback is being taken on product quality. The feed back forms will be introduced soon.

Research and Development

Research and Development has been a critical process within the Enterprise Development Department at Kashf. R& D will focus upon the following:

- 1) Regular (weekly) monitoring of product sales
- 2) Research on the internet and other sources for new technologies, designs, and packaging.
- 3) Visits to outlets for obtaining customer feedback.
- 4) Focus groups with innovators upon launch of a new product
- 5) Developing new designs for each product with the designer in advance.
- 6) Introducing 2-3 new designs for each product every month.
- 7) Compulsory quality testing of all new product designs during the development and production phase.
- 8) Developing and updating promotional material to promote product.

Production & Quality

The Business Unit consists of a workstation, which would employ of 5-10 workers, supervised by a leader who would be responsible for the production of a specified product. The low worker-leader ratio would ensure that quality standards are maintained and geared towards ensuring greater growth in production in the future.

Business Units are situated in a low-income community reflecting the social mission to provide fair wage employment opportunities to women. All production takes place in the Business Unit, which would have a safe and healthy working environment. The Business Units have adopted the Just in time (JIT) philosophy to eliminate waste including idle inventory and continuously improve the quality, reliability, delivery, products and processes (KAIZEN). The Business Units would implement the following components of the JIT philosophy:

Layout

The Business Unit is being divided into production, packaging and storage spaces. The segregation of space has reduced the time for materials handling and allow for separate quality inspection at the production and packaging stage.

Management commitment

Managers have been educated in the nature of the system, and are actively involved in bringing about the implementation. The decision making process is being decentralized. Mostly production related decisions are now been taken by the Unit Managers, thus this will increase the efficiency of the operations.

Focused workstations

The Business Unit is dedicated to produce a limited product line that would promote overall productivity by eliminating conflicting goals and ensuring product quality. The Crafts Business Unit is manufacturing five products, however, each product is being produced in a separate work space.

Multi-skilled workers

Workers now being used are multi-skilled. They complete a full product in order to reduce delays in the production flow. This means that a worker making gatchni also knows how to paint the product; the worker weaving/doing embroidering file covers will also know how to stitch the file cover using the sewing machine; and so on. Workers would be given responsibility for inspecting their work and conducting preventive maintenance on their equipment.

Quality circles

Quality circles consisting of workers and the Supervisor meet for 1 hour a week to identify and solve problems related to productivity and quality. These circles allow the worker to contribute their knowledge and help increase worker commitment to work.

Preventive maintenance

Workers are actively involved in and responsible for conducting preventive maintenance on their equipment. All equipment is inspected at the end and beginning of each production shift and any problem is reported to ensure the continuous flow of productions

Statistical process control

A zero tolerance for sub-quality standard products is being maintained. The workers are responsible for quality and are trained in elementary quality control and problem solving techniques. Quality is further inspected by the workstation leader who refer to the quality charts highlighting key quality indicators. Lastly, the Supervisor inspects for quality before a finished good is received.

8. Research, Policy and Networking

8.1 Kashf's Expansion Strategy: Initial groundwork for Kashf's future expansion was initiated. The Branch managers meetings and the area meetings were used to collect ideas and propose potential areas. The market research will be completed by next quarter. Moreover, four new branches have been identified in Kasur, these include Khudian, Mustafabad and two branches in Kasur city. Kasur demonstrates a huge opportunity for microfinance and Kashf will be opening further branches by next year.

8.2 Kashf's evolving policy frontier

On the policy horizon, new systems and procedures were designed to move Kashf from a cash based system towards minimal handling of cash. The systems and procedures were shared with the area teams and the branch teams. Linkages were established with local banks to facilitate this movement. In the coming quarter, the transition to the new cash system will be a priority of the programme and particular focus will be placed on removing bottlenecks and ensuring smooth implementation.

The research on the design and delivery features of the consumption loan was completed. This research was undertaken by both the Kashf team and a staff from the Pakistan Microfinance Network. The research provided very useful data and also made some recommendations. The following changes were made to lead to greater client satisfaction and risk minimization for Kashf:

- Consumption loan size was increased to Rs. 2000.
- The Consumption loan's approval will be in the field, however it will only be disbursed in the branch office
- The Branch Manager will have the right to change the loan size or disapprove a consumption loan

One of the lags that the programme has experienced include the slow marketing of the new product changes. It was observed that the loan officers perceived a risk with the Consumption loan and had started imposing restrictions on various centers and clients. Such a stance was also observed in the promotion of the loan size of the general loan. For this, operations has been

actively working with the Area Managers to translate the new changes into the field and generate a greater level of confidence amongst the field staff.

The operationalization of six new branches was another important area covered in this period. The training of staff was completed and they were moved to their new branches. Six month targets and plans were also agreed upon with the branch teams who are very motivated and committed.

Networking

Networking with local organizations continued in this period. The objective of these meetings has been to ensure that a process of information sharing should be initiated between the current and future players in the Lahore market.

The Pakistan Microfinance Network activities during this period including conducting training on Microcredit Methodologies. The training was found to be very useful. Along with this various PMN meetings were attended which served as an important platform for discussions and debates.

Name of Organisation:	Kashf Foundation	
Year One	2000-01	
Year Two	2001-02	
Upto	June'2002	
	Year One	Year Two
	2000-01	2001-02
OPERATING INCOME		
1. Interest and Fee Income from Loans	5,191,708	14,818,741
2. Income from Investments	1,539,312	2,902,162
3. Other ncome	330	612,896
4. Total Operating Income	6,731,350	18,333,799
OPERATING EXPENSES		
5. Interest and fee expenses	467,378	2,114,286
a. Client savings	0	0
6. Loan loss provision	127,287	250,125
7. Personnel Expense	5,637,292	8,184,969
8. Other Administrative expenses	3,740,534	8,711,930
9. Total Operating Expenses	9,972,491	19,261,311
10. NET OPERATING PROFIT (LOSS)	-3,241,141	-927,512
NON-OPERATIONAL INCOME		
11. Cash donations	48,460,844	37,104,272
12. Other Non-operational Income	1,545,636	5,666,084

Total Non-Operational Income	50,006,480	42,770,357
13. Total Non-operational Expenses	4,386,011	7,130,775
14. TOTAL CONSOLIDATED PROFIT/LOSS	42,379,328	34,712,070

Name of Organisation:

Kashf Foundation

Year One

2000-01 June'2001

Year Two

2001-02 June'2002

Year One

Year Two

2000-01

2001-02

	Year One 2000-01	Year Two 2001-02
Assets		
15. Cash and due from banks	5,879,315	8,070,208
16. Reserves in Central Bank		
17. Short term investment in market instruments	40,073,975	151,157,020
18. Total Loan Portfolio	18,660,369	33,904,500
19. Loan Loss reserves	(141,469)	-322,904
20. Other Short term assets	2,036,647	4,442,988
Total Current Assets	66,508,837	197,251,811
21. Long term investments	0	84,106
22. Fixed Assets	6,472,363	6,984,645
Total Long Term Assets	0	7,068,750
23. TOTAL ASSETS	72,981,200	204,320,562
Liabilities		
24. Savings Account - Mandatory	2,441,951	1,316,239
25. Savings Account - voluntary	0	0
26. Time Deposits	0	0
27. Loans: Commercial Bank	0	0
28. Loans: Central Bank	0	0
29. Loans: Subsidised	0	0
30. Other short-term Liabilities	5,475,537	3,148,034

31. Other long-term Liabilities	22,312,925	159,914,326
32. TOTAL LIABILITIES	30,230,413	164,378,598
Equity		
33. Paid-in Equity from Shareholders	0	0
34. Donated Equity - prior years cumulative	15,615,901	63,539,532
35. Donated Equity - current year	47,923,631	0
36. Prior year's Retained earnings/losses	(14,707,229)	(21,205,366)
37. Current Years retained earnings/loss	(6,081,516)	(2,392,202)
38. Other capital accounts		
39. TOTAL EQUITY	42,750,787	39,941,964
40. TOTAL LIABILITIES AND EQUITY	72,981,200	204,320,562