

Kashf Foundation

In this document:

- Brief History
- Methodology
- Area of Operations
- Clients
- Poverty Focus
- Distinctive Features
- Innovations
- Financial Results
- Challenges & Development Plans
- Inclusion in Financial Sector

Brief History

The Kashf (“miracle” or “revelation”) Foundation commenced operations in 1996 as an action research program aimed at demonstrating the credibility and economic competence of impoverished women residing in the district of Lahore. Fifteen women utilised Kashf first round of microcredit to start small income generating activities. Since 1996 Kashf’s client base has rapidly expanded to encompass over 60 000 members. The Foundation addresses social needs of women through a creative and interactive economic empowerment strategy including non-financial and financial services, which are delivered in a financially and operationally sustainable manner. Kashf is now considered one of the leading microfinance providers in Pakistan, increasing rapidly its outreach and sustainability while maintaining a very low risk on its loan portfolio and constantly improving its services through innovation.

Methodology

Kashf offers microfinance and capacity development services to low-income women. In microfinance, it offers access to small loans and micro deposit services to its customers. Four main products are available to clients: general loan, emergency loan, savings products and life insurance. Loans are extended without collateral or personal guarantee. Kashf utilizes the Solidarity Methodology to conduct its loan operations. Loan approval is subsequent to the formation of a ‘centre’, a group of 20 to 25 women who ensure that loan repayments are regularly made. Within a centre, in order to qualify for loans, a woman must belong to a group of five members, which is responsible for the good repayment of the loans. Kashf’s repeat clients are extended lower interest rates and have access to greater quantities of capital.

Kashf also runs a ‘capacity development’ program, which include training in diverse areas such as leadership, gender, reproductive health, and business development services (production, marketing). It sometimes takes the form of interactive theatre performances.

Area of Operations

Kashf operates in the poorest urban slums and poverty-ridden areas in four districts of the Punjab province in Pakistan (Lahore, Kasur, Shiekupura and Gujranwala).

Clients

Kashf provides microfinance services exclusively to impoverished women. At the end of 2003, Kashf had provided social and financial services to 62 929 clients on a cumulative basis, up 13% on the previous quarter.

Active clients	Active savers	Active borrowers	Gender
59,389	57,058	59,389	100% women

As of 31 December 2003

Poverty Focus

Services are provided to all women deemed as impoverished. Impoverishment has been determined as those women who own less than 1 ½ acres of land, have household income of less than Rs.2,500 or who have per capita incomes of no more than Rs.450.

Impoverishment is also determined according to societal parameters such as the inaccessibility to education, health services and clean water. Of particular note, Kashf through its quarterly surveys reports that 85% of its clients have recorded an increase in their incomes and 67% an improvement in household diet.

Average outstanding loan size * (US\$)	Average outstanding loan size / GNP per capita	Average deposit size (US\$)
141 / 44	33% / 11%	3.4

As of 31 December 2003

* General loan / Emergency loan

Distinctive Features

Originally modelled on the Grameen Bank methodology, Kashf Foundation has also adopted features from ASA and BRI, and runs a network of 2,390 centres, encapsulating 11,950 groups, which are used as vehicles to provide financial and social services.

Kashf is one of the most efficient microfinance providers in South Asia, with on average a record of 524 clients served per loan officer. Kashf also maintain a perfect recovery rate of 100%.

Innovations

Kashf has recently added Accidental Insurance to its range of financial services. It enables clients to purchase a policy for Rs.100, which covers the incidence of accidental death over the term of the repayment of a loan. Should accidental death occur, the client's outstanding loan is repaid and a lump sum of Rs.7,500 is paid to the family to cover funeral and burial costs. According to Kashf's October 2003 Quarterly report, this added service has been utilised by 95,662 Kashf clients.

Kashf also offers an Emergency Loan service where a current client may access credit up to Rs.2,000. In this way a client is afforded emergency access to capital to counter unforeseen incidents. The loan is repayable in small instalments over a period of six months. Easy and quick access is the key feature of this product.

Financial results

Loan Portfolio (US\$)	Portfolio at risk	Savings Deposits (US\$)	OSS / FSS	RoE / RoA
7,500,000	0.10%	194,000	156.17% / 127,12%	11.42% / 3.50%

As of 31 December 2003

Challenges and development plans

Kashf is undertaking research to improve its savings products as the very small size of savings transactions makes them very expensive and time consuming to handle and account for. Another challenge is that Kashf needs to reinvent itself in new areas, where it start all over again to educate staff and clients on financial services delivery. Kashf aims at reaching 80,000 clients by the end of 2004 and 120,000 clients by the end of 2005.

Inclusion in financial Sector

Kashf has collaborative arrangements with First Women Bank, and has partnered with a private insurance company on its micro-insurance products.

Sources:

- *Kashf Foundation Quarterly report* Volume 6/Number 3, October-December 2003
- *Kashf Foundation: fighting poverty and improving lives through microfinance* 2003
- *Monitoring Programme Quality, are we able to target the poor? Mapping of Kashf's poverty criteria*, Kashf Foundation Discussion note 1, October 1998
- Kashf Foundation website: www.kashf.org