



Roshaneh Zafar

Kashf Microfinance Bank — on the path of empowerment

by Mariam Shah

Set up in 1996, the Kashf Foundation was one of the first microfinance institutions (MFIs) in the country of its kind, built on the Grameen model. Under the brilliant leadership and vision of Roshaneh Zafar, Kashf has enjoyed immense success and continues to expand, in the process empowering hundreds and thousands of women and reducing poverty. With the launch of Kashf Microfinance Bank Limited (KMBL) in October 2008, Kashf has further established itself as a serious player in the microfinance sector. Roshaneh Zafar talks to *Blue Chip* about KMBL and its aspirations of reaching out to over a million savers and 350,000 borrowers through a network of 100 branches nationwide

When did you start feeling the need to launch a microfinance bank? Please tell us about Kashf Microfinance Bank Limited (KMBL)'s starting up phase and where it stands today.

Roshaneh Zafar: "Actually, we wanted to establish a full service bank that provided financial services to women in 1996 (modeled on the Grameen Bank), however, at that time there was no legal option available; therefore, we started with the Kashf Foundation as a micro-lending operation. The MFO was introduced in 2001 and it was at that time that we began to think seriously about establishing our own bank, which could provide deposit savings services to women from low income communities. We began the formalisation work in earnest in April 2007, and by October 2008 we had received our license from the SBP. The Kashf Microfinance Bank has 18 branches and is servicing 20,000 small entrepreneurs. We intend to open 12 more branches in 2009, along with 32 kiosks which will essentially bring deposit services to the doorstep of poor clients."

Did you need a lot of funding to start up KMBL? How did you go about this?

RZ: "The equity requirements of the MFBs are pre-determined by the MFO. Since we had sought a national license, the minimum capital we needed was Rs. 500 million. We raised capital through two windows; by establishing a holding company (the Kashf Holdings), which sought investments from social investors, while we also sought direct investment in to the bank through the best known MF equity investors, like the IFC, Triodos Bank, Shorebank International and WWB Equity Fund. This process did take us a great deal of time; however, we had established a criteria for the type of equity investor we needed for our bank."

In your opinion, has it become easier over time to carry on with Kashf's operations, or has it become even more challenging?

RZ: "Well, this is an interesting question. A few months ago, my response would have been very different, however, now I would say that 2009 is going to be the most challenging year for MF in Pakistan to date. We are facing a situation where norms of credit discipline are breaking down due to political interference; when that





happens, poor people lose the one asset they own — their credibility.”

You started off Kashf Foundation with the focus on empowering women by giving loans to women solely. Does the same model apply to Kashf Microfinance Bank, and if not, how is it different?

RZ: “The KMBL has a two pronged approach; the first is to provide loans to small entrepreneurs, who have running businesses — these would usually be businesses that employ 1-3 individuals. We have seen that, in this case, the participation of women on lending side is around 5% — since very few female businesses graduate to that level. On the deposit side, we expect 70% of our clients to be women.”

With the launching of many of new microfinance banks, has it become a competitive industry? Do you think there is danger of this sector reaching a saturation point of sorts?

RZ: “Actually, the market for microfinance needs to be scaled up quite considerably, since our penetration as a sector is only 10%. We particularly need a business model in the industry that relies on locally mobilised deposits like we have in Bangladesh with the Grameen Bank and in Indonesia with BRI.”

With the recent economic crises, spiraling inflation

and rising food prices, how does microfinance banking help alleviate the plight of the poor in Pakistan?

RZ: “I strongly believe that an inclusive financial sector will build a more stable and equitable economy. Mainstreaming the poor into the economy will, in the long run, reap far-reaching benefits for all; since the poor will be able to transact financial services in order to improve their livelihoods and also plan for a better future, especially through savings products.”

Acumen Fund’s recent investment in Kashf Holdings (Private) Limited illustrates its confidence in the Kashf Foundation. How does this make you feel?

RZ: “Kashf Holdings will promote a conglomerate of financially inclusive companies which will be able to provide a broad range of financial services like insurance, solar energy etc. The first investment that KHL has done is in KMBL, to promote a microfinance model in Pakistan that relies on locally mobilised deposits. We are also extremely privileged to have Acumen Fund as our long term supporter and partner in the realising our vision of financial inclusion.”

What is your vision for Kashf’s future?

RZ: “We plan to reach out to 1 million clients by 2010 and at the same time we hope to build the first MFB in Pakistan that will rely on locally mobilised deposits primarily from low-income clients.” □