
Asian Credit Fund Social Performance Report 2014



Whenever you are in doubt... Recall the face of the poorest and weakest man whom you may have seen, and ask yourself if the step you contemplate is going to be of any use to him. Will he gain anything by it? Will it restore him to a control over his life and destiny?

M.Gandhi

Asian Credit Fund was established by Mercy Corps in 1997 as a micro and small business-lending program.

ACF Mission:

To be the leading development organization in the microfinance sector of Kazakhstan providing financial and development products and services to households to improve the quality of their lives.

ACF Vision:

To realize a vibrant civil society in the Republic of Kazakhstan, nurtured by the development of sustainable rural households.

ACF works in 620 villages, and through more than 23 local offices, providing financial and nonfinancial services to rural households.

ACF results for the period November 1997 –December 2014

Number of Disbursed Loans - **60,254**

Number of Clients Served - **29,121**

Amount Disbursed - **\$ 62.9million**

ACF results as of 30 June 2015

Number of Outstanding Loans:

13,662

Gross Loan Portfolio:

\$ 8.6million

Percent Women Borrowers:

98.7%

Percent Rural Borrowers:

98.6%

Social Objectives of Asian Credit Fund:

Social performance is the effective translation of an institution's social mission into practice. The social value of microfinance relates to the way financial services improve the lives of the low-income population and widen the range of opportunities for them. To create this value, the social objectives of Asian Credit Fund include:

- Serve increasing numbers of low-income households and people with limited access to formal finance in an ongoing, sustainable way both by broadening and by deepening outreach;
- Improve the quality of financial services available to target clients through the systematic assessment of their specific needs;
- Create benefits for ACF clients and their families that are related to providing access to financial and development services, fulfillment of their basic needs, reducing vulnerability and as a result increasing their assets, income and well being;
- Improve the environmental conditions by providing "green" loan products and services encouraging ACF clients to use more sustainable, environmentally-friendly practices;
- Improved socially responsible activities toward employees, clients and the community, which ACF serves.

ACF considers social performance not just about measuring these objectives and outcomes. The aim is to determine whether ACF reaches its social goals by monitoring progress towards those goals and understanding how to use the data it gathers to make improvements in operations. To monitor social progress, ACF uses the following Social Performance dashboard indicators: **MISSION, FINANCIAL INCLUSION, OUTREACH** and **SOCIAL RESPONSIBILITY to communities ACF operates and ENVIRONMENT**.

ACF's dashboard focuses on answering important questions:

- ✓ **Who is ACF target client?**
- ✓ **What kind of products and services target clients needs?**
- ✓ **How ACF delivers these product and services?**
- ✓ **Is ACF reaching target client?**
- ✓ **Is ACF changing people's lives?**

To answer these questions ACF collects data through internal MIS system and annual survey questions.

Who is an ACF average client?¹

- Woman, living in rural area
- 40 years old or older
- Married with 3 children (o/w 2 are under 18)
- Graduate of secondary school or college
- Owns a house, usually registered in her husband's name
- Owns a piece of land and livestock (avg one cow and three sheep)
- Household income from multiple sources (salaries, pension, business, allowances)
- Active, having vital goals related to her children
- Average family income – KZT 150,000/month (\$820²) which is 84% of 2014 GNI per capita³.



¹ Based on ACF 2014 Client Survey data

² Exchange rate as of 31 December 2014 – 1USD-182,35 KZT

³ Per World Bank

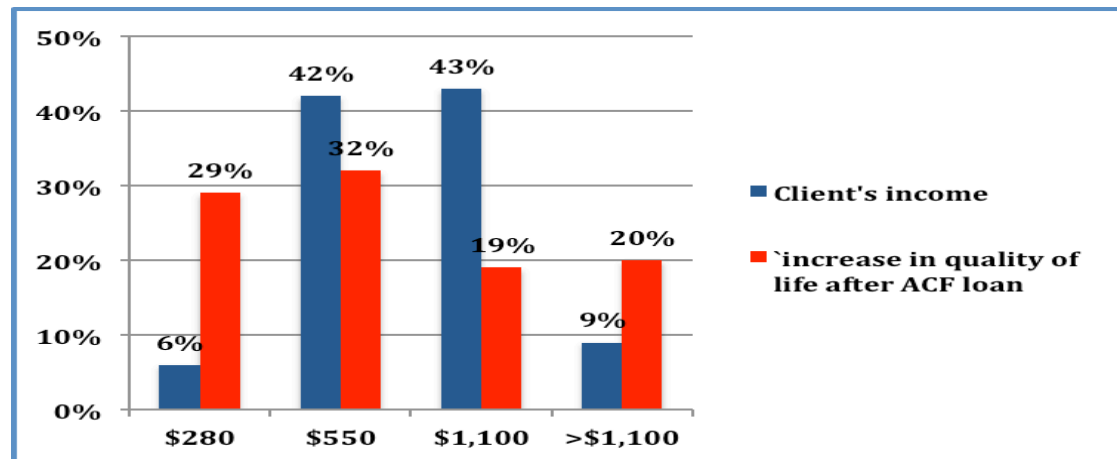
Social Performance Dashboard Indicators

Mission Level Indicators



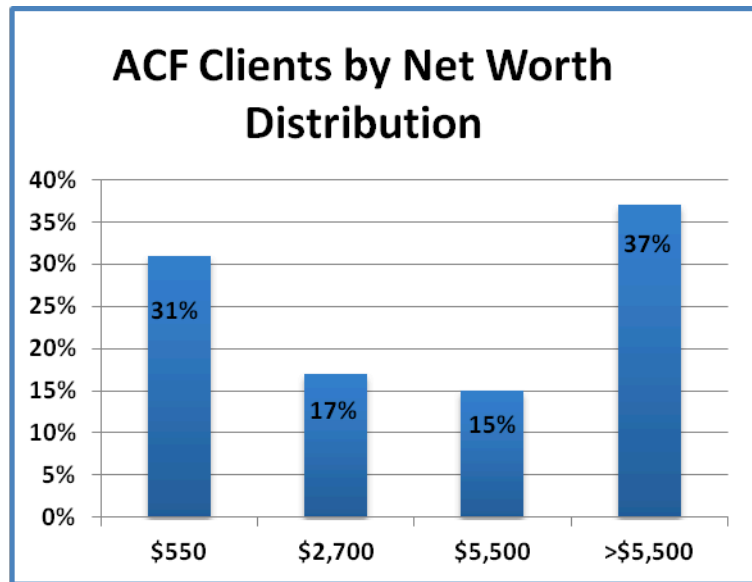
2014 ACF Client Quality Life Improvements:⁴

- Kazakhstan 2014 GDP per capita– \$11,500
- 85% of ACF clients generate family income of \$550-1,100/mo
- 100% of ACF clients noted “great improvement” in their quality of life after receiving an ACF loan



⁴ Based on 2014 client satisfaction survey

Mission Level Indicators



ACF Outreach (2014):

- Disbursed 14,317 loans, 35% more than in 2013:
 - ✓ 98,9% disbursed to women
 - ✓ 98% to rural clients.
 - ✓ 95 loans for start-up businesses
 - ✓ 546 individual small business loans
- Average loan balance-KZT 125,600 (\$690)
- Average loan disbursed-KZT 193,000 (\$1,058)

Better Living Conditions:

- 91% of ACF clients own their home
- 379 Housing Energy-Efficiency loans in total amount of \$1,030,876 were disbursed for home improvement since the program inception in October 2011

Financial Inclusion Level Indicators

As of 31 December 2014 ACF has:

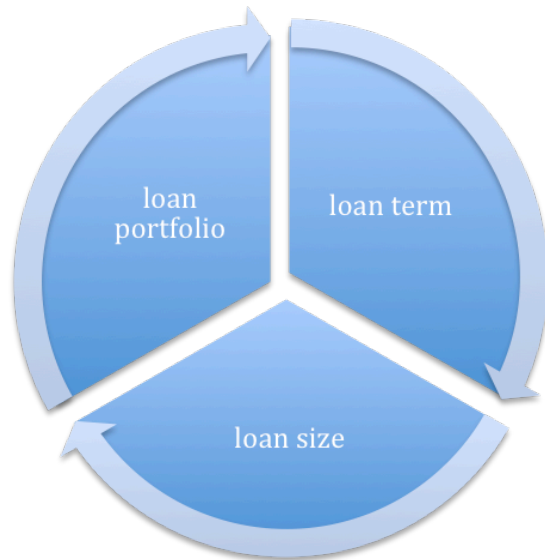
- 12,290 clients:
 - ✓ 534 (4.3%) individual clients
 - ✓ 11,756 (95.7%) group clients
 - ✓ 12,136 (98.7%) women
 - ✓ 12,118 (98.6%) rural clients

ACF operates through 23 offices:

- ✓ 20 (87%) offices in rural areas
- ✓ 3 offices in urban areas



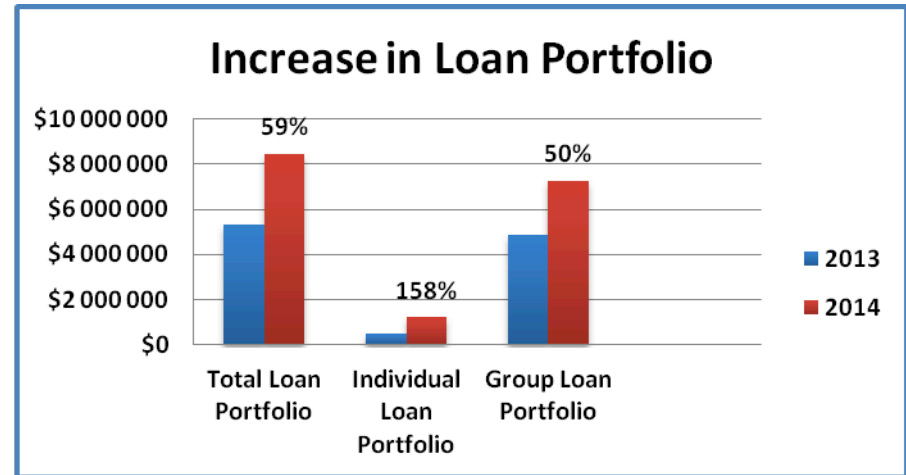
Outreach Level Indicators



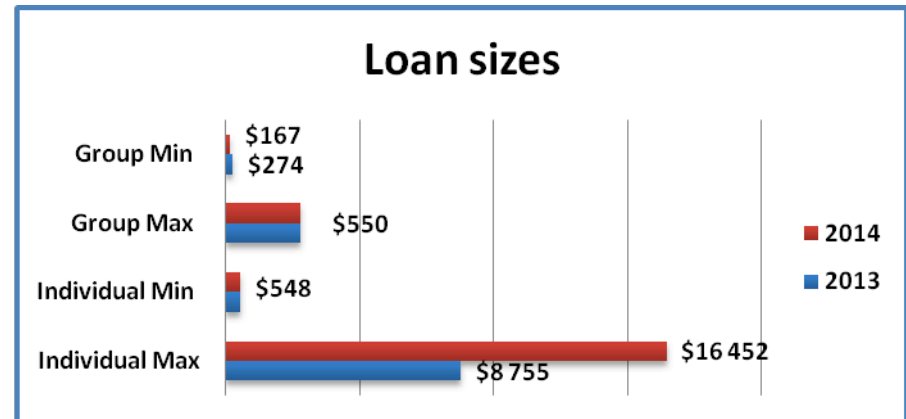
Average Loan Term:

- 11 months for group loans
- 16 months for individual loans

Loan Portfolio:



Loan Size:



Environmental Indicators

Housing Energy-Efficiency Loan Program (HELP)

Program launch - 19 October 2011

Main indicators as of 31 December 2014:

- \$1,030,876 disbursed to 379 rural households
- 203 loans (54%) were disbursed for home insulation and 176 loans (46%) for heating system upgrade
- Average disbursed loan - \$2,735
- Average loan balance - \$2,048
- Average loan term – 18 months

Program results:

- **Reduction of carbon dioxide emissions** more than **420 tons** since Program launch;
- **Reduction of pollutants** in 2014 due to decreased coal consumption: carbon dioxide – **143 tons**; microparticles – **74 tons**; green-yellow oxide – **51 tons**; nitric oxide – **34 tons**; carbonaceous oxide – **286 tons**;
- Household savings - \$50 per heating season.

HELP Success Story

Kuzhamzharova Bayan, Karaganda Branch

February 2015

Rising prices for utilities forced many citizens of Kazakhstan to think about improved energy efficiency for their houses. According to researchers, in the cold season 24% of heat escape through cracks in doorways and windows, 26% vanishes because of insufficient insulation of walls, 11% is lost in so-called public places –cellars and stairs and 39% of heat leaves through the ventilating system. What if the house is located in northern Kazakhstan where the cold season lasts for six months and more? How to keep the house warm while cutting expenses on heating?

One of the successful example– Kuzhamzharova Bayan from Karkaralinsk City, in Karaganda. She lives with her spouse and three school age children in their own house.

Their 168 square meter home was built in 1960. At that time no one thought about energy-efficiency during construction. It was more important for the family to have their own home, where numerous relatives and friends can be freely invited to stay with them..



For a long time Bayan dreamed of making the exterior interior of the house more attractive. There were many options of different modern construction materials and techniques. But as it often happens one doesn't look attractive at the price, another – on quality, the third – on availability. Bayan's spouse – Akhmetbekov Dulat, a construction specialist, suggested covering the outside walls of the house with metal siding which has a great



number of advantages: looks attractive, durable, relatively inexpensive, and low maintenance costs. Metal siding protects walls very well from external influences: rain, wind, rotting, and dampness. It doesn't burn out on the sun, it is strong, eco-friendly, non-flammable and it is resistant to extreme differences in temperature. It's possible to hide small roughness on the surface of walls using such material. In addition, it can be easily removed without damaging the wall. But, where to buy metal siding acquisition?

Bayan is an entrepreneur who has been engaged in trading of home appliances at the "Tas Bazar" in Karkaralinsk since 2008. She and her spouse tried to save

for the house renovation but with three children, family expenses always exceeded their budget. Bayan, as a group-loan client of ACF since 2012, shared her desires with Elibekova Lizat, Business Development Specialist of the local office of ACF. "When Bayan told me about her dream, I recommended to her to install insulation of the walls prior to installation of the siding. I have a certificate of completion from the energy efficiency loan, internal training provided

by USAID to ACF employees. In class I was taught that insulation of walls can reduce energy loss by up to 30% and therefore can significantly reduce household heating expenses", - recalls Lizat.

In May 2014 Bayan received an energy-efficiency loan from ACF for KZT 500,000 (\$2,700) for 18 months. Bayan's spouse installed the thermal insulation on the house and installed the metal siding on his own, helping Bayan to meet their construction budget, which was reviewed and approved by the ACF Credit Committee prior to the loan disbursement. ACF Karaganda Branch Manager Serik Abdulin says: "Asian Credit Fund positions itself as a development organization. Each of our products has a development component. HELP is not an exclusion. For example, when receiving the HELP product, clients are asked to develop construction budget as part of their financial literacy training. Also, ACF provides information on modern energy-efficient materials and equipment."

"My house not only looks better but it became much warmer" says Bayan, pleased by the ACF loan product. She adds, "During the current heating season I expect to save about 42% on coal thanks to the simple but effective energy efficiency improvement measures I learned from ACF. I tell my many visitors, neighbors and relatives, who come to see my house every day to search for energy saving advice from ACF employees and get their HELP."

SMART Campaign endorsement

Appropriate product design and delivery

- ACF conducts active client and Exit Surveys assessing the level of client satisfaction with its products and services;
- Credit Administration and Internal Audit monitor client satisfaction when conducting surprise checks of ACF borrowers;
- Clients provide their comments and suggestions on product design and services in registers in place in each office;
- In the future, ACF plans to introduce meetings with focus groups formed from clients to monitor their level of satisfaction.
- Information received is reviewed by senior management and, if applicable, may result in changes or the redesign of existing products.

Prevention of over-indebtedness

- Clients are checked in Credit Bureau system since 2010;
- According to Group Lending Procedures, parallel loans cannot exceed KZT 350,000 (USD 1,800) per group member;
- Loan Officers are trained to conduct thorough financial analysis of each clients' repayment capacity;
- For individual loans parallel loans may be allowed. Management of over-indebtedness is done through assessment of repayment capacity of the borrower, measured by the Debt Coverage Ratio. The debt coverage ratio for ACF clients must be not less than 2.0x;
- ACF lending staff is trained to inform potential borrowers about the negative consequences of over-indebtedness;
- ACF provides non-financial services, which includes organizing and conducting financial literacy trainings covering also the consequences of over-indebtedness.

SMART Campaign endorsement

Responsible pricing

Transparency

- Loan documentation package is in Russian and Kazakh languages: clients may choose what language they prefer;
- Loan terms and conditions are explained by the Loan Officer during two official meetings needed for group formation and preparation. Senior Loan Officers check the quality of the work done by the Loan Officers during the third official meeting – certification – when the loan application may be approved by Senior Loan Officers;
- Loan contracts are signed in Russian and Kazakh languages and contain all loan information: interest rate, annual effective interest rate, accrual method, loan size and maturity, repayment schedule, etc.

- Pricing is responsible taking into consideration the cost of funds and of serving clients in remote rural areas;
- Pricing is competitive to the market and does not exceed the maximum annual effective interest rate stated by the National Bank of Kazakhstan;
- ACF uses only declining balance method for pricing loans;
- No up-front fees make pricing of the loan products more transparent and comparable to others.

Fair and respectful treatment of clients

- The staff is required to treat clients fairly and respectfully (stated by Credit Policy and Procedures). Discrimination is prohibited both in hiring and in lending practice;
- Senior LOs check any cases of violations when conducting the third official meeting (Certification) with clients to make a decision on a loan;
- Credit Administration and Internal Audit check during their surprise checks any cases of violations of these policies, discriminations or any incidents of possible corruption.

SMART Campaign endorsement

Privacy of client data

Client data is kept and protected carefully in offices in secure boxes and transferred to the credit bureau and court bodies (in cases of default).

Mechanisms for complaint resolution

- Registers for complaints and suggestions maintained in each office;
- Mobile numbers of the senior managers are posted in each office, so clients may contact them directly;
- ACF has a Complaint Policy, which defines the procedures of receipt of any complaints from clients to ensure protection of their rights. This allows receipt of proposals, notes and comments from clients by senior management and allows management to respond accordingly. The Complaint Policy was designed on the basis of the recommendations of the SMART Campaign and in accordance with the laws of the Republic of Kazakhstan.



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