

classrooms and started teaching till fifth standard. Her younger sister who was a matriculate helped her in managing nursery section of her school. Ghazala had a vision and she knew that in today day and age computer studies were very important so during her third and forth cycle of loan she introduced a small computer centre in her school. As her students were increasing rapidly, therefore to meet the demand she required larger premises and she rented out premises for running a proper full time school. Her gradually increasing loan amount is the evidence of her increasing repayment capacity that has now led her efforts to become a success story. Khushhali Bank's quick financing services made it possible for her to grow as an entrepreneur.

What future plans does the micro-

entrepreneur have for the business?

Ghazala started small Urdu medium primary school three years ago and gradually upgraded it to a middle school. Now she is planning to further upgrade it to a high school level and is currently striving to register it with education board. She has plans to improve the standard of her school in order to align with education board requirements and for this purpose she is continually acquiring loan from Khushhali Bank. She recently launched another English medium school in a neighboring town of Nalka Khala. She has enrolled 25 children till now and plans to expand it further.

How has this business and/ or micro entrepreneur had a positive impact on

his or her family and community?

Ghazala's business is sole contributor to her family's income and it has assisted them in escalating their standards of living. At first she was living in a small room above her school but now she is able to rent a separate house for herself and her family. Her business is not only facilitating her financially but providing quality education to the people of that locality. At present the strength of her school is approximately 400 with 10 teachers and her services to the community in providing education to poor community is commendable. Her school fee is only Rs.100 which is easily affordable for all households and in her community. Her profitable operations have provided her with financial stability and provided sustainability for further expansion programs.

Bibi Noor Jahan - Entrepreneur from Quetta whose Customer Services Officer (Khushhali Bank) is Uzma Naqvi.

Client's Profile

Full Name	Bibi Noor Jehan
Marital Status	Married
No. of Household Dependent	09
Location of Business	Khalifa Abdul Aziz Chowk, Manjoan Road, Hudda, Quetta
Type of Business	Embroidery
Monthly Sales	35,000
Total Employees	05



Bibi Noor Jahan: Winner of Regional Urban Runners up Entrepreneurship award.

What has been the key to this micro-entrepreneur's success?

Bibi Noor Jehan is a housewife. She has 8 children out of which 4 are school going. Her husband is a government employee (peon). She belongs to Baloch tribal family. She has skills in embroidery, sewing and making different Balochi handicrafts. She is one of the very first female borrowers of Quetta branch. Before availing the loan, her financial position was very appalling, she was even unable to buy the raw material like cloth, threads and needles for work. At that time her earnings was only Rs. 2,500 per month. She availed the facility of micro credit from Khushhali Bank amounting to Rs.10,000. She properly utilized her loan and enhanced her savings at the same time by increasing her income and contributing to household expenses. Her income increased from Rs. 2,500 per month to an average income of Rs. 6,000 per month. After attaining the loan for second and third cycle she was able to buy high quality raw material and started selling her goods to merchants of Quetta main bazaar which in turn facilitated her to increase her income to Rs. 15,000 per month which provided tremendous improvement in her and her household living standards. Now she is in her fifth cycle of loan and has hired 5

employees which helped her to increase productivity and increase the supply of goods to meet the rapid requirement of the market, now her average income has been escalated to Rs. 30,000.

What future plans does the micro-entrepreneur have for the business?

Now her domestic venture has become a place of professional/business center where she is not only earning for herself but creating employment opportunities for others also and hence enabling other women to increase their household income and providing them an example as how dedication and sincere commitment can help in changing their lives. She desires to start a welfare community center where women can learn the artifact of traditional Balochi handicrafts and other products and obtain micro credit to manufacture products for a better and prosperous future.

What have been some of the micro entrepreneur's greatest challenges and how have they been overcome?

The greatest challenges envisioned by Bibi Noor Jehan have been political instability, high inflation, and no easy access to banks (credits). As she belongs to tribal family,

thus a lot of traditional hindrances are there for females to come out of their house, therefore the male support is very much necessary for the linkages in the market. One of the challenges is to ascertain the requirements of the market, a lot of women who possess skills do not know what to manufacture or produce which will be easily consumed by the market and will provide substantial profits.

How has this business and/or micro entrepreneur had a positive impact on his or her family and community?

Her own answer to this question is the increased standard of living, which has been her primary goal. Due to the business, she is able to add to the family income and thus place her family and herself marginally closer to the lifestyle they aspire to. Her profits make them increasingly self sufficient; they are now better able to tackle household expenses, a previously unmanageable task. As opposed to earlier, she has become a relatively functional, earning member of society.

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Volume III Edition: I

one promise

Poverty breaks people. It smears dignity. It poisons hope. It violates dreams. It shatters self-esteem. It burns integrity. Khushhali Bank has provided micro-loans to over five hundred and fifty thousand Pakistanis with the primary aim of supporting and rebuilding ordinary lives by creating the right combination of circumstances through skill and infrastructure development, community empowerment, independence and enterprise. More proof that we're giving common people an uncommon advantage to realize their full potential. Which is why, Khushhali Bank is more than a bank, it's a promise.

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Nobel Laureate - Prof. Muhammad Yunus visits Pakistan

The year 2006 Nobel Laureate for Peace Prize and the founder of Grameen Bank, Dr. Muhammad Yunus visited Pakistan from the 4th to 6th of March 2007. Khushhali Bank co-hosted an interactive session at the National Library Islamabad, to honor Professor Yunus and provide an opportunity to a large gathering of the economic managers, policy makers, regulators, practitioners, researchers, academics and national & international media as well as post graduate students with interest in microfinance and poverty reduction to listen to his key note address followed by a Q&A session.

While speaking at the event Dr. Yunus stated that access to finance to the poor was essential and integral in achieving a poverty free world and that the Grameen Bank serves nearly 7 million borrowers, 97% of which are women. Highlighting some of the innovations within the Grameen program he spoke about the Grameen Shakti Solar Panel System and Bio-Gas Plants as well as the Struggling Member



Program for beggars besides global partnerships arrangements with multinationals for telecommunications & food products like Yoghurt.

Professor Muhammad Yunus acknowledged the efforts of the Government of Pakistan in developing the microfinance sector in the country specially highlighting measures such as the creation of Khushhali Bank and the Microfinance Institutions Ordinance 2001.

Prof. Yunus mentioned that as many as 1.2 billion people around the planet lack access to basic necessities and microfinance could be their pathway out of despair. The talk was inspirational and appreciated by the audience. During his stay in Pakistan, Professor Yunus called on the President and the Prime Minister of Pakistan.



President's Message Dear Colleagues,



My message in the last issue of Grassroots mentioned the significance of the award of Nobel Peace Prize to Professor Muhammad Yunus and the Grameen Bank. Therefore, it was indeed a pleasant surprise and a privilege to co-host Professor Yunus in Islamabad last month for a talk on microfinance and poverty reduction. The prolific Professor Yunus was at his best and was able to inspire the audience by simplicity of style and his ability to challenge conventional wisdom through his thought and action.

This quarter the Board of Directors of Khushhali Bank approved the annual report and audited accounts for the year 2006. The year in review recorded growth and expansion and bank continues to lead as the largest microfinance institution in the country in terms of network, clients and portfolio.

My very best wishes to all of you for a very successful 2007.

President's Review 2006

Khushhali Bank Board of Directors approve Annual Report & Accounts for 2006

Khushhali Bank annual report and audited accounts for the Year 2006 were approved by the Board of Directors in their XIX meeting held at Karachi on March 31, 2007. The report includes President's review for the Year 2006.

President's Review 2006

It is my privilege to present an overview of the microfinance sector and the bank's performance for the year ended December 31, 2006.

The provision of financial services to low income households is critical in reducing poverty and this is a reality that is much better understood today by policymakers around the globe and promoting greater access has become a part of the International development agenda, including achieving the Millennium Development Goals.

Therefore, efforts are underway to secure commitments at the Government level to ensure that their macroeconomic, fiscal and regulatory policies and frameworks support rather than stunt the availability of microfinance with the overarching objective of developing a financial sector that is inclusive and where majority of the population has access to affordable financial services.

The financial sector landscape is witnessing emerging microfinance institutions challenge conventional wisdom by innovating and expanding outreach at an unprecedented pace with institutions in Asia leading the way in terms of outreach and scale, while institutions in Latin America dominate in

terms of performance with nearly a third of the top performers located in the region. The remaining institutions are spread across Africa, Caribbean, and Eastern Europe.

The microfinance sector in Pakistan has recorded substantial growth over the past six years as an outcome of a conducive policy and regulatory framework as well as supportive investments undertaken by the Government of Pakistan towards the developments of the sector.

This is evidenced by the increase in the number of retail institutions, more than ten fold increase in number of clients to nearly a million over the period, entry of green field specialized microfinance banks, diversification in products and expansion in distribution network across some of the most resource constrained regions of the country.

The outreach within the sector remains predominantly rural while newer players prefer to expand more in urban territories and the six specialized microfinance banks as a group having the largest proportion of microfinance clients in the market.

These developments have encouraged the evolution of a meso sector such as microfinance networks, rating agencies, top audit firms having enhanced their capacities to engage with the microfinance industry as well as deepening of the central bank credit bureau to cater to microfinance clients.

Khushhali Bank continues to lead and is the largest microfinance institution in the country in terms of its network, clients and portfolio.

The bank has a presence in 85 districts of the country through a network of 73 branches and 37 service centers and a total of 280,526 active clients at the end of the

year with cumulative disbursement of PKR 9.4 billion. The portfolio is pre-dominantly rural distributed across agriculture (43%), livestock (30%), enterprise (24%) and asset purchase (3%).

Expanding access to low income households across marginalized territories remains a priority and highlights of the year were the opening of two branches in Khyber and Kurrum agencies in Federally Administered Tribal Area besides launch of a network across the eight districts affected by the earthquake in North West Frontier Province and Azad Jammu and Kashmir under the Emergency Livelihood Restoration Program funded by the Government of Pakistan.

The business strategy pursued portfolio consolidation and maintaining momentum in terms of client growth which contributed towards sustainability of the institution with a greater focus on improving client service and retention.

Acquisition and retention of skilled pool of human resource remains a challenge within any fast expanding institution operating in a dynamic financial sector environment and our endeavors during the year were to ensure that fresh resource is available in the pipeline at all times while strengthening the mid level tiers across units with particular emphasis on Information Technology, Compliance and Banking Operation functions.

The Microfinance Sector Development Program of the Government of Pakistan is scheduled to conclude by June 2007 and it is now time for us to reassess our strategic options in the light of our critical volume, a reasonable delivery channel and policies that have been put to test in varying market conditions.

While the sectoral environment is certainly more conducive it does continue to

mushroom competition prompting for strategic alignment with the emerging conditions by expediting the launch of full-service banking in both rural & urban areas of the country.

It is with this perspective that we intend to undertake a rigorous planning exercise to formalize a medium terms plan that will

guide the bank towards transformation from a credit only institution to a full service retail microfinance bank which is sustainable and able to respond effectively to market challenges and opportunities.

The JCR-VIS credit rating agency's review in 2006 reaffirmed bank's credit rating at "A-" for the long term and "A-1" for the

short term with a positive outlook.

I wish to conclude by recording my appreciation to all stakeholders for supporting our endeavors over the years.

M. Ghalib Nishtar
President

Annual Sales Conference



The Annual Sales Conference was held in Islamabad on 12th March, 2007. The light was shed on challenges of retail credit, last year's performance and the way forward. The senior and middle management of all the departments attended the conference and shared their views in order to develop strategies to achieve the goals and targets of the current year and way forward.

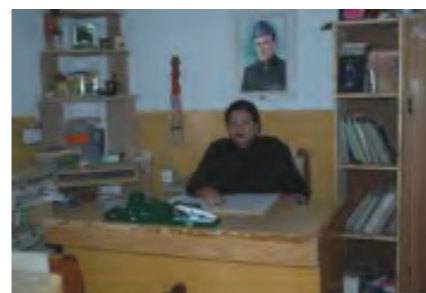


A Glance into Khushhali Bank's Promise of "Changing Lives"

Winners of Citigroup Micro entrepreneurship Awards Program 2006



Ghazala Yasmeen- Entrepreneur from Faisalabad whose Customer Services Officer (Khushhali Bank) is Uzma Noureen.



Ghazala Yasmeen: Winner of National Female Entrepreneur Award

Client's Profile

Full Name	Ghazala Yasmin
Marital Status	Married
No. of Household Dependent	03
Type of Business	Private school
Monthly Sales	15,000 to 20,000
Total Employees	10

What has been the key to this micro-entrepreneur's success?

Ghazala is a young entrepreneur of 28 years. She is highly confident and a determined woman who has learnt to cope with responsibilities and hardships of life at an early age. She belongs to a poor household. She has two brothers and two sisters, her elder brother and sister got married and live separately. It was always been her ambition to study and get higher education which was unheard and sounded like a fantasy to her family. Her determination to succeed in life and aspiration made her work hard in school and college and she obtained her master's degree in English literature. After an early demise of her father, she had to take on all the responsibilities to support her family and manage the house. She had a mother and younger sister to support and provide for. Her brothers could not afford to give her monetary help as they were not

well off either. She decided to remain unmarried to support her family and decided to start a small tuition centre at home. Gradually children from nearby where she lived started to come to her tuition center. The tuition fee was very nominal as the children belonged to poor households from which she managed barely to make ends meet.

Ghazala first came to Khushhali Bank and took a loan of Rs. 10, 000/- in year 2003. She dreamed of converting her tuition centre to a small primary school and wanted credit to purchase the furniture and some equipment for the school. Finally by her savings and micro credit through Khushhali Bank she managed to start her Urdu medium primary school. Initially she had 35 children in her school which in turn increased over period of time. When she took the second loan she again bought some more furniture for her school and increased the number of