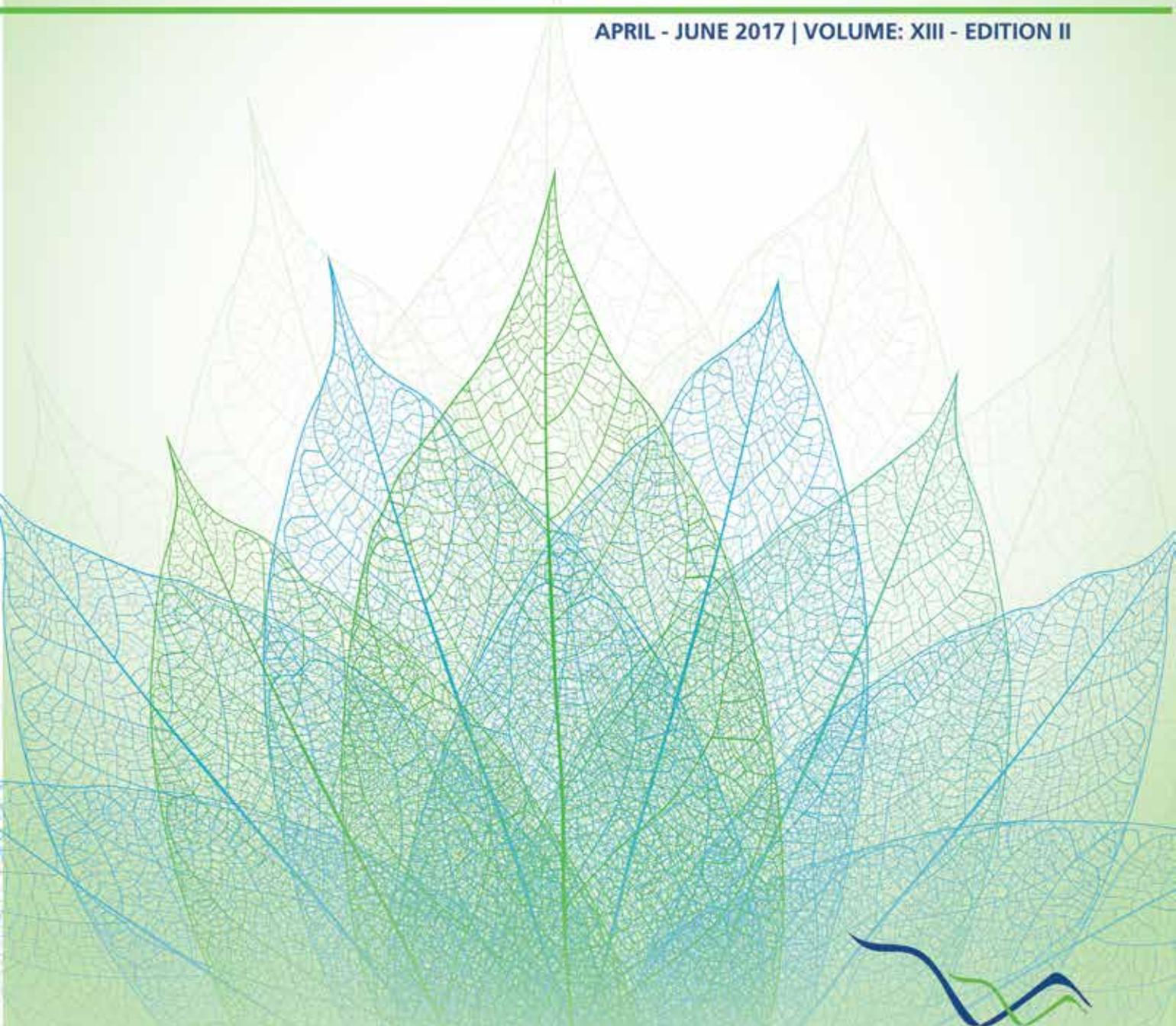


A QUARTERLY NEWSLETTER OF KHUSHHALI MICROFINANCE BANK

# Grassroots

APRIL - JUNE 2017 | VOLUME: XIII - EDITION II



**khushhali**  
MICROFINANCE BANK

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## President's Message

Dear Colleagues,

It gives me great pleasure to share with you that Khushhalibank has extended its presence in Gilgit Balitistan this quarter, reaching out to remote areas like Gilgit and Gahkuch, to be followed by Hunza. I want to take this opportunity to recognize the dedication, commitment, and hard work that you have all contributed towards this achievement. It is your devotion that has helped us expand our network to 147 branches and 20 service centers covering all of Pakistan, enabling us to cater to the financial needs of more than one and a half million clients.

While this occasion gives us a moment to take pride in our achievements, it also gives us an opportunity to think of the future and further our commitment towards fulfilling our role as catalysts of equitable progress in Pakistan. We need to remain steadfast in our mission to serve the financially excluded of the country and reach out to minorities, women and people in rural areas to confront poverty and uplift the common man.

In our 17th year, I hope you will continue to work with great passion and enthusiasm so that we will have even more inspiring stories to tell of how Khushhalibank is helping improve communities throughout Pakistan.

My best wishes to all of you.

Ghalib Nishtar



## Quarterly Data April-June 2017

(Data as of June 30, 2017)	
Active Borrowers	618,676
Cumulative Loans Serviced	5,653,134
Cumulative Disbursements	130,550,106,065
Active Savers	1,515,158

## Fifty Sixth Meeting of the Board of Directors of Khushhalibank

The fifty sixth meeting of the Board of Directors of Khushhalibank (KMBL) was held in May at the Bank's Corporate Office Islamabad. It was the second meeting of the year 2017 and several important issues including the Five Year Strategic Plan and its funding requirements and options were reviewed by the Board. Directors then reviewed the operating results and economic update for the quarter ended 31st March, 2017. Business update for the quarter shows that the Bank has been doing considerably well in almost all areas and with respect to business performance, the Bank surpassed targets set for Q1-2017 with respect to GLP and achieved an increase of 117% of the plan. Further, a 149% increase was witnessed with respect to Disbursements and 116% with respect to Loans. The management also presented an update on Core Banking Application System (CBAS), wherein the Board was apprised that the project will go live in July, 2018.

The agenda of the meeting also covered update on a fund that KMBL is currently contributing to, the Microfinance Social Development Fund (MSDF). Further, the Board resolved that an IT Steering Committee be formed under the supervision of the CEO to ensure proper monitoring of the IT functions of the Bank. The Board then proceeded to approve the "Risk Management Policy (version-4)", the "Credit Policy (version-4)" and the "Environmental & Social Management System Policy (ESMS) (version-2)" of the Bank. Towards the end the Board appreciated the President and his team for their efforts and showed overall satisfaction with their performance.

## Khushhalibank Rating by JCR VIS

A meeting was held in April 2017 between the management of Khushhalibank (KMBL) and JCR VIS Credit Rating Company Limited (JCR VIS) to review the annual credit rating of the Bank. After conducting substantial due diligence of the Bank, the rating agency reaffirmed the entity ratings of KMBL on April 28, 2017 for medium to long term at A+ (Single A+) and short term at A-1 (A-One) with "stable" outlook in its rating report.

A number of factors were taken into account by JCR VIS in assigning entity ratings to the Bank including KMBL's leading position in microfinance industry in terms of total gross loan portfolio booked by the microfinance sector and the strong profile of the Bank's sponsors.

In its press release dated April 28, 2017, the rating agency expressed the healthy growth in the micro-credit portfolio of the Bank in 2016 along with introduction of new loan products by the bank to diversify its sector exposure.

## KMBL-ADB Partnership on Agri-Loans and Small Businesses



The Asian Development Bank (ADB) has offered a USD 20 million loan to help Khushhalibank to expand access to credit for agriculture-related borrowers and small businesses. An agreement signing ceremony was held in May at the KMBL Corporate office in Islamabad.

Agriculture and small businesses are critical sectors in Pakistan's economy that play a significant role in job creation and poverty reduction. ADB's assistance will enable KMBL to increase the provision of financial services to micro, small, and medium-sized enterprises (MSMEs) from 5,700 today to over 30,000 by 2020. Women are expected to comprise up to 25% of loan recipients. A separate technical assistance program will support the establishment of

a MSME training academy as well as investments in KMBL's "technology upgradation" program.

Access to finance in Pakistan is limited, with only 24% of the adult population having a bank account with a formal financial institution, while MSMEs face difficulty securing financing from the banking sector.

It is expected that ADB's support will deepen the market penetration of KMBL into the rural economy and enhance access to small businesses vital to economic growth and prosperity. In the past 17 years, KMBL has led the way towards financial inclusion by offering loans and saving products tailored to the low income segment of the market, and empowering women entrepreneurs belonging to the marginalized communities by creating awareness and providing opportunities of financial access through its value propositions.

## Housing Finance Mid-Pilot Review & Training By IFC Mission

IFC mission visited Khushhalibank in April for a mid-pilot review of Housing Finance loan product. Home improvement / renovation loan product, with loan amount Pkr 50,000 to Pkr 500,000, was launched in four selected branches including Rawalpindi, Hassanabdal, Haripur & Nowshera in January 2017. The review comes as part of a wider IFC/Khushhali Bank advisory partnership which commenced in April 2016, under which IFC is helping the Bank to develop a housing microfinance product targeting underserved communities of Pakistan.

During the period Jan-March 2017, twenty five loans amounting to Pkr 8 million had been approved and disbursed. Loan tenures varied from 12-36 months for these loans. Borrowers were from different income types including business, salaried and pensioners, and 68% borrowers had self-owned homes while 32% availed the loans for family-owned homes. Similarly, this loan facility was availed by existing as well as new customers in the mentioned cities. Home ownership documentation was observed as major reason of rejection during this review period.



The review objectives included performance assessment of Housing Finance with an attempt to understand the strengths of the product as well as to devise the improvements required. The mission met senior management of KMBL in Retail, Operations, Products/Marketing and branches. In addition to this, a 2-day refresher workshop was also conducted focusing on product policy and procedure, technical evaluation and ownership documentation.

Several recommendations were made by the IFC mission based on the results of the review. On the basis of these recommendations, various activities have been planned to effectively move forward with this product.

## 1Bank Project Kick off - Temenos Implementation Phase

Khushhalibank has joined hands with National Data Consultant (NDC) as implementation partner to enable TEMENOS and ensure that the Bank's operations are in sync with strategic business initiatives for the transformation of its Core Banking and Digital Platform. The CBAS implementation Project has been named as "1BANK" which is governed by Project Steering Committee, headed by Ghalib Nishtar, President Khushhalibank.

The 1BANK Project kick-off meeting of phase-III was held in May 2017 in which Ghalib Nishtar gave a brief introduction of the complete assignment and the phases completed during the earlier stage. He added that this digital transformation will assist in expediting growth for Khushhalibank. KMBL's senior management also participated in the meeting along with A.F. Ferguson/PWC and NDC representatives. The project is looked after by Project Directorate, headed by Head Operations as Project Director along with Project Manager and Deputy Project Manager.

NDC kick off session also covered explanations of the methodology, scope, risk and its mitigation, trainings, project governance and critical success factors for this project. As per approved Project Plan, the management has decided to complete the project in entirety by July 2018.

KMBL will be implementing an international standard core banking application system to cover the Bank's end to end business operations, to support future growth and to eliminate routine challenges. This will help bring efficiency to the processes and strategic alignment with the planned strategic objectives.

## 11th Citi-PPAF Micro Entrepreneurship Awards Event | Panel Discussion on 'Financial sector on the ball: inclusion of women is the way to go.'

Ghalib Nishtar (President Khushhali Microfinance Bank) participated in the panel discussion at the Citi-PPAF Micro-entrepreneurship Awards event held in April 2017 at Serena Hotel, Islamabad. The event is a collaboration between Citi Foundation and Pakistan Poverty Alleviation Fund (PPAF) to recognize individuals with entrepreneurial skills and leadership who engage in best practices of micro-entrepreneurship. By highlighting award-winning micro-entrepreneurs, the Program creates awareness on the effectiveness and significance of microfinance as a tool in the fight against poverty. This year, the event included a panel discussion on the involvement of women from the grassroots in the financial sector. Other panel members were Louise Walker, Group Head, Economic Growth, DFID, Yasir Ashfaq, CEO, Pakistan Microfinance Investment Company and Shaista Khalid Jan, Executive Director, CSC Empowerment and Inclusion Programme.

The members discussed the importance of microfinance for micro-entrepreneurs as it is established that even small capital injections can transform these businesses and eventually, improve the lives of many people. While microfinance has helped many, the panelist mutually agreed that there is a need for more diversified products to further facilitate marginalized communities with financial support and inclusion. Mobility and cultural taboos should be eliminated and financial services must be made available, especially to women.

The panelists talked about the current state of financial inclusion of women - only 9% women in Pakistan have access to financial services. To add insult to injury, only 5% have bank accounts. This shows that women are being excluded from the economic engine of the country, which is not only a drawback for these women but is also a negative for the macroeconomic system. Women's labor force participation in Pakistan is almost 24% - that includes women working in the formal sector only. If it comes equal to that of men, the percentage increase in GDP could be between 13% to 37%. This is not a soft issue. It's about making Pakistan economically strong and self-reliant.

It is true that women are involved in some particular activities only like sewing or embroidery work. The panelists agreed that there is a dire need to work towards opening doors for them and helping them learn more skills that can be utilized for earning an income. Over years, microfinance sector history shows that education of the children and overall improvement in the domestic systems is more commonly achieved when women take loans. Women feel more empowered and are able to improve the situation of their families. Also, women have a better record of repayment compared to men, which is why more importance should be given to women candidates for loan.

Louise Walker from DFID emphasized the need to take a long term approach to microfinance in Pakistan and develop policies that will enable private and public sector to come together and engage in microfinance services for the population of Pakistan.

Talking about the role of Khushhalibank in empowering women, Ghalib Nishtar asserted, 'We, at Khushhalibank, are currently giving equal opportunities to men and women in terms of employment. Our outreach in terms of loans is on average around 27%. Our exposure is mainly in rural Pakistan and in rural areas, almost all women are involved in activities that help them earn even if they are not recognized, which opens more doors for financial inclusion through loans'.

In his closing comments, Ghalib Nishtar talked about his vision about the future of microfinance industry in the country, 'I think the future is very bright for the microfinance industry. The regulator has steered the sector well by maintaining a balance in terms of social and financial objectives. The results of all institutions are on positive trajectory and the sector has achieved sustainability and primarily growth is funded through deposits. We have come a long way and institutions that have their business models right are now expanding rapidly. Microfinance has taken roots and become an engine for financial inclusion. We still need to strengthen the financial infrastructure in the country and need more credit bureaus, registries, warehousing facilities as well as more innovations in products that will build our appetite for lending within a robust and an excellent sector.'

## Khushhalibank Participation in Dawn Agri Expo



KMBL team recently participated in Dawn Agri Expo held annually in Lahore Expo Center. The Expo displayed stalls by various organizations and projects. KMBL participated to highlight its partnership with USAID on its Access to Credit program, with an aim to support micro, small and medium enterprises, including agri businesses. The purpose of the Expo is to assist the Pakistani farmers to modernize the agriculture sector, strengthen value chains and improve market access while ensuring long term sustainability of agricultural production.

## Sales & Relationship Management Training for Relationship Managers

A five-day long Sales & Relationship Management Training for Relationship Managers was held in April at NIBAF, Islamabad. Main areas of focus were financial toolkit and cash flow analysis, refresher of product features/benefits, role of Compliance function, Know your Customer and Customer due diligence, understanding the concept of employee motivation and team management, customer services quality and techniques to manage portfolio effectively.

The feedback session was attended by President, Head Retail Banking (HRB), National Distribution Manager and Manager Distribution. Participants shared their learning experience and acknowledged the training program by expressing their commitment with bank and clients through onward training of their branch staff. President shared the emerging scenario of KMBL



positioning in market and investment in acquiring high tech system to cater to the upcoming challenges of expanding business. He highlighted the need of Digital Financial Services to enhance branchless banking services. HRB emphasized the importance of portfolio quality and cross selling through exemplary customer services. She also briefed about the service center model implemented to improve new client acquisition in group lending.

## Area Sales Conference, Sukkur

Area Sales Conference of Sukkur and Khairpur Area was held in May at Hotel Inter Pak Inn, Sukkur. Ghalib Nishtar, President, participated in the event along with Amina Hassan, Head Retail Department, Aftab Alam, National Distribution Manager and other senior management of the department from the head office along with relevant branch staff and management.

In his opening remarks at the Area Conference, the President appreciated the performance of both areas - Khairpur and Sukkur. He highlighted the Bank's growth with reference to other players in industry and discussed the future business strategy in terms of digital financial services and Core Banking Software.

On the occasion, Amina Hassan and Aftab Alam shared the business strategy for the year 2017 and appreciated the achievements of both areas. They highlighted the profitability, portfolio quality and future potential of Sindh area while emphasizing on the need to focus on quality portfolio and maintenance of ADR ratios at branch level and improving the quality of Customer Services.

## Khushhalibank spreads its wings in Gilgit Baltistan



This quarter Khushhali Microfinance Bank established its presence in Gilgit-Baltistan with two new branches in Gilgit and Gahkuch. The area has tremendous economic potential with business around agriculture, organic vegetables, bee keeping, fresh fruits, dry fruits, handicrafts and retail industry. With the beginning of CPEC corridor, the economic activities in the area are expected to increase and Khushhalibank

aims to provide required financial solution to existing and new entrepreneurs, both males and females, to support economic growth in the area.

In addition, branches were opened in Daska, Kashmore and Nankana Sahib. The launch of these branches is in line with the Bank's commitment to continue expanding its geographic spread within the country. The new branches shall deliver all banking services including Group and MSME loans, deposit, remittances, online transfer and insurance services, achieving yet another milestone in its growth targets.



## Khushhali Agri Plus Scheme

Khushhali Agri Plus Scheme is a recent product of KMBL. In pilot phase, the product has been launched in Sahiwal, Vihari and Bahawalpur. The product is designed to facilitate the farmers in rural and semi-urban localities to purchase machinery/equipment like tractors, trailers, threshers, rotavators, laser levelers, sprayers, seed drills etc. along with allied irrigational tools such as Peter engine, turbine, transformers, solar tube wells and more. In the pilot phase, loans can be repaid on a monthly, quarterly and semiannually basis.



## Promoting Agriculture through CSR

As part of its Corporate Social Responsibility initiatives on promoting Agriculture, this quarter Khushhalibank organized a skills enhancement lecture for farmers at Village Derianwala, Narowal to create awareness on Rice Crop. The talk encompassed topics like: pre-sowing techniques, nursery raising & management, seed preparation, transplanting, fertilizer management, disease/insect/pest management, followed by a question & answer/feed-back session by rice-crop expert, Dr. Mohammad Ramzan from Rice Research Institute, Kala Shah Kaku.



The event was managed by KMBL Narowal branch while Human Development Foundation supported the branch in socially mobilizing the farmers to participate in the event.

## Tree-A-Thon Activity Kachnar Park

World Wide Fund for Nature, Pakistan and Khushhali Microfinance Bank launched a tree plantation drive, as part of WWF-Pakistan's Tree-A-Thon activity, to ensure the green cover of Islamabad and its adjoining areas. Both WWF-Pakistan and Khushhali Microfinance Bank recently announced collaboration to plant 2,500 indigenous trees across the city as a response to climate change and sustainability challenges, like watershed management and biodiversity loss. Tree plantation launch was held at Kachnar Park, Islamabad, where 70 employees of Khushhali Microfinance Bank planted 200 indigenous species saplings of Kachnar. Senior management of the bank also participated in the activity.



## Environment Session in Partnership with WWF-Pakistan

Khushhalibank partnered with WWF-Pakistan to arrange an employee engagement activity in Karachi. The event gave an opportunity to the participants to contribute directly towards nature conservation initiatives. The activities included beach cleaning, mangrove plantation, green discussion and other activities aimed towards team building and environmental awareness.



## Another Episode of Empowerment - Rehana Sheedi

Rehana Sheedi's tale is an inspirational anecdote for women all over Pakistan. Hailing from Badin, a small town in interior Sindh, Sheedi belongs to a poor family where she has five dependents. She had dreamt of a happy life after marriage, but her dreams were quashed when she was married off to an unemployed local man. For the first few years, Rehana led a deprived life. As much as she wanted to do something for her family, she faced fierce resistance from her family. In her conservative community, females were not expected to step out of their houses to pursue economic activities.

With increasing expenditures, growing children and an unrelenting family, Rehana borrowed a sewing machine from a relative and started to stitch clothes for females in her neighborhood. This proved to be the starting point of an enterprise that Rehana eventually built up and now generates revenue up to PKR 30,000 every month.

As Rehana started receiving consistent orders, she bought her own machine. In 2010, on the advice of a neighbor, Rehana took her first loan from KMBL. Her first big order was from a local school to stitch the school's uniforms. Beginning from one machine, Rehana now has a small home-based stitching unit with five machines where three local girls are employed. Moreover, she has also associated her widow sister with her business to help her earn her own money as well.

Stories like Rehana's are unheard of in her part of the country. Not only did she start earning on her own, but also helped her husband and brother-in-law to set-up a shop and assist her in managing the business. They purchase raw material from the market and also act as salespersons and bring in new orders.

Rehana's three children go to good schools in the area. Her family's living standard has improved considerably. Most important of all, Rehana's struggle has helped change the mindsets of people around her. Many families now send their daughters to her for learning stitching. They hope that one day their daughters and sisters will also be as successful as Rehana. Strong females like Rehana are sowing the seeds of change and prosperity in parts of Pakistan that were previously considered closed and conservative.

Rehana is now planning to expand her business and employ more females. She is hopeful that with continued support from Khushhali Microfinance Bank, she will be able to open her own boutique outlet in the near future.

KMBL wishes her all the very best in her future endeavors and is proud to provide a stepping stone to capable individuals like Rehana.



# Khushhali Microfinance Bank Trainings April-June



Assessment & Functional Training for LO, GL & OPS  
(KB-210, 211 & 212) April 3-6, 2017, NIBAF



Assessment Center of Candidates for LO-MSME (Batch-26)  
April 10-14, 2017, Prestige Islamabad



Assessment Center of Candidates for LO-MSME (Batch-27)  
April 24-28, 2017, NIBAF



Assessment & Functional Training for LO, GL (KB-215)  
May 02-05, 2017, NIBAF Islamabad



Assessment & Functional Training LO-MSME (Batch-28)  
May 8-12, 2017, NIBAF



Assessment & Functional Training LO-MSME (Batch-29)  
May 15-19, 2017, Karachi

# Khushhali Microfinance Bank Trainings April-June



IFC-Housing Finance, April 25-26, 2017, NIBAF



Khushhali Home Plus-Orientation Training for MSME Loan Officers, May 23-25, 2017, NIBAF



Sales & Relationship Management Training for RMs (Batch-7), APRIL 10-14, 2017, NIBAF



Team Lead Trainer Training on New Role & Responsibilities (Batch-6), APRIL 17-19, 2017, Grand Islamabad Hotel



USAID Training, April 3-4, 2017, Multan



# The **First**, & The Largest **Microfinance Bank** in Pakistan

"We are the first and the largest microfinance bank in Pakistan, having serviced more than **5.5 Million** relationships through our network of 148 branches across the country. Our financial solutions are being extended with the primary purpose of supporting and rebuilding ordinary lives by creating the right combination of circumstances through community empowerment and enterprise.

More proof that we are giving people the opportunity to realize their full potential. This is why Khushhali Microfinance Bank is more than a bank... It's a promise, a promise of an opportunity."



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JCR-VIS RATING A+

For Feedback & Comments email: [pr.desk@kb.com.pk](mailto:pr.desk@kb.com.pk) or Contact  
55-C, 4th, 5th & 6th Floor, Ufone Tower, Jinnah Avenue, Blue Area, Islamabad.  
Tel: +92 (51) 111 092 092, Fax: +92 (51) 9245120  
Help Line: 021-111 222 525, [www.khushhalibank.com.pk](http://www.khushhalibank.com.pk)

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