

A QUARTERLY NEWSLETTER OF KHUSHHALI MICROFINANCE BANK

Grassroots

JUL - SEP 2018 | VOL XVII - EDITION III



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MICROFINANCE BANK

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CEO'S MESSAGE



Dear Colleagues,

Over the recent months, our focus has been on the system change and transformation. Khushhali Microfinance Bank has invested financial and human resources to embark on a digital journey. The infrastructure deployment is nearing its completion, but this is not a yardstick of success on its own. At this stage, it is ever more important to come out of our comfort zones and gear up to become drivers of the cycle innovation and growth within the organization, as well as for the microfinance industry at large. In the impending digital future, the only thing that will remain unchanged will be the need for evolution. Technologies and processes will change at a rate much faster than the pace we have witnessed in the past.

As microfinance bankers, we will have to become more cognizant towards the lifecycle needs of our clients. The good tidings are that we are operating in an unsaturated industry, hence the opportunities are limitless. We will take our financial inclusion strategies side by side our infrastructural development to reach out to our target

segments and fulfill their access to finance needs in an efficient and effective manner. We will have to rely on our rich experience and learning about customer insights to emerge as a successful organization within the digital arena.

Together let's get ready to take Khushhali Microfinance Bank forward through another phase.

Best Regards,

Ghalib Nishtar

President/CEO

Business Data for Quarter 3, 2018

Data as at September 30, 2018	
Active Number of Borrowers	747,020
Active Number of Savers	1,946,117
Cumulative Loans Serviced <small>(Since Inception)</small>	6.5+ Million
Cumulative Disbursements (PKR) <small>(Since Inception)</small>	181+ Billion

Quarterly Meeting of Board of Directors of Khushhali Microfinance Bank

The 61st meeting of the Board of Directors of Khushhali Microfinance Bank Limited took place on August 28, 2018 at UBL Head Office, Karachi. BODs reposed confidence in the management and appreciated their commitment and support towards supplementing KMBL's growth agenda.

Moreover, BODs reviewed the operating results and economic update for the second quarter ended June 30, 2018. Business update for the quarter ended June 30, 2018 showed satisfactory performance. KMBL has 25% market share of active borrowers, 23% market share of Gross Loan Portfolio (GLP) and 20% of the Deposits, putting it at the top of the Microfinance Banks (MFBs) sector in the country. Management also presented an update on the implementation of Core Banking Application System (CBAS). The Board reviewed the status of compliance on State Bank of Pakistan inspection report 2017 and showed overall satisfaction with the compliance update.

Khushhali Microfinance Bank Celebrates 18 years of its Journey towards Excellence

This August marked the completion of 18 years of Khushhali Microfinance Bank (KMBL). Inaugurated in 2000, the Bank operates through a network of 159 branches and 28 service centers across Pakistan. Having serviced over 6 million loans to date, KMBL takes pride in its legacy of providing access to finance to marginalized segment of the population, males and females alike, to invest in microenterprises, and realize their economic potential.

To continue improving lives and contributing towards Financial Inclusion in Pakistan, KMBL is now investing in digital infrastructure to further expand the scope of its services. For 18 years, KMBL has enabled easy access to working capital requirements for farmers, self-employed individuals, and home-based workers. The Bank also provides free of cost effective trainings in creating



financial literacy for its clients. KMBL is committed to provide a full array of superior financial products and services through our expert bankers.

The annual Anniversary Gala Dinner was held in Serena Hotel, Islamabad on August 10, 2018. During the ceremony, President KMBL, Ghalib Nishtar, talked about the success milestones achieved by the Bank and shared his vision for future. He expressed his confidence in his team to be able to adapt for digital banking. The event also included musical performance by Arieb Azhar, the voice behind Khushhali Bank's official television commercial song. During the ceremony, Service Recognition Awards were given to employees who had completed their 5, 10 & 15 years' service milestones at KMBL. These awards are an acknowledgement of the dedication and efforts of these employees towards the growth of KMBL. Moreover, Star Employee Awards were presented to employees who had demonstrated exceptional commitment to their work and exceeded performance expectation.

To mark its 18th anniversary, 'Plant Khushhali' campaign was carried out across all KMBL branches nationwide. "Plant Khushhali" was a tree plantation drive where every employee of KMBL participated by planting a tree sapling. More than 4,500 saplings were planted by the KMBL family to commemorate the anniversary. The campaign slogan "Together we Grow" also symbolizes the Bank's holistic commitment towards the country's development that goes beyond the provision of its banking services.



Khushhali Microfinance Bank Triumphs Gold Price Disclosure Award by Microfinanza Ratings

This quarter Khushhali Microfinance Bank achieved another milestone by proclaiming the Gold Price Disclosure Award by Microfinanza Ratings. The award proves KMBL's commitment to transparency of its pricing information.

The Price Disclosure award is a public recognition of pricing transparency visible to investors and other international stakeholders who subscribe to the Data Platform. It signifies KMBL's commitment to maintain highest standards of business practices as a major player within the microfinance sector of Pakistan. The Data Platform is a recent initiative for transparency in the financial inclusion sector that fills the gap left by Microfinance Transparency and unites several other microfinance initiatives (e.g. CERISE, SPTF, Smart campaign, PPI, MIMOSA, Factsheet, etc).



With this recognition, KMBL aims to further improve its ability to utilize the customer insights to advance its internal processes and lay the foundations to automate differentiated propositions to individual customers based on what they value.

MicroFinanza Rating (MFR) is a private and independent international rating agency specialized in microfinance. The organization aims to operate in a transparent market as a highly qualified information provider in the field of microfinance and responsible investing. It delivers microfinance and responsible finance industry with independent, high quality ratings and information services, aiming at enhancing transparency, facilitating investments and promoting best practices worldwide.

Financing for Solar Energy Solutions by Khushhali Microfinance Bank

Given the energy crisis in the country, Khushhali Microfinance Bank has entered into strategic alliances with globally renowned suppliers of solar home solutions. KMBL envisages promoting the use of renewable energy by facilitating the bank's customers in accessing reliable renewable energy products on easy financing services. The bank will also work with its partners to initiate a social awareness campaign to educate the users about the benefits of shifting to renewable energy sources.

Khushhali Microfinance Bank has signed an MoU with Allied Solar (official d.light partner in Pakistan) to address the energy issues of people of Gilgit, Hunza and Ghizer. Improved access to energy solution is expected to positively impact the livelihoods of people in these areas.

The Bank has also partnered with Greenlight Planet to offer its Sun King™ range of Solar Home Systems and Lighting Solutions on easy installments to its customers in Hyderabad, Thatta, Badin, Mirpur Khas, Tando Allahyar, and Nawab Shah.

The alliances have been facilitated by IFC under their Lighting Pakistan Program. IFC introduced their Associate Greenlight Planet and d.light to Khushhali bank to facilitate financing options for quality verified solar lighting solutions at a consumer level. Lighting Pakistan Program will also provide support in consumer awareness campaigns, trainings and market intelligence. KMBL is committed to supporting product innovation for bottom of the pyramid markets that provide economic opportunities to the majority of the population in Pakistan.

IBP Fellowship Awarded to President Khushhali Microfinance Bank

Ghalib Nishtar, President of Khushhali Microfinance Bank, has been honored with the 'Certificate of IBP Fellowship' by the Institute of Bankers Pakistan (IBP). This certificate is in recognition of his services and contributions towards the development and progress of the banking profession.

Through these awards and honor, IBP looks to encourage individuals from the banking & finance sector to extend their services for the promotion of the local banking sector. The institute has a transparent and impartial evaluation process in place to select the best performers for the certification.

Talking on the occasion Ghalib Nishtar, the pioneer microfinance banker & founding President of KMBL, Pakistan's largest microfinance bank, said, "The financial sector is instrumental in the national development of a country. The role of the institutions contributing to this sector in various forms needs not only to be highlighted, but should also be duly acknowledged."

President KMBL was part of the process initiated by the Government of Pakistan to reform the financial sector under the Microfinance Sector Development Program in 2000 and has been a critical force in demonstrating the success of microfinance in Pakistan with KMBL as a benchmark.

His more recent accomplishments include successful steering of the divestment process of KMBL along with the implementation of the transformation program of the bank to be able to serve the microfinance market in the country.

Ghalib Nishtar has also received Sitara-i-Imtiaz, one of Pakistan's highest Presidential civil awards.

IBP is Pakistan's only recognized institute dedicated to providing technical training services for the banking industry in the country. The Institute's mission is to train and develop a sound human resource base for the financial sector and to work for continuous learning and professional development of bankers.

Awareness Initiatives for Promotion of Agriculture

As part of its Corporate Social Responsibility initiatives, Khushhali Microfinance Bank engages in initiatives to educate farmers of rural areas about updated information on cultivation of local crops. The objective is to equip these farmers with modern farming knowledge and empower them to improve their productivity. Small farmers often lack the resources to access modern information and rely on traditional methods.

Every quarter, KMBL organizes training on a local crop in a rural area of the country. Small local farmers are invited to attend the free-of-cost training where a crop expert from an agriculture research institute talks about modern and cost effective farming techniques, use of pesticides, use of fertilizers, water management and ways to improve yield. For this quarter, Khushhali Microfinance Bank organized a training in Khairpur on Date Palms. This is an important fruit crop in Pakistan in terms of its commercial value and is ranked as third most important fruit export for the country. Khairpur is the largest contributor to the country's Dates yield.

The training was held on September 27, 2018 where more than 200 farmers attended the event. The training was delivered by Dr Ghulam Sarwar Markhand, Ex-Director of Date Palm Research Institute at Shah Abdul Latif University, Khairpur. He talked about various key issues related to date palm trees, suitability of land for crop growth, precautions from viral diseases and methods to take care of fruit quality and yield. Information was also given in detail on processing, value addition and marketing of the fruit to help small farmers get better understanding of value chain.

Khushhali Microfinance Bank hopes to educate farmers and enable them to get improved returns from their farming activities. In order to expand the scale of this initiative, this quarter KMBL arranged eight radio programmes on Radio Pakistan medium wave channel that has extensive reach in the rural areas of the country. Each programme had a duration of 30 minutes where crop experts from Pakistan Agriculture Research Council talked about Sunflower, Maize, Mung Bean, Mash, Jawar & Bajra, Raya & Sarson, and Oats respectively. Live calls were also received from the listeners to be answered by the expert during the programme. Programmes received an overwhelming response from all parts of the country. KMBL envisages to continue engaging in effective and far reaching initiatives to work for the uplift of small farmers.



Initiative for the Uplift of Youth

Khushhali Microfinance Bank is supporting the scholarship fund for Namal College Mianwali to work for the uplift of bright youth from this rural area of Pakistan. In this regard, KMBL pays the annual fee of an undergraduate student for the entire four years of study at the college. This scholarship is extended to a student on need basis to help the student complete the higher education and improve his/her employability and income earning potential. The Bank will continue its support for the initiative by sponsoring Agri -Business School students in the coming years.

KMBL & Jubilee Insurance Partner for Health Care Awareness

During this quarter, Khushhalibank and Jubilee Insurance organized a series of medical camps in various areas across Pakistan. These one-day medical camps were administered by competent male and female doctors. These medical camps aimed to raise awareness of the local population about the importance of regular medical check-ups by a certified professional. The patients were provided free medical checkups, medical advice along with free-of-cost medicine.

Month	Location
August	Muzaffarabad, Fateh Jang, Zareef Shaheed, Jhelum
September	Narowal, Fazilpur, Ghotki, Hasilpur, Kandh Kot, Jaranwala, Zahir Pir, Sanghar, Khuddian Khas, Mirpur

Access to Finance Changing Lives of Small Farmers – Story of Muhammad Pehlwan

Muhammad Pehlwan is based in Chak Gruser, Bahawalnagar. He used to cultivate 5 acres land on rental basis. Pehlwan's share was calculated after deduction of all expenses occurred on land. Land owner also included land rent in expenses. Pehlwan used to get the cash 03 to 04 months after the sale of crops. From this cash, Pehlwan repaid the local money lenders who lent him money to buy seeds and fertilizers. The remaining amount was barely enough to meet the basic living needs of his family.

Muhammad Pehlwan belonged to a category of small farmers in Pakistan who had to rely on local money lenders to manage finances during crop cultivation season. However, his business sense eventually helped him break free from the vicious poverty trap. He realized that better investment would help him thrive and therefore, when he came to know about Khushhali Bank, he applied for a loan and effectively invested the loan amount to expand his business. Pehlwan got his first loan of PKR 10,500 from bank with other group members and for the very first time, he purchased fertilizer and pesticide on cash. Later on, he sold his crop share through the main market channels at good price. In the very first season, the loans helped him generate good profits.

Beginning as a small farmer, Pehlwan is now cultivating 10 acres of land; he is selling more than 80 kg milk every day in the city; and he has bought 1 kanal of his own land from his savings where he eventually plans to set up a dairy farm. Access to finance can empower individuals to improve their living standards and fulfill their entrepreneurial aspirations.



