

## **Final Report**

# **Research on Poverty Reduction and Women Economic Leadership in Asia: Roles, Potentials and Challenges of Social Enterprises**

**By**

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## Introduction

This study was designed as the Bangladesh part of a regional multi-country study on Social Enterprise with Poor as Primary Stakeholders (SEPPS) by the Institute for Social Entrepreneurship in Asia (ISEA), in partnership with Oxfam GB. The other countries covered under this study are the Philippines, Indonesia and India.

The main objective of the study was to explore the roles, potentials and challenges faced by the social enterprise sector. This sector is currently seen as an increasingly popular way of accelerating poverty reduction and women's empowerment.

The specific aims of this research are: 1) to describe the current state and context of social enterprises in each of the four countries; 2) to analyze how and to what extent social enterprises may have contributed to poverty reduction and women economic empowerment over the past five to 10 years; and 3) to assess the role and potentials for social enterprises to emerge as a key player in poverty reduction and women's empowerment in the next 10 years. The results of the research is expected to contribute towards building the agenda for the social enterprise sector during the First Regional Social Enterprise Advocacy and Leveraging Conference in Asia (SEAL-Asia) to be held in Manila in November 2014.

As partner of ISEA, this research was conducted by Development Wheel (DEW). The study team led by Shah Abdus Salam and Professor Ainoon Naher was assisted by an associate researcher and a few field researchers.

The study was conducted during the period from November 2013 to March 2014.

## Defining the Shortlist of Survey Samples

The sample size for the study was predetermined at 60, the number of Social Enterprise with Poor as Primary Stakeholders (SEPPS) to be interviewed for the survey. It was also expected that 6 such SEPPS will be taken as case studies. As, finding SEPPS were difficult at the beginning and some of the enterprises interviewed were proved to be ineligible for this study later, approximately 70 organizations were covered under this study, from those 60 samples were finally taken for the study as samples. Besides, several individuals were interviewed for gaining better insight and in-depth information about the SE sector in Bangladesh. Social Enterprises (SEs) selected as samples were purposive or snowball samples, primarily selected from the acquaintance of the Development Wheel who are involved in ethical trade, mostly in handicraft business. Besides, samples were selected through a search of different sources including the internet to identify SEPPS in the country. Though the Micro-Credit businesses were most common and easier to find, the study team tried to keep their numbers low in the sample to accommodate other types of SEs.

Except a few, the CEOs, Executive Directors(ED) or equivalent positions, whom we could generically term as proprietors or entrepreneurs were interviewed; some CEOs or EDs were employees though.

In rare occasions, some senior managers other than CEOs or EDs were interviewed. Sometimes, the CEOs could not complete the interview and referred some senior managers to complete the interview with organizational and accounts-related information.

### **Challenges of the Study**

The study encountered a number of challenges on the way of its accomplishment. Initially, it proved very difficult to identify enterprises that are genuinely catering to the poor or were established with an objective of social benefit and more so to distinguish from conventional business maintaining ethical standards.

Another problem was that many business initiatives that claimed to be or could be categorized as SEPPS are actually NGO projects which usually ended abruptly, with the cessation of the external fund flow. Such initiatives are neither self-sustaining nor used to receiving payments from their beneficiaries for the services such as training. The research team could not be sure about these initiatives. It was further complicated by the presence of IGAs and livelihood promotion components within different development projects.

Some other hugely publicised social business models forwarded by NGOs and as public-private partnership could not be interviewed as they could not be accessed despite repeated attempts and secondary sources indicated some such high profile initiatives actually discontinued after the ending of the project.

As a result SEs were reached through NGOs, ethical business networks and personal connections.

A serious challenge of this study was the length of the questionnaire: it was too long and required a long period to complete. The informants were also not very keen to participate in the study. Another problem was the nature of information required: the financial and other types of quantitative information were not readily available during the interview and required a second session to be collected; this often caused uneasiness on the part of the respondents and in many cases resulted in blank spaces in the questionnaire. Having a second interview session physically visiting them or over phone was not easy either. Getting those skipped questions answered later by emails was also not very effective. Some of the informants answered the questions using deferent criteria: e.g. some said x% of their workers are women, instead of mentioning the actual numbers; or said y% of the initial capital was their own, rather than saying the exact amount. As many of the informants could not or did not give even approximate answers to many questions, the amount of data gathered was below the expected level.

In the outreach and engagement and impact sections, the categories of the workers, suppliers and clients given in the questionnaire were difficult to match with the people- the different SEs target different groups according to their objectives such as destitute or marginal women, or they are simply day or agricultural labourers, or some are shifting to this work from other professions. In some cases, it is housewives working for an additional income.

Political unrest in the country also affected the study seriously. For at least couple of months it was very hard to get to the SEs for interview and the whole study was significantly delayed.

In some cases the research assistants came back with the filled out questionnaires after interviews only to find in frustration that those could not be taken as samples, as those were part of a project or IGA component of it, which did not run on commercial basis, but rather were funded by the project. A significant number of questionnaires had to be rejected after interviews due to this reason. So, finding out targeted number of samples was a huge challenge.

## Literature Review

For this study a wide range of literature has been reviewed, ranging from journal articles, books to communication materials and online contents. In this section we present the highlights of key findings from this review, focusing on how the literature reviewed approached the SE sector.

We may begin our review with Dacanay (2013), who presents six case studies of Social Enterprises with Poor as Primary Stakeholders (SEPPS) highlighting the birth of the enterprises, their evolution, growth, maturity and scaling the hurdles during the journey. She also focuses on the role of the poor in the SEPPS and its dynamics, e.g. how the poor started as passive workers, suppliers of clients and gradually became partners of different types. Understanding this process of empowerment of the poor and acquiring ownership of varied degrees in SEPPS is one of her main interests. In the later chapters of the book she tries to draw conclusion on how these SEPPS have contributed to the empowerment of the poor through their involvement of different nature and compared the effectiveness of those engagements on empowerment. At the end of the book she discusses the discourses related to SEs and different models of it. She defines the engagement of stakeholders as transactional and transformational: in the transactional role the poor are involved in “exchange of goods and services for money and vice-versa” and in transformational role they are involved as “conscious agents of change” to come out of poverty or collectively work for improving their own lives and that of their community members or the society as a whole. She also proposes three models of stakeholder engagement among the SEPPS: control model, collaborative model and empowerment model. In the control model the poor are passive partners as clients, workers or suppliers, the SE focuses on managing risks and survival of the organization; in collaborative model they are transactional partners, the SE tend to partner with stakeholders to strengthen and sustain itself and in transformational model the stakeholders are transformational partners. At this section she also tries to reflect upon the future of SEs along with theoretical perspectives.

One of the authors of this report, Ainoon Naher (2008), in her published work titled, *Gender, Religion and Development in Rural Bangladesh*, examines the role of NGOs, especially the Grameen bank and microfinance NGOs, in women development and finds that those are not necessarily very effective in addressing gender inequality. Rather, those organizations are more concerned about expanding their programmes than bringing about fundamental social changes in the lives of their

borrowers. The loan recovery process is coercive and the borrowers are stuck in a cycle of lending and repayment.

Wilson and Wilson (2006), in their work 'Make Poverty Business', argues that the multinational corporation should do more business with the poor rather than looking at them as recipients of corporate social responsibility charity; and the governments and poverty activists should make better business cases than relying on the rhetorics for attracting businesses from MNCs.

Yunus, (2010), in his book *Building Social Business*, defines what social business is and what is not. He said that there are two types of social business- one type is established by social entrepreneurs for a social cause and runs at no loss no dividend basis; where the owner/investor can take away only the invested amount but not any dividend. Another type of it could run on profit but must be owned by the poor people and the profit must be used for their benefit and social wellbeing. He argues that this is the new capitalist model where businesses could be established for social cause, not only for profit motive. Though he agrees that profit motive is still a too strong driver to ignore. Then he describes his experience of setting social business. The other parts of the book are dedicated as sort of manual or guide on how to establish social business. The later parts of the book is about the future of social business and creating a global infrastructure for it and the end of the book is as usual for him about 'end of poverty' which is still as elusive as ever.

In an earlier book, . 'Creating a world without poverty: social business and the future of capitalism', Yunus (2007) presented a similar argument. Here he tries to describe why traditional capitalism cannot solve problems like inequality and poverty, due to human nature and the drive for profit. Yet he argues that humans are also driving by other passions, the spiritual, the social and the altruistic thus they could establish business for social cause without profit motive. One may wonder how the same institutions and systems he criticized could solve the vary problem and how these no profit, no dividend businesses will serve the needs of the whole world. He also tells stories of, according to him, some of the earliest examples of social businesses. He sees those as the next phase in the economic and social revolution.

Hackett (2010) argues that the social enterprise debate is at an early stage. The economic and political debates in 'western' English speaking literature are inadequate for Bangladeshi context. The complex informal economy, multiple market failures and dependence on foreign donors/creditors in developing countries like Bangladesh requires different types of analysis than that are dominant now. Here, due to high levels of poverty and embedded inequalities, development-focused issues need to become a more prominent part of the social enterprise discourse.

A paper by McKague and Tinsley (2012) describes a new kind of social business, collaboration between a development agency, CARE and a MNC, BATA. This model, first of its kind in the world, established a rural sales network that created employment for poor rural women and made beneficial goods available to remote villagers. On the other hand it extended the market for MNCs such as BATA well beyond the existing distribution system and expanded their sale. The paper stated about the development of this business as well as lessons learned over the period. The author hoped that

lessons from this business have much to offer for similar initiatives and for building a more inclusive market.

Gazi's (2012) paper examines the governance aspects of the SEs and emphasises on the importance of better governance in SEs for higher social benefit.

Johanna Mair (2008) reviews different definitions and types of social entrepreneurs and concludes that it is developed as the very part of social system; in his word- "the role, nature and scale of social entrepreneurship cannot be discussed without taking into consideration the complex set of institutional, social, economic and political factors constituting this context." So, rather than a general theory of social entrepreneurship he argued for a context specific one and thinks that it may push the existing sociological and economic theories of entrepreneurship further.

Gorgi Krlav (n.d.) analyses 10 'Social Entrepreneurial Organizations' (SEOs), 5 in Bangladesh and 5 in Germany and found that they have both the non-profit and the for-profit elements combined. Additionally business principles are being incorporated in their strategies. They also have unique strategic setup that is absent both in for profit and not for profit organizations. There are striking similarities between those SEOs in diverse cultures as Germany and Bangladesh.

Md. Shafiqul Islam (2012) focused on the different economic, social and environmental impacts of Kazi & Kazi Tea Estate, an SE, and concluded that significant economic, social and environmental benefits has been created by the Kazi & Kazi Tea Estate in the area, especially for the poor women. He also suggested that those benefits could be enhanced by introducing more social security initiatives such as pension and medical insurance for the workers.

Grameen Danone Foods Ltd, (2010) in a communication material, presented the history of the business, its objectives, strategies, future plans and impacts on the poor were described. It showed positive impact on the child nutrition and women's employment.

Ali (2013) describes BRAC's notion of social enterprise or business. In this notion, businesses have to be socially and environmentally sustainable. He says that to create linkages between the markets and livelihoods of the poor and to sustain development interventions in health, education or finance BRAC ventured into the domains of private sectors and created businesses. The motive of doing business for sustaining social impacts, nor making profit, makes it social enterprise not commercial business.

Osborne (n.d.), is a sort of introductory document about social and community enterprises and a compilation on different types of sustainable social enterprises in different European countries.

In a report titled 'Women's Collective Action: Unlocking the potential of agricultural markets', prepared for Oxfam International, Sally Baden (2012) examines women's collective actions in agricultural production and marketing three African countries. The study observed that the women can be to some extent empowered and have control over their income, credit and expenditure but they do not have significant control over the household asset. Their participation in decision making also improves. However, still they have to rely on permission from family (especially male members) and negotiate with the male dominance, social norms and household responsibilities. It was also observed that changing the women's gender role in the family is harder than acquiring acceptance in the community

level. CA groups tend to support women more with finance and production, but seldom address these issues of market engagement; the women also have to take substantial economic risk against price fluctuation and market uncertainties.

### **Start of Social Enterprise in Bangladesh**

Social enterprises (or income generating small and medium businesses) were promoted in Bangladesh after liberation by different NGOs as a means of creating livelihood for the war ravaged communities. However, those were not named 'social enterprise' or 'social business', but rather were identified as 'income generating activities'. Nonetheless, the root of such initiatives dates back to at least early twentieth century- when the poet Rabindranath Tagore, who happened to be a landlord (Zamindar), started a soft credit programme for the farmers. It started as form of cooperative around 1905 and institutionalized as Patisar Krishi Bank with funds from his Nobel Prize award that he received in 1913. It is said to have continued until 1925 when a new law prohibited realization of loans from subjects by Zamindars<sup>1</sup>. According to the CEO of one of the largest and earliest such businesses in the country, some of the Christian charities started handicraft training, production and business with some of the most affected and disadvantaged communities including the stranded Pakistani refugees in 1972. They also helped to build the country's largest such business Aarong. Later some other NGOs also came forward to produce and sell such products. Gradually individual entrepreneurs also started venturing in this field. But the term 'social enterprise' or 'social business' has been in vogue mainly since the 1980s and '90s. Some of the largest of NGOs and SEs were established in 1970s.

In the 1980s and 90s, when the rise of different kinds of 'social enterprises' was seen, one major model was that of micro credit. Micro-credit giants such as BRAC, Proshika, ASA, and numerous other local NGOs jumped onto the bandwagon of the new business model, not to mention the hugely publicised Grameen Bank and its affiliated organizations. Gradually, NGOs started Income Generating Activities (IGAs) and from these emerged the BRAC brand of Social Enterprises, which started with handicraft and cottage textile products under the name of Aarong, a boutique shop. Subsequently, BRAC began large scale conventional commercial ventures like other businesses such as tea estate, dairy, poultry, bank, university, and so on. The main objective was to invest the profits of those commercial businesses for funding social development programmes of BRAC. White (1999) points out that BRAC generates 31 percent of its income from its business sources<sup>2</sup>. This is sometimes referred to as a 'hybrid model' of social enterprise<sup>3</sup>. Another model was promoted by the Grameen

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1 <http://www.bangladesh-bank.org/governor/speech/may012011gse.pdf>

2 **The State, Laws and Non-Governmental Organisations (NGOs) in Bangladesh**  
[http://www.icnl.org/research/journal/vol3iss3/art\\_1.htm](http://www.icnl.org/research/journal/vol3iss3/art_1.htm)

3 BSEP policy brief  
<http://www.bei-bd.org/images/report/whc4f30f4975c4de.pdf>  
(accessed on Feb 3, 2014)

Bank's former Managing Director Dr. Yunus, who employed the label 'social business', which usually meant independent enterprises mostly in the form of joint-ventures with Multi-National Corporations. The proponents of these enterprises claim that their ventures are aimed for catering to the poor consumers. Examples of such ventures include Grameen-Danone yogurt, Grameen UNIQLO clothing and the mobile phone network Grameen phone, among others. The key feature in Dr Yunus' model is that the big businesses or their owners will invest, besides their usual business, in businesses which will have an objective "to overcome poverty, or one or more problems (such as education, health, technology access, and environment) which threaten people and society; not profit maximization" and the investor will get back the invested amount only, no dividend will be paid to them; dividends will be used for expansion of the business. It is however unclear if the entrepreneurs or managers will benefit from the dividend or if so, to what extent. He also supports profit making from such business<sup>4</sup>, if it benefits the poor and owned by the poor<sup>5</sup>. Now, some commercially run businesses have started with specific social and environmental objectives such as Waste Concern and Kazi and Kazi; we could categorised in one group but we can also separate another variant from it which has been started in the name of public-private partnership (PPP), where government agencies are involved besides international development agencies and NGOs, as in the case of Waste Concern. The Jita model of NGO-MNC collaboration to expand marketing of MNCs with an aim to benefit the poor with employment and beneficial products is another one. It started with selling Bata Shoes in villages using poor women as salespersons under Bata and CARE collaboration 'Rural Sales Project' and later transformed into an independant social business. They all have different models but all have a similar objective to engage and benefit the poor as producer, client or worker.

Therefore in Bangladesh there are different models of SEs. The BRAC model of social enterprise, the Grameen model of social business and conventional income generating and local (mainly handicraft and fair trade) products marketing or microcredit business are three prominent traits. Besides, there are Kazi and Kazi, Waste Concern and Jita models of SEs.

This indicates that, as we found in some of the literatures, the complexity of the SEs in Bangladesh could not be readily addressed by the definitions or notions of the existing dominant literature; rather it requires a context specific analysis and definition.

The SEs working primarily aiming at the poor as their stakeholders in Bangladesh are mostly involved in making handicrafts; a significant segment of them are involved in producing different types of textiles, embroidery and garment items. Other trends are pottery, jute, wood, cane and bamboo crafts, etc.

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4 <http://www.muhammadyunus.org/index.php/social-business/seven-principles>  
(accessed on Feb 3, 2014)

5 Yunus, M., 2010. Building Social Business, UPL, Bangladesh



## **Type of SEs**

Most of the NGO SEs (82%) in Bangladesh are registered as non-profit organizations; though they have to receive trade licence from the authority for doing business; most others (7%) are registered as partnerships or single proprietorships. Some NGO-run SEs have dual legal forms, one as for-profit trade licence and another as non-profit social welfare registration; for this study we only considered the trade licence as they are primarily business entity and the social welfare is not directly applicable to those. None of the SEs are registered with the stock market.

Except a few, most of the organizations are primary organizations; more than half (60%) of them are single organizations, while most of the others (32%) are mainly single organizations with multiple branches or chapters. Only 5% are multiple organizations or networks.

Mission and vision statements are among the areas that the SEPPs in Bangladesh have not paid much special attention to. Most of the SEs does not have clearly written mission or vision statements. Few of them, those that do have such statement written down, show their aim to improve economic condition of the women and to empower them. But largely most of the SEPPs aim for generating income, boosting economic condition and empowerment of the women and poor people in the country. Their focuses vary considerably according to their geographical and demographic distributions: many of them target the rural population, whereas some look at urban population, and others cover both areas. Many SEPPs work only with women, yet they differ in terms of specific segments of women covered: some work only with hardcore poor or destitute women, some with all women and some with both men and women.

The CEOs of the SEs evaluated the characteristics of their own organizations in terms of maturity and 74% think that their organizations are still evolving; 10% were considered developed and stable, 9% were considered as developed and undergoing continuous innovation, and 3% thought that they were conceptually clear and under process of implementation but yet to be matured.

## **The social – economic and policy environment for SEs**

### **State of poverty and unemployment**

According to the household expenditure survey (HES) 1991-92, household income and expenditure survey (HIES) 2000, 2005 and 2010 of Bangladesh Bureau of Statistics (BBS), national poverty headcount ratio declined from 56.7 percent in 1991-92 to 31.5 percent in 2010. Extreme poverty significantly dropped during the period 2005-2010.

According to MDG Bangladesh progress report of 2012, the percentage of extreme poor population has decreased by 29.6 percent (or by 7.4 percentage points), from 25 percent of the population in

2005 to 17.6 percent in 2010; the incidence of extreme poverty declined by 47 percent (or by 7 percentage points) in urban areas and 26 percent (or by 7.5 percentage points) in rural areas. The absolute number of the poor people has also declined as the decline in headcount ratio was greater than population growth during the period 2005-2010. The poverty gap ratio in Bangladesh has decreased as well, from 17.20 in 1991-92 to 12.90 in 2000, 9.00 in 2005 and further to 6.50 in 2010. This suggests that severity of poverty even among greater proportion of the poor has been reduced.

The same report states that the level and distribution of consumption among the poor has improved as well, as is evident from reductions in the poverty gap and squared poverty gap measures by 28 percent and 31 percent respectively. Real per capita consumption expenditure during the 2005-2010 period increased at an average annual rate of 16.9 percent, with a higher rate of increase in rural areas as compared with the urban areas. This shows that the economic conditions and incomes of the rural people, especially the poor, have improved significantly.

	1991-92		1995-96		2000		2005		2010	
<b>Gini</b>	Income	Exp.	Income	Exp.	Income	Exp.	Income	Exp.	Income	Exp.
<b>National</b>	0.388	0.260	0.432	0.310	0.451	0.334	0.467	0.332	0.458	0.321
<b>Urban</b>	-	0.310	-	0.370	0.497	0.373	0.497	0.365	0.452	0.338
<b>Rural</b>	-	0.250	-	0.270	0.393	0.279	0.428	0.284	0.430	0.275

Source: HES 1991-92 and HIES, various years, BBS

However, the report observed that the share of the poorest quintile in national income was 6.52 percent in 1991-92, which fell to 5.26 percent in 2005 and further to 5.22 percent in 2010 indicating increasing income inequality between the rich and the poor. For the same period, the coefficients of income Gini and expenditure Gini shows that inequality has increased in the country. From the Table 1.1 it is evident that the Income Gini coefficient, which reflects the level of inequality, has remained somewhat stable over the last ten years at the national level but the coefficient of Expenditure Gini were slightly reduced during the same period. A moderate increase in income inequality (0.39 in 2000 to 0.43 in 2010) is evident in rural areas but consumption inequality remained stable during the same period as reflected in Expenditure Gini.

According to MDG Bangladesh progress report 2012, underemployment is especially prevalent among the young people aged between 15 to 24 years, who comprise nearly 9 percent of the country's population and 23 percent of the labour force. The share of the manufacturing sector in GDP has increased and that of agriculture has declined. This shows a structural transformation from agriculture based economy to industrial economy. Yet, the service sector has remained the dominant contributor to GDP and continued the level of contribution from the 1990s to 2000s. Labour force participation rate in Bangladesh is rather low and has increased by 8.1 percentage points over the last two decades, from 51.2 percent in 1990-91 to 59.3 percent in 2010. Based on the Labour Force

Survey 2010, it was found that only 59.3 percent (56.7 million) of the population over 15 years of age was economically active by 2010. The participation rate of women which has been steadily increasing over the last two decades, from 14 percent in 1990-91 to 36 percent 2010, is still quite low. The returns from labour force participation rates for female wage earners are lower than those of males. The annual rates of labour force and employment growth have also been rather low, while women's contribution to the annual increment of such growth is comparatively higher than that of men.

On the whole, while Bangladesh has demonstrated its ability to achieve the goal of poverty reduction within the targeted timeframe, attaining food security and nutritional wellbeing still remains a challenge. The other major challenges are reducing income inequality and the low economic participation of women in the economic sectors.

### **State of MDG 1 and 3 accomplishments**

#### **Goal 1: Eradicate Extreme Poverty and Hunger**

According to MDG Bangladesh progress report 2012, Bangladesh has made commendable progress in eradicating poverty and hunger. Its steady GDP growth rate of more than 6 percent in recent years has contributed to eradicate poverty. The continuous and strong growth has contributed to reduce poverty from 56.7 percent in 1991-92 to 31.5 percent in 2010. The rate of reduction was faster in the present decade than the earlier ones. The HIES 2010 data show that the incidence of poverty has declined at a rate of 2.47 percent per year during 1992-2010 period against the MDG target of 2.12 percent. Bangladesh has already achieved the indicators of target 1 by reducing the poverty gap ratio to 6.5 against 2015 target of 8.0. The estimated figures suggest that the MDG target of halving the population living below the poverty line (from 56.7 percent to 29.0 percent) has already been achieved in 2012.

#### **Goal 3: Promote Gender Equality and Empower Women**

Bangladesh has already achieved the goals regarding gender parity in primary and secondary education at the national level. This positive development was possible due to some specific public interventions focusing on girl students, such as stipends and exemption of tuition fees for girls in rural areas, and the stipend scheme for girls at the secondary level. As a result, Bangladesh has made significant progress in achieving the objectives of ensuring gender equality and empowerment of women. There has also been continued progress in the social and political empowerment of women in Bangladesh.

#### **Poverty reduction and women empowering strategy and programme**

The Bangladesh Government is committed to achieve the objective of CEDAW, Beijing Platform for Action and MDGs in conformity with the fundamental rights enshrined in the Bangladesh Constitution. In accordance with these commitments, it has adopted the National Policy for Women's Advancement (2011) and a series of programs for ensuring sustainable development of women. In the last national election, the number of women parliamentarians elected increased significantly; it was 20 percent of

total seats; however, wage employment for women in Bangladesh is still low. Only one woman out of every five is engaged in wage employment in the non-agricultural sector.

### Related Laws

SEs in Bangladesh could be roughly divided into two categories- some are running as pure commercial businesses and others as part or programme of NGOs. The first group of SEs are governed by business laws but the second group of SEs are also affected by NGO related laws. The following laws give the organizations under consideration legal status and permission to operate:

- The Societies Registration Act, 1860;
- The Trust Act, 1882; and
- The Companies Act, 1913 (amended in 1994)

Besides, some other laws, which can be called “regulatory laws”, have been enacted to regulate different aspects of these organizations. These laws are:

- The Voluntary Social Welfare Agencies Ordinance, 1961;
- The Foreign Donations (Voluntary Activities) Regulation Rules, 1978; and
- The Microfinance Regulatory Law, 2006.

The difference between the two sets of laws noted above is that if any organization is denied permission under the regulatory laws, they are still able to function under the first set of laws.

The Societies Registration Act, 1860 prohibits all voluntary societies from business oriented projects and distribution of benefits or assets among its members if it is dissolved. On the other hand, the Voluntary Social Welfare Agencies Ordinance, 1961 allows making profit if it creates job opportunities. Besides, according to the Income Tax Ordinance of 1984, all NGOs are exempted from corporate tax but the income generated from profit-earning activities must be spent for charitable purposes and not appropriated by any individual in the form of dividends. Both the Act and Ordinances apply to the same cases. As a result, as observed by Ahmed,<sup>6</sup> “some NGOs are flourishing simultaneously as service-oriented organisations and as profit-oriented business organisations. The state is also being deprived of taxes by NGOs taking advantage of loopholes in the regulations. Some senior officials of certain NGOs have used loopholes to become affluent.” Ahmed also mentioned that BRAC provides no accounts of their commercial organisations’ incomes or expenditures to any state department. Under that tax break and apparent absence of oversight, NGO businesses - some of which could be designated as SEs - thrived. Later many such initiatives were accused of running commercial ventures in the name of development and the government imposed tax on such businesses.

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6 **ibid**

According to the Foreign Donation (Voluntary Activities) Regulation Ordinance 1978, Section 3(l) and Section 3(3), and the Foreign Contribution (Regulation) Ordinance 1982, Section, 4(l), no individual or organization can receive foreign donation without government approval.

### **Social Issues that the SEs are Trying to Address**

Most of the SEs in Bangladesh were actually started with a view to contribute to poverty alleviation. Majority of them aimed at employment creation, livelihood improvement and creation of income opportunity for women. Many of them also have the goal of empowering women. Besides, economic development some SEs also work for improving health, sanitation and hygiene. One SE, which is running a restaurant, was initially established to provide employment and a chance of rehabilitation of the prostitutes. Another large SE is running a production centre in a brothel to provide alternative income source to the prostitutes. Many of the SEs established by the indigenous people or people working with them has an objective of preserving the cultural heritage and traditional crafts. Some of the SEs focused on the urban population but the larger part concentrated their attention towards the rural people. We also found some SEs that started their businesses by taking advantage of or responding to different situations: one such SE started when the workers of a NGO project became jobless after the closure of the project, providing jobs for those workers, while it readily got a skilled set of workers. In another instance, the SE was started because there were skilled women from the indigenous communities who were experts in their traditional craft making techniques. We also found that one woman was inspired by the craft making of her grandmother to start the business.

### **Social innovations**

The efforts to solve the social issues could be broadly categorized as skill development through training and then providing with income generating opportunities; making use of traditional craft skills to produce modern goods and combining income generating activities with micro credit, health care and water and sanitation activities. Probably, most innovative of all the SEPPs were those that were involved in micro-credit business. Some of these MFIs are considered as global models, which are replicated in different parts of the world. Though management or administrative innovation aimed at saving cost was evident, diversification of the product or different types of products for the people were not much developed. As a result, exponential growth in business and profits were evident most visibly in the form of high-rise towers but comparable levels of growth could not necessarily be seen in terms of poverty alleviation or social development. Many MFIs invested their profits in other businesses and established universities, hospitals and other such businesses.

### **Services to the Poor**

The most effective service of SEs that serves the poor best is the extra income generation and employment opportunities. The other most effective service is training, which is the most common and popular of all services on offer. Trainings are given mostly to improve the skills of the workers. It may be formal training through training sessions or on the job training by experienced colleagues. Besides,

trainings on product development are also given. Some SEs provide training on group development, group management, motivation and self governance. Training on gardening and livestock rearing are also given. Majority of the formal trainings of the SEs are funded by NGOs or other donors as part of the NGO development projects; while others are provided by the SEs themselves. Some SEs have soft loan or interest free loan programmes; others help the workers for educating their children. Health and social awareness activities are also sometimes carried out.

According to the Microfinance Regulatory Authority (MRA) of Bangladesh, in the microfinance sector total loan outstanding is around BDT 248 billion (including Grammen Bank's BDT 72 billion) and savings BDT 168 billion. Credit services of this sector can be categorized into six broad groups: i) general microcredit for small-scale self employment based activities, ii) microenterprise loans, iii) loans for ultra poor, iv) agricultural loans, v) seasonal loans, and vi) loans for disaster management. Loan amounts of up to USD 650 are generally considered as microcredit; loans above this amount are considered as microenterprise loans. MRA had approved licenses of 651 NGOs. There are another 210 applications under process and as of August 2012, 3380 applications were rejected. So there are approximately 4150 NGO MFIs in Bangladesh.

According to the CEOs of the SEs, the top contributions of their business for the poor are creating job and income opportunities; sustainable crafts market and women's economic empowerment, especially of the ultra poor or destitute women, women living in the rural areas; facilitating better education for the children of their workers; improving health awareness; poverty reduction and overall empowerment of the people. They also think that their efforts result in more secure working environment, capacity building, increase of knowledge, increased self esteem and poor peoples' greater social acceptance.

They think that increased capacity in crafts making, improvement in economic condition, asset base expansion, children's education and increase in awareness are the most important indicators to measure the social impact of the SEs on the poor. In addition, food consumption, family status, health consciousness and ability to raise voice are also mentioned as important indicators.

### **Segments of the Poor Served**

According to the category of people they serve – the largest group is the enterprising poor (53%), because many of the SEs in the craft business buy finished products from the artisans, and the borrowers of microfinance are perceived to be poor entrepreneurs who borrow money for generating income for their family. The share of indigenous people (20%) in the SEs sector seems unusually high compared to the size in the population but it is not unexpected because SEs in the crafts business tend to exploit the traditional crafts making skills and cheap labour of the indigenous communities so their presence in this sector is higher; and, partially because this study has purposively included some SEs that are run by the people from indigenous communities or work with those communities. Agricultural workers (33%) and farmers (18%) are other larger groups. A significant number of SEs claimed that people with disabilities are also included among their suppliers or workers (10%) but the actual number of them in the workforce is not so significant. In fact the real number of workers with

disability is quite low. One SE's CEO told us that they had problems in finding a suitable office building as they employed workers with disability. This SE has an agreement with the Centre for Rehabilitation of Paralyzed (CRP), one of the country's leading organizations working on disability issue, to develop the skills of the people with disability and to provide with employment.

Except few, SEs do not maintain a list of workers, suppliers and clients; as a result identifying their reach among poor and different sections of the society is difficult; most of the informants struggled to give even an approximate number of their workers and suppliers. One of the problems with handicraft SEPPs is that the workers and suppliers are not fixed; they continue to be changed; sometimes other family members also lend a helping hand with them. Distinguishing between the workers and suppliers was also challenging, sometimes these terms were used interchangeably. The largest producers of non-food processed products such as handicrafts, textile and garment employ several thousands of workers or suppliers. Aarong claims to employ around 35000 workers and suppliers. But the majority of the SEs are small and employ several dozens or only a few individuals. Most of the medium sized SEs have two to three hundred suppliers. Two common work-force sizes were 200-1000 and 2000-3000 approximately. The microfinance business has a huge client base. According to the Microcredit Regulatory Authority the total clients of this sector is 35 million, which includes 8.4 million clients of Grameen Bank. Top five MFIs in the country have more than a million borrowers each. The largest three MFIs contribute 54 percent of total loan outstanding as well as savings of the microfinance sector in Bangladesh. But the smallest 428 NGO-MFIs contribute only 4 percent of total loan outstanding and 5 percent of total savings. "Institutional concentration ratio is highly skewed in favor of large MFIs: just 22 institutions are in control of 76 percent of the market share while three largest organizations have control of over 50 percent in terms of both clients and total financial portfolios."

The ratio of male and female beneficiaries varies significantly according to the objective of the SE. Many of the women's empowerment focused SEs employ mostly women; except very few, all the workers or suppliers of them are female. The CEO of one such SE said that she has only one male worker, who is the father of a former worker, an old man, who learnt the craft making from his daughter and continued working for the SE after the marriage of the daughter. But other SEs focusing on employment creation employs more men than women. Most of the clients of MFIs are women, however data from Microcredit Regulatory Authority of Bangladesh show that 80% of the employment opportunities created from small enterprise loans are occupied by men. In the managerial positions of the SEs the prevalence of male employees over female staff is common. Even in the SEs, where the objective is women's empowerment and creating their employment, managerial positions are occupied generally by the men.

In terms of ownership of the poor in SEPPs, ten of the SEs claimed that the poor have ownership in it. Some of those are MFIs, some agro-business and others NGO businesses. It was observed that MFIs and some NGO business tend to claim the ownership of the poor in it, though it is only symbolic or

ceremonial in nature. The functional and actual ownership usually lies with a single person or a small group of entrepreneurs who assume the positions in the board or that of the CEO or ED.

### **Products and Services**

It has been found in the study that almost half (48%) of the SEs produce manufactured non-food goods; around 7% of them produce manufactured food products. Fifteen percent of them produce agricultural food products, two percent produce agriculture non food goods and 13% of them produce other kinds of products. Bag, paper weight, toys, cushion cover, Christmas items, bed cover, bamboo products, Block and Batik prints, Candle, terracotta ornaments, greeting cards, purse, jute made products are some common products of the handicraft producers. But product may range from managing waste to lending money or selling products of multi-national corporations to poor rural women using poor women as sales persons.

The SEs in Bangladesh mainly produce for the domestic market. The largest numbers of SEs sell their products in local market (32%), most others produce for the national market (28%) and only 13% of them export their products. Those who exports are the largest and more stable businesses.

The main services of the SEs are financial (42%) and social services (48%). Other services are product development and marketing (35%), community service (25%) and providing appropriate technology (10%). SEs selling capacity building services as product to the poor was not found during this study; however a large number of SEs (78%), mostly NGO related, claimed that capacity building is one of their main services. These are mostly informal in nature. However, many of the formal training initiatives are actually funded by other NGO projects or funded by others. No training was found that is paid by the recipients themselves.

42% of the SEs said that they have dedicated products or services for women.

In terms of paying for the capacity building services of the SEs, 29% of SEs are financed by different projects, 10% by other donors, 23% by the social enterprises themselves and 4% by other clients such as corporations rather than by the trainees. It usually comes as their corporate social responsibility activities or the training recipients take part in their distribution process such as in JITA. For financial services the respondents said that clients do not pay for it but these are paid by the



projects (11%), SEs (11%) and donors. These are not the financial services, which are actually paid by the clients in the form of service charge; these are associated services that are offered along with micro credit. Even those are often included in the service charge as hidden costs. In product development and marketing, 10% of SEs finance it themselves; it is mostly invested in design and development and capacity building of the staffs; 7% are financed by different development programmes and 2% by external donors who aim for livelihood development; in 5% SEs this is paid by different companies or corporations which benefit from the marketing of their products by SEs or from buying SEs products. The appropriate or new technology service is provided by very few SEs. The SEs that provide community services are mostly financed by donors and projects; few SEs do this from their own fund. This is also true for the basic services. These social and basic services mentioned here are mostly part of their charity work that is carried out along with the services they offer commercially, which are paid by the clients.

56% of the SEs said that they have dedicated product or services for the women, 26% do not have such services or products and 18% did not answer the question.

The market also varies significantly, ranging from local to national and international markets. But majority of the SEs sell their products in the local or national markets. Some NGO SEs, such as Prokritee, sell most of their products overseas and maintain a token local outlet. On the other hand Aarong has a huge national market and has many outlets throughout the country. Thus the market depends on the size of the SE, external linkage, types of product and possession of export licence. Most of the handicraft based SEs are reluctant to sell their products in the local market because of the fear that the rival businesses will copy them. In fact most of such SEs complained about this trend and maintained that their research and development efforts for new products are seriously hampered by this. Some SEs produce crafts using a single or several main medium and develop products based on those. One such SE export only crocheted soft toys and other items. The main international market for Bangladeshi Handicraft products are United States, United Kingdom, Japan, Canada, Italy, Germany and Australia. However, products are sold to other EU countries too. There are also significant variations in terms of international market coverage, some SE sell products to a handful of countries, while others have a wider coverage; some SEs distribute their products in more than 30 countries all over the globe.

## **Capital and Resources**

It was found that the SEs were not very prompt at remembering their initial capital. Except a few most of the CEOs struggled to remember the amount of capital; the number of respondents who answered this question was also low, less than half of the SEs. Among the SEs, 10% started with a capital up to BDT 500,000, which is approximately USD 6250; and 31% above USD 6250; only 5% of them started with a capital of around BDT 1,000,000, which is approximately USD 12,500; 3% of the SEs started with a capital of more than USD 12,500.

The initial capital for most of the SEs (57%) was the personal investment of the owner. The other major source of initial capital is grants from development agencies or social investors (28%). Public grant contributed only 8% as initial capital for starting SE, while loans (5%), institutional fund (3%), equity from investors (2%) and other sources also contributed during the start-up of the SEs.

In 67% of the cases, SEs were started with the capital of the owner only. 7% SEs had 20% and 40% additional capital respectively with the capital of the owner and only in 3% of the SEs the share of the owner in the initial capital was equal to or less than 50%.

In last five years most of the SEs sustained their production and services from profits, sales and revenues (68%). The second largest source of resources for the SEs was the private grant (43%). Besides, investment of the owner or founders (10%) and loans were other significant sources of resources to sustain these enterprises.

It was found in the study that only 3 SEs made 100% of their resources from profit or revenue in last five years. The number of SEs that made more than half of their resources from profit over the last five years are also only 3, and 23 of them acquired less than 50% of their resources from profit or revenue. Private grants from institutions or individuals appeared to be a major source of resources for the SEs. A total of 52 SEs received such grants and for 6 of them, all of their resources came from private grants; for 21 SEs more than 50% of the resource within last five years came from this source and remaining 25 SEs acquired less than 50% of their resources from private grants.

From the available data and observations during the interviews it was evident that the larger SEs are running on their revenue income from sales, profits or service charges but the smaller SEs sometimes are not making significant profits and those are actually subsidised by different project funding, especially those are run by NGOs. The private SEs that are surviving, are doing it from their profit or at least revenue income.

### **Asset and Income**

The asset base for most of the SEs is small, 18% of SEs have less than USD 70,000 asset base. 12% of them have an asset base up to USD 250,000. But there are significant numbers of SEs (12%) that have an asset base of more than USD 1,000,000. There is an interesting trend in the asset base of the SEs- 30% of the SEs has asset base of less than 250000 USD and there is only 7% of the SEs

who have asset base between 250001 USD to 1 million USD. It clearly indicates the concentration of SEs at the lower and higher ends of the asset base. At the higher end most of the SEs are MFIs and some large handicraft exporters.

Within last 5 year 17% of the SEs revenue was up to USD 70,000; revenue of 31% of the SEs was less than USD 600,000; only 2% of the SE's revenue exceeded USD 1,000,000 (one million) mark. The revenue income in the year 2012 is also consistent with the revenue income of the last 5 years, except the fact that the revenue of large SEs dropped.

It was seen in the study that the years 2010-2012 generally, and 2012 in particular, were good years for revenue and profit generation for the SEs in Bangladesh. The budget was also highest for a large number of SEs in 2012.

The net income for 32% of SEs within last five years was less than USD 2400; for 37% of the SEs it was less than USD 240,000 and only 6% of the SE's net income was above USD 240,000.

In consistence with the net income of the last five year, net income of 15% of SEs was up to USD 2400 and of only 2% above USD 7 million in the year 2012; but no SE showed net income between USD 12000 to 7 million.

But the year 2013 was bad for business because of continued political unrest. Only a very few of the SEs said that they anticipated the situation in advance and took precautionary measures to avoid it so they were not affected much. These are large businesses with significant amount of capital in hand including good logistic arrangements, brand image and loyal customer base. On the other hand though some of the smaller SEs could predict the problem they could not take the risk of investing on the face of upcoming uncertainties.

## Staffing

The numbers of regular staff members vary according to the size and nature of the SEs. The larger ones employ several thousands of regular workers; the medium sized ones several hundreds and smaller ones a few dozens or just a few individuals. In our survey only 5 SEs employ more than thousand employees and 12 SEs employ more than 300 people. Rest of the enterprises have less than three hundred workers and staffs. The MFIs have larger numbers staffs than other SEs.

The SEs have two types of regular staffers: workers and management or sales staffs. Those who have sales outlets have both management and sales staffs. They are not usually poor but the workers are generally poor people. Number of women in the workforce also depends on the nature of the SE, as was mentioned earlier. But the ratio of women is low among the management and sales staffs and higher among the workers. Presence and number of casual or piece labours also vary according to the nature of the SE. Sometimes it is difficult to distinguish between the regular staff and piece labour because the piece labours get paid on the basis of product or hours they work but they work regularly, get the payment at the end of the month and receives some other benefits too. The SEs also often use the term regular staff for both workers and other staffs alternatively which made the differentiation more difficult. The number of volunteers also ranged from less than a dozen to less than a thousand in the survey. But during the study the study team did not observe a significant presence of volunteers in this sector.

### **Governance of SE**

Around 75% of the SEs have some kind of governing boards and among them 91% have women as their members. In 73% of the SE CEO or equivalent positions are held by persons more than 45 years old. It was observed that though there are boards of directors in 75 % of the SEs, only few boards play an effective leadership role in decision making. Usually the decision is made by the owner and the board approves it.

In the SEs, decision making authority is the CEO or equivalent position; among them 42% are women;

It was observed during the study that there is a tension between maintaining financial gain of the business and ensuring social benefit. And many of the SEs are often caught between these sometimes conflicting interests and slipping away from their social objectives. In some cases businesses running primarily for profit motives or not serving the poor were also found to be claiming as SEs.

In terms of representation of the poor in the decision making or governance of the SEs it was found that 10% of the respondents did not answer the question; 75% of the SEs governing bodies do not have any kind of representation by the poor; only 15% are represented by the poor. Many of the CEOs told the study team that the poor cannot play any effective role in decision making; those boards which are represented by the poor usually involve the latter mainly in a symbolic role. Among the poor representatives in the boards of the SEs, participation of women is significant. However, representation of poor in the management structure was not evident.

Regarding the regular participation of the poor in the planning process of the SEs 72% respondents said that there is no participation of the poor; only 18% said that the poor participate in the planning process and 10% of them did not answer the question. It was said by some of the respondents who

said poor participate in the planning process that the workers or suppliers tell the management staff about their problems and other issues, when they are discussed before the decision making the views of the poor are incorporated in the process. Some said that they actually wanted to know the opinions of the poor, and therefore asked them through the field staffs or directly themselves during visits.

The poor are not also seen to be organized beyond the SEs much. Only 8% of the SE representatives answered that the poor are organized among themselves beyond the SE, 72% said they are not organized beyond SEs, while 20% of them did not answer the question.

### **Impact on the Poor**

The SEs, with few exceptions, do not have established systems, procedures and systematic indicators for measuring social impact on the poor. Most of them consider the income or employment generated from working with the SEPPs as indicator of social impact. In most cases the income generated by SEPPs are around less than USD 20 per month, which is lower than the minimum or market wage rates. The executives of the SEPPs argue that this income is 'standard' for their workers, as there is no viable alternative or these are not to be considered as main income source; these are rather an additional one. But workers at some of the SEs earn around USD 70 to 80 per month. The income depends on the type of work and level of skill required. It was seen that the suppliers earn more than the workers. However, the workers are poorer than the suppliers. Suppliers need significant own investment but the workers do not need such investment.

Information about the increase in income after working with SEPPs than their previous employment is even more elusive. In most cases the SEs claimed that the income of the workers increased after working with them but they could not give a proper account of that. Apparently, additional income from working with SEs is such that it could not be taken as significant increase but it was claimed to be an important source of cash income. Some large SEs provides with some non cash incentives.

However, in some cases the SEs have been offering some income opportunities to the rural people, especially women, who had no such scopes. If we consider the Amartya Sen's definition of poverty as 'capability deprivation', then it could be claimed that these SEs are offering some income opportunities and in some cases opportunities of producing high-skill products and learning new skills, so contributing to reducing some form of 'capability deprivation' thus poverty.

It was also claimed by the SEs that their workers acquire higher self-esteem and greater confidence after working with them, which contribute to better performance in other spheres of life, such as better negotiation skills or courage to demand their rights.

Determining the impact of SEs on different sections/categories of poor population was another challenging task- partially because the categorization of the population used in the study and partially because of lack of data. Except few, there were no data with the SEs about the background of their workers or clients. It was well known that microfinance businesses do not cater the extreme poor segments; they only serve the better off of the poor, even those who are not poor at all. As suppliers have to invest some money in the business it is unlikely for an extreme poor to be a supplier. The only

chance is that some of the workers are extreme poor. In terms of categorizing them as farmers, fishermen, school drop-outs, internally displaced and so on were not effective due to lack of information about their background among the SEs. The answer we got about those were wild guesses.

Many SEs claimed that their workers have been able to send the children to the school (keeping in mind that primary education is free in the country and free for girls up to secondary level and they are given stipends by the government), improve the living condition or housing, acquire household furniture or utility and in some cases increase their asset base by buying lands. However, the proportion of the workers who have achieved such gains could not be confirmed due to lack of data, but the secondary information and personal experience of the researchers indicates that they are only a small segment of the workers.

Few of the SEs were studied by external researchers for their impacts and getting correct reference of those was challenging.

### **Issues and Problems in Last 5 Years**

The CEOs of the SEs think that accessing adequate financing is the most common internal issue or problem they have encountered. Identification, development and management of the markets are the second most common issue. Many of the SEs told that the rate of interest for bank loans is high and it is inconvenient for them. Others find the borrowing procedures complicated, working against securing loans easily. This lack of access to finance is restricting growth of many SEs and especially from entering into the export market. This is a common problem for mid-sized emerging SEs, not so as for the larger ones. Other important issues are capacity development and management of people (workers, suppliers, etc), access to appropriate technology and effective and efficient management of operations to meet the volume and quality required by markets in a timely manner. These are common problem for most of the SEs regardless their types. Finding committed and competent board members is another common important internal issue they face.

Among the external issues, most of the CEOs of SEs think corruption in government regulatory bodies and negative government policies affect them the most, along with political unrest and changing market environment. These are common challenges for most of the SEs. Extreme weather conditions, inadequate programme support for social enterprise development and existing industry or market practices also negatively affect social enterprises. Especially agro and local raw material based SEs who are dependent on weather for production are most vulnerable to weather extremities.

For the microfinance institutes (MFI) market in Bangladesh is almost saturated and most of them are operating in a very similar fashion. There is fierce competition among the MFIs and that is resulting in overlap of lending as well as indiscriminate lending. As a result, many of the borrowers are being trapped in the vicious cycle of debt among different MFIs. This situation is seriously undermining the social objectives of the microcredit business. Many of the large MFIs are not expanding their MFI operations, instead some are contracting. They are focusing more on investing their surpluses from

the microfinance in other business such as hospitals, universities, colleges which are run on commercial basis.

The small agro-based SEs were seen to be prone to market rate fluctuations and often suffering from losses. They are also very much affected by the organized vested business syndicates in the industry, which control the price and market effectively making entry of new businesses impossible. Due to their small scale and limited capital, these businesses cannot establish themselves in the market. Another problem for these businesses is that they cannot acquire government quality testing certificate for their processed products as they are not larger industries with factories. It prevents them from exporting or selling to the large corporations, thus they remain squeezed within local markets where demand for such products and prices are both low.

Most of the other SEs, however, want to expand their outreach among the poor and product and market development in general, though they often do not set specific objectives and targets. They actually respond to the market in terms of opportunities and risks. The objectives and targets vary according to the size, reach and focus of the SEs. All this makes it very difficult to compare the SEs with one another. Some SEs set their target to reach individuals, some families; others look for doubling or tripling their sales, business, export or outreach.

The most important hurdles to overcome to succeed or scale up the SEs in near future, according to their CEOs, are market identification and access, product identification and development, marketing, competition from larger businesses and cheap goods, political unrest, weather, global economic downturn, funding, credit overlapping and lack of skilled manpower.

Most of the SEs in the country consider themselves as still evolving or emergent enterprises. Few of them claimed to be developed and stable and developed and undergoing continuous innovation and very few think that they are conceptually clear.

It was evident that the small, locally based SEs are having difficulties to enter into the national or international markets and they have very little help from the government or other agencies on this regard. They could not grow or sustain depending on the local market only. Those that are doing best in the handicraft or manufacturing sector are larger SEs often connected with western organizations. This foreign connections and advice on products and markets seems to be crucial for achieving the sustainability and success of many SEs in Bangladesh.

## Case Studies

In these section case studies of 6 SEs has been presented. These SEs has been selected for case studies because they are some of the most successful of their kind. Besides they represent different types, different trajectory of growth, different motivation of entrepreneurship and different models of social enterprises. As a whole they give us a holistic picture of the SE sector in Bangladesh.

### Case Study 1: TARANGO

<b>Vision</b> (if any)	Establishment of a just and poverty-free society through
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	women's empowerment.
<b>Mission</b> (if any) (If no vision and mission statement, articulated objective or reason for being set up)	TARANGO is a voluntary non-government organization which dreams of, and desires to, contribute to the establishment of a just and poverty-free society by organizing and training the most disadvantaged women through its committed, dedicated and skilled workers. It further aims to make the women resourceful, skilled and production oriented by assisting them to develop their human potential and talents to promote leadership and entrepreneurship in order to take up the responsibilities of sustainable economic activities to establish a self-reliant and gender-balanced society
<b>Date of Establishment</b>	1989
<b>Legal Form and Organizational Nature/Complexity</b>	Non-profit, Non Stock; single, primary
<b>Products/Services</b>	Handicraft, micro-credit
<b>Start-up Capital</b>	
<b>Asset size (2012)</b>	
<b>Annual Revenue (2012)</b>	
<b>Poverty sector(s) served (and as what -- whether as workers, suppliers, clients and/or owners)</b>	Poor rural women
<b>Scale of reach (how many of the poverty sectors served?)</b>	25000 Approximate

TARANGO stands for Training Assistance and Rural Development Non-Government Organization. It is a non-profit, national level development organization working for empowering women. It was formally established in 1989 but its roots stretch back to 1972. In that year Father Clous, a German missionary started work in Dinajpur district to improve education with an organization called "Deepshikha". Many German volunteers used to come there to work as volunteers. The ethnic groups in the region used to produce handloom textiles and jute handicrafts. German volunteers started to buy these products and to sell those in church after Sunday prayers and in social gatherings in Germany. They did not do it as a business but as part of charity and the buyers also looked at it as charity and quality of products were often ignored to help the poor artisans. Later the "Jute Team" in Germany started marketing Bangladeshi handicraft there. That was also more charity than business; "forced by heart" as they said. Gradually the volume of export grew and "Deepshikha" had to establish its separate handicraft section which was named as TARANGO. It was a process they describe as "from suitcase to export dependant organization", because initially its products were distributed through the suitcases of expatriates, but the organization now has its own export licence.

TARANGO started as a German market based producer but started to reduce that dependency since 2000 by expanding its market. Now they have eight regular buyers in five countries covering Germany, United Kingdom, Australia, Canada and Spain. It is also continuously searching for new



markets. It has three “development partners” among its buyers, which help them from product development to producer Capacity building.

TARANGO supports the education of the children of the artisans. They provide annual stipend of BDT 1000 (USD 12.50) for the children of the artisans from class 8 to higher secondary. Beside education they can work part-time for TARANGO as guides of foreign guests, computer operators or survey enumerators.

TARANGO is working for developing local skills in handicrafts and to empower women. Though they are not focused on indigenous communities, they are working on skill transfer to those communities in two districts in Bangladesh. They want to preserve the indigenous cultures, as well as to diversify the use of its products. The traditional garment weaving is now used to weave table mats, the baskets they used to carry goods on their back are now being used as laundry baskets in different shapes and shades. It is also planning to produce and market festival attires for the indigenous communities.

TARANGA is trying to promote savings, small business and entrepreneurship among the artisans and providing trainings in collaboration with SEG, Spain; as well as, trying to link them with the market. They also have micro-credit programme to provide capital for the women to support their production of handicrafts. Trainings are also provided on gender issues and skill and product development. It also runs a shelter home called “Asroy”. Through these initiatives, TARANGO is trying to sustain the income opportunities of the artisans so that if the TARANGO projects are to end they do not have to sit idle.

According to those involved with TARANGO, the organization is not the main income source for the women, rather an additional one. It is providing the women with the opportunity of earning from their home, which is higher paying than some of the alternatives. As they are the enlisted producers with TARANGO, it is empowering them. In some cases, the husbands and sons of the artisans are now working with them or helping them. Many of its artisans were able to send their children to the higher education buy lands or start micro businesses such as poultry raising. They said that a study by Hasina Enam found that the prevalence of child marriage was decreased and awareness increased in Barisal district among their artisans. They also do not promote child labour; however, while mothers work, their children also come along and sometimes help the mother. It is the usual family working environment in the country, they clarified. TARANGO organizes boat race for the women on the eve of the international women’s day. At the beginning the villagers were against such activities but now they have accepted it. In the northern parts of the country, in Lalmonirhat, the men migrate to the other parts of the country during lean season in search of work and then the women artisans’ earning from the handicraft sustains the family. Their artisans are also participating in the local government (UP) planning, budgeting and raising their voices on different issues.

TARANGO is a producer oriented enterprise not a client oriented one; however, with the changing market environment and demand, they feel that it needs to be shifted towards a more market oriented one. Political unrest in the country hampers their business seriously; they cannot deliver the products to the buyers in time; the global economic recessions are also affecting their business.

They use public transport to transport their products within the country and it reduces the transportation cost. Though they enlist only women as artisans, they discuss the matters with both men and women while starting work in a village. They also engage the community leaders in such discussions and take their help to influence the villagers. Its working hours are flexible and every worker gets weekly two days off, it is also flexible. Therefore, sometimes garment workers also work here during their off days. Their managers are working with TARANGO for a long time, therefore they understand the needs and situations of the workers well and as a result their working environment is quite friendly, they asserted.

TARANGO is now working with 21000 artisans and thinking of expanding into the organic food sector in the near future. They are also experimenting with the fibre of banana plant and working with the buyers and experts on that.

The key factor behind the success of TARANGO in last five years was to match the needs of the buyers with the skills of the producers; and communicating its philosophy effectively with the market.

### Case Study 2: Aarong

<b>Vision</b>	Aarong is dedicated to bring about positive changes in the lives of disadvantaged artisans and underprivileged rural women
<b>Mission</b>	
<b>Date of Establishment</b>	1978
<b>Legal Form and Organizational Nature/Complexity</b>	Non-profit, Non Stock; single with multiple branches, primary
<b>Products/Services</b>	Handicraft
<b>Start-up Capital</b>	
<b>Asset size (2012)</b>	
<b>Annual Revenue (2012)</b>	
<b>Poverty sector(s) served</b>	Poor rural artisan and women
<b>Scale of reach</b>	65000 Approximate

Aarong originated from the Bangladeshi NGO giant BRAC's core mission of alleviating poverty and empowering people, especially women. In the 1970s, BRAC was examining different ways of generating income and improving livelihood. They found proper commercialization of the traditional crafts and folk art forms could be a promising option. In 1976 they established Ayesha Abed Foundation in Manikganj for producing handicrafts with the help of the women workers. They initially supplied those products to Karika, a handicraft shop but Karika bought those on credit and paid only after selling those. This form of marketing was problematic because they could not pay the artisans in time. As a result it decided to take over the responsibility of the whole business, from production to

sale. For selling their products themselves, in December 1978, BRAC opened its own retail outlet under the brand name Aarong, meaning 'village fair', in Sukrabad, Dhaka. They had no experience of running such shop and it was very challenging to create market for new business during that post-war struggling period in the country. Therefore, they decided to take help from MMC, which had some experience in this field. MMC also funded Aarong for several years so that it could survive the initial period and sustain itself.

From the beginning, Aarong employed women sales staff to reflect its commitment to women's economic empowerment. They also realised the need for making the shop attractive and variations in products. They included other artisans and master craftsmen to their work pool from different parts of the country, drawing on people who were involved in the making of handicrafts for generations, but were finding it extremely difficult to survive in the newly formed country. Ever since then Aarong has been helping to establish market linkages for rural artisans, revive crafts and interpret them for the contemporary marketplace.

At present, Aarong's reach has expanded far and wide from where it started, Manikganj, to the rest of the country. From a single shop, Aarong has grown into one of Bangladesh's biggest retail chains offering one-stop shopping experience through 11 stores spread across the major metropolitan areas of the country - in Dhaka, Chittagong, Khulna and Sylhet and one in London, UK. Throughout the country it now has 13 Ayesha Abed Foundation Centres in 13 districts; with 624 sub-centres in villages catering to over 1000 artisan groups and entrepreneurs. These centres now employ over 35000 people (60% being women). Aarong showcases over 100 product categories from clothing to household items, gifts and fashion accessories to children's toys, ethnic wear to beautiful crafts, from silks, handloom cotton, Endi to Terracotta, bamboo, jute and much more.

It provides livelihood for over 65,000 (80% women) artisans and their families, thus directly benefiting around 320,000 people. It also works with individual producers and buys their products. It now purchases produces of 800 such producers who employ around 25000 workers. Aarong supplies raw materials to its producers and gives 12% mark-up on the aggregated production cost including costs of raw materials, labour cost and carrying cost. It pays its producers on the spot. The wages of the male and female workers are the same. Aarong provides training for the workers to develop their skills; workers also get all the benefits of BRACs social development programmes. It also provides low-interest loans for its producers.

Aarong's objective is to expand the market for the local products and create space for traditional products in the fashion industry. It pioneered fixed price, product exchange policies in the country. It also uses computerised system to manage its operations and is trying to introduce digitised financing. To protect the interest of the producers it has a separate social compliance unit.

It exports its products overseas. Recently, it started trying to include the handicrafts of Tanzania, Uganda and Afghanistan in its product lines. Aarong's profits are reinvested into BRAC's development initiatives – both economic and social, such as, free health programs, micro credit, legal services, education etc.

## Case Study 3: Prokritee

<b>Vision</b>	Income generating and empowerment of women
<b>Mission</b>	<ul style="list-style-type: none"> <li>• Creating, promoting and assisting income-generating projects that: <ul style="list-style-type: none"> <li>• are operated and managed to benefit the producers</li> <li>• adhere to good safety and environmental standards</li> <li>• are or have the potential to become self reliant</li> </ul> </li> <li>• Hiring Women employees who: <ul style="list-style-type: none"> <li>• are head-of-households (widows, divorcees, or separated)</li> <li>• have little, if any income</li> <li>• are landless with few or no assets</li> <li>• are primarily rural</li> </ul> </li> </ul>
<b>Date of Establishment</b>	1977
<b>Legal Form and Organizational</b>	Non-profit, Non Stock; single with branches , primary
<b>Nature/Complexity</b>	
<b>Products/Services</b>	Handicraft
<b>Start-up Capital</b>	
<b>Asset size (2012)</b>	
<b>Annual Revenue (2012)</b>	
<b>Poverty sector(s) served</b>	Poor rural women
<b>Scale of reach</b>	1000 Approximate

Prokritee (meaning "nature" in Bangali) was initially founded by the Mennonite Christian missionaries. It is a service based agency that provides managerial, product design and development and marketing assistance to organizations in Bangladesh. Prokritee manages 8 Handicraft Enterprises and helps other groups to sell their products in local and foreign markets upholding Fair Trade standards. The Mennonite Christian Committee (MMC) in Bangladesh started handicraft production in 1972 as an income generation opportunity for the Stranded Pakistani Refugees living in refugee camps immediately after the liberation war. Later it was expanded to other parts of the country and beyond the refugee camps. MCC set up 8 enterprises or production centres in different parts of the country during the period 1977-1999. Later in 2001 Prokritee was created by MCC to independently manage its 8 production centres with a single management and organizational structure. These 8 enterprises are Surjosnato Coconut Products, Bagdha Enterprise, Jobarpar Enterprise, Keya Palm Handicrafts, Shuktara Handmade Paper Project, Biborton Handmade Paper Project, Bonoful Handmade Paper Products and Hajiganj Handicrafts.

**Prokritee was created with the goals of-** a. Creating, promoting and assisting income-generating projects that: are operated and managed to benefit the producers, adhere to good safety and environmental standards, and are or have the potential to become self reliant; b. Creating **women's employment** by hiring women employees who: are head-of-households (widows, divorcees, or

separated), have little, if any, income, are landless with few or no assets and are primarily rural; and c. **Skills development** of personnel within income-generating enterprises by providing training.

MMC funded Prokritee for a long period but recently it has become self-sufficient and is making surpluses from its business. It is mostly an export oriented business and by far the largest handicraft exporter in the country, according to its own claim. It initially exported its products through Caritas before having their own export licence. They have only one sales outlet in the country which sells only a tiny segment of its products.

Prokritee has its central office in Dhaka which markets the products made by the enterprises (and other like-minded groups not associated with MCC) through its marketing arms. For selling the products locally it has only one outlet named 'Source' in Dhaka. In addition it has a design department, which helps the enterprises in combining the skill of the producers with the needs of customers. The design department is also committed to develop designs based on the cultural heritage of Bangladesh. This department is enriched with fine arts graduates. They also work with volunteer scientists and experts for inventing new materials and products.

Prokritee and its 8 enterprises provide jobs for poor rural women. Approximately 930 women work in these production centres among them 30 are from indigenous communities. The women who work for the enterprises are widows, divorcees or head-of-households with little or no income. By providing jobs for women, Prokritee is able to improve the women's standard of living and help them send their children to school. Prokritee supplies with the raw materials and equipments for production. It does not have a micro-credit business with the artisans but it provides interest free loans and financial assistance to its producers. Its production centres are located within the villages in the vicinity of the residences of the workers, therefore they can work from the home and the family members can also meet them while they are at work. They can also bring their children at work places. Prokritee has a contributory provident fund for their workers where both Prokritee and the workers contribute. Though the amount is low, yet it provides the opportunity of saving for those women. It also has health awareness programme, maternity leave and financial assistance during labour period.

According to its CEO, some studies conducted by external researchers showed that awareness among its workers in some areas has increased. Many of their workers also succeeded to send their children to higher education and buy lands; which could be taken as indicators for improvement of economic and social conditions.

Where Prokritee works some individual handicraft producers also work as suppliers and many other people work as suppliers of raw materials and in the backward linkage businesses; it actually spread the benefit of its business among wider range of people and make the estimation of beneficiaries difficult.

Prokritee does not consider itself to be a conventional NGO and does not believe in rapid induced change in society or in gender relationship; it seems to adhere to some kind of traditional Christian belief that change should come slowly and naturally. Last few years were of rapid growth for Prokritee and it is aiming for further expansion of its production and market.

## Case Study 4: Waste Concern

<b>Vision</b>	Improve the environment by promoting waste recycling activities in the country
<b>Mission</b>	<ul style="list-style-type: none"> <li>• Conduct research and experiments regarding solid waste management, recycling, clinical and hazardous waste management, waste water treatment, as well as organic farming.</li> <li>• Develop community--private sector--municipal partnerships towards the improvement of the urban environment</li> <li>• Create job opportunities by promoting the recycling of waste.</li> </ul>
<b>Date of Establishment</b>	1995
<b>Legal Form and Organizational</b>	Non-profit, for-profit; Multiple, secondary
<b>Nature/Complexity</b>	
<b>Products/Services</b>	waste management
<b>Start-up Capital</b>	
<b>Asset size (2012)</b>	
<b>Annual Revenue (2012)</b>	
<b>Poverty sector(s) served</b>	Urban poor men and women
<b>Scale of reach</b>	986 Approximate

Waste Concern was founded in 1995 with the motto 'Waste is a Resource'. It was a not for profit research NGO. Its aim was to solve the urban waste management problems in Dhaka city in a sustainable and profitable manner. It was initiated by two young professionals specializing in urban planning and architecture. They first came up with the idea and shared it with different government, non-government and private sector entities. Then they decided test its viability themselves and formed Waste Concern for that. Initially the conducted a survey to know about the waste, its contents, households that produce it and also on the potential clients of the products made from the waste such as organic manure. They then went for testing their model and set up a pilot project with the help from their family and friends who gave them the land and capital. They also invested their own fund in it. The piloting was successful and then they were able to get formal support from the Ministry of Environment and Forest (MoEF), under the Sustainable Environment Management Programme (SEMP) of the UNDP for replicating it in a larger scale. Replication was done in four communities of Dhaka City in the year 1998. It was further replicated in the year 2000 in two other cities - Khulna & Sylhet. In 2002, UNICEF with the Department of Public Health Engineering of the government provided further support for replication of the model in 14 towns across the country under its Urban Slums and Fringes Project. Waste Concern prepared the plan, design, and undertook the construction works under its consulting agreement with UNICEF. More than 50% of those projects were functional for several years though the remaining one were continued for six months as long as UNICEF funding was available and then stopped. Later Waste Concern established Waste Concern Consultants (in

2000), Waste Concern BARAKA Agro Products Ltd.(in 2006), WWR Bio-Fertilizer Bangladesh Ltd.(in 2005) and Matuail Power Ltd.(in 2005), which are for profit wings of Waste Concern group.

Waste Concern Consultants provides consultancy and advisory services to low and middle-income countries on waste management, cleaner energy, industrial pollution control, sustainable human settlement planning, energy efficiency, climate change and Clean Development Mechanism (CDM) as well as environmental management. *WWR Bio Fertilizer Bangladesh Ltd and Matuail Power Ltd* are both joint venture company. These two were established by Waste Concern and World Wide Recycling BV of the Netherlands. These are world's first waste management, composting and organic waste recycling projects based on public-private partnership model and carbon financing. From 2001 to 2006 the compost plants of Waste Concern Group has processed 124,400 tons of organic waste and produced 31,100 compost benefiting 2.9 million people, reduced 17,000 tons of Green House gas, created jobs for 986 urban poor and saved a landfill area extending 33.12 acres and 1 meter deep. Farmers will also benefit from using organic compost to supplement the soil that is exhausted from the overuse of chemical fertilizers.

Waste Concern is now a Social Business Enterprise comprising of both 'For Profit; and Not-for-Profit' enterprises. It also showed ways for the SEs to public private partnership and carbon financing under CDM. It is also working with government agencies, private sector, international agencies and different communities to disseminate its model as widely as possible.

This is also a pro-poor model because they involve the community in the process and urban poor people are employed as waste collectors and plant workers. Their participation in these enterprises stimulates behavioural changes in urban communities and the waste management industry.

#### Case Trudy 5: Jita rural sales programme

<b>Vision</b>	JITA Bangladesh, is dedicated to empowering women through a network of enterprises, creating employment opportunities and improving access to markets for underprivileged consumers
<b>Mission</b>	<ul style="list-style-type: none"> <li>• 11,000 underprivileged women empowered through income and employment.</li> <li>• 450 enterprises developed through increased linkages with companies.</li> <li>• 1,000 of employment creation.</li> <li>• Improved access to markets for 7 million underprivileged consumers.</li> </ul>
<b>Date of Establishment</b>	2012
<b>Legal Form and Organizational Nature/Complexity</b>	Non-profit, Non Stock; single, primary
<b>Products/Services</b>	marketing
<b>Start-up Capital</b>	
<b>Asset size (2012)</b>	

<b>Annual Revenue (2012)</b>	
<b>Poverty sector(s) served</b>	Poor rural women
<b>Scale of reach</b>	7250 Approximate

The Rural Sales Program (RSP), or Jita, started in 2004 as a pilot project of CARE Bangladesh to generate income and employment opportunities for the rural poor women. The programme created a two thousand strong rural sales-force comprising of destitute women, called ‘Aparajitas’, a Bengali word meaning ‘women who never accept defeat’. The initiative was extended to sixty six small village enterprises or ‘hubs’, selling products of seven major companies including BATA, Unilever, Square, Lal-Teer seeds, Grameen Phone, Advanced Chemical Industries Ltd and Grameen-Danone Foods Limited. The programme helped these private companies to enter rural markets and expand their business operations to remote villages and to the rural poor that they have never expected. The initiative was also proved to be a financially self-sustainable project of CARE Bangladesh after running for years since 2004. Therefore, the idea to transform the CARE Rural Sales Programme from an NGO managed programme to a for-profit company was developed. Support from the Business Innovation Facility and Danone were also available. As a result Jita was formed in 2012 as an independent company with CARE and Danone Communities as its shareholders.

In the Jita model, Sales women, ‘Aparajitas’, are paid by commission on sales. Aparajitas have to finance their initial stock through their own investment. As their sales grow they can reinvest in their trade and expand operation and earnings. Hubs are part of the existing distribution chain for the participating companies and sell their branded products. These are small enterprises trading at small town or village level. The Hubs, as wholesaler to the saleswomen, get a commission to cover the saleswomen’s costs and also make a profit. Each hub employs two agents to distribute products directly to the saleswomen’s homes in cash.

This model is beneficial for all parties as it generates income opportunities for the Aparajitas, who get commissions. Private sector companies getting a convenient distribution network to expand their market coverage into otherwise unchartered rural areas and thus to increase profitability through increasing sales. The Jita is getting commissions for their service to the private sector companies for managing the whole network –identifying the hubs, selecting and training the saleswomen, and then supervising the network, stock levels, financial flows and coordination.

It has significant development related implication too. It is creating income opportunities for the rural women income at low risk, whose scope of earning in the rural areas are limited. It is expected that this will give them the opportunity to earn around 21 USD per month, yet they will have some time for other activities. And such opportunities will improve living conditions or social positions, improved their status in the household, reduced violence against women, increase their mobility, social interaction, and opportunity build relationships in the business sector. It is estimated that by third year, the network will grow to twelve thousand to provide income opportunity for that number of underprivileged women and create job for four hundred youths as service people, and business opportunities for four hundred micro-entrepreneurs as hub managers.



Within two years Jita has achieved its financial viability and established itself as a stable social enterprise and a potential model for social business.

#### Case Trudy 6: Hathay Bunano

<b>Vision</b>	Building profitable business that benefit the poor
<b>Mission</b>	Providing rural women with extra income in their leisure hours through successful needle work sold internationally
<b>Date of Establishment</b>	1989
<b>Legal Form and Organizational Nature/Complexity</b>	Non-profit, Non Stock; single, primary
<b>Products/Services</b>	Handicraft, micro-credit
<b>Start-up Capital</b>	USD 500
<b>Asset size (2012)</b>	
<b>Annual Revenue (2012)</b>	
<b>Poverty sector(s) served</b>	Poor rural women
<b>Scale of reach</b>	3500 Approximate

Hathay Bunano Proshikhan Society (Hathay Bunano) is a social enterprise, aiming to create flexible employment opportunities for rural women in Bangladesh while making a profit like any other business. It manufactures soft crocheted children's products. It was started by a young couple of British and Bangladeshi origins in 2005 with a personal investment of only \$500. The main asset was the crochet knitting and designing skill of its CEO, who learned it as a child from her parents. She started to teach the craft to the rural women in a village and established their production facility there. She herself designed the products and started sell those. The women learnt knitting from her became the instructor for the next batch of the workers and her work force grew. Initially they produced for the brands and shops in different countries; recently they have introduced their own brand 'pabble child' and selling products under this brand name. Hathay Bunano today employs 3500 women across a network of 32 rural co-operatives, sells 30,000 products per month in 33 countries including the US, UK, Australia, Europe and Bangladesh. They have also opened subsidiary companies in other countries for 'pebble child'. They now generate good profit and a growing business.

Hathay Bunano Proshikhan Society remains a non-profit society that builds the skills of the rural women and creates income opportunity for them. Its aim is to create rural employment that is fairly paid, good quality, flexible and local. With this view they established rural production centres that can accommodate 50-100 women. The women come to those centres for several hours a day and work. They are paid on the basis of piece rate, that means, the quantity of products they produce. These centres have crèche facilities and the women bring their children with them. As it creates flexible job for the women within the community, it prevents migration of rural poor to the cities. It is also planning to provide health care facilities to its workers. It invests a portion of its profit for training new women and providing them with income opportunities. Many of its trainings are also funded by different development agencies and corporate donors. These trainings include book-keeping and English language training besides embroidery. The products in its production centres are initially checked for

their quality and sent to the central finishing centre in Dhaka, there these products are further checked for quality, finished, labelled and washed before packaging for distribution. The products fail to qualify in each of these checks are sent back to the very production centre to the same worker for mending and sending over again.

They work with the Centre for the Rehabilitation of the Paralyzed (CRP) in both Savar and Mymensingh and employ disabled women. It has been growing rapidly in recent years and its market is expanding. It has also started to sell its toys in Bangladesh through an online shop. It is a stable organization now and focusing more on social compliance. It maintains international standards of production compliances in all its production and finishing facilities including sourcing its materials. The main ingredients behind their success in business are attractive “cool” design, high quality material, finishing and stringent quality control.

### **SEs, Engagement of Poor and Empowerment**

In this section the nature of engagement and empowerment of the poor is examined on the basis of primary and secondary data. If we look at the SEs in Bangladesh, most of the micro-credit organizations have some awareness components with the credit aiming to raise awareness and bring some sort of change in the lives of people. It is true that they have made credit available to the poor people and women who could not access bank loans. At individual level economic condition of some women have also improved; participation in credit programmes and NGO activities has also increased mobility of women, ability to raise their voice and participate in group activities, to some extent. However, it is also argued that microcredit organizations are mostly concerned with programme expansion and profit, the empowerment is a “shortcut” and neglected part of the programme; the women memorize the sixteen decisions of Grameen Bank to secure loans but neither they internalize nor practice those (Naher, 2008). Though there are few instances of changes at the individual level, at community or macro level there is not enough reliable evidence that micro-credit can improve well-being of the people, rather it indebted the poor rural women (Naher, 2008). A recent review<sup>7</sup> of DFID, a major global proponent of micro-credit, revealed- “Despite the apparent success and popularity of microfinance, no clear evidence yet exists that microfinance programmes have positive impacts ....while anecdotes and other inspiring stories purported to show that microfinance can make a real difference in the lives of those served, rigorous quantitative evidence on the nature, magnitude and balance of microfinance impact is still scarce and inconclusive. ....our report shows that almost all impact evaluations of microfinance suffer from weak methodologies and inadequate data, thus the reliability of impact estimates are adversely affected” (Duvendack et al, 2011).

In addition, the engagement of the poor with the micro-credit organizations is transactional, they are “passive” clients and their model could be identified as control model (Dacanay 2013). Some of them, including Grameen Bank, have transformational potential and if those potentials are realized, they

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<sup>7</sup> “What is the evidence of the impact of microfinance on the well-being of poor people” DFID Systematic Review

could qualify for collaborative model; but despite the provision of poor's participation in the governing bodies through representatives (Grameen Bank has 9 members from the women borrowers in the board), the process of representation and the quality of participation of the representatives in the decision making are not beyond questions; those could, at best, be described as token participation. The decision making and management are mostly top-down and dependent primarily on the individual, than even the board. This is also true for other kinds of SEs. Yet, this inclusion of women in the boards is actually opening up otherwise unavailable space for the women to participate in the decision making process.

Besides, the handicraft based SEs are also contributing to the employment and income generation of the poor people but measuring their impact on actual suppliers and workers is very difficult because of the long and layered value chain. These SEs are also transactional in the nature of engaging with the poor and falls under the control model (Dacanay 2013). Poor are passive wage workers in those businesses and they have very little participation in decision making, if any. The management of those SEs are top-down. Though some of those SEs have soft loan or healthcare services those could not be designated as transformational, rather those are business benefits. The cooperatives, such as Milk Vitae, have the formal provision of participation of the poor in its governance; from that aspect they have transformational potential; but in practice the poor and the majority of members have very little voice about the governance of the cooperative and they are mostly the transactional suppliers. Though the model of the Cooperative could ideally be categorized as collaboration model, in reality it manifests the character of control model because of dominance of the bureaucracy. However, some of the smaller cooperatives may demonstrate the collaborative model and more transformational potential through greater participation of the poor in its governance and initiatives to change lives of its members, if not restricted by the membership criteria or hierarchy.

On the other hand, the 'fair trade' labelled SEs (mostly engaged in handicraft related business and of similar to those) are also predominantly of "control model" nature and the engagement of the poor with those is transactional, though supposed to be to some degree transformational. In contrary, they are often accused of being exploitative and deceptive- "While BRAC engages female "slave labourers" in rural Bangladesh (they make less than fifty cents a day) to manufacture handicrafts, especially to do decorative needlework on saris, quilts and wall-hangings, the Grameen has been running the most popular cell phone company (Grameen Phone) in the country. .... for years it [BRAC] also sold Bangladeshi products in the Canadian market ..... By labeling their products "Manufactured by Poor Bangladeshi Women", BRAC used to enjoy duty-free access to Canadian market ----- at its Vancouver outlet of AARONG,-----. Grameen Bank, on the other hand, also started its business ventures with generously donated grants by Western donors and from the profit of its usurious moneylending business in the name of empowering the poor..... Grameen Phone, the largest cell phone company in Bangladesh, is one of such ventures. It came into being in collaboration with Telenor, a Norwegian telecom company, which, thanks to Dr Yunus's endorsement, enjoyed tax holiday for more than a decade in the name of running a non-profit or "charity". Meanwhile, as discussed above, despite the glorification of microcredit, the debt-ridden poor women in Bangladesh

have remained as powerless and indebted as before.”<sup>8</sup> However, the officials of largest fair trade network in the country says that they try to uphold the principles of fair trade and representatives of the poor workers and suppliers are also included in their committee. Those representatives do express their opinions in the meetings; yet, they confirmed, it could not be considered as full participation.

The example of transformational and collaborative potentials shown by SEs in Bangladesh could be visible relatively clearly in Jita. In this SE lives of poor women are being changed not only in terms of increased income but also in terms of mobility and transformation of social norms. However, the model of stakeholder engagement is still a control model and top-down. One of the reasons of this transformational potential of Jita may be its origin as women’s empowerment NGO project. We could see further signs of transformational engagement even in the control model SEs if we apply Amartya Sen’s concept of ‘capability deprivation’- though they are not “active participants in creating “actual opportunities” to improve their “means of living” (Sen 1999) completely; however, they are learning new things and using those to earn money or securing employment and thus enabling their access to economic and social opportunities. The SEs in Bangladesh mostly focus on the economic empowerment of the women but rarely challenge the root cause of the subjugation- such as the patriarchy and the class relationship.

In the light of “multi stakeholder” perspective (Dacanay 2013), SEPPS are conceived as entities at “the intersection of the public, private, and civil society sectors and are considered to have a multi-stakeholder character”, representing different interests and groups approved by a board represented by different interests and groups. SEs in Bangladesh hardly represent different interests and groups, especially that of the poor. These are mostly elitist ventures often directed to poor but without their effective participation in decision making. The poor are not also organized themselves beyond the SEs, though there are very few instances of saving schemes of workers beyond SEs but those are not anyway translated into collective initiatives to change lives or the community.

In addition, Oxfam<sup>9</sup> is recently advocating for measuring economic empowerment of women through using the following parameters- a. Securing economic resources, b. Gaining power in markets and c. Changing attitudes and beliefs to enable equal relations with men and in economic decision making". If we try to see the impacts of SEs in women’s empowerment according to these criteria, we would see that the micro credit organizations are making credit available for the women; however the control over this cash and its further utilisation remains a question (Naher 2008). The other SEs are providing employment and extra income to the women; this is definitely giving the women some control over their own income but has very little impact on extending their control or decision making power on the household income or asset. However, their participation in decision making in the family is also

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<sup>8</sup> Microfinance And Its Discontents: Women In Debt In Bangladesh, Taj Hashmi

<sup>9</sup> <http://policy-practice.oxfam.org.uk/our-work/food-livelihoods/womens-economic-leadership>

increasing to some extent. Other studies on women's economic empowerment also reached similar conclusions<sup>10</sup>.

## Conclusion

It was found in the study that the start of SEs in Bangladesh date back to early 20<sup>th</sup> century; while most of the present day SEs were established in 1980s and 90s; but some of the most successful ones were established in the 1970s. Most of the SEs were registered as not for profit organizations, single organizations in nature and ownership is also single. The SEs started earlier was doing better than late starters. The NGOs were sharply polarized among the large and having higher capital and the smaller one. The market shares of the few large SEs were significantly higher in proportion to the smaller one. Absence of SEs in mid-section was quite noticeable.

In terms of types of SEs, Bangladesh has also succeeded in development of different models of SEs. The BRAC model of social enterprise, the Grameen model of social business and conventional income generating and local (mainly handicraft and fair trade) product marketing or microcredit business are three prominent traits. Besides, we could also include Waste Concern and Kazi and Kazi type in one group and may be the Jita type in another group. The third group is profitable businesses with a social and environmental aim and the Jita model in NGO-MNC collaboration to expand marketing of MNCs with an aim to benefit the poor with employment and beneficial products. They all have different models but all have a similar objective to benefit the poor in one way or other.

This indicates that, as we mentioned earlier, the complexity of the SEs in Bangladesh could not be readily addressed by the definitions or notions of the existing western literature, rather it requires a context specific analysis and definition.

Seventy percent of organizations consider themselves as evolving and only 18% think they are developed. At most all of them aim for poverty alleviation, income generation and women empowerment; but the focus varies according to the specific segment of the poor or women, which is more diverse.

The social innovations could be broadly categorized as skill development through training and then providing with income generating opportunities; making use of traditional craft skills to produce modern goods and combining income generating activities with micro credit, health care and water and sanitation activities. Other significant innovations were in urban waste management and rural sales/distribution network for the products of MNCs. The most innovative of all the SEPPs were the micro-credit business. Their innovation ranged from cost saving to management of MFIs to organization building, which were in the area of organizational development rather than serving the poor.

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<sup>10</sup> Women's Collective Action: Unlocking the potential of agricultural markets, An Oxfam International research report, by Sally Baden, 2012

In terms of impact on the poor, the most effective service of SEs that serves the poor best was the extra income generation and employment opportunities; besides training or capacity building were the most common and popular opportunities that SEs offered; trainings on product development, group management, motivation and self governance were also given. Majority of the formal trainings of the SEs were funded by NGOs or other donors as part of the NGO development projects and SEs themselves. The income offered by SEs was not very high; it is even often less than the minimum or market wage rate. The SE executives argued that this income was 'standard' as there was no viable alternative and these were rather an additional one than main income source. Suppliers earned more than the workers but workers were poorer and suppliers needed significant own investment which workers did not have. SEs claimed that their workers have been able to send the children to the school, improve the living condition or housing, acquire household furniture or utility and in some cases increase their asset base by buying lands. The increment of income after working with SEs than their previous occupations was also very difficult to measure due to lack of reliable data. However, in some cases SEs offered income opportunities, especially to women, where there was no such opportunity. SEs sometimes offered the chance to produce high skilled products or acquire the higher skills. In it is seen from the light of Amartya Sen's definition of poverty as 'capacity deprivation' than these opportunities offered by SEs to the rural poor were contributing to the poverty alleviation. In terms of empowerment, SEs may have opened up some space for women and the poor for participation and access to economic facilities but empowerment in real sense is yet to be achieved and available studies are often contradictory in their conclusions.

The SEs were serving the enterprising poor most in Bangladesh. Agricultural workers and farmers were also among the major clientele which is consistent with demography; however, the share of indigenous people was relatively higher. Percentage of people with disability was found higher in the study but their actual number was not significant.

It was found that access to finance and identification, development and management of markets were most common issues for SEs across the spectrum. Other important issues were capacity development and management of people, access to appropriate technology and efficient management of operations to meet the market requirement. Corruption in government regulatory bodies and negative government policies affect them the most, along with political unrest and changing market environment. These were common problem for most of the SEs regardless their types. Microfinance businesses were affected by a saturated market and overlapping was posing a risk in the sector. The small agro-based businesses were prone to market fluctuation and organized syndicates. Weather affected some other business who's production system were weather dependant.

It was hard to measure the exact impact of SEs on the poor based on available data, however, it was generally observed that the employment and extra income opportunities were created and monthly or annual income of the workers and suppliers slightly increased. To fully understand the impact on the workers and suppliers further study would be needed.

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## Annex 1: List of Organizations

Sl	Name of SE	Sl	Name of SE
1	Thanapara Swallows Development Society	31	FSSK Foundation
2	Gram Bikas Shohayak Shongstha	32	Bangladesh Association for Social Advancement
3	Jagoroni	33	Initiative for peoples development (IDP)
4	Jita	34	Mati bd
5	Surjomukhi mandicrafts	35	Prokritee
6	Rangdhanu Hand made	36	SEDC Handicraft
7	Family ties	37	Rural Development Sangstha (R D S)
8	ASA(Association for Social Advancement)	38	PRATAY
9	Pidim Foundation	39	Noakhali Rural Development Society (NRDS)
10	HEED Bangladesh	40	CORR The Jute Works
11	Sachatan Shahajjo Sangstha(SSS)	41	Rural Health & Development Society (RHDS)
12	Tribal craft	42	Grameen Manobic Unnayan Sangstha (GRAMAUS)
13	Khagrapur Social Business Center	43	GUP Batik & handicraft
14	Lal-Shada Nil-Holud	44	Dhaka craft
15	Candle Collection	45	SWAJAN Craft
16	Manabik Shahajya Sangstha(MSS)	46	Village Education Resource Center (VERC)
17	<a href="#">Young Power in Social Action (YPSA)</a>	47	Parul Garden
18	Padakhap Manabik Unnayan Kendro	48	Nari Maitree
19	<u>TARANGO- Training Assistance and Rural Advancement Non-Government Organization</u>	49	Meema Café & Collection
20	Bangladesh Milk Producers Co-operation LTD	50	Waste Concern
21	BURO Bangladesh	51	Jago Nari
22	Shakti Foundation for Disadvantaged Women	52	Local Initiative for Development(LIFD)
22	Sajida Foundation	55	FIDA

3		3	
2 4	Krishok Theke Vokta	5 4	Sobujer Ovijan Foundation
2 5	Hathey Bunano	5 5	Social Equality for Effective Development(SEED)
2 6	Traning Research Education for Empowerment (Tree)	5 6	Asraf Foundation
2 7	Palli Mongal Karmosuchi	5 7	Micro Industries Development Assistance and Services (MIDAS)
2 8	Suchita Samaj Unnayan Sangshta	5 8	DEW-Development Wheel
2 9	Pollee Unnayan Prokolpo-PUP	5 9	Resource Integration Centre
3 0	Rash Agro Enterprise Pvt. Ltd	6 0	Super Tasty Food