

ILO Technical Support to Urban Partnership for Poverty Reduction (UPPR) Programme Bangladesh: Assessment for Detailed Design of the Project Proposal "ILO Technical Support to UPR"

Microbusiness Feasibility and Risks

(Cash Flow Consultancy)

Capacity Building Service Group (CBSG)

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Executive Summary

Introduction

UPPR, sequel to the earlier project of LPUPAP, is designed to improve the living conditions and livelihoods of 3.0 million poor and extreme poor living in 30 large and small towns with the exception of Dhaka and Chittagong. The programme is implemented in collaboration with various partner organizations, including ILO, coordinated through UNDP. As per Letter of Agreement (LoA), signed on 4 Nov 2010, ILO's technical expertise was brought in the implementation of the project. ILO has engaged Capacity Building Service Group (CBSG), a national consulting house, in conducting Microbusiness Feasibility Study (Cash flow exercise). The objectives of the assignment include, among others, assessing feasibilities/profitability, seasonality and associated risks, producing cash flow table reflecting what actually happened for a period of one year.

A total of 40 active or on-going Microbusinesses operating at least for 12-months were randomly selected for in-depth review, equally distributed between two project cities of Khulna and Narayanganj vis-à-vis between project and control groups; 12 from apprentice and 38 block grant (all from poorest group), while 10 males and 30 females. A total of 15 types of micro businesses were covered. In addition to one-to one interview of 40 entrepreneurs using a semi-structured questionnaire, at least two FGDs were conducted with relevant staff and business operators in each district, totalling 5 FGDs. Each selected entrepreneur was visited twice, first time for data collection and second time (mostly in the following day) for data verification and checking, also to collect missing information. Given that the sample size is very small, the findings should be considered as indications, statistical inference and conclusions should not be drawn.

Study Findings and Observations

The personal profiles of the selected microbusiness operators contain, among others, the following:

- On average, the selected entrepreneurs are 41 years of age ranging from 21 to 68; business operators of Narayanganj district, Control group, Block grants and females are of higher age than their counterparts.
- More than 50% of them (23) are currently married, and 15 from the group of others (abandoned/separated/widow) and only 2 are unmarried. The rate of abandonment/widow/separation is higher in Khulna, project and female categories.
- A total of 14 sampled entrepreneurs are illiterate and equal number of them can only sign their names and remainder (12) has some education (class I to X). Literacy level is higher in Khulna, among AG and control samples compared to their counterparts.
- As high as some 50% (19 respondents) are female-headed households.
- Average family size is 5 members, higher than the national average of 4.8 members. Family sizes are identical in both the districts, slightly higher among male-headed households and project groups in comparison to their peers.
- Except a few, majority business operators used to save money in different institutions---more savers are in Narayanganj, project group and males.
- Most of the selected respondents were either unemployed or employed in different occupations before starting the business. Of the total, 35 have changed their occupations and 5 maintained the status quo. Changes of occupation occurred in higher number in Khulna as well as among females compared to their counterparts.

The key features of the microbusinesses were found s below:

- Overwhelming majority (33) operates single- activity business and very few (7) multiple activities. Business with multiple activities business is more common among BG, compared to AG.
- Entrepreneurs get experience of business from family and training arranged by any project/organization/individual. Of the total respondents, 17 had previous experiences of running the business learn from parents, and 23 are brand new. Average experience is calculated at 6 years.
- Only 2 activities are totally seasonal, all others are being operated across the year
- Entrepreneurs used different sources of funding for start up (of the business), some utilized only one and some more that one sources. Of the total entrepreneurs, 16 started business utilizing own/family savings, 11 with grant and 7 taking loan from money lender at the rate of Taka 100 to 200 per Taka 1000 per month.
- Some half of the selected enterprises are being managed exclusively by the operators themselves, one-eighth engaging hired labourers, one-third with the support of family members. Only 5 enterprises, all from AG group, engaged hired labour for operation of the business.
- Average working hour for business per entrepreneur stands at 9 with wide variation across the business, highest in Tea Stall business (14 hours), while lowest in fire wood selling and poultry rearing (5 hour each). Male entrepreneurs work 4 hours more than female in business.
- Except 3 businesses (tea stall, fish selling and poultry rearing), remaining 14 categories witness seasonality (increase of demand) in particular periods of a year. Demands for cloth related products (hosiery, tailoring/sewing, karchupi and cloth selling), shoe products, paper bag increase during Festival (Eid in particular). Profit of vegetables and firewood business enhances during rains. Commercial Artists and Furniture makers enjoy better business in admission periods of students (October to January).
- Business development services are almost non-existent, and very few now about it. Only few project supported enterprises mentioned about receiving few or inadequate services of such kind.
- Majority respondent have expressed desire to expand business subject to availability of additional fund, 3-4 entrepreneurs do not like to expand because of physical problem and old age. Some of them are apprehending eviction threat as they are operating business on pavements or other people's/khas land, some also are residing government land, and therefore they are under double threat.
- Most of the studied business operators, both successful and unsuccessful ones, had to undergo one or more shocks or faced unusual social costs such as, in order of sequence, health hazards, wedding and loss of property/asset. One such bun out might caused major set back of their business. To cope with shocks and risks, the enteprenurs either borrow money from available sources, both institutional and non-institutional, or utilize own and/or family savings. The average expenditure for the purpose for last 5 years is estimated at Taka 26,500. Institutional loan is the main sources, followed by moneylenders and own savings. Interestingly, people from the community and family members/relative also come forward to help out the sufferers.
- A number of sectors clearly have low profitability and business potential such as poultry, tailoring, karchupi (embroidery) and paper bag making. The salary that the business owner draws from these businesses may meet only partial cost of their families. Therefore, almost all business holders of these enterprises have

other source of income and income from these businesses is only supplementary to the family income.

- There have been a number of business categories that have experienced some de-capitalization during the year under study. In such cases some businesses brought some fresh capital from saving and/or family members and/or took loan from family, NGO or even from moneylenders at an unusual higher rate.
- Most (34 out of 40) of the businesses covered in the study have found to be making operating profit whatever the amount. Business those are making operating profit tend to sustain provided there is no major cash burn out due non-business family or social factors.
- Earning per hour found to be the lowest for paper bag making and tailoring (only Tk. 6/hour) while it is highest for hosiery (Tk 41/hour). Income productivity¹ was found to be significantly low in businesses like karchupi (embroidery), tailoring and poultry where income earned per hour were found to be less than Tk 10. On the contrary, some businesses were found to be fetching good income for per hour of work. Cake selling, vegetable selling, firewood selling etc were found to fetch Tk. 20 per hour of employment. Per hour income from fish selling and cloth selling is not that good.
- Operating income, the key indices of business feasibility, are highest for the apprentice categories while it is almost non-existent for the block grant recipients. On the other hand, salary withdrawals from businesses are almost similar for both types of project beneficiaries which conforms to the fact that family expenditure requirement of the beneficiary families regardless of the type of project support they receives remains similar. Thus, the excess income that the apprentices earn is actually helping them to consolidate businesses and develop new capital/assets.

Conclusions

Understand Micro Enterprise reality with objective data: The cashflow exercises provided with valuable data to understand the business dynamics as well as long term prospects of the business supported by the grant and/or apprentice support programme. Income from the business should be at least equal to the opportunity cost of the business owner. Cashflow data provides information for an objective assessment.

Grant alone is not a critical determinant of biz success: Grant is a useful tool to start up a business. The good thing of grant is that it does not have any repayment obligation and thus it facilitates business viability. If the operating income does not remain positive over the period, the business sooner or later will die.

Informed business selection assistance: Business selection is very important. The business needs to be specifically suited for the entrepreneur. Issues like gender, age, background, family composition, and income dependency and so on are important dimensions for business selection. A good business for one particular person may not be feasible for some one else. There is no 'fit for all' business.

Savvy business advices needed: Most of the grant recipients had little or no previous business experiences though many of them are exposed to the businesses either from the family members or else. Only a handful of them had taken business development services including micro credit. It was importantly felt the need for effective BDS for the new entrepreneurs in terms of advisory services, training and mentoring. Current mentoring system has some positive results but this needs further improvement.

Avoid high interest loans for low margin businesses: The cashflow analysis exercise suggests that most business have very low operating margin. A significant portion of the

¹ Income productivity has been estimated by the total earning (operating income + owner salary) per hour of work.

business income is taken away as salary. If the business have significant repayment obligation in the forms of capital or interest payment, even a profitable business can become sick and may die eventually. Therefore, micro business should ideally be start up with own savings/grant.

Better financial literacy: The study found that almost none of the entrepreneur keeps any written records of business finances. Indeed most of them lack literacy. Therefore, it has been difficult for them to gauge business condition in financial terms. However, there is a unique way of maintaining accounts of cash capital.

Measures to address non-biz burn outs: It has been evident from the study that almost all the entrepreneurs had come across significant social cost in the last five years in the form of sickness of self or other family members, marriage, and other ceremonial costs. In the last one year alone 23 out of 40 entrepreneurs had to spend quite a handsome amount on non-business expenses. Health has been the single most cause of non biz burn out. At times, even some good business becomes victim of non biz burn outs.

CHAPTER 1

STUDY BACKGROUND

1.1 INTRODUCTION

The Urban Partnership for Poverty Reduction (UPPR) programme is the largest UKAid programme specifically targeting urban areas and the largest donor assisted initiative addressing urban poverty in Bangladesh. UPPR is designed to improve the living conditions and livelihoods of 3.0 million poor and extreme poor living in cities. The programme expects a countrywide coverage of 30 cities, large and small towns, and to cover all of the urban poor communities living in them with the exception of Dhaka and Chittagong.

The programme is implemented in collaboration with various partner organizations coordinated through the United Nations Development Programme (UNDP). The International Labour Organization (ILO) was identified as a partner UN agency in the programme document and invited to discuss its participation since May 2009. After a series of scoping missions of concerned experts and rounds of negotiations on the draft proposal of a project "ILO Technical Support to UPPR," it was agreed between the ILO and the UNDP that the ILO conducts assessment with the UPPR funding to jointly develop a detailed project proposal.

It is in this context that the UNDP and the ILO are interested in engaging Microbusiness Cash Flow (or Microbusiness Feasibility and Risk Analysis) Consultants as a key element to contribute to the detailed design of the ILO support project to UPPR as a part of the overall process. ILO has engaged Capacity Building Service Group (CBSG), a national consulting house, to accomplish the task. CBSG has engaged a four-member team to design, collect data from two project towns of Khulna and Narayanganj and implement the study in two months time, during January through February 2011.

1.2 OBJECTIVES, RESEARCH QUESTIONS AND SCOPE

The overriding objective of the assignment is to carry out in-depth cash flow exercises of Microbusinesses to assess, among others, the feasibilities/profitability, seasonality and associated risks. The specific objectives include:

- To assess the feasibility of micro enterprises promoted through UPPR's grant fund and apprenticeship programme
- Produce the cash flow table reflecting what actually happened for a period of one year
- Create variations with risk factors

Therefore, the key research questions of the study are:

- What are the basic characteristics and family profile of micro business owners
- What are the BDS and financial services available to the micro businesses

- How the micro businesses are operated and what is the exert pattern of cash flows over a one year period
- How feasible for micro business to create employment (full and/partials employment within the family and beyond)
- What are the extents poor families are encountered with financial shocks and what are the coping mechanisms

In order to achieve the purpose and objectives of the study, the following scope of work was identified for the consultant:

- Have in-depth discussion with the Enterprise Specialist, Coordinator and Socio Economic Advisor for the details of approach and expected outputs and to understand the profile of UPPR supported micro entrepreneurs and document their working hypotheses on their feasibility and risks.
- Select diverse types of micro businesses from the list provided by the ILO/UNDP/UPPR
- Interview business owners to reconstruct monthly cash flow of what actually happened during one year, reflecting monthly fluctuation (seasonalities) with reasons.
- Clarify how much time the entrepreneur spent her/his time each month vis-à-vis changing workload, and how the number of paid/unpaid labours fluctuated.
- Calculate average monthly income of the owner from the business and create a plot chart of the income level of all the businesses reviewed. Provide analysis of the profitability of the businesses reviewed and select which businesses may be recommended and which not.
 - Determine the major risks in terms of likelihood of the risk realization and the financial impact of the risk.
 - Create variations with risk factors and variations regarding loans
 - Have preliminary discussion on the draft cash flow tables with the clients and make modifications as requested.
 - Make presentations (at the Presentation Workshop of the UNDP/UPPR/ILO and facilitate the discussion along with the clients.
 - Compile the findings in a report and discuss with the clients
 - Submit a report on "assessment of feasibility & risks of popular micro businesses" with complete set of cash flow tables

1.3 STUDY METHODOLOGIES AND IMPLEMENTATION

1.3.1 Methods and Sample

Involvement of client (UNDP/ILO) at all stages was key element of management and implementation of the assignment, since inception, to completion. The administration of the contract is handled by the UPPR team in Dhaka while the technical backstopping is provided by the ILO team, particularly Senior Enterprise

Development Specialist of DWT-Delhi, while at field level the Town Managers (with close support of Socio economic Advisor) of the two selected towns of Khulna and Narayanganj were responsible for guidance, support and coordination.

The following methods were applied, as mentioned earlier, in close consultation and agreement with the client, to complete the study:

- Informal discussions with CDC leaders and mentors
- FGDs (group discussions) with UPPR staff, CDC block grant and apprenticeship beneficiaries
- In-depth interview using semi-structured questionnaire
- Lots of probing with supplementation questions

A total of 40 active or on-going Microbusinesses operating at least for 12-months were randomly selected for in-depth review. The distribution of sample businesses, in brief was as follows:

- 20 each from Narayanganj and Khulna and
- 20 from UPPR beneficiaries (Block grants and Apprenticeship Training Grant-6) and control group respectively

The Table 1.1 shows the detailed sampling frame of the study. Gender wise, of the total sample, 30 were female and 10 male (Khulna 16 and Narayanganj 14). Among the categories of grant recipients, there were 9 Block Grant (BG) with equal number of Control Group (totalling 18); while 6 Apprentice Training Grant with 6 control group respondents (totalling 12) were covered. By grant the ratio between male and female were 1:27 in BG against 3:1 in AG (including both project and control business operator. Altogether 15 types of small entrepreneurs were covered.

Table-1.1: Sample Frame

Sl. No.	Type of Business	By District		By Grant		All
		Khulna	N' ganj	SEF	AG	
01	Cake making/Selling	0	2	2	0	2
02	Karchupi	0	2	0	2	2
03	Vegetable Selling	2	4	6	0	6
04	Hosiery Factory	0	2	0	2	2
05	Tea Stall	0	2	2	0	2
06	Cloth/Shari Selling	4	2	6	0	6
07	Shoe Making/Selling	0	2	0	2	2
08	Old Shoe Selling	0	2	2	0	2
09	Fire Wood Selling	2	2	4	0	4
10	Fish Selling	2	0	2	0	2
11	Paper Bag Making	2	0	2	0	2
12	Poultry Rearing	2	0	2	0	2
13	Furniture Making	2	0	0	2	2
14	Tailoring	2	0	0	2	2
						2
15	Commercial Artist	2	0	0	2	
	Total	20	20	28	12	40

Sl. No.	Type of Business	By District		By Grant		All
		Khulna	N' ganj	SEF	AG	
01	Project	10	10	14	6	20
02	Control	10	10	14	6	20
01	Male	4	6	1	9	10
02	Female	16	14	27	3	30

1.3.2 Implementation Steps

Introduction: As mentioned earlier, the consultant took all key decisions as regards implementation of the study in consultation and agreement with the clients particularly with Coordinator and Senior Enterprise Development Specialist (SEDS), ILO, New Delhi. As apart of the process, the sample towns and category as well as number of interviewees per town vis-à-vis per category were tentatively decided before placement of data collection staff in the field, though the tool/questionnaire and selection of entrepreneurs changed a number of times during the preparatory/inception stages. Progress of implementation were shared, strategies and approach modified/updated, new actions taken against gaps and lapses.

It should be mentioned that though some discussions with secondary stakeholders were made, both at group and individual level, emphasis was given on data collection from individual Microbusiness operators following individual case story using a semi-structured questionnaire.

Team Mobilization: CBSG involved the proposed team members on a full time basis for six consecutive weeks to conduct the field study in collaboration with ILO/UNDP officials. Three of them were placed on full time basis and one on intermittent and as-and-when required basis.

Literature Review or Desk Research: The consultants collected relevant literature, documents, and reports, and reviewed those throughout the implementation process with special focus in the initial stage.

Reconnaissance Visit: The Consultancy Team along with SEDS and Coordinator made a Resistance visit to Narayanganj just after the formal inception. The visiting team met with UPPR officials/staff of the district, some CDC office bearers/members and community. At office the visiting team held a discussion meeting on various activities of UPPR, and at CDC level carried out two preliminary but in-depth interviews with BG beneficiaries. This process helped the team members to have a basic understanding of the context and to develop authentic study hypothesis and prepare appropriate tools, study questions, study participants etc.

Preparation of the Study Tools: After the initial visit, the consultant drafted study instrument for data collection based on the reconnaissance visit, eyeing on the objectives and key questions. The draft questionnaire was shared with the SEDS, followed by field/pre tested (in Narayanganj) and finalized for use.

Focus Group Discussion (FGD): The study team conducted some FGDs/Group discussions with the stakeholders such as staff members and CDC members to understand the context and performance of various types of micro entrepreneurs including the cash flow, risks and seasonalities, among others. The Participants for the FGD sessions were diversified population group such as apprentice trainees of different trades, block grant recipients, CDC personnel etc.

Selection of Sample Member and Interview: Back in our mind the discussion and agreement with SDS, we collected the lists of BG and AG from the district UPPR office,

check if they are in business vis-à-vis availability of a control of the proposed sample, and selected the desired sample in agreement with the respective district office. In some occasions, it needs to be mentioned, the project sample members also helped identify/select the control groups. However, whenever we faced any problems in identifying/interviewing any sample member, the project and/or CDC personnel came forward to resolve the problem with practical solutions.

In each case, we conducted the interview for some two hours in suitable of a day, checked the consistency and validity of the information in the evening, met with her/him on the following day and finalized the interview, thanks to the cooperation of CDC office bearers, UPPR field staff and the business operators (both project and control). For problems in field data collection, please see section 1.4 (Study Limitation).

The data collected from individual entrepreneurs were compiled and analyzed, shared with the clients through e-mails and PowerPoint presentations, and thus improved, and ultimately consolidated for preparing the report. The draft report as always was again shared with the clients and finalized.

1.4 Study Limitations

The study team experienced few obstacles and limitations in accomplishing the study especially at field level in selection of business samples and collection of data. In Khulna the grants under UPPR were distributed in the beginning of current year (2010) and therefore we had to look for older micro entrepreneurs to fulfil the selection criteria of samples with at least one-year duration. Few numbers of such samples were only available in two places---Motiakhali Christian Para having entrepreneurs under the support of Block Grant only and Daulatpur area exclusively with Apprenticeship (Training) Grant, as most of the grant recipients have either stopped operation of the business or moved to other places. We had no other option to select these two far off areas in the district.

In Narayanganj, oppose to Khulna, there were a good number of samples with sufficient duration of operation of business under the current phase as the grants were distributed much ahead (of Khulna). However, we had to replace the preliminary proposed samples in Narayanganj for 2-3 times because of discontinuation of business by the operators, mainly because of old age or change of address. The updated information of such changes was not available at office.

On the top of the above limitations, we faced some difficulties in identifying control samples that match closely with project respondent in both the places. Two samples varied in most cases, in some cases widely. Most of the micro business operators are illiterate and they do not maintain any accounts of their transactions, compelling them to depend on memory for providing any information. The records supposedly maintained by the Mentors of UPPR, could not be made available to the Study Team though some of the mentors were found very informative (also memory dependent).

The readers should keep in mind that the findings in the report are indicative, rather than statistically representative conclusions as the sample size are very small (only 40 samples in 2 districts, 50% each of them are from project and control groups). The methodology did not intend to provide statistically representative or significant findings. The entire study instead attempted to produce in-depth insights of the issues of concern that could serve an operational basis for discussion.

1.5 Report Outline

The report starts with an Executive Summary, which summarizes the key findings and conclusions. The main report is comprised of 3 chapters. The first chapter--*Study Background* describes, among others, the main purpose, the objectivities and the research questions, methods applied and study management issues.

The second chapter-- *Study Findings* presents all types of findings, in most cases segregating by area (district), gender, project vs. control, block grant and apprenticeship grant, while in the third chapter conclusions are made based on the findings of the earlier chapters and value judgments of the study team.

In addition to the above, data worksheet is presented in a summarized form in Annex 1 and all the individual cases are presented in Annex 2.

CHAPTER 2 **STUDY FINDINGS**

2.1 Preamble

The following sections present the consolidated or summarized findings by issue/matter (discussion area) of the forty Microbusiness cases under the study while the detailed raw data (work sheet) are given in Annex-1 and detailed (individual) case stories are described at Annex-2 including cash flow tables. The consolidated findings are broadly divided into two groups, the Entrepreneurs Profile and Business profile. While the former part describes the socioeconomic characteristics of the business operators (entrepreneurs), the latter portion summarizes the key features of the enterprises. It may be mentioned that the detailed Case Stories (under Annex-2) are arranged maintaining a sequential order in terms of district, grant category and type of entrepreneur (project supported and control).

2.2 Entrepreneurs' Profile (Socioeconomic Features)

Age composition: Average age of the studied entrepreneurs is estimated at 41 years with a wide variation of 21 to 68 years (Table 2.1). Of the total 40 samples, half are up to 40 years of age, and remainders are 41 and beyond (41 to 68 years). Table 2.1 also shows that business operators of Narayanganj district, Control group, Block grants and females are of higher age than their counterparts.

Table 2.1: Age Structure of Entrepreneurs (number)

Age Group	District		Block Grant		Apprentice Grant		Sex		ALL
	Khulna	N'ganj	Project	Control	Project	Control	Male	Female	
Up to 30	6	7	2	2	6	3	6	7	13
31-40	5	2	2	2	0	3	2	5	7
41-55	8	7	8	7	0	0	1	14	15
56 plus	1	4	2	3	0	0	1	4	5
Total	20	20	14	14	6	6	10	30	40
Average Age (Yrs)	40	43	46	47	27	33	35	43	41
Range (Yrs)	<i>21-60</i>	<i>25-68</i>	<i>25-68</i>	<i>22-65</i>	<i>21-30</i>	<i>25-40</i>	<i>21-60</i>	<i>21-68</i>	<i>21-68</i>

Marital Status: Of the total entrepreneurs, as Table 2.2 shows, 23 are married, 2 unmarried and 15 are of other categories that include abandoned (2), widow/widower (11) and separated (2). One each in two districts is unmarried and likewise one each of male and female, and two project supported business operators under AG are unmarried meaning that under Block grant and control group there is no unmarried entrepreneurs. The rate of abandonment/widow/separation is higher in cases of entrepreneurs from Khulna, project and female categories compared to their peers.

Table 2.2: Marital Status of Entrepreneurs (Number)

Marital Status	District		Block Grant		Apprentice Grant		Sex		ALL
	Khulna	Nganj	Project	Control	Project	Control	Male	Female	
Unmarried	1	1	0	0	2	0	1	1	2
Married	10	13	3	11	4	5	9	14	23
Others:	9	6	11	3	0	1	0	15	15
Abandoned	1	1	2	0	0	0	0	2	2
Widow/widower	6	5	9	2	0	0	0	11	11
Separated	2	0	0	1	0	1	0	2	2
Total:	20	20	14	14	6	6	10	30	40

Literacy Status: Of the total 40 samples, 14 are illiterate and equal number of them can only sign their names and remaining 12 have some education, starting from class one to class ten (Table 2.3). Literacy level is almost double in Khulna than that of Narayanganj and likewise among AG samples compared to BG interviewees; slightly higher among control than project and among males with reference to females.

Table 2.3: Literacy Level of Entrepreneurs (Number)

Literacy Status	District		Block Grant		Apprentice Grant		Sex		ALL
	Khulna	N'ganj	Project	Control	Project	Control	Male	Female	
Illiterate	8	6	8	6	0	0	1	13	14
Can sign only	4	10	5	5	2	2	2	12	14
Literate (Class I-X)	8	4	1	3	4	4	7	5	12
All	20	20	14	14	6	6	10	30	40

Household Headship: Out of total 40 households, 21 are headed by males and 19 by females, against the total male and female respondents of 10 and 30 respectively. Female headed household is almost double in Khulna against the opposite scenario in Narayanganj (less than half female); higher number of female headed household in Block Grant and Project groups compared to their counterparts (Table 2.4).

Table 2.4: Household Headship (Number)

Headship type	District		Block Grant		Apprentice Grant		ALL
	Khulna	N'ganj	Project	Control	Project	Control	
Female Headed	13	6	11	6	1	1	19
Male Headed	7	14	3	8	5	5	21
All	20	20	14	14	6	6	40

Family Size: Average family size of the respondents' households stood at 5, higher than the national average of 4.8 members (Table 2.5). Family sizes are identical in both the districts, slightly higher among male-headed Households and project groups in comparison to their counterparts.

Table 2.5: Average Family Size (Number)

Headship type	District		Respondent		ALL
	Khulna	Narayanganj	Project	Control	
Female Headed	4	5	5	5	5
Male Headed	6	6	8	4	6
All Average	5	5	5	4	5

Economic Status: Following policy decisions, UPPR grants were extended to very poor and poor, Block Grants by and large for very poor and Apprentice Training Grants mostly for poor. Of the total Block grants supported by project of 14 entrepreneurs, 12 are extremely poor (2 are poor) against 13 from Control Group (1 poor), while in Apprentice Grants recipients of 6, a total of 5 are extremely poor compared to 4 poor in control group. In Khulna 17 are very poor entrepreneurs with reference to 11 very poor in Narayanganj. Gender wise, 25 female business operators are very poor and 5 are poor, the corresponding figures in their counterpart groups are 3 and 7 (Table 2.6). Overall, very poor and poor ratio stands at 7:3.

Table 2.6: Economic Status (Number)

Status	District		Block Grant		Apprentice		Sex		ALL
	Khulna	N'ganj	Project	Control	Project	Control	Male	Female	
Very Poor	17	11	12	13	1	2	3	25	28
Poor	3	9	2	1	5	4	7	5	12
Total	20	20	14	14	6	6	10	30	40

Savings Accumulation/Deposit: The selected sampled business operators were asked if they used to save money and if so where they save. Of the total, all entrepreneurs supported by project (20) used to save, while only 5 (of 20) have deposited savings under control group. Female are much ahead in saving money compared to their peers. As high as 9 in Khulna against only 3 in Narayanganj) do not save. All project supported businesspersons used to deposit in CDC and some in other institutions. Only one deposited money in NGO and 2 in financial institutions (Table 2.7). Twelve entrepreneurs do not save at all (higher number in Khulna, control and female group).

Table 2.7: Savings Deposit (Number)

Agency	District		Block Grant		Apprentice		Sex		ALL
	Khulna	N'ganj	Project	Control	Project	Control	Male	Female	
CDC only	10	9	13	3	2	1	1	18	19
CDC & Others	1	5	1	1	4	0	3	3	6
NGO only	0	1	0	1	0	0	1	0	1
Financial Institute	0	2	0	0	0	2	2	0	2
Doesn't Save	9	3	0	9	0	3	3	9	12
Total:	20	20	14	14	6	6	10	30	40

Occupation: Most of the selected respondents were either unemployed or employed in different occupations (such as housewives, domestic aids, rickshaw puller, wage labourer, water supplier, mess cook) before starting the business either supported by the project or utilizing savings or borrowing money from different sources (also see Section 2.3: Business funding sources). Out of total, 35 respondents have changed their occupations meaning that 5 maintained the status quo. It also indicate that majority have started fresh and thus changed their earlier less productive or odd works/jobs. Changes of occupation occurred in higher number among the interviewees in Khulna as well as females compared to their counterparts. However, the difference of change of occupation was very insignificant between Project and Control groups (17 in case of project against 18 in control). See Table 2.8 for summarized scenario and details in individual cases (Annex-1).

Table 2.8: Change of Occupation (Number)

Status	District		Block Grant		Apprentice		Sex		ALL
	Khulna	N'ganj	Project	Control	Project	Control	Male	Female	
Status quo	1	4	3	1	0	1	0	5	5
Changed	19	16	11	13	6	5	10	25	35
Total	20	20	14	14	6	6	10	30	40

2.3 Business Profile (Basic Features of Micro business)

Multiplicity of Enterprises: Broadly, there are two types of activities—single activity and multiple activity or business performed by the selected sample members. Thirty three entrepreneurs operate business with single activity and only 7 have business

with multiple activities (Table 2.9). Interestingly the Table also shows that businesses under Apprenticeship category, both project supported and control, are exclusively single, amid overwhelming majority of single activity in all areas (District, Grant, Gender etc).

Table 2.9: Type of Business by Multiplicity of Activity (Number)

Single/Multiple	District		Block Grant		Apprentice		Sex		ALL
	Khulna	N'ganj	Project	Control	Project	Control	Male	Female	
Single	18	15	10	11	6	6	9	24	33
Multi	2	5	4	3	0	0	1	6	7
Total	20	20	14	14	6	6	10	30	40

Experience in Business: As informed, entrepreneurs got experience of business from family, training arranged by any project/organization/individual. Of the total respondents, 17 had previous experiences of running the business (including 2 who have learnt or inherited from traditionally the family members, particularly from parent). Average experience is calculated at 6 years; slightly bigger in Narayanganj, Control groups (particularly in Block grant), and female with reference to their peer group, indicating that brand-new starter is more in Khulna, project and female in comparison to their counterparts (Table 2.10).

Table 2.10: Type of Business with/without experience (Number)

Level of Experience	District		Block Grant		Apprentice		Sex		ALL
	Khulna	N'ganj	Project	Control	Project	Control	Male	Female	
Brand New	14	9	10	8	2	3	5	18	23
Previous Experience	6	9	3	5	4	3	4	11	15
Traditional (Family)	0	2	1	1	0	0	1	1	2
Total	20	20	14	14	6	6	10	30	40
Average Experience (Age)	5	7	7	9	4	4	5	7	6
Range (age)	1-12	3-30	4-12	1-20	3-5	2-6	4-6	1-20	1-20

Location of Business: Majority (28) of the selected enterprises under the study are located in far off localities of the town with variations across the basic characteristics (Table 2.11). While in Khulna all 20 enterprise are of far off places against only 8 in Narayanganj, in both project and control all 14 are located in peripheries, 23 female operated businesses are being operated in peripheries (against 7 in central areas) while male ones (10) are equally distributed between two areas (5 each)

Table 2.11: Type of Business by Location (Number)

Location	District		Block Grant		Apprentice		Sex		ALL
	Khulna	N' ganj	Project	Control	Project	Control	Male	Female	
Central	0	12	4	5	2	1	5	7	12
Far-Off (Periphery)	20	8	10	9	4	5	5	23	28
Total	20	20	14	14	6	6	10	30	40

Periodicity of the Enterprise: Only two activities are totally seasonal activity all others are being operated round the year (Table 2.12). These two activities are being operated by Ms. Shahana Begum of Narayanganj district under Block Grant (Case no 31) and Ms. Shamsunnahar under Control group of Narayanganj (Case 32), both dealing with cake and other activities.

Table 2.12: Type of Business by Periodicity (Number)

Periodicity	District		Block Grant		Apprentice		Sex		ALL
	Khulna	N' gánj	Project	Control	Project	Control	Male	Female	
Year round	20	18	13	13	6	6	10	28	38
Seasonal	0	2	1	1	0	0	0	2	2
Total	20	20	14	14	6	6	10	30	40

2.4 Business Start up funding (Funding Source)

Entrepreneurs used different sources of funding for start up (of the business), some only one and some more than one sources such as project grant, own savings, borrowing (with or without interest) etc. Even the project-funded entrepreneurs utilized other sources too (Table 2.13). Of the total entrepreneurs, 16 started business utilizing own/family savings, 11 with grant and 7 taking loan from money lender at the rate of Taka 100 to 200 per Taka 1000 per month (see individual cases).

Table 2.13: Start up Funding Sources of Business

Type	Grant	Gnt+ML	Gnt+Sav	ML	Savings	0% Loan	Sav+0% L	Sav+NGO	Total
Block Grant:									
Project	11	1	2	0	0	0	0	0	14
Control	0	0	0	5	8	1	0	0	14
Sub Total	11	1	2	5	8	1	0		28
Apprentice									
Project	0	0	0	1	4	0	0	1	6
Control	0	0	0	1	4	0	1	0	6
Sub Total	0	0	0	2	8	0	1		12
Sex									
Female	11	1	2	5	9	1	1	0	30
Male	0	0	0	2	7	0	0	1	10
District									
Khulna	7	0	0	5	8				20
Narayanganj	4	1	2	2	8	1	1	1	20
All	11	1	2	7	16	1	1	1	40

Note: Gnt=Grant, ML= Money Lender, Sav= saving, 0% Loan=loan with no (0%) interest

2.5 Operation and Management

Twenty one enterprises out of forty, as presented in Table 2.14, are being managed exclusively by the operators themselves, five through engaging hired labourers, thirteen with the support of family members and one Block grant assisted enterprise by the husband instead of a woman recipient in Narayanganj (See Ms. Shuchandra Rani, Old Shoe Selling; Case # 27). Rate of family support, the Table also depicts, is higher in Khulna, in case of female; and there is not involvement of hired labour in case of BG supported businesses and those operated by women.

Table 2.14: Operation of Business (Number)

Operators and supports	District		Block Grant		Apprentice		Sex		ALL
	Khulna	N'ganj	Project	Control	Project	Control	Male	Female	
Exclusively by Self	10	11	8	10	2	1	4	17	21
By Husband	0	1	1	0	0	0	0	1	1
Family Supported	8	5	5	4	1	3	1	12	13
Hired Lab. supported	2	3	0	0	3	2	5	0	5
All	20	20	14	14	6	6	10	30	40

2.6 Work Load of Entrepreneurs and Labour Employment

The consultant team collected data on work load of the individual entrepreneurs for the concerned business (exclusively) and the total (including time for household work, leisure, food intake) excluding time for sleep. Table 2.15 shows the details of working hour by group of enterprises, workload against the business and total working hour. Average working hour for business per entrepreneur stands at 9 with wide variation across the activities, highest in Tea Stall business (14 hours), closely followed by hosiery factory (13 hours), old shoe selling (12) and furniture making (11), while lowest in fire wood selling and poultry rearing (5 hour each). Male entrepreneurs work longer hours (4 hours) in business than female entrepreneurs, 11 against 7 hours. However, difference of total working hours is very little across the enterprises, district and between male and female. Mentionable that that though average working hour of women for the business is lower than their counterparts, they are more engaged in household works, and this neutralises the differences.

Table 2.15: Workload of Entrepreneurs (Average Person Hour)

Sl. No.	Type of Business	For Business	Total Hour
01	Cake making/Selling	7	16
02	Karchupi	9	17
03	Vegetable Selling	7	16
04	Hosiery Factory	13	16
05	Tea Stall	14	18
06	Cloth/Shari Selling	7	16
07	Shoe Making/Selling	10	15
08	Old Shoe Selling	12	16
09	Fire Wood Selling	5	17
10	Fish Selling	6	16
11	Paper Bag Making	7	16
12	Poultry Rearing	5	16
13	Furniture Making	11	16
14	Tailoring	7	16
15	Commercial Artist	9	17
	All	9	16
01	Project Average	9	16
02	Control Average	9	16
01	Male Average	11	16
02	Female Average	7	16

Note: Total hour means the time the entrepreneur is awake (non-sleeping hours).

2.7 Business Development Services

About One-third of the total respondents do not know if BDS in place in their areas. For others the consultant team had to probe for having the answer. Out of forty entrepreneurs, 26 mentioned that they receive training and or some sort of extension services in the form of advice regarding when and from where to procure business materials and where and when to sell, especially from CDC personnel. Some reportedly also received some kinds of mental support while there were problems in businesses as well as in family. Grants recipients were found much ahead in getting

BDS compared to control groups (Table-2.16). In the control some received training from existing business owners and relatives, more in case of Apprenticeship Training.

Table-2.16: Provision of BDS

Answer	District		Block Grant		Apprentice		Sex		ALL
	Khulna	N'ganj	Project	Control	Project	Control	Male	Female	
Don't Know	7	7	0	13	0	1	2	12	14
Did Received	13	13	14	1	6	5	8	18	26
Total	20	20	14	14	6	6	10	30	40

2.8 Demands and Seasonality of Business

Except tea stall, fish selling and poultry rearing, which feature almost stable business demand throughout the year, all other business experience increase of demand in particular periods or time of event during a year. The period of higher demand and reasons behind the increase by type of business are given in Table 2.17. Demands for cloth related products like hosiery, tailoring/sewing, karchupi and cloth selling increase during Festival (Eid in particular). Same is case with shoe making and selling. Sales of paper bag making also go up during Ramadan as well as in fruit seasons. Profit of vegetables business enhances during rains and summer, while that of fire wood selling during rainy season. Commercial Artists and Furniture makers enjoy hey days during admission periods of students (October to January).

Table 2.17: Seasonality and related reasons

Sl. No.	Type of Business	High Season (Demand)	Reason
01	Cake making/Selling	Winter	Traditionally people eat more cakes in the winter
02	Karchupi	Festival (particularly Eid)	People are interested in buying high value cloths during festival
03	Vegetable Selling	Summer and Rainy Season	Profit increase in the summer and rainy season than the winter
04	Hosiery Factory	Festival (particularly Eid)	All categories of people buy new cloths during Festival. Poor people buy low cost hosiery stuff during festival, because they have difficulties in buying high value items.
05	Tea Stall	Year round business with almost unchanged demand	
06	Cloth/Shari Selling	Festival (particularly Eid)	People buy new cloth/sharee during festival
07	Shoe Making/Selling	Festival (particularly Eid)	People buy shoes during festival
08	Old Shoe Selling	Festival (particularly Eid)	Poor people buy old shoes during festival
09	Fire Wood Selling	Rainy season	Demand of (dry) firewood increases during rainy season
10	Fish Selling	Year round business with almost unchanged demand	
11	Paper Bag Making	Summer and Ramadan (fasting month)	In summer (fruit seasons) demand for packet increases and like wise consumption of fruits increases in Ramadan, so the demand for packets.
12	Poultry Rearing	Year round business with stable demand	
13	Furniture Making	October and December	Demand goes up during October to January month, when new students come to the cities for admission
14	Tailoring	Festival (particularly Eid)	Traditionally people buy new cloths during festival

Sl. No.	Type of Business	High Season (Demand)	Reason
15	Commercial Art	Aug-Sep and Dec-Jan	Demand increases before/during the time of admission in the school and colleges

2.9 Desires for Expansion of Business

Of the total respondents, majority are interested to expand their business (Table 2.18). Gender wise all males and 25 females (out of 30), 18 project supported entrepreneurs against 17 from control group, and 19 in Khulna against 16 in Narayanganj have shown interest in scaling up of their business.

Table 2.18: Desire for Expansion of Business

	District		Block Grant		Apprentice		Sex		ALL
	Khulna	N'ganj	Project	Control	Project	Control	Male	Female	
Have desire	19	16	12	12	6	5	10	25	35
No desire	1	4	2	2	0	1	0	5	5
Total	20	20	14	14	6	6	10	30	40

2.20 Constraints behind desire for expansion (also reasons for reluctance)

Majority aspirants are constrained by capital shortage indicating that subject to availability of funds, they can scale up their operations. Overall 3/4 persons mentioned that because of old age or physical problem they restrained from expansion (Table 2.19). Interestingly 100% male entrepreneurs feel that shortage of capital is the main hurdle. Another important problems of business continuation and expansion is threat of eviction (see section Eviction and other Threats below).

Table 2.19: Reasons (constraints) behind expansion

Constraints	District		Project		Control		Sex		ALL
	Khulna	N'ganj	Project	Control	Project	Control	Male	Female	
Shortage of capital	18	16	11	12	6	5	10	24	34
Old age/physical problem	0	3	2	1	0	0	0	3	3
Capital Shortage and Physical problem	1	0	1	0	0	0	0	1	1
Others reasons	1	1	0	1	0	1	0	2	2
Total	20	20	14	14	6	6	10	30	40

2.9 Shocks, Risks and Social Cost

Shocks and Risks: The key shocks and threats of microenterprise include health hazards of the entrepreneurs as well as of the family members, loss of property and wedding. Though wedding is a matter of joy, in turns into a shock as traditionally they are to give dowry (in case of daughters'wedding in particular) and make some extra expnses for mainating social tradions (food and entermaintent for expmple) even at the cost peperty/asset (sale/mortgage) or taking loan. Table 2.20 shows the shocks and risks of the busieness the selected respondents encountered during the last couple of years. Helath hazard is the most common shcoks/risks (38 out of 40) of the microbusiness operators, distantly followed wedding (14 respndents) and loss of poperty/asset due to accidents/disasters (8 respndents).

Table 2.20: Shocks and Risks (Multiple Answers possible)

Shocks and Risks	District		Group		Sex		ALL
	Khulna	N' anj	Project	Control	Male	Female	
Health hazards (own and family member)	20	18	20	18	10	28	38

Wedding	8	6	9	5	3	11	14
Loss of property/asset	2	6	6	2	2	6	8

Related (Social) Cost to cope with the shocks and risks: In order to cope with the shocks and risks, the entrepreneurs are to borrow money from different sources or utilize own and/or family savings. The average social costs by basic characteristics and funding sources are presented in details in Table 2.21 and 2.22 respectively during last five years. Average expenditure of the affected business person is estimated at around Taka **26,500**; Taka 15,000 against health, 25,000 for wedding and others around Taka 21,000. Average expenditure is much higher in Narayanganj (36,000) than in Khulna (17,000).

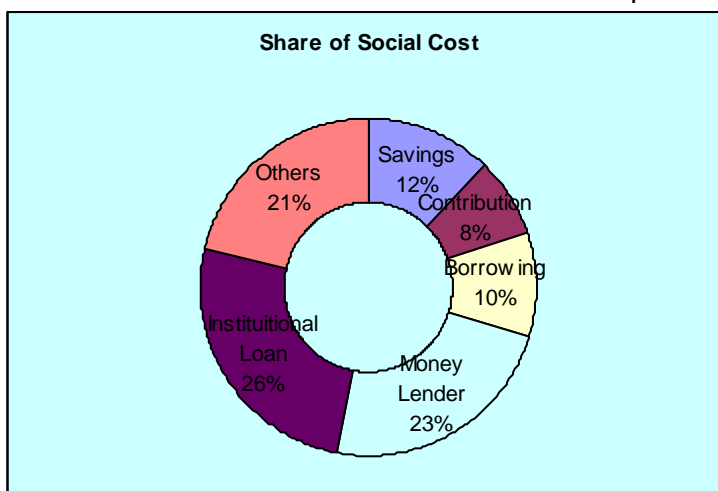


Table 2.22 as well as the figure above shows that institutional loan is the main source of fund the entrepreneurs utilize, followed by money lender, sale and/or mortgage of property/asset (others) and own and family savings. Besides they also borrow from neighbours (community) and relatives/friends. Interesting to note that the community and family members also donate/contribute when they are in vulnerable conditions.

Table 2.21: Major (Social) Cost Items against shocks/Risks (Average in Taka)

District	Cost Items			
	Health	Wedding	Others	All
A. Khulna	8,525	20,00	1,500	16,675
Project	6,950	19,000	1,500	16,750
Control	10,100	21,667	0000	16,600
B. Narayanganj	21,711	31,667	29,400	36,390
Project	19,500	20,750	32,667	37,600
Control	24,475	53,500	24,500	35,180
All	14,771	25,000	21,429	26,533
Project	13,225	19,778	20,200	27,175
Control	16,489	34,400	24,500	25,890

Note: Others include purchase of assets and property, repair of house, etc.

Table 2.22: Funding Source of Social cost

	Savings	Contribution	Borrowing	Money Lender	Institutional Loan	Others	All
A. Khulna	8229	7083	5,318	21,667	15,000	3,500	16,675
Project	8,833	6,929	6,900	11,000	15,000	2,750	16,750
Control	7,750	7,300	4,000	27,000	000	5,000	16,600
B. Narayanganj	13,792	7,000	12,936	20,667	23,400	26,429	36,390
Project	15,833	9,333	14,600	28,000	34,000	13,750	37,600
Control	11,750	5,600	11,550	5,000	16,333	43,333	35,180
All	11,042	7,050	9,127	21,167	22,000	19,550	26,533
Project	12,333	7,650	10,750	22,667	27,667	10,083	27,175
Control	9,750	6,450	7,775	19,667	16,333	33,750	25,890

Note: Others include sale and mortgage of asset and properties

Eviction and Other Threats: In addition to the above shocks and risks, micorbusiness operators also face threats of eviction, both from houses and business places. Against only one in Khulna (Case # 2: Anjila of Poultry), as many as 7 in Naryanganj are under threat of eviction or security threats as they either live in government (khas) land/ company land or they operates business from the foot path (pavement) or temporary makeshift houses on other people's land (Case # 22, 28, 29, 31,32, 35, 36 and 37). Those who deal with old shoe business, they are under double threat--- threat from security personnel and those of new shoe sellers as they operate the business on pavement. The poultryr operator in Khulna is under threat of contminated diseases like bird flue. Some entreprenrus like furniture makers and commerical atrisits in Khulna mentioned credit slae as one of the risks of the business.

2.10 Key Financial Information (KFI)

Financial Analysis and Key performances: The study has collected detailed cash flow of 15 from 40 micro business units. Within each categories of business, there have wide variations in cash flow pattern based on operating modalities, family characteristics, funding patterns and so on. In order to gauge comparative performance of different business categories, average figures have been used on key business performance areas. Following table provides the detail.

Table 2.23: Key Financial Info of the Enterprise/Entrepreneurs

SI	Trade	Net Operating Income /margin (OI)	Salary of owner (S)	Total income (OI+S)	Work Hr/day	Per Hour OI	T. Income per hour
1	Vegetables Sell	76	3742	3817	7	0	20
2	Tea Stall	351	5126	5476	12	1	15
3	Tailoring	55	895	949	5	0	6
4	Shoe Making	1336	4520	5856	11	4	17
5	Poultry	-190	600	410	2	-2	8
6	Paper Bag	51	1169	1220	7	0	6
7	Old Shoe	-58	3244	3186	11	0	10
8	Karchupi (Embroidery)	187	1897	2084	9	1	8
9	Hosiery	8175	6635	14810	12	23	41
10	Furniture	850	4604	5453	10	3	18
11	Fish Seller	85	3231	3316	7	0	17
12	Fire Wood	390	3289	3679	7	2	20
13	Cloth Sell	37	2731	2768	6	0	16
14	Cake Sell	238	3393	3632	6	1	20
15	Art	345	3941	4286	9	1	17

² Net Operating Income: Income earner from business activity after paying salary of the owner
Salary of the Owner: This amount equals to periodic withdrawal to meet regular family expenses
All Figures in Taka except work hour per day

The table provides a comprehensive insight particularly on the business profitability, workload and income potential. A number of business categories clearly have low profitability and thus low business potential such as poultry, tailoring, karchupi (embroidery) and paper bag making. The salary that the business owner draws from these businesses may meet only partial cost of their families. Therefore, almost all business holders of these enterprises have other sources of income and income from these businesses is only supplementary to the family income.

Operating margin/income is the most important determinant of business viability. Here operating margin/income has been calculated as the surplus that business has generated after paying salaries of the owner but without interest or other repayments. In other words, business has been considered as a separate entity. However, owner's salary has been calculated flexibly as the amount that owner withdraws from the business to meet family expenses.

Net operating income assists businesses to develop stronger capital base. There are six businesses that have experienced some degree of de-capitalization during the year under study. In such cases some businesses brought some fresh capital from family members and/or took loan from family, NGO or even from moneylenders.

On the other hand, a number of businesses have made good progress to improve its capital base. Individual case studies show that some business owners have reinvested some profit into the business and made some saving and/or some investment in housing/buying goods, pay off debt and/or meet social costs/family emergencies. Manufacturing businesses such as hosiery, furniture making and shoe making made significantly more operating income than other businesses. Trading/retailing business mostly have positive operating income but not than significant. Home based activities like poultry, tailoring, embroidery etc found to be making insignificant operating income.

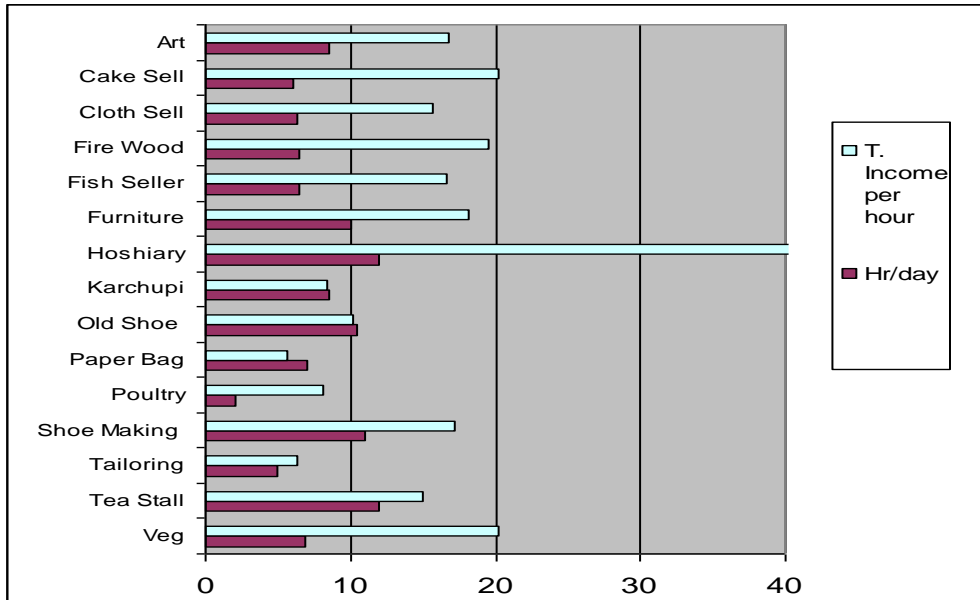
Condition of negative operating income flow threatens business sustainability. Most of the businesses covered in the study have found to be making operating profit whatever the amount. Business those are making operating profit tend to sustain provided there is no major cash outflow due non-business family or social factors. However, repayment for business start up capital including interest cost often risks business sustainability. Individual cases have detailed cash flow patterns, which can be found in the annexes (individual case stories).

Employment condition and Income productivity: Case studies provided a comprehensive picture of employment condition and income productivity in terms of effective earning per hour of employment. Among the 15 categories of business investigated, earning per hour found to be the lowest for paper bag making while it is the highest for hosiery. Income productivity was found to be low in businesses like karchupi (embroidery), tailoring, poultry where income earned per hour were found to be less than Tk 10. On the contrary, some businesses were found to be fetching good income for per hour employment. Cake selling, vegetable selling, firewood selling etc were found to be making Tk. 20 per hour of employment. Per hour income from fish selling and cloth selling are not that good.

On the other hand working condition has been measured with the hour of involvement in business. Home-based business activities are done concurrently with the household

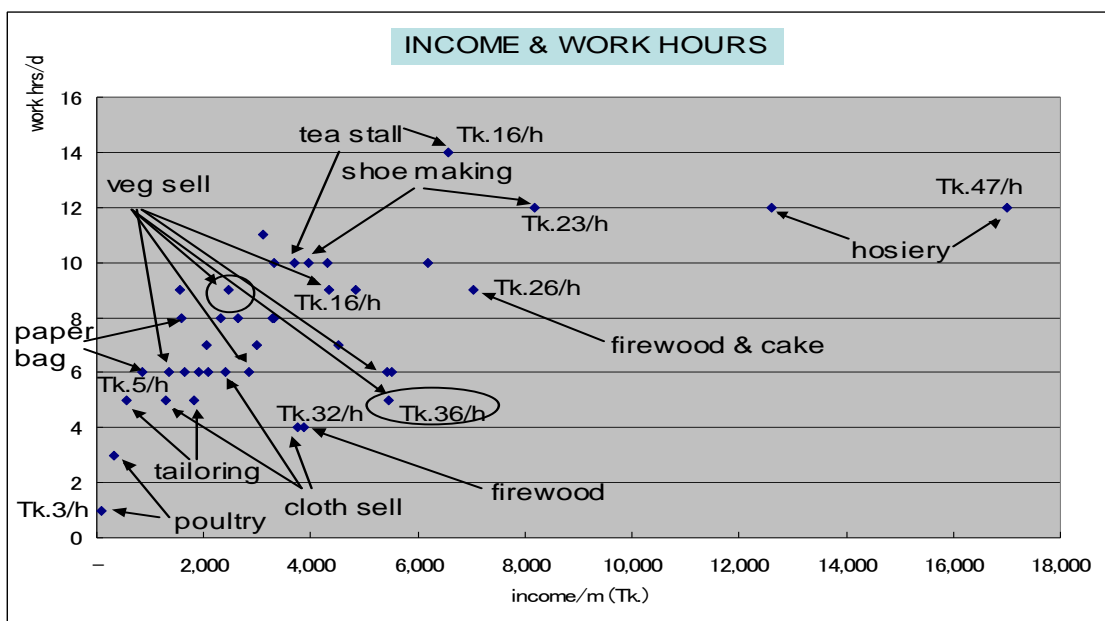
activities. The home-based microbusiness owners such as poultry, embroidery, tailoring put up less amount of time into the business. People involved in trading activities like vegetable selling, cake selling are involved moderately - less than 10 hours a day. But people involved in manufacturing activities like hosiery, furniture making, shoe making (all apprentice oriented business) etc used to work long hour, some time more than 12 hours a day – through hourly income is generally high with these activities.

Trade wise (15 trade) Av daily workload and Hourly income



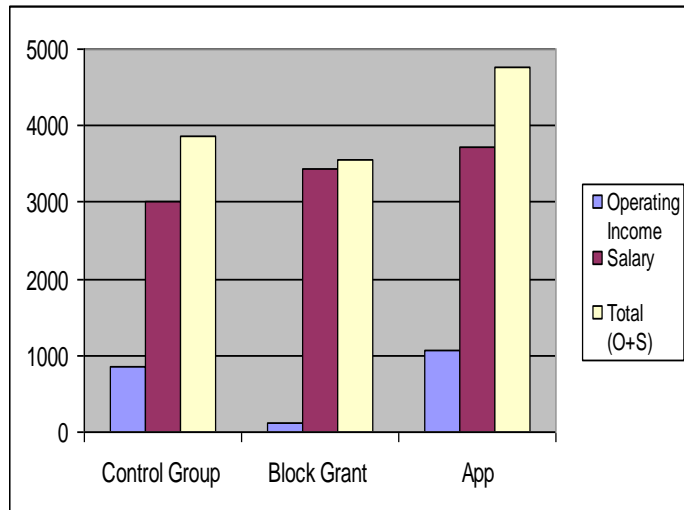
Interestingly low earning poultry business takes very little time in a day to raise chicken. As the size of the poultry business is very small, business owner does most of chicken raising activities almost concurrently with other household activities.

Exhibit-1: Variations of income productively within similar business group



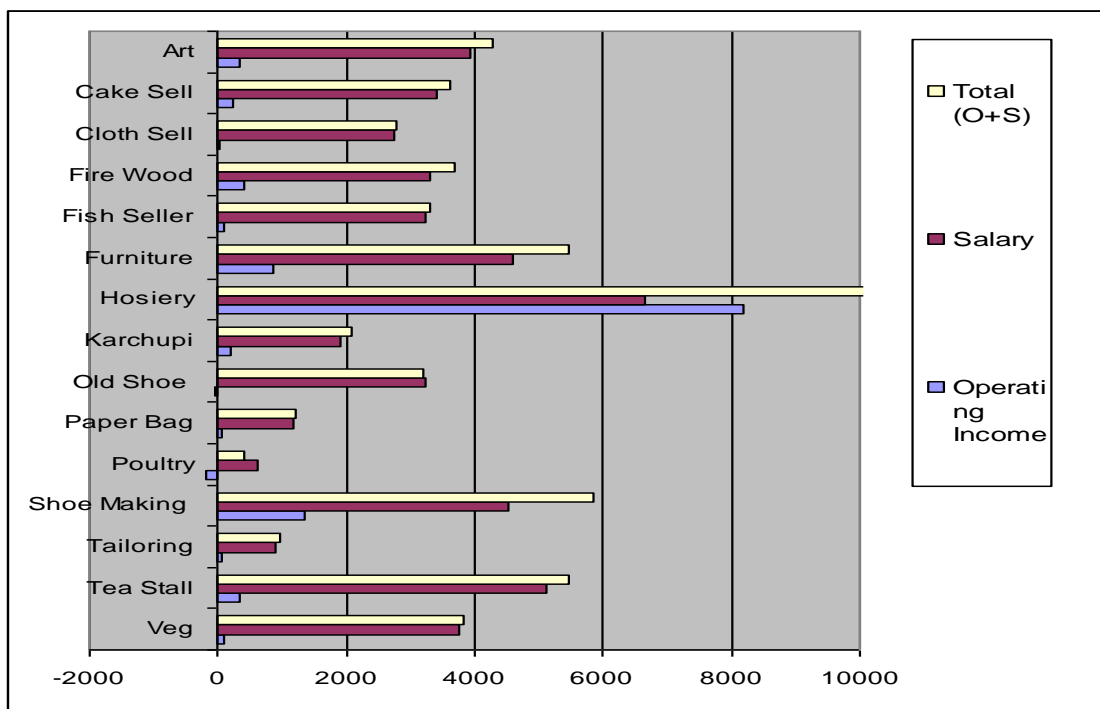
Comparison of income among different categories: Significant differences were found on key business performance areas among

the three categories of participants. Operating income, the key indices of business feasibility, are highest for the apprentice categories while it is almost non-existent for the block grant recipients. On the other hand, salary withdrawals from businesses are almost similar for both types of project beneficiaries which conforms to the fact that family expenditure requirement of the beneficiary families regardless of the type of project support they



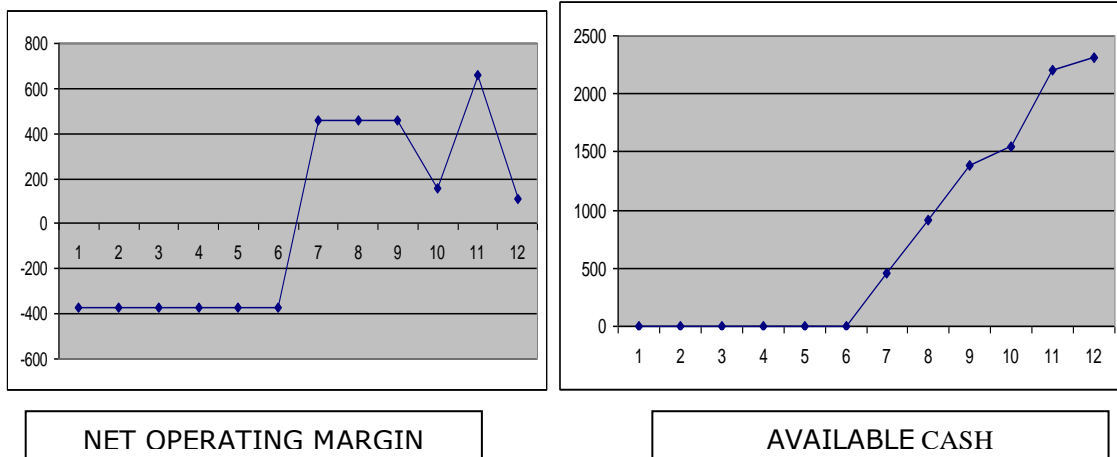
need remain similar. Therefore, the excess income that the apprentices earn is actually helping them to consolidate businesses and develop new capital/assets.

Another revelation from the study is that the control group members earn little more than the block grant recipients. This can be attributed to their better entrepreneurial attitude and higher business experiences.



Dynamics of Micro businesses: The following section explains the cash flow pattern of some individual businesses and its implication on the business prospects as well as livelihood of the concerned business owner.

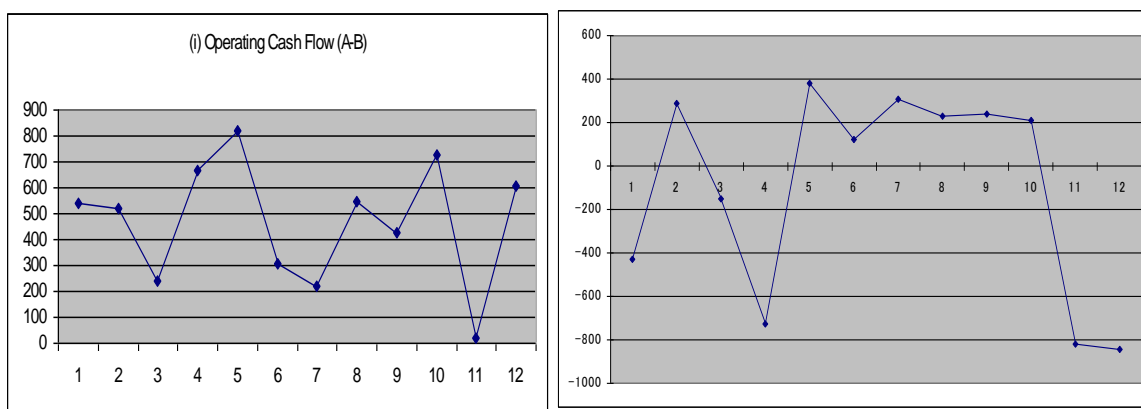
A. Long waiting time to generate income



- The said businesses have a steady negative operating cash flow up to sixth month. The first income came in the seventh month. From then on the business had a positive operating cash flow/margin. Therefore business implication of the said business could be:
 - Poultry rearing needs steady cash inflow for some time until any outflow begins from the businesses.
 - This business is not suitable for those who need steady flow of income to run the family but ideal for those who are rather weak but want to use idle time available to supplement family income.
 - Poultry stock increases the net asset value but not the cash until the stock are sold. Therefore a risk element remains high with mortality of poultry bird. Insurance and Medicare is very important to mitigate risk factors.
 - Feasible for alternative income for the women of poor family.

B. Same Business but different stories

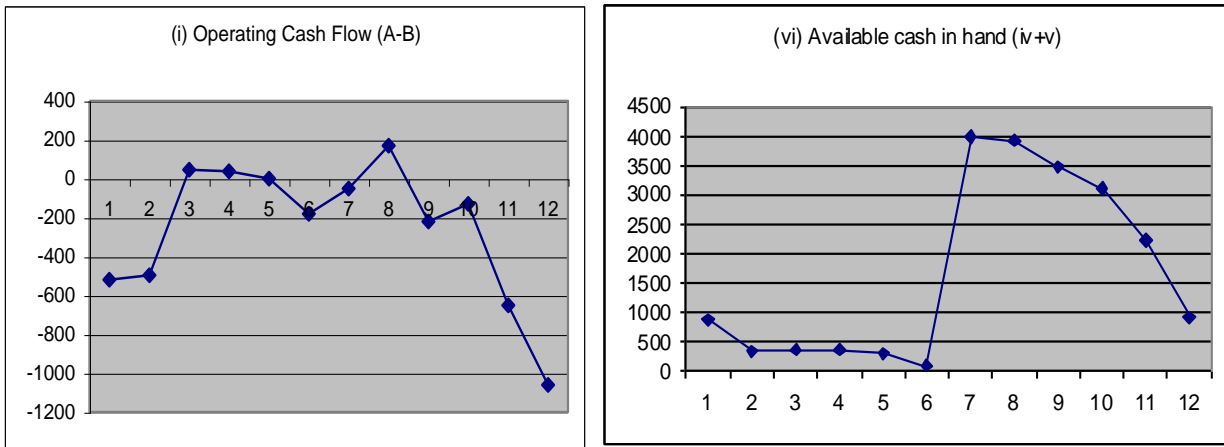
The above cashflows have been taken from two business of same trade, big



differences are quite noticeable though. Net operating margin of the left graph shows positive for all the months whereas it had been negative except few months. There is no issue with the profitability of the business. High salary withdrawal (Av. Tk. 4,443)

for the second business pose major business threat as oppose to only Tk. 1977 for the first business.

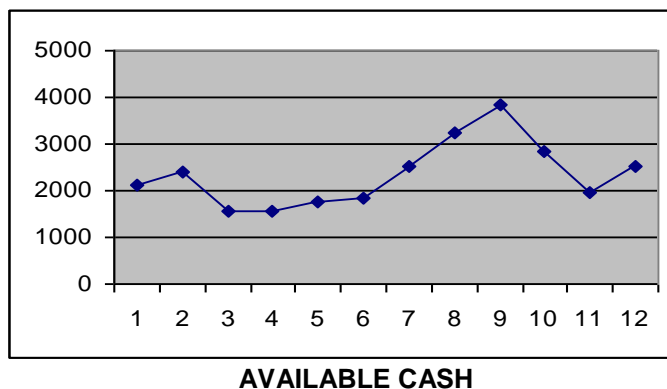
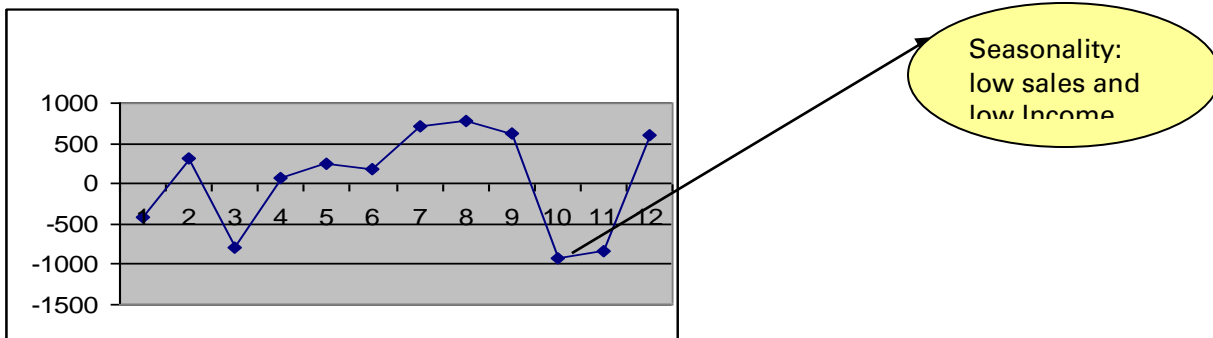
C. Low profitable business Impact



The above business started with a grant of Tk. 2500. The profit margin of the business had been consistently lower than the Tk. 3K that owner need for the family expenses. Thus, business had faced reduced cash in hand month after month and at the end of month 6, the cash position became zero. On month 7, she borrowed Tk. 4,000 from money lender on high interest cost. Low profit margin with repayment obligation for loan had caused operating cashflow to plummet further reducing her cash to almost Tk.1000 by 12th month. She now got in loan trap.

D. Seasonality: Business cycle and impact on income

NET OPERATING MARGIN



Business cycle is evident in almost all microbusiness that the study investigated. The above cash flow graph depicts the typical seasonality of microbusiness – here the case was a paper bag making business. Weather condition has a big impact on this business. During rainy season, the business is severely hurt. Out of 12 months cash flow analysis, the business had come across negative operating margin in 4 months as sales plummeted on the back of lower production volume. Given the steady withdrawal by the owner from business as salary, cash availability in the business got reduced. The irony is that the when business cycle becomes favorable, there is less capital available to take advantage of the situation. Alternative income during lean season could provide a valuable cushion during this time.

CHAPTER 3

CONCLUSIONS AND

ISSUES FOR CONSIDERATION

3.1 Introduction

As mentioned elsewhere, the findings of the study is very much tentative as it is based on small sample size compared to the huge population (of small business) in the study areas. Amid small sample size, the conclusions are made based on the findings presented in the previous chapters coupled with the observations and value judgments of the study team members. In addition to the conclusions, some issues of concerns are also raised. All the discussions in the following sections mainly highlights the differences/comparisons across the region, sex, group (project and control), block grant and apprenticeship Grant etc.

3.2 Conclusions

Savings Accumulation: Thanks to the especial efforts of CDC and other organizations, majority entrepreneurs have developed the practice of savings many. This practice not entails their depositing money but also about their exposure and movement. The situation is much better among the project group and likewise in Naraynganj.

Change of Occupation: It is interesting to note that 35 sample members have changed their occupation after initiating the business, and more than half are brand new entrepreneurs. Among others, it shows that many people are interested to undertake business. It is believed that financial and BDS services would accelerate the process both horizontally and vertically.

Understand Micro Enterprise reality with objective data: The cashflow exercises provided with valuable data to understand the business dynamics as well as long term prospects of the business supported by the grant and/or apprentice support programme. Income from the business should be at least equal to the opportunity cost of the business owner. Cashflow data provides information for an objective assessment.

Grant alone is not a critical determinant of biz success: Grant is a useful tool to start up a business. The good thing of grant is that it does not have any repayment obligation and thus it facilitates business viability. If the operating income does not remain positive over the period, the business sooner or later will die.

Informed business selection assistance: Business selection is very important. The business needs to be specifically suited for the entrepreneur. Issues like gender, age, background, family composition, income dependency and so on are important dimensions for business selection. A good business for one particular person may not be feasible for some one else. There is no 'fit for all' microbusiness.

Savvy business advices needed: Most of the grant recipients had little or no previous business experiences though many of them are exposed to the businesses either from the family members or else. Only a handful of them had taken business development services including micro credit. It was importantly felt the need for effective BDS for the new

entrepreneurs in terms of advisory services, training and mentoring. Current mentoring system has some positive results but this needs further improvement.

Avoid high interest loans for low margin businesses: The cash flow analysis exercise suggests that most business have very low operating margin. A significant portion of the business income is taken away as salary. If the business have significant repayment obligation in the forms of capital or interest payment, even a profitable business can become sick and may die eventually. Therefore, micro business should ideally be start up with own savings/grant.

Better financial literacy: The study found that almost none of the entrepreneur keeps any written records of business finances. Indeed most of them lack literacy. Therefore, it has been difficult for them to gauge business condition in financial terms. However, there is an unique way of maintaining accounts of cash capital.

Measures to address non-biz burn outs: It has been evident from the study that almost all the entrepreneurs had come across significant social cost in the last five years in the form of sickness of self or other family members, marriage, and other ceremonial costs. In the last one year alone 23 out of 40 entrepreneurs had to spend quite a handsome amount on non-business expenses. Health has been the single most cause of non biz burn out. At times, even some good business becomes victim of non biz burn outs.