South Asia • Bangladesh

Hathay Bunano Proshikshan Society (HBPS) : A Social Business Enterprise for the Rural Poor Women

Prepared by • Dr. M. Habibur Rahman
Reviewed by • Shuan SadreGhazi
Sector • Artisanal Goods
Enterprise Class • MSME
Executive Summary

Hathay Bunano Proshikhan Samity¹ (HBPS) in Bangladesh produces hand crocheted and hand knitted children’s toys and clothes. It was established in 2005 by a Bangladeshi-British couple Mr. Golam Morshed and Mrs. Samantha Morshed. Acute poverty is a serious issue in Bangladesh affecting over 135 million inhabitants. The underlying objective of this novel idea was to create employment opportunities for rural poor women without debt, as a sustainable solution to alleviate poverty. Non-governmental organizations (NGOs) in general try to generate employment by providing them with microcredit at high interest rates, however this eventually puts an extra burden of loan repayment on the recipient who in most cases fails to utilize the credit properly due to lack of adequate capacity. HBPS, however, provides employment opportunities for poor women in rural Bangladesh with special preference given to disadvantaged groups.

The working model of HBPS is based on a low-cost, labour intensive, electricity-saving, low-technology production process and leverages the natural ability of the women. HBPS provides skills training on crochet, knitting, and embroidery to the women artisans free of charge. Production activities are undertaken by separate groups of women artisans and supervised by well-trained supervisors. They are all paid at a fair wage rate. HBPS products are marketed through renowned wholesale and retail buyers located in Europe, USA, UK and Australia. A targeted electronic marketing technique has been used to create this international market linkage.

The major challenges encountered by HBPS included, mobilizing funds for the expansion of their activities, collecting high-quality raw materials, availability of infrastructure facilities in rural areas, and building awareness among the local community in undertaking their activities. However, support from multinational corporations, national and international organizations and their own initiative to mobilize resources have enabled them to overcome these challenges.

The growth of HBPS has been quite phenomenal – employment and revenue almost doubling every year. They have also been able to generate a modest profit margin which is reinvested into the business for training and business development. Their high-quality cotton children’s products meet the quality requirements of international markets. This has positioned them as a market leader in hand-made children toys and attracted new international buyers.

HBPS has several economic and social implications. Flexible employment has enabled the women to come out of poverty by earning additional income for the family and enjoying a better quality of life. Employment of the local women labour force has been reducing migration to urban areas, empowering the women workforce, delaying their early marriage and reducing the birth rate.

¹ Hathay Bunano Proshikhan Samity in bangla means ‘hand knitting training association’
“It’s not money that can solve the poverty problem in Bangladesh. A sustainable solution to the poverty issue is generation of employment for the poor.”

Samantha Morshed, CEO, HBPS

The Context

POVERTY SITUATION IN BANGLADESH
Bangladesh is one of the poorest countries in the world with a population of over 135 million and a per capita income of less than US$600.2 Poverty remains a major challenge for the country where about 40% of the total population lives below the income poverty line (earning less than US$1 per day). The situation is even worse in rural areas with 43.8% living below the poverty line. Several micro studies also found that the poor are largely women and the proportion of ultra poor and extreme poor is higher among female-headed households.3 Every year about 60% of the annual national budget is allocated, directly and indirectly, to poverty reduction programs by the government which includes micro-credit as an important technique.

MICRO-CREDIT AND POVERTY REDUCTION
For over three and a half decades, a number of NGOs have been working in Bangladesh to reduce poverty through generating employment and income for the poor.4 Many of these initiatives have been micro-credit based with the general assumption that by lending money to a poor person they are able to start a business, become an entrepreneur, be self-sustaining and may even employ other people in time. These initiatives however attained limited success in reducing poverty.5 This is manifest in the reduction in the poverty rate during 2000 and 2005 recorded at only 4.6% at the national level and 4.3% in rural areas.6

Now, it is commonly accepted that micro-credit programmes include those people who are just above and just below the poverty line - not those in extreme poverty. For communities which are extremely poor there is simply insufficient purchasing power within the community to support new businesses. For such communities there is a need to expand the local economy in order to increase local purchasing power. High rates of interest on micro-credits in most cases compared to the base rates are considered prohibitive to the start-up of business. Additionally, micro-credit NGOs unrealistically assume that everyone in Bangladesh has entrepreneurial ability.7

---

2 BBS, 2008
4 Until December 2006, a total of 611 NGOs continued micro-credit programmes reaching approximately 31 million beneficiaries comprising 4 million male and 26 million female as reported by the Credit Development Forum (Bangladesh Economic Review, 2008).
5 The Finance Minister of Bangladesh also acknowledged this issue in a seminar recently.
7 Only about 11% of the adult population in the USA, and even smaller proportions in the UK and in Europe are entrepreneurs. (Business to Fight Poverty”, Star Business, February 02, 2009)
A SOCIAL BUSINESS ENTERPRISE\textsuperscript{8} FOR ADDRESSING POVERTY

With a view to addressing the real needs of poor people, a British-Bangladeshi couple, Mrs. Samantha Morshed\textsuperscript{9} and Mr. Golam Morshed\textsuperscript{10}, initiated a social business to create employment opportunities for rural women. They believed that this would generate income for the poor in a sustainable way and contribute meaningfully to poverty reduction in Bangladesh. In 2005 they formed Hathay Bunano Proshikhan Society (HBPS) as the country’s first handmade infant toy company.

HBPS products are all hand crocheted and hand knitted. They produce children’s items such as toys and baby clothes for ages 0-6. These items are produced through a hygienic production process meeting international standards. They are sold primarily in international markets through HBPS’ foreign buyers located in the USA, Australia, UK, and other parts of Europe such as Scandinavia. As of November 2009, 34 HBPS production centres are in operation across 12 different districts in Bangladesh employing about 3,500 rural poor women. Utilizing its full capacity, HBPS is currently producing 10,000 pieces of 350 different children items per month.

HBPS controls all the activities from its head office; a rented one story building located in the capital city Dhaka. Administration, market networking, quality control, packaging and labeling activities are done in separate units in the same office building. Major production units are spread in 34 different rural locations in Bangladesh. These areas are, like other rural areas of the country, characterized predominantly by the agriculture sector and a high incidence of poverty. Women in these areas have limited opportunities to get involved in any productive activity outside the home. Hathay Bunano, however, prefers to employ disadvantaged women, including women with young children, physically challenged, and socially disadvantaged ethnic people.

Emergence of a Unique Initiative in Bangladesh

FUNDAMENTAL MOTIVATION

After a long stay of about 22 years in the United Kingdom, Golam and Samantha came back to Bangladesh with a strong urge to contribute to the poverty reduction initiatives of Bangladesh. “Since independence Bangladesh received plenty of support from a number of international development organizations but very little improvement has happened in its poverty situation,” said Samantha. They wanted to do something meaningful in addressing

\textsuperscript{8} A social business is defined as a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for its shareholders and owners (Social Enterprise Action Plan 2006).

\textsuperscript{9} Born and brought up in the United Kingdom and married to a Bangladeshi-born British citizen, Golam Morshed. She is a physics graduate from Oxford Brookes University in the United Kingdom. She also completed post graduate studies in financial economics at the Birkbeck College, University of London. She has long working experience in the City of London working in the banking sector.

\textsuperscript{10} Graduated in History at the Dhaka University and migrated to the UK in the mid-1980s and worked in media and marketing.
the real needs of the poor. While trying to find the fundamental cause of poverty, they
realized that major initiatives for reducing poverty have been made through a large scale
involvement of microfinance organizations for over three decades and yet the rate of poverty
reduction at a national level was minimal.

Samantha said, “you can’t expect to have such a large proportion of the poor having
entrepreneurial ability so that they can utilize the micro-credit properly and generate
sustainable income for themselves,” and added, “in many of the communities in which we
work, the poverty is so severe and the communities are so isolated, that there is simply
insufficient purchasing power within the community to support large numbers of new
businesses.” The philosophy adopted therefore by Samantha and Golam was that these
communities need to have employment in the first place; work and investment which comes
back into the community, thereby expanding these isolated village economies and providing a
base from which micro-finance businesses would then have a better chance of success. “Hand
manufacturing products for export fit this criterion,” said Samantha.

SELECTION OF HANDICRAFT BUSINESS
Having skills in hand crochet, embroidery and knitting that she learned from her mother in
her childhood, coupled with her natural talent in product design and a business background,
Samantha developed an idea of a business model which would provide a solution to the
poverty problem through generating sustainable employment opportunities for rural poor
women.

The basic premise was that global society needs to find ways to increase employment in the
developing world without increasing consumption and materialism in the developed world.
Rural women comprise a significant proportion of the population and are socially
disadvantaged in this country. Rural women in Bangladesh like handicraft work: their fingers
are nimble and the women are quick and eager to learn. Samantha recognized that this is why
so many donor funded handicraft projects had been run over the past decades. But despite this
natural ability of the rural women, the vast majority of the handicraft projects, whilst well run,
had never become sustainable commercially and this sector had failed to attain success even
after some 17 years of effort by NGOs - both large and small - in the country.

Following research over several years in rural communities, while visiting Bangladesh on
vacation each year, Samantha deduced that the rural women of Bangladesh wanted work that
is fairly paid, of good quality, flexible and local. At the same time export customers wanted to
be able to purchase consistency and quality over volume of handmade products. “Product
design and market linkage are critical for success of these products,” added Samantha.
However, the model for handicraft production that Samantha developed sought to bring
together these two basic principles and to leverage the natural skill of the rural women of
Bangladesh and the ready availability of their labour.

Identifying the critical factors of success of the Ready-Made Garments (RMG) industry in
Bangladesh, Samantha applied the same principles to this new model of rural hand-made
manufacturing. If the customers were to supply the designs, a centralized sampling unit would sample them until they met the customers’ requirements. And following placement of an order, the production would be distributed to the rural women for hand manufacturing. “This is a completely new and revolutionary way of approaching the handicrafts industry,” said Samantha.

PILOTING THE MODEL

The piloting of Samantha’s model began in November 2004. The first step was for Golam to approach an NGO for whom he had done some fundraising from the UK. The NGO had a vocational training centre in Mirpur. One group of 12 young women from this centre was allocated to Samantha and Golam for the hand knitting training and Samantha personally taught them all to knit by hand with two needles. The young women learnt quickly and well, and it was clear that the project could progress. Early in the second month of training Samantha made the first sample of a knitted ‘baby hat’ and ‘baby booties’ which received the first export order for 200 sets from a retailer in the UK. Samantha secured this order through targeted, electronic marketing.

At the end of the six-week training, the women needed to move into production work and so needed to leave the vocational training centre. Without a building for this new production order and still in a pilot phase, it was decided to continue the production in the spare room of Samantha’s home. The women were then paid bus fare on a daily basis to enable them to travel the short distance and Samantha personally supervised the whole pilot production.

The order was completed on time and of good quality and it was clear that the pilot should be trialed in a rural location.

---

11 The NGO called Dhaka Ahsania Mission had a vocational training centre in Mirpur, training 16-year old women in tailoring and beauty parlour, primarily as a way of delaying their marriages and preventing them from starting work so early in the garments factories.
THE FIRST RURAL PRODUCTION CENTRES

Before the start of the rural production activities, Samantha and Golam explained the model that they sought to test to the potential women workforce through a meeting organized by the local community in Narshingdi District. “We are neither a charity nor a donor. We wish to bring employment to you,” said Golam to the women participants. The first rural production centre, a semi-pacca\textsuperscript{12} room at a monthly rent of Tk\textsuperscript{13} 300 (approximately US$4), was set up in Shilmona village of Narshingdi district; an area that Samantha and Golam had visited in the past and where they had met groups of women brought together by micro-credit schemes. Since Narshingdi is only two-hour drive from Dhaka it seemed an ideal place for the first rural pilot since Samantha would be able to travel out daily to the site to supervise early training. Four women were selected from Narshingdi to be trained as supervisors and were brought to Dhaka for a two-week intensive training by Samantha in her home. At the end of this training, they went back to Narshingdi to run training courses for 25 women in each of the two locations in Narshingdi. Samantha visited three times a week to guide the courses and ensure progress.

These original trainers went on to become supervisors of the initial production centres which were run in basic structures rented on a monthly basis from the local community. The training process was revised and streamlined over time.

HBPS’ Business Model

SETTING UP A RURAL CENTRE

HBPS production centres are generally low-cost, semi-pacca rented rooms with sufficient daylight and adequate working space facilities for a minimum of 50 women at a time. The concept of renting local buildings from the communities is a good way of initially eliciting support from the local community. Master trainers at the head office are sent to the center for imparting training to the women workers. When the trainers go to a new area to set up a new centre, Hathay Bunano management staff arrange for the trainers to stay within the local community and to share a house with a local family. This situation would not be possible if Hathay Bunano were using educated women from Dhaka as trainers. Golam sees this as being crucial in the success of the training.

The overall responsibility of the centre is entrusted to one of the best performing trainees, with great ability to pick up a new design and specification of an item, but not necessarily

---

\textsuperscript{12} Concrete floor with corrugated tin in all sides.

\textsuperscript{13} Bangladeshi Taka is the currency of Bangladesh.
with the educational background needed for undertaking administrative tasks and maintaining proper accounts. If these skills are lacking then training is provided for this as well.

Three supervisors, one each for crochet, knitting, and embroidery works, are selected from the trainees. The selection is based on their skill level, performance, and ability to disseminate the idea among the respective group members when an order with new design comes to the centre.

One field worker is appointed with the responsibility to visit the households and mobilize women workers interested in working for HBPS. All these employees are on the payroll of HBPS and can also take part in the production of the items like any other worker. Where the community requires childcare, two maids are appointed in the centre, offering day-care facilities (non-formal education, toys for playing, and sleeping facilities) for the women workers with children.

**PRODUCTION AND QUALITY CONTROL**

Orders are received from its foreign buyers at HBPS’ head office. Design and other specifications are usually supplied by them although Samantha also works with them for product design. Along with this, required raw materials are sent to the rural production centres. Where a new product is required, the rural centre supervisor comes to the head office for one or two days to learn about the new product and then goes back to the rural centre to teach this product to the artisans. For greater competitiveness and more commercial viability HBPS has planned to combine both machine and manual production in a reasonable proportion. Small parts of some of the products are already manufactured by machines and added to the hand-embroidered parts for increased value.

“Quality of the product is critical for ensuring a sustainable foreign market” said Samantha. HBPS therefore puts a special emphasis on the quality aspect of their products. The first line of quality control is done at the production centre by the supervisors. The size of the product, fabric label14 (polycotton), pattern, use of raw materials, and colour are the major considerations at the first level of quality control. In the absence of its own dedicated transportation facility, the products are taken to the nearby bus station using local transport (rickshaw, van etc.) for shipment to the Dhaka office by bus.

---

14 A label made of fabric is attached to each item that bears the name of the worker producing it. This is required in case the item needs correction and therefore sent back to her.
HBPS developed a four-stage, centralized quality control system. The quality control team at the head office does the sizing, measurement etc. In case of any production error the item is sent back to the respective worker for rectification.\textsuperscript{15} The problem free items, after washing and drying, are sent back to the central quality control unit for final checking. Then, the labeling and tagging teams attach the logos of the respective buyers such as Jojo, Best Years, Lark, and YLK. Once all of these activities are completed, the products are packed in hard paper boxes for export. Depending on the size of the order and the delivery time required by the customer, the products are then dispatched by international courier, Express Mail Service or sea shipment.

\textbf{Figure 1: Business Model of Hathay Bunano Proshikhan Samity}

\begin{center}
\includegraphics[width=0.5\textwidth]{Hathay_Bunano_Proshikhan_Samity_Diagram.png}
\end{center}

\textit{Source: author}

\textsuperscript{15} The name of the worker producing an item is provided in a label on each product. HBPS Bulletin reports less than 1\% errors for entire production in all the centers in the months of January and February 2009.
MARKETING
Samantha recognizes product design and market linkage as the two critical factors for success in a handicraft model. Hathay Bunano has successfully penetrated in several developed country markets, which is highly challenging for any developing country business enterprise. Samantha’s skillful marketing strategies for the local products have created networks with the distributors and retailers locally and internationally. Opening websites for HBPS, exploring foreign markets for children’s items, and contacting the foreign buyers directly with their samples have been their major marketing techniques for the products, in a sector which has a global market potential of about US$4 billion. Their strategy of approaching foreign buyers, wholesale and retail shops in Europe and in the USA, was basically aimed at getting higher prices for the items produced by the poor rural women. Whilst Hathay Bunano is a fair trade organization and a member of the Ecota Fair Trade Forum\(^\text{16}\), they do not sell their products through traditional fair trade outlets. Samantha was clear when she first started to market the Hathay Bunano products that she didn’t want customers to buy them because they felt sorry for the women making them. “The women are capable and have dignity” Samantha said, “they do not need our sympathy – simply they need economic opportunity.”

HBPS’ FINANCIAL MODEL
“We are not a charity,” says Golam at the meetings organized before setting up a rural centre. He also explains HBPS’ model and says that the women will be provided training free of charge. Once they start producing the items, they will get paid for their work. HBPS believes in fair payment, which is made on product basis and in general estimated at Tk 10 per hour (approximately US$0.14). The minimum wage in Bangladesh is Tk 6 per hour (US$0.09) but for rural handicrafts work it is not uncommon to see women working for as little as Tk 3 per hour (US$0.04).

The product piece rate is calculated based on the time that it takes to make the product. This time is recorded when the product is first sampled in the head office. Once the item goes to the rural production centres for production the women may make the same product for a few weeks and as such are able to increase their productivity and make the item more quickly than it was made in the sample room. The costing system is therefore beneficial for the artisan.

At the same time, in line with fair trade principles, when the sample is first sent to the rural centre for production, the supervisor will advise whether the piece rate for this product is in line with the other products that are being made and at this point there is opportunity for negotiation by the artisans on the price paid for the hand manufacture of this product.

As a measure to avoid any kind of order related risk, new customers are required to pay 50% of the price upfront. Full payment is made within 60 days from the date of delivery of the products.

\(^{16}\) The body for fair trade in Bangladesh
HBPS generates an operating profit of approximately 42% on average. As a model of for-profit social business, HBPS reinvests this profit into the business which is basically used for training, business expansion, marketing, research and development, and workers’ welfare facilities (day care centre, etc).

**GROWTH IN HBPS ACTIVITIES**

Over a period of only four years since its launch as a formal social business entity, HBPS activities have expanded at a remarkable pace with the number of centres and employees almost doubling every year (see table 1).

<table>
<thead>
<tr>
<th>Year</th>
<th>Centres</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>4</td>
<td>300</td>
</tr>
<tr>
<td>2006</td>
<td>9</td>
<td>625</td>
</tr>
<tr>
<td>2007</td>
<td>15</td>
<td>1,200</td>
</tr>
<tr>
<td>2008</td>
<td>24</td>
<td>2,000</td>
</tr>
<tr>
<td>2009</td>
<td>34</td>
<td>3,500</td>
</tr>
<tr>
<td>2010 (projection)</td>
<td>54</td>
<td>5,500</td>
</tr>
</tbody>
</table>

The business that began with an initial investment of US$500 in 2005 has been able to generate a total sales volume of about 120,000 pieces in 2009. Sales revenue registered a compound annual growth rate of about 62% over the four years of its operation.

In addition, HBPS has been able to establish ‘Pebble’ as its own brand. Jojo Maman Bebe, a renowned baby company in the UK has become a new customer in the most recent season and several large retailers, across Europe are now negotiating with Hathay Bunano for production.

**Key Challenges and Strategies**

**CHALLENGES**

With regards to its operations and business development, HBPS has been facing a number of constraints as seen in table 2.

<table>
<thead>
<tr>
<th>Type of constraints</th>
<th>Description of the constraint</th>
</tr>
</thead>
</table>
| Financial constraints | • Upfront production centre set up cost  
|                      | • Upfront costs of raw materials, production equipments, transportation  
|                      | • Workers’ training costs  
|                      | • Lack of access to financial services at low interest rate |
| Knowledge and skills | • Lack of women labour force with appropriate artisan skills  
|                      | • Lack of awareness and negative attitude of the local people about alternative economic activities involving women |
| Regulatory environment | • Absence of regulatory knowledge among the local administration |
| Physical infrastructure | • Availability of ready low cost hygienic infrastructure facility |
**Production materials**  
| Lack of access to good quality production materials |

**Financial Constraints:** “We don’t have any bank loan and we are reluctant to take it due to its high interest rate,” said Golam while speaking about the challenges they face in expanding their activities. Credit facilities are available only for NGOs at a low interest rate of 5%, not for organizations like HBPS. High quality raw materials used in the production of the items, equipments such as needles are all imported and costly. Workers’ training that is provided free of charge to the women, involves high cost estimated at about US$30,000 for a group of 200 women.

**Knowledge and Skills:** Unlike other production activities, the required artisan knowledge and skills have to be developed by HBPS on its own which is time-consuming and costly. Attitudes of rural people towards allowing their women family members to engage in activities outside of the home are not very positive as they think it affects their household activities.

**Regulatory environment:** Local administration in most cases does not have adequate knowledge about what kind of activities are allowed in their jurisdiction area. Therefore sometimes they create barriers to the activities of HBPS.

**Physical infrastructure:** HBPS tries to minimize cost by renting low-cost rooms in rural locations. But as the products are consumed by high-valued foreign customers, hygiene maintenance at the production level is a major prerequisite which sometimes is not available in rural areas.

**Production materials:** Hathay Bunano works exclusively in 100% cotton. Good quality Oeko-tex\textsuperscript{17} certified cotton is readily available in Bangladesh through the RMG industry but the minimum quantities for order are large. Meeting these minimum quantities in order to secure high-quality raw materials has been challenging for Hathay Bunano and has tied up significant working capital during growth.

**SOLUTION STRATEGIES**

Despite all the challenges mentioned above, HBPS has been taking their initiative forward with their own strategies as see below in table 3 on the next page.

\textsuperscript{17} Oeko-Tex standards are a global testing and accreditation scheme for the screening of harmful substances within consumer textiles.
Table 3: Descriptions of the Solution Strategies

<table>
<thead>
<tr>
<th>Constraints</th>
<th>Strategies</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Resources</td>
<td>Combine resources and capabilities with others</td>
<td>• <strong>CSR</strong> - A considerable part of the upfront production centre set up costs, workers’ training costs are met with the funds collected from large corporations under their CSR programs</td>
</tr>
<tr>
<td></td>
<td>Invest in removing constraints</td>
<td>• <strong>Upfront payment for the orders</strong> - HBPS takes 50% of the ordered value upfront for buying raw materials, workers’ payments etc.</td>
</tr>
<tr>
<td>Knowledge and Skills</td>
<td>Leverage the strength of the poor</td>
<td>• <strong>Meetings with local leaders</strong> - Organize meetings with local elites or local leaders for building awareness about their activities and the benefits of involving women in rural life</td>
</tr>
<tr>
<td></td>
<td>Invest in removing constraints</td>
<td>• <strong>Skill Development Training</strong> - Organize extensive artisan skill development training programs at the start of a production centre</td>
</tr>
<tr>
<td>Regulatory Environment</td>
<td>Engage in policy dialogue with government</td>
<td>• <strong>Dialogues and personal connections</strong> - Organize informal dialogues with local administration. Use personal connection (friends and relatives) with top level administration to motivate the local administration.</td>
</tr>
<tr>
<td>Physical Infrastructure</td>
<td>Leverage the strength of the poor</td>
<td>• <strong>Getting hygienic Production Centres</strong> - Involve local people in getting production centers in hygienic conditions</td>
</tr>
<tr>
<td>Production Materials</td>
<td>Invest in removing constraints</td>
<td>• <strong>Own production</strong> - Manufacture some of the low technology equipments on their own for use in knitting</td>
</tr>
</tbody>
</table>

**Corporate Social Responsibility (CSR) and Upfront Payments:** To deal with the financial constraints in establishing new centres and growing its business, HBPS receives donations from different multinational corporations under their CSR fund. For undertaking production activities and avoiding any kind of order related risk that might put them in financial problems, HBPS takes 50% of the order value upfront.

**Meetings with Local Leaders:** Before starting a new centre, HBPS organizes meetings with local leaders to build awareness about HBPS activities and its potential economic and social benefits. This facilitates involvement of the rural women in the business and getting support of the local community.

**Skill Development Training:** Guided by its underlying objective of generating sustainable employment for the rural poor women HBPS organizes artisan skill development training. They deploy master trainers from its pool of trainers at the head office.

**Dialogues with the Local Administration and Personal Connections:** HBPS co-founders organize informal dialogues with the local administration when they find obstacles created by them. They also receive help from friends and relatives occupying responsible positions in the higher administration and in the society in such situation.
Finding Hygienic Production Centres: HBPS products are made for children and sold in high-standard international markets and require a hygienic production environment. To ensure this aspect they establish production centres in clean locations taking assistance from the local people.

Independent Production: HBPS produces their own, low-technology equipments used for crochet, embroidery and knitting, as good quality equipments of required sizes are not available in the local market.

Key Contributors to HBPS’ Development

HBPS’ FOUNDERS

The two founders of HBPS – the CEO Mrs. Samantha Morshed and her husband, the Chairman, Mr. Golam Morshed have been the key contributors to the development of this unique initiative in Bangladesh. Besides them, a couple of corporations, international and local development organizations and local elites have contributed to the expansion of HBPS activities which are briefly discussed below. “We need more and continuous support as there is ample opportunities to expand our activities across the country. Many people approach us to open up our activities in their areas but the important barrier is lack of adequate financial resources,” mentioned Golam while speaking about the constraints for further expansion.

CORPORATIONS

A couple of multinational corporations in the oil and exploration industry, namely Tullow Oil Company Bangladesh Ltd and Chevron Bangladesh Ltd have extended support to HBPS activities as part of their ‘corporate social responsibility’ (CSR) activities. With regard to receiving CSR donations, Samantha raised an interesting dichotomy when Hathay Bunano was categorized as a business by donors:

“In any developed country in the world, as a business, if I want to employ people, I simply put an advert in the newspaper and I’m able to employ people with the correct skills. In Bangladesh if I want to employ rural women then first I must teach them to wash their hands before starting this work, I must teach them the skills, the quality required, what is consistency, a whole host of new concepts. As a business, it is not my job to teach people all this. It is the responsibility of the Government and in a developing country, maybe the Government in conjunction
with the donors, to ensure that the people are ready for available employment opportunities.”

Tullow Oil Company Bangladesh Ltd learned about HBPS activities in 2007. They collected information from several sources and visited their project sites. “We were convinced with their initiatives in creating employment and income generation opportunities for the poor women and decided to provide them with financial support as a part of our CSR activities,” said Mr. Jasim Uddin, Senior Manager of Public Relations at Tullow. He further mentioned that, “we talked to the women workers in one centre and found that it is contributing to improving their living standard”. Tullow allocated US$23,000 in 2008-2009 for covering the training costs of 200 women in one centre, which is about 80% of the total training costs. Satisfied with HBPS’ performance, they decided to reallocate a similar amount for 2009-2010. Learning about the development initiatives of HBPS from different sources, Chevron Bangladesh Ltd also came forward with financial support by bearing the training expenses of 150 women at the Kamalganj centre as a part of their CSR activity.

LOCAL AND INTERNATIONAL DEVELOPMENT AGENCIES
The activities of HBPS have attracted attention of the local and international development agencies as the agendas of both match well. HBPS is engaged in employment and income generation for the poor women. The development agencies, both local and international, extend support to HBPS as supporting poverty reduction is at the top of their agendas.

In January 2009, a local NGO in Sirajganj named National Development Program (NDP) contributed 40% of the training cost for 200 women of two centres in the Sirajganj district. They were attracted to the activities of HBPS which were directly contributing to poverty reduction in their area. The financial support they provided to HBPS was collected from CARE Bangladesh.

International organizations such as the International Finance Corporation (IFC), the South East Asian Development Facility Development Fund (SEDF), the UK Department for International Development (DFID), and Swiss Contact extended support for the development of HBPS. IFC and SEDF developed its Management Information System (MIS) at a cost of Tk 600,000 (approximately US$9,000). The British Council and Swiss Contact supplied second hand computers for HBPS’ organizational development.

LOCAL LEADERS
Some of the local leaders from the rural production centre areas contributed to the expansion of HBPS’ activities. Knowing about the activities of HBPS they spontaneously provided initial information about their respective areas in terms of availability of women workforce, availability of infrastructure, and their commitment to provide required cooperation for

---

18 Swiss Contact is a development organization in the private sector with the aim of promoting private economic and social development in selected countries including Bangladesh.
19 The British Council is the UK’s international organization for educational and cultural relations.
establishing the HBPS production centres. Their active participation in organizing meetings before starting a new centre has been quite instrumental in building awareness among the local people and involving the women in their activities.

**HBPS’ Economic, Social and Environmental Impact**

Hathay Bunano Proshikhan Society has been an initiative to contribute to poverty reduction in Bangladesh. It was started with the aim of creating flexible and sustainable employment for women in rural Bangladesh who have limited work opportunities outside of the home. Shilpee, an employee interviewed by the BBC said “Before Hathay Bunano came here we had nothing to do. The women just sat in their homes.”  

HBPS provides them with artisan skill training free of charge by its own pool of trainers.

**ECONOMIC BENEFITS**

HBPS generates several direct and indirect economic benefits for the rural poor. They create employment which fits in with the rhythm of rural life rather than work which dictates it. For example, during harvest time, the women are needed in the fields to help with the harvest and during this time they want very little other work. In contrast during the flood and the Monga season, they want to work longer hours for Hathay Bunano in order to earn much needed money.

HBPS has created employment opportunities for about 3,500 rural poor women artisans through its rural production centres across Bangladesh. In addition to this, 70 supervisors are also working in these centres. At their head office in Dhaka a total of 39 staff is engaged in quality control, packaging, washing and finishing. Employment generation by HBPS attained remarkable compound annual growth rate of 85% during its period of operation.

The women workers, on average, earn about Tk 1,000 (approximately US$14) per month. This additional income for the family has enabled them to come out of poverty. Many women repay micro-credit loans and are able to provide better food and financial support to their families. Children can go to school for more years and enjoy better nutrition.

HBPS is generating a profit margin of 42% which is reinvested into the business for training, marketing, research, and other development purposes. It enjoys a huge market potential as the world market for baby toys is as large as about US$4 billion a year.

---

20 Taking Jobs to Bangladesh’s Poor, Mark Dummett, BBC News Ratakandi  
http://news.bbc.co.uk/2/hi/south_asia/7897097.stm  
21 A bengali word meaning a famine like situation which appears specially in September through November.
SOCIAL BENEFITS
The value that Hathay Bunano has created is not only financial but social as well in the way that the philosophy aligns with the rural way of life. The social impact of working with multiple rural units is far greater than urban production and significantly reduces economic migration.

This initiative contributes to women empowerment and improvement in their quality of life. Learning how to operate bank accounts, awareness about their social rights, raising their voice to the local leaders to construct rural roads, having the ability to delay early marriages, participating in important decision-making in families have been mentioned as indirect benefits of HBPS’ activities by some of the women workers.

HBPS has also been working with the Centre for Rehabilitation of the Paralysed (CRP) for providing employment opportunities to some of its patients. The World Health Organization (WHO) estimates that 10% of Bangladeshis are disabled and are rarely seen to be taking part in the activities of society. Working closely with the disabled and offering them employment opportunities helps improve the attitude of society towards them.

ENVIRONMENTAL BENEFITS
Although there are no direct environmental benefits, the activities of HBPS are environmentally friendly and do not contribute to any kind of environmental degradation. They use 100% cotton fiber as the main raw material processed as Oeko-tex certified and generate no waste. The location and structure of the HBPS centres saves electricity for production activities which take place during the day time.

Concluding Remarks
CURRENT SITUATION
Despite the challenge of mobilizing financial resources for expansion, the potential benefits of this social business that contributes to poverty reduction through generating sustainable employment opportunities have been quite substantial. Hathay Bunano is moving ahead with the principle that poverty reduction is not only possible, but achievable, and that social business, with its commercial viability, is the most effective instrument.

The market is expanding as HBPS continues to work with existing buyers as well as developing relationships with new buyers. As HBPS’ production capacity increases, they are able to attract larger multinational buyers and encroach on what was traditionally entirely a ‘machine made’ business. Sales revenue has increased steadily at 40% year-on-year and total production is currently over 10,000 pieces per month of about 350 different types of products.

FUTURE GROWTH OUTLOOK
Rural hand manufacturing, whereby customers send design specifications and HBPS then samples and subsequently produce the items has enabled the rapid growth of HBPS.
Combining this with maintenance of product quality and consistency over volume has enabled HBPS to develop a worldwide reputation within the handmade toys market. HBPS is now leveraging this reputation with the launch of their own brand, ‘Pebble’, which aims to create a clearer and more human link for the customer from the product to the artisan. This will enable exponential growth of HBPS in the coming years, leveraging increasing consumer awareness for ethically produced products.

Hathay Bunano as an expanding social business cannot rely on CSR partnerships or grants despite their clear benefit. Samantha said “Currently we are exploring innovative ways of creating expansion through potential partnerships and franchises.” This would remove significant working capital constraints from Hathay Bunano whilst encouraging expansion of a potential industry that could offer so much to the development of rural Bangladesh.

Samantha mentioned the need for certain policies and other conditions for expansion of their activities, as well as for similar SMEs; these include, among other things, bonded warehouse facility based on product order – not based on Letter of Credit, and the introduction of ‘factoring’ facility. If proper support is provided, Samantha’s dream of making Hathay Bunano a large business umbrella with the rural poor women as the shareholders of rural production, will be a reality in the near future.

---

22 Bank credit facility for mobilizing working capital against product orders. This facility is provided to the SMEs in the neighboring countries such as Nepal, Sri Lanka, and Bhutan.
References

INTERVIEWS
- Morshed, G. M. Chairman, HBPS, 27 September 2009, Head Office, Dhaka
- Uddin, Jashim. Senior Manager, Public Relations, Tullow Oil Company Ltd., 10 October 2009, Bangladesh
- Ruma. Centre In charge, Natun Bazar Centre, HBPS. 8 September 2009. Natunbazar, Dhaka
- Workers (several). Nurun Bazar Centre, HBPS, 8 September 2009. Natunbazar, Dhaka
- Begum, Asma. Centre in Charge, Narshingdi Centre HBPS, 9 September 2009, Narshingdi
- Workers (several), Narshingdi Centre, HBPS, 9 September 2009, Narshingdi

PUBLICATIONS
- HBPS Brochure, leaflets.

WEBSITES
- ClearlySo in Bangladesh Blog. www.clearlyso.com/bangladesh
- HBPS Website. www.hathaybunano.com

The case was completed in January 2010 and released in 2011.

The information presented in this case study has been reviewed by the company to ensure its accuracy. The views expressed in the case study are the ones of the author and do not necessarily reflect those of the UN, UNDP or their Member States.

Copyright © 2011
United Nations Development Programme

All rights reserved. No part of this document may be reproduced, stored in a retrieval system or transmitted, in any form by any means, electronic, mechanical, photocopying or otherwise, without prior permission of UNDP.

Design: Suazion, Inc. (NJ, USA)

For more information on Growing Inclusive Markets: 
www.growinginclusivemarkets.org or gim@undp.org

United Nations Development Programme
Private Sector Division, Partnerships Bureau
One United Nations Plaza, 23rd floor
New York, NY 10017, USA