

**Employment Creation and Viability of Rural Enterprise Projects:  
Cases of Laundry and Tailoring in Khulna and Gopalganj**

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## কর্মসংস্থান সৃষ্টি এবং রুরাল এন্টারপ্রাইজ প্রজেক্টের মুনাফা নির্ণয়ঃ খুলনা এবং গোপালগঞ্জে টেইলারিং এবং লত্ৰী প্রজেক্ট

রুখসানা মতিন

ব্র্যাকের বিভিন্ন কর্মসূচির মধ্যে পত্ৰী উন্নয়ন কর্মসূচি (আরডিপি) অন্যতম। রুরাল এন্টারপ্রাইজ প্রজেক্ট আরডিপি আরডিপি-র একটা অংশ বিশেষ। আরডিপি সমিতির মহিলাদের নিয়ে এমন সব প্রকল্প পরীক্ষা-নিরীক্ষার মাধ্যমে চিহ্নিত করে যা থেকে সহজেই মুনাফা অর্জন সম্ভব, শুধু তাই নয়, এ সমস্ত প্রকল্পের জন্য অত্যাধুনিক কৌশলের প্রয়োজন হয় না, উপরোক্ত মহিলাদের কর্মসংস্থান বৃদ্ধিতে সহায়তা করে।

১৯৯৬ সালে খুলনা এবং গোপালগঞ্জে টেইলারিং এবং লত্ৰীর জন্য আরডিপি ঋণ বিতরণ করে। এই সমীক্ষার মূল উদ্দেশ্য হলো এই দুইটি প্রকল্পের মুনাফা নির্ণয় করা এবং কতটা কর্মসংস্থানে সহায়তা করেছে তা পর্যালোচনা করা। লত্ৰীর জন্য মোট ৪১ জন এবং টেইলারিং-এর জন্য ৯৭ জনকে বাছাই করা হয়। গবেষণার প্রধান ফলাফল নিম্নে বর্ণিত হলো।

সমীক্ষায় দেখা যায় যে, ৮৬.২% মহিলারা যারা আগে শুধুমাত্র গৃহিনী ছিল, এখন এই দুই প্রকল্পের মাধ্যমে কর্মের সুযোগ পেয়েছে। এ ছাড়া যে সমস্ত বিষয় যা শ্রমঘন্টার উপর প্রভাব ফেলতে পারে, তা বিবেচনা করে দেখা গিয়েছে যে, মহিলাদের বয়োবৃদ্ধির সাথে সাথে শ্রম ঘন্টা বৃদ্ধি পায়। এ ছাড়াও দেখা গিয়েছে যে, যে সমস্ত মহিলাদের কোন ছোট সন্তান নেই (১২ বছরের নীচে) তারা সবচেয়ে বেশিক্ষণ কাজ করে।

মুনাফা বের করার জন্য Ratio Analysis ব্যবহার করা হয়েছে। গবেষণার ফলাফলে দেখা যায় যে, জেলা তুলনা করলে, খুলনায় দুইটি প্রকল্প যথা লত্ৰী এবং টেইলারিং ভাল মুনাফা করতে সক্ষম। প্রকল্প ভেদে টেইলারিং, অর্থাৎ সেলাইর কাজ করে অধিক মুনাফা লাভ করা সম্ভব। এর একটি কারণ হতে পারে যে টেইলারিং -এর জন্য প্রতিমাসে ততোটা Working capital এর প্রয়োজন হয় না এবং এ ছাড়াও এর প্রধান সুবিধা এই যে সেলাইর কাজ অন্যান্য কাজের ফাঁকে ফাঁকে করা যায়। তবে এটা নিশ্চিত বলা যায় না যে একটি প্রকল্প একটি জেলায় ভাল করলেও অন্য

জায়গায়তে ভাল চলবে যে কোন প্রকল্পের সার্থকতা নির্ভর করে অনেকগুলো বিষয়ের উপর যার মধ্যে প্রধান হলো দ্রব্যের চাহিদা। খুলনায় টেইলারিং-এর মহিলাদের মাসিক আয় ছিল গড়ে ১,১৭৮ টাকা, অথচ গোপালগঞ্জ এলাকায় টেইলারিং তেমন গুরুত্বপূর্ণ ভূমিকা রাখতে পারেনি।

এই গবেষণা থেকে এটা প্রতীয়মান হয় যে, ব্র্যাকের কর্মসংস্থান সৃষ্টির উদ্দেশ্যে আরইপি ঠিক পথে এগুচ্ছে।

**প্রোগ্রামের জন্য কিছু সুপারিশমালাঃ**

- ১) প্রশিক্ষণ বাধ্যবাধকতা করা উচিত। প্রশিক্ষণ মুনাসফা বৃদ্ধির উপর অনেকাংশে প্রভাব ফেলে।
- ২) এমন সমস্ত আয়বৃদ্ধি মূলক কর্মকান্ড চিহ্নিত করতে হবে, যাতে মহিলাদের দৈনন্দিন কাজ ব্যাহত না হয় এবং অধিক মুনাসফাও অর্জনে সহায়তা করে।

## Abstract

This study aimed to assess the viability of two rural enterprises, laundry and tailoring shop from both the organization and members' perspectives, using ratio analysis. The study also attempted to measure the extent of new employment generated. Results reveal that though both the projects hold potential for increasing employment and output, tailoring was more readily acceptable since it required lower working capital, consistent with factor endowments and yielded higher rate of return. Besides, sufficient demand is a pre-requisite for realization of employment and output that are technically feasible. Age of member was found to be a significant factor in influencing the number of hours worked. The study suggests that sufficient emphasis must be given on training of the members as it affects the profitability of the enterprise.



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## 1. Introduction

Poverty is caused by inadequate income (Harper and John, 1984) which can be greatly diminished by creating employment. Rural Development Programme Rural (RDP), one of BRAC's multifaceted programmes works to improve the socioeconomic condition of the rural poor by introducing and promoting income generating activities with higher returns. Rural Enterprise Project (REP), a wing within RDP, deal with exploring and identifying innovative schemes with significant returns, short gestation gap, inputs readily available, and less skill required on an experimental basis. REP provides employment opportunities for women who have been confined to domestic labour. When the projects prove to be successful, they are piloted in several areas and then handed over to RDP. This study will focus on two such small scale development approach like tailoring and laundry shops introduced in 1996 by BRAC for its programme participants and members of the village organization. The paper will particularly look into the viability of these projects and will determine the extent of employment thus generated.

### 1.1 Literature review

Byrd and Lin (1990) observes that in China the development of rural enterprises has always been regarded as critical to rural modernization as the surplus labour can be transferred from agricultural to rural non-farm sector. Thus, it always received policy attentions in their national five-year plan. Datt and Ravallion (1996) in a study on 15 states in India between the period 1957 and 1991, show that quantitative impact on rural poverty in non-farm sector is large. Rural non-farm employment has always played a significant role in economic development in states like Gujarat and Punjab especially in poverty reduction (Fisher, Mahajan and Singha, 1997). An ILO report (1983) confirms that such small enterprises contribute significantly to employment and output.

### 1.2 Objectives

- To determine the extent of new employment generated and this will be measured by the number of full-time jobs created.

- To assess the viability of the projects from both organization and members' perspectives.

### **1.3 Sources of data**

The study used both primary and secondary information. The secondary data were collected from the RDP registers consisting of the respondents' monthly gross income and their expenditure.

### **1.4 Sampling**

Two regions, Khulna and Gopalganj, where the projects were first initiated were surveyed. In Khulna, 31 laundry out of 34 laundry shops and 64 tailoring enterprises out of 67 were considered. In Gopalganj, it was 10 and 33 out of 16 and 41 for laundry and tailoring respectively.

### **1.5 Limitations of the study**

- As these projects are in their early/rudimentary stages, a quantitative evaluation is not fully possible.
- Accurate information regarding their net income is not always recorded, so one has to rely on the recall method (and this may raise the question of validity of information).
- Analysis on employment in the said enterprises gives a partial approach as there is no information on other household employment activities. Besides, seasonality and complexity of employment patterns make it difficult to rely on monthly recall. For detailed information/data on employment, it is pertinent to conduct studies on a weekly basis during a complete year.
- Seasonal variation of labour has been ignored.
- Due to limitation of data, the effect of training cannot be isolated which plays an important part in operational efficiency.

## 2. Findings and discussion

### *Household size, age composition and religion*

Average household size was found to be four in Khulna and five in Gopalganj. The respondents were divided into two groups, those below 35 years of age and those above 35. Table 1 shows that the members in Khulna region were younger than those in Gopalganj region.

**Table 1. Distribution of members by household size, age composition and religion**

	Laundry		Tailoring	
	Khulna n = 31	Gopalganj n = 10	Khulna n = 64	Gopalganj n = 33
<i>Average household size (no.)</i>	4	5	4	5
<i>Age (yrs)</i>				
- Below 35	24 (77)	6 (60)	51 (80)	25 (76)
- 35 & above	7 (23)	4 (40)	13 (20)	8 (24)
<i>Religion</i>				
- Muslim	19 (61)	4 (40)	54 (84)	22 (67)
- Hindu	12 (39)	6 (60)	10 (16)	11 (33)

Figures in parenthesis indicate percentages

### 2.1 Employment

Projects under review provided employment opportunities at a relatively low investment cost. The employment impact was better appreciated when one looked at the composition of employment in both the enterprises regarding the female workforce. Both the enterprises used modest capital creating work opportunities for poor women. To find out the potentials of these projects in employment creation, several points are to be noted beforehand, such as size and extent of employment.

#### Size and extent of employment

Sixty four members had employment in tailoring and 31 in laundry in Khulna from the time when the projects were first introduced in April 1997, while In Gopalganj, it was 33 and 10 respectively. Majority of the workers in both the regions devoted more time in laundry shop compared to the tailoring shop (Table 2). Project beneficiaries of laundry devoted, on average, 205 hours a month while in tailoring it was 188 hours. Considering

eight hours a day as the full employment norm, the respondent women worked less than the usual norm. But on the other hand, since the rural women in the said projects had been found to work in the weekends, their total working week exceed the usual norm of 40 hours. The study revealed that about 86.2% of the members whose previous contribution were mostly limited within their homestead and were treated as economically inactive population (Shrycock et al, 1976), have got job opportunities through these programmes.

**Table 2. Gross income and hours worked in the two projects**

	Laundry		Tailoring	
	Khulna n = 31	Gopalganj n = 10	Khulna n = 64	Gopalganj n = 33
Weekly hours worked	47	49	46	42
Hours worked daily	7	7	7	6.5
Monthly hours worked	200	210	197	178
Age of the enterprise	12	9	11	6
Daily income	33	20	42	20
Monthly gross income	966	578	1178	546
Monthly net income	533	198	604	75
Loan size	4323	3800	5750	6212

Age of the member had been found to be a significant factor in determining the number of hours worked. A direct relation existed between the two in both the regions. i.e., members who were 35 years old or older worked for longer hours than their counterparts.

**Table 3. Members' characteristics and working hours in laundry and tailoring**

Member characteristics	Laundry		Tailoring	
	Khulna n = 31	Gopalganj n = 10	Khulna n = 64	Gopalganj n = 33
Members age less than 35	198	204	195	184
Members age above 35 years	208	220	203	180
No children below 12 years old	207	222	215	183
One child below 12 years old	206	-	189	186
Two children below 12 years old	187	183	192	183
More than 3 children below 12 years old	207	240	197	176
Member in management committee	190	-	200	186
Not involved in management committee	204	-	194	183
New machine	198	-	201	188
Second-hand machine	214	-	186	176

Looking at the relation between the number of children, it is quite evident that those without any small children (below 12 years) work for the longest hour in both the projects in the two regions. But age of the children did not influence mother's working hours.

Table 4 shows that involvement in the management committee of village organization or operating with a brand new sewing machine were positively related with the working hours.

**Table 4. Factors affecting the monthly gross income (Tk.)**

	Laundry		Tailoring	
	Khulna n = 31	Gopalganj n = 10	Khulna n = 64	Gopalganj n = 33
Members age less than 35	888	563	195	184
Members age above 35 years	940	542	203	180
No children below 12 years old	872	592	215	183
One child below 12 years old	940	-	189	186
Two children below 12 years old	933	572	192	183
More than 3 children below 12 years	687	397	197	176
Member in management committee	972	-	200	186
Not involved in the management committee	874	563	194	183
New machine	900	563	201	188
Second-hand machine	893	-	186	176

Members' age had a positive influence on gross income earned by the members of Khulna region unlike Gopalganj. The income of the beneficiaries of the laundry project decreases with the increase in the member of their children aged under 12. No conclusive remark can be made on the tailoring project since it shows a mixed result. The findings indicate that tailoring in Khulna is still superior to that of Gopalganj in terms of the gross income generated. There is no relation between the operation of a new machine and the increase in income but there is relation in respect of working hours.

**Table 5: Correlation between the working hours and the gross income**

	Laundry		Tailoring	
	Khulna n=31	Gopalganj n=10	Khulna n=64	Gopalganj n=33
Monthly hours worked	Monthly gross income (Tk.)		Monthly gross income (Tk.)	
120-159	1071	571	1031	572
160-199	939	586	1164	491
200-239	843	674	1151	600
240+	-	488	1181	500

Table 5 primarily attempts to analyze the gross monthly income in relation to the working hours. The Table clearly indicates that a positive relation is evident between the two variables of the members involved in tailoring in Khulna. But in laundry the result obtained is quite contrasting. Similar mixed/inconsistent result can be found in Gopalganj region.

One of the paper's objective was to investigate whether these economic activities give desired results of increasing income and employment through affecting labour productivity. Several criteria will be looked into:-

$$1. \text{ Capital-labour ratio} = \frac{\text{Fixed capital} + \text{working capital}}{\text{Total person hours employed}}$$

This ratio measures the capital intensity of the schemes and the amount of capital required to create one person day of employment. Lower the ratio, better are the schemes. The data show as indicated by Table 6 that the lowest ratio exist in laundry project in Khulna Region followed by tailoring shop of the same region. Both the enterprises have higher capital-labour ratio in Gopalganj. Tailoring shop is a better project than laundry as it has a lower ratio.

$$2. \text{ Output-capital ratio} = \frac{\text{Net output}}{\text{Fixed capital} + \text{working capital}}$$

This ratio indicates the average productivity of capital invested, showing the flow of income with the amount of capital in a certain period of time. Higher ratio indicates better schemes. Higher the output-capital ratio, higher is the productivity of capital invested in the enterprises, i.e., it indicates maximization of output per unit of capital. The rationale behind this, is that production techniques in a developing country should be chosen in a way to bring maximum yield per unit of capital employed. Value of the fixed assets after depreciation has been considered.

**Table 6. Comparative ratio analysis of the two projects**

	Laundry		Tailoring	
	Khulna n = 31	Gopalganj n = 10	Khulna n = 64	Gopalganj n = 33
Capital labour ratio	2.5	2.9	2.3	2.8
Output capital ratio	1.15	0.46	1.48	-0.13
Output labour ratio	4.5	2.7	5.8	3.1

Tailoring shop and laundry of Khulna region excels in terms of the output-capital ratio. This ratio in Gopalganj tailoring is alarmingly low which may be attributed to the age of the enterprise, or market failure due to risks and uncertainties, or due to the mismatch of the supply of and demand for their services.

$$3. \text{ Output-labour ratio} = \frac{\text{Total output}}{\text{Total person hour employed}}$$

This ratio indicates the relationship between the flow of income and employment. In Khulna, both the projects were in a better position than Gopalganj region, i.e., labour was more productive. In terms of output produced, tailoring shop in Gopalganj performed slightly better than laundry shop.

Usually in the case of trading or rickshaw pulling, a single employment is created, whereas these projects allowed the creation of additional employment either through the use of hired labour or family labour. Since these projects are in their initial stage, it is assumed that there is still a scope of absorbing more labour which will ultimately help in creating forward and backward linkages. As the use of hired labour cannot be ascertained here due to the limitation of data, the present findings merely suggest that with more children more labour is used.



## 2.2 Viability of the borrowers and the organization

Profitability is an important issue as it reflects the financial feasibility of either starting or expanding an enterprise.

For the members who will be the owners of the enterprises by investing the borrowed funds, it will be useful to know the profitability, net income, future potential and growth of the enterprise as the rate of return and its solvency will enable them to meet short-term and long-term obligations to BRAC.

Usually viability is indicated by the repayment rate which does not necessarily mean an increase in the ability of the borrower to repay; repayment may also occur either due to the pressure created by the staff or for fear of not getting subsequent larger loans. Just because the repayment is so high does not mean that the borrower is able to sustain himself. Viability of the borrower can be measured by: (a) an increase in income, (b) employment creation, (c) increase in land resources, (d) increase in assets, (e) increase in expenditure, and (f) changes in savings. The following section will deal with the increase in income only, employment having been discussed before; and the other measures of the borrower's viability will not be discussed due to the limitation of data.

For BRAC also, it is of particular interest prior to disbursing a loan to know about concepts like profit ability of the enterprise and the financial position regarding the assets owned and debts owed. It is important for BRAC and other development organizations to know such concepts as a profitable and liquid project is more likely to pay interest and redeem loan within a specified period. This ratio is useful for the organization to evaluate alternative investment opportunities and also to know if the assets are used efficiently and whether the earnings of the members are adequate or not.

Our calculation is mainly on ratio analysis to determine the profitability and return on investment for both BRAC and its members. Ratios of the two projects will be compared based on the financial statements of the enterprises to determine their financial condition. As stated earlier, if NGOs and other organizations wish to protect the members, it must

ensure that the enterprises grow profitably. This analysis will allow the stakeholders to identify the strengths and weaknesses in their respective fields and thus take appropriate actions. The following ratios will be used to assess the profitability.

### Liquidity ratio

It measures the ability of the project to meet its current obligations (instalments to BRAC). According to financial analysis, liquidity is a pre-requisite for the survival of any enterprise and short-time survival is a pre-condition to long term success. Working capital is a good indicator to measure the liquidity. If the projects do not have sufficient working capital and as a result, cannot invest enough funds in current assets, there is a possibility that it may become illiquid and thus fail to meet its current obligations to BRAC. The quick ratio will be used to indicate the extent of liquidity:-

$$1. \text{ Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}}$$

Generally a quick ratio of one to one is considered to represent a satisfactory current financial condition. Higher the ratio, greater is the probability of the members to meet their immediate commitments. Cash is the most liquid asset. Quick assets refer to those assets which can be easily convertible to cash, in this case, the gross income earned. The liabilities refer to working capital needed to produce the output. This ratio is most favourable for tailoring project in Khulna followed by laundry shop of the same region though the figure is positive for all meaning that they are all acceptable from the members' point of view. However, these figures need to be treated with caution.

Fixed assets have been taken to include the equipment and shelf. Values were then measured in terms of their depreciation which were calculated on the basis of their expected lives - new equipment assumed a life expectancy of 10 years and second hand machine a life expectancy of five years. And due to this reason, tailoring has a lower value since the equipments are depreciated at a higher rate. Table 7 indicates that fixed cost of both the projects hold a smaller proportion of the total cost in Khulna compared to Gopalganj. Accurate reasons, however, cannot be ascertained.

**Table 7. Monthly flow of input and output in the two enterprises (Tk)**

	Laundry		Tailoring	
	Khulna n = 31	Gopalganj n = 10	Khulna n = 64	Gopalganj n = 33
<b>Fixed capital</b>				
Equipment	585	510	2656	2620
Shelf	1571	2675	1301	1572
Misc.	1300	1300	1300	1300
Total fixed cost	3456	4485	5257	5492
<b>Working capital</b>				
Rent	114	118	68	82
Elec.+ misc.	200	200	200	200
Total variable cost	314	318	268	282
<b>Depreciation</b>				
Fixed cost	185 (36)	294 (41)	180 (39)	207 (40)
Variable cost	314 (64)	318 (59)	268 (61)	282 (60)
Total cost	499 (100)	611(100)	448	489 (100)

Figures in parenthesis indicate percentages

## 2. Profitability ratio:

A project should earn enough profits to sustain the operations of the business. Profit is the difference between total revenue and total cost over a period of time. Three major types of profitability ratios will be calculated - gross profit margin and return on investment.

### *i. Gross profit margin*

Profitability can be measured in relation to total revenue. The general formula is,

$$\text{Gross profit margin} = \frac{\text{Total revenue} - \text{total cost}}{\text{Total revenue}}$$

It is desirable for an enterprise to produce sufficient profit on each Taka of sale. If revenue does not generate sufficient profits, it would be difficult for the entrepreneurs to cover the operating expenses and interest charges. A high profit margin ratio implies that the firm is able to operate at a relatively lower cost. This advantage had been enjoyed by all the entrepreneurs in both the regions.

### *ii. Net profit margin*

This ratio was obtained after deducting the instalments from the gross profit. A high net margin ratio indicates the project's capacity to withstand adverse economic conditions.

As stated previously, if only the current financial position is considered, then BRAC cannot be certain about the safety of its claim; so it is desirable to consult few ratios simultaneously. Development agencies could use the quick ratio to judge the enterprise's liquidity or debt paying ability and use the profitability ratio to determine the project's earning prospects. If both the ratios are low, credit should not be granted. On the other hand, if the profitability ratio is high but the quick ratio is low, extension of credit may be approved as a profitable enterprise will grow and will have improvements in its current ratio. Table 8 indicates that both the ratios are high in all the projects, but if net profit margin is to be calculated, then the figure is negative for the tailoring as well as the laundry projects in Gopalganj region. There may be several explanations to this which will be discussed later.

### *iii. Return on investment:*

Profitability of the enterprise can also be evaluated in terms of the firm's investment in assets.

$$\text{Return on investment} = \frac{\text{Earnings (net income)}}{\text{Investment}}$$

Earnings refer to net income which has been estimated after deducting the monthly instalment of the members from their monthly gross income. Instalment refers to a portion of the total loan plus an interest has to be repaid over the period of loan.

Opportunity cost will not be measured as it is often less valid for female labour, which is commonly constrained by non-market relationships and commitments (Bernstein et al, 1992).

Projects with return on investment (ROI) having a value greater than one ought to be accepted. If interpreted in economic analysis, only the enterprises in Khulna seem to be the viable ones. Performance of both the projects in Gopalganj in terms of their return on

investment was relatively poor. Members owning tailoring shops were the worst hit though their average loan size is the highest among the four as reflected earlier in Table 3.

**Table 8: Ratio analysis of laundry and tailoring**

	Laundry		Tailoring	
	Khulna n = 31	Gopalganj n = 10	Khulna n = 64	Gopalganj n = 33
Gross income (Tk.)	966	578	1178	546
Quick ratio	3.5:1	2:1	5:1	2:1
Gross profit margin (%)	66	37	76	45
Net profit margin (%)	23	-9	32	-35
Net income <sup>1</sup>	533	198	604	-75
Return on investment <sup>2</sup>	1.08	0.44	1.38	-0.13

Gross income in Gopalganj region is also comparatively lower than Khulna region. But it does not suggest that the projects are non-viable or should be closed down. Several explanations may be offered for this low figure as mentioned earlier while explaining the output-capital ratio or the return on capital investment. Larger loan size may also be held responsible since it affect the net income level as larger instalment has to be paid to the organization. Age of the enterprise also plays a vital role. In Gopalganj, there were two sets of members, one group have been involved for nine months and the other group for an average of four months. Those women who started the activity later, i.e., the relatively inexperienced members were less efficient in terms of their daily income as indicated in the Table, and thus unable to possess any money at hand after the payment of instalment which explains the negative sign attached to the figure in Table 8. REP assumes that the first few months form the trial period for any project, after which skill develops and income starts flowing. So, in the initial period, it is quite natural for more cash outflow than inflow. Table 9 further supports this view which shows that in other region there was a general increase in income with the age of the enterprise.

Training is also important for effectiveness of the project. It was learnt from REP staff at the Head Office that the differential result can also be due to training which plays a vital role in ensuring profitability. All members received training in Khulna whereas in

<sup>1</sup> Net income = gross income minus instalment

<sup>2</sup> ROI = net income divided by total cost

Gopalganj, specific members were given training and those who did not wish to be trained were not provided any kind of training. However, the daily income in the laundry project is equivalent to the income earned in the tailoring shop, but due to differences in the number of working days, the gross income in the former is higher than the latter.

**Table 9. Relation between the performance of members and the age of the enterprise**

	Laundry				Tailoring			
	Khulna n = 31		Gopalganj n = 10		Khulna n = 64		Gopalganj n = 33	
LOAN	4323		3800		5750		6212	
months	>4	<4	>4	<4	>4	<4	>4	<4
Weekly hours worked	47	50	49	-	46	46	44	40
Hours worked daily	7.5	-	7	-	7	7	6.6	6
Monthly hours worked	200	-	210	-	197	196	190	170
Daily income	34	21	20	-	43	32	22	15
Gross income	908	642	563	-	1170	898	779	423

Project-wise, tailoring is more readily accepted because of less working capital needed and consistent with factor endowments in their own environment - it can be performed in their homes. Unlike tailoring, laundry has not been able to attract as many members as their washing skill is lacking. Besides, there has to be sufficient demand which is a necessary condition for realization of employment and output that are technically feasible (Khan and Haque, 1981).

It is profit that keeps meeting the recurring expenses. If a project is not profitable, the working capital will be gradually depleted. So, even though both the projects are moderately capital intensive and create work opportunities for the womenfolk, the findings suggest that being a good programme in one area does not necessarily imply the generation of income upon implementation instantly in another area. The performance of the projects depends primarily on how and when it is implemented. Besides, occupational mobility is also an important indicator of borrowers viability.

A point to be noted is that loans to these projects are made on condition which are within the debt-servicing capacity of the borrowers.

Question arises whether the projects are in conformity with BRAC's intended goal. In other words, whether the costs incurred by REP to deliver the services tally with the benefits derived by the project participants. Since no investment cost arises from BRAC's perspectives, it does not expect any monetary return but only the desired goal/objectives which can be quantified by the number of jobs created and also generate satisfactory earnings for the rural women. But then again several studies reveal that goals are not of major significance in understanding or evaluating programmes. For BRAC it is sufficient if it can obtain an income from the interest which covers the cost of the funds being used, the transaction costs, some provision for losses due to defaults and some marginal profit. Credit is given out and is ensured that the money will be realized with interest. Due to the recent diminishing trend in the flow of subsidized fund, arguments are often made/raised for attaining the financial viability of any organization if it is to reach out to a large number of poor section (CGAP, 1998)

Major categories of cost borne by REP are both direct and indirect.

Direct costs are those which are directly related to the supply of credit like the interest expense, loan loss provision, personnel expense of the staff including their salary, training cost, and transportation cost. Training of the members is also included in the direct cost as it directly influences their credit/saving attitude by affecting their profitability.

A three-day training is required for the members who wish to set up a tailoring shop for which REP pays Tk. 1,000 to the trainers; for laundry it is only Tk. 300. Cost of training is the only significant cost component for BRAC. And as far as the loan loss provision or the interest expense is considered, REP to date has not charged any money for them as the projects were initiated on an experimental basis.

Indirect costs include the rent of the office building, office materials and supplies, transportation of the overhead staff, telephone, postage and other utilities. Since rural enterprise projects and other programmes are carried out simultaneously from the same branch, i.e., the enterprises are shared with other projects, it becomes difficult to estimate cost.



### 3. Conclusion

The projects discussed so far not only provide round the year employment, but are also well suited to the women's social constraints and household responsibilities. The entire cost on these two projects is not significant though detailed investigation has not been made. If REP's cost is compared with the number of jobs created for the members through these projects, then the findings prove that these small enterprises are very promising ventures to increase the productivity and income generation for the entrepreneurs which is important for long term development and sustainable employment. In terms of number, these projects more than compensate for the cost that REP has to bear. Acquiring skill by means of these projects can neither be ignored totally. These projects are, however, very important as they draw/bring out women away from their traditional role of housewives and help them set up themselves into entrepreneurs in jobs which were under men's arena. Available evidence suggests that rural enterprises contribute most of the economic development of the countries with surplus labour and limited capital (Watanabe). Datt and Ravallion (1996) also suggest that policies that boost rural non-farm employment does have significant impact in reducing rural poverty.

As pointed out earlier, sustainability of the borrowers will occur only if the capital investment with the loan amount produces line of benefits by reducing poverty and resulting in the members viability. If there is a mismatch in demand and supply condition, the rate of return from investment will suffer, and the long-term viability of the project is likely to be jeopardized as has been observed for both the projects in Gopalganj. Therefore, it is essential to have matching of demand-supply side of investment to sustain a higher flow of income after paying all the relevant dues (Osmani, 1989).

Given the prevailing social system with women having little financial independence, under these circumstances, it may be desirable for the NGOs and other development organizations to increase the members asset base and output-capital ratio to improve their long-term economic viability from income generating projects (Amin, 1997). In the neighbouring countries, tailoring has proved to be one of the most useful and successful of



the schemes (Rao,1985). In the present study the project also seems to be better than laundry in terms of skill required and the capital cost needed and since workload can be easily balanced with other commitments. But then again it is still too premature to arrive at a decisive conclusion. Thus, it is clear from the foregoing discussion that there is a potential for both the increase in employment and the rate of return in both the projects with special reference to tailoring. Study results clearly infer that with the subsequent fall of external fund, REP is on the right path and more encouragement/care should be given to the creation of innovative projects with low investment cost but significant returns .

#### **4. Policy implications**

1. Considerable emphasis must be given on training to the members since it has been found to be crucial in affecting the profitability of the programme.
2. Efforts should be made to identify businesses that provide adequate return on labour and yet compatible with women's household and social responsibilities.