

Annex Case Studies

CASE STUDY 1: Use of Local Material for a High-value Product: Hunza Carpet (Pvt.) Limited (AKRSP)

Hunza Carpet (Pvt.) Limited was initiated by AKRSP in November 1996. The objectives of this project were to: (a) transfer carpet-making skills to the Northern Areas; (b) create a high quality carpet-making enterprise that would generate employment for local people; and (c) use local wool in carpets so that wool producers would get better returns for their produce. The location for the carpet-weaving centre was initially to be at Minapin Nagar in order to use the wool from a new sheep breed that AKRSP had introduced. Later, the location of the centre was shifted to Hyderabad, Hunza.

AKRSP hired a French consultant, who had carpet factories in Peshawar and Afghanistan, to do the initial survey and operate the training centre. Upon his recommendation, five young local people were selected for a five-week period of training in carpet making in Peshawar. The training was arranged at the consultant's factory in Peshawar. The consultant involved two Turkoman master trainers in the process. Just after the training, experimental production commenced. By the end of November 1996, 15 local people had been trained and 13 people were undergoing training. AKRSP has spent around one million rupees in research and development for the carpet centre. In November 1996, the carpet centre was handed over to a local entrepreneur who was involved in the process of establishing the centre from the very beginning. He registered the enterprise as a private limited company (Hunza Carpet Private Limited) and took over the responsibilities of managing and operating the enterprise. In December 1996, AKRSP provided credit of Rs 580,000 to the enterprise at a service charge of 15 per cent.

In January 1997, 400 educated girls applied for training. Eighty were selected. At the end of the four-month course, all of them were offered employment with the carpet-making enterprise. Presently, 61 girls have received permanent employment and nine are part-time employees. Seventy-five permanent employees, 61 women and 14 men, are working with the enterprise.

During 1997, the enterprise sold carpets worth Rs 3.3 million and made a net profit of about one million rupees. The enterprise repaid the loan from AKRSP with service charges. The enterprise is now producing different varieties of carpet, locally known as *kilim*, *sumac*, and *gabeh*. The unique designs of traditional Hunza motifs, use of vegetable dyes, and good quality local wool are the potential competitive advantages of the enterprise. Further, the enterprise does not use child labour; in fact, the minimum age of all its employees is more than 20 years. Because of all these factors, the products of the enterprise are selling at a premium price and have created a special niche. A Turkoman master trainer is managing the production process and the entrepreneur is involved in marketing the products. In January 1998, AKRSP provided a loan of Rs 1.2 million to the enterprise to meet its working capital at a service charge rate of 24 per cent with a two per cent prompt repayment incentive. All the objectives that were initially set for this enterprise have been achieved. The enterprise has the potential to create several more jobs in future.

CASE STUDY 2: Tapping Potential Entrepreneurship through Credit: The Case of Saifur Rahman's Flour Mill (SRSC)

In response to the needs of the community, Mr. Saif-ur-Rehman of Lulo Bandi village in Mansehra district decided to set up a flour grinding unit in his village since his fellow villagers had to travel to other areas for this purpose. He put his proposal to SRSC through the Community Organization (CO), requesting a short-term loan of Rs 15,000 for the purchase of a flour husking machine, and this was duly granted to him. The loan was disbursed in December 1995 and was repayable within 12 months in equal monthly installments along with service charges @ 14 per cent per annum. He purchased the machine and commenced operations with the help of a trained assistant employed by him on a monthly wage of Rs 800. The machine has been used for grinding wheat and maize. The response to the business was very positive, and he has been able to attract a reasonable number of customers - and these also include people from villages nearby. During 1996 his gross earnings totalled Rs 50,000 enabling him - after meeting the operational costs of the machine, wages of the operator, other expenses, and the loan installments - to clear Rs 1,600 per month. During 1997 he replaced the machine, purchasing the latest model with a better grinding capacity at a cost of Rs 30,000; the result was that he almost doubled his monthly earnings during the season. His net earnings averaged Rs 3,000 per month in 1997.

Mr. Saif-ur-Rehman is a disabled person but he now intends to expand his business by installing similar machines in other villages. He will run them through employing staff. This will not only generate income for him but will create employment opportunities for other villagers as well.

CASE STUDY 3: An Enterprise in Infrastructural Development: The Case of Tayyab Jan's Blasting Machine (SRSC)

Mr. Tayyab Jan, of Been Basian - Oghi village in Mansehran district received training in credit and enterprise development from SRSC after becoming a member of a community organization. He decided to start his own business by purchasing a blasting machine to be operated during the construction of roads, bridges, and so on in the hilly terrain. He put his proposal to SRSC through the CO and requested a loan, which he received in July 1996. The loan was repayable in two years. He employed a trained operator at a monthly wage of Rs 2,000/- and also started learning to operate the machine himself since it required a crew of two persons.

He commenced operating his machine with the construction of the Numsheran - Gujran Road (Oghi) and then shifted to the allied roads after its completion. His net earnings — after deducting the wages of the operator, maintenance and operational costs of the machine, and other overheads, i.e., dynamite etc — averaged Rs 6,000/- per month from August 1996 to November 1997. This enabled him to pay back a sum of Rs 60,000 to SRSC out of the total loan of Rs 95,000.

From October 1997 he has started work on the Haryala road, which is a bigger project, and he anticipates a net earning of Rs 8,000 per month from this assignment. Mr. Tayyab Jan is satisfied with his business and intends to expand it in the near future.

CASE STUDY 4: Enterprise Creation through Women's Organization: The Case of Gulghutai Women's Organization (BRSP)

The BRSP helped the women of Talari Mohammad Jan village to set up a women's organization on October 10, 1996 (named Gulghutai) by extending a small loan of Rs. 8,000. This was the first stage of loaning and the future situation in terms of bigger loans was to depend on the progress achieved with this initial loan.

The idea of having a women's organization in Talari Mohammad Jan Village was floated by representatives of NGOs and the BRSP. All the conditions for receiving loans, such as the amount required, purpose, number of applicants, mark-up, and so on, are determined by the villagers themselves in their monthly meetings and approval is then sought from BRSP. Gulghutai received the loan at a mark-up rate of 12 per cent.

Fourteen village women led by the entrepreneur, Khan Bibi, were involved in a micro-enterprise project to generate income from handicrafts, pickles, candles, and jam. Since it was a small project, no feasibility study was carried out prior to the start of the project. However, the factors kept in mind for identification of the product included availability of skills, extension of existing production lines, and the possibility of increasing incomes through marketing the products.

The raw materials used included fabric, thread, and buckram for handicrafts; sugar, fruit, and vegetables for pickle and jam; and wax for candles. Only 10 per cent of the total raw material used was produced locally, while the remaining 90 per cent was bought from other areas. No machines were used and everything was done by hand. The raw materials were bought with savings and borrowed money.

Women involved in the project were relatives of Khan Bibi as well as others from the village. Their average age was 25 years, and all had middle standard education. They were provided with technical training by the BRSP staff and a consultant from Peshawar hired by the BRSP. The consultant was trained by the GTZ in micro-enterprise development. She primarily taught the women to maintain financial records.

The total investment in the project was Rs 11,000, out of which Rs 8,000 had a mark-up rate of 12 per cent. The loan was given for a period of one year; and it was paid back on time.

Eighty per cent of the total produce of Gulghutai was sold in the local market. The problems faced were mainly related to insufficient demand for their products (and this made competition extremely tough, forcing them to improve the quality of their produce); lack of knowledge of markets and marketing channels; exploitation by intermediaries; and the fact that small production units were scattered throughout far-flung areas of Balochistan. To prepare the women to face the challenges of marketing and equip them with the skills to market their products more efficiently, the BRSP also provided them with training in marketing.