



Banzaid

RESTORING LIFE

SME Business as a Development Tool

Introduction

Development theories take different starting points based on their philosophies of the best way to help people:

- **Social goals come first**: When communities can learn to live and work together they can solve all their other problems. This includes issues of gender and human rights.
- **Education and health come first**: When the children are educated, and the community is healthy, then they will be able to sort out all their other problems. Historically many Christian projects have started from this point, giving priority to the setting up of schools and hospitals. Christian schools and hospitals are rightly famous for the quality of service that they give.
- **Economic issues come first**: When people have a stable income they will send their children to school; they will eat more healthy diets and organise their own medical treatment. People know what they need to do and want to do. They just don't have the resources. If the development project will provide access to resources then they will do the rest.

Of course in a balanced approach to development all three approaches interact and build on each other, and all are necessary. "Evidence shows that it is not possible to have sustainable and inclusive economic development without investing in human capital. This requires prioritising investments in the building blocks for productivity in the longer term. That is, investing in education, health, nutrition and gender equality. Investments in human capital and infrastructure are not mutually exclusive and should be complementary"¹

Without social cohesion and access to basic rights community development is not possible. Healthy and educated communities will build social cohesion and potential for economic growth. Prosperous communities with access to markets will value education and social unity.

SME Business in Economic Development

Economic development can take many forms, but for the purpose of this session we will look at business as a tool for development. Microfinance, and the setting up of micro-businesses has had a high profile through Grameen Bank and the work of Mohammad Yunus in Bangladesh, but that is not what we are looking at in this session. We are looking at **small to medium enterprises (SME)**. SMEs are the backbone of most economies. The World Business Council for Sustainable Development website (www.wbcsd.org) quotes a figure of 95% of private sector firms being SMEs. They say that SMEs "have a key role to play in poverty alleviation by promoting economic growth that is inclusive and reaches the majority of people".

An ordinary business has just one fundamental requirement or "bottom line" – to make a profit for the owner. Those using business as a development tool talk of a "triple bottom line": Economic – to be successful the business does have to have an economic return; Social – the business is seeking to have a social impact in the community where it is operating; Environmental – the business is concerned for environmental issues. Of course for Christian organisations we add a fourth "bottom line" of expecting the business to have a spiritual impact. These are sometimes called *Social Businesses* or *Social Enterprise*.

¹ From www.lowyinterpreter.org/the-interpreter/charting-more-sustainable-development-path-pacific

The use of markets and business methods to address poverty and other global concerns is a recent and sometimes contested entry into the international development dictionary. Supporters see it as a movement that will unlock new sources of money, energy and innovation in the fight against hunger and disease². Some of the key policy issues that need to be reviewed when considering this type of venture:

- The business based model has a clear vision for sustainability. There is a cost in initial investment for setting up, but the ongoing outputs are sustainably based on the income generated by the business. Using the market to attack poverty has both costs and benefits; make sure that both are rigorously assessed – consider issues of financial and economic sustainability.
- The aim is that the workforce will receive Fair Trade compatible wages and conditions.
- The best results come when market-based investments are combined with measures to change the structure of the economic system, through new forms of ownership and accountability.
- Note that while a successful business has to be making a profit, this profit is not going back to outside owners or investors. The concept is that any profit is either reinvested in the business, or is used for recognised needs in the target community.
- Increasing the ‘social value’ of the market must go beyond a target-group approach, to encompass the full range of social issues that underpin poverty reduction.
- This is not philanthropy or Corporate Social Responsibility (CSR). These are genuine businesses, meeting the normal business requirements.
- The business model is best seen as a tool which is a complement to, not a replacement for, other routes to poverty reduction that rely on civil society and public action.

Christian Missions have been pioneers in the business approach to development through the Business as Mission (BAM) movement. NZBMS has several projects based on BAM principles, and we will look at one of those projects as a case study.

Business As Mission is businesses that are:

- Intentional about Kingdom of God purpose and impact on people (individuals, families, communities and nations), and nations and all of creation;
- Focused on holistic transformation in the context of and the multiple bottom lines of economic, social, and environmental and spiritual outcomes;
- Concerned about the world’s poorest and least evangelized peoples even in our ‘own back yard’; and
- Committed to being profitable and sustainable.

What we are working for is a world in which ‘industry aims to answer the needs of humanity and is not an endless battle for control, profit and wages’.

(BAM Global Think Tank Report October 2013 “Biblical Models of Transformation Through Business Practices” p27)

New Zealand Baptist Missionary Society (NZBMS)

The NZBMS has set up two specialist departments working in this area of Business as Mission/Business as Development. These are:

- **[Marketplacers International Ltd.](#)** Marketplacers serves as a business incubator establishing and nurturing business based initiatives. In addition to Freeset there are also other units in

² See Bishop and Green, *Philanthrocapitalism: How the Rich Can Save the World* (2008) and Michael Edwards *Will ‘Philanthrocapitalism’ Reduce Global Poverty?* (2010)

Kolkata, and support for further units in other countries. The website also handles New Zealand based on-line sales of the products produced by the businesses.

- **Banzaid:** Banzaid is not a separate entity, but is established as a department of NZBMS, bringing a development perspective, skills and support to wider mission activity. Banzaid has specialised in this area of business as a development tool, supporting a variety of business based activity.

Case Study – Freeset in West Bengal

An estimated 10,000 sex-workers live and work in the Sonagacchi red light district of Kolkata city in West Bengal. Many of these women have been trafficked into the brothels. Their families were told that they would be going to factory or household work but on arrival in Kolkata they were forced into the sex trade. The Freeset business is located in Sonagacchi. It was founded by New Zealand Baptist pastors and social entrepreneurs Kerry and Annie Hilton. To make a difference that would bring real freedom for these women, they understood there needed to be a business alternative.

Women caught in the Sonagacchi sex trade are trained with skills for a new job and empowered with the life-skills to be able to choose new directions for their lives.

Freeset Bags and Apparel Pvt (FBA) was established in 2001 on the fringe of Sonagacchi. Its aim: to provide alternative employment for women trapped in the sex trade. Over the following years FBA expanded, as its overseas market penetration increased, growing its range of products – into cotton and canvas bags, and tee shirts – and now employs over 200 women from within the community.

Murshidabad District

As Freeset expanded they became aware that over one third of the women they were working with had come from the district of Murshidabad, to the north of Kolkata. The reason these women are being trafficked is the poverty of the district. Murshidabad is the ninth most populated district in the whole of India. It is considered one of the poorest districts in West Bengal, and is ranked 15th out of 17 districts in terms of the Human Development Index (HDI). 87.5% (6.2 million) of the district’s population live in rural villages. Research indicates that numbers for those who are classified as ‘poor’ could be as high as 68% for rural areas. Just 10% of women in the district participate in any form of income generating activity. Low levels of literacy, the lack of job skills and limited opportunities to engage in economic activity create an environment where young people are forced to migrate to the city for work. Young women migrating to the city are regularly trapped into Kolkata’s well-established sex-trafficking networks.

The Freedom Businesses Project

Working with Banzaid, Freeset has established a project to expand their Kolkata operations into the Murshidabad district. The *Freedom Business Project* was a five year project to expand the Freeset operation into the district by establishing up to four new production units, employing 300 women assessed as being at risk of getting caught into the sex trade by traffickers (see box).

Because women are selected for employment on the basis of risk rather than skills, there is an employment skills training programme.

The Freedom Business Project	
Goal	“Healthy, stable, economically sound village communities that value and cherish their daughters”
Intended Outcomes	
Long Term:	Stronger local communities with reduced migration.
Medium Term:	<ul style="list-style-type: none"> • Improved economic opportunities and decreased poverty reducing the driver of migration • Proactive communities working together to uphold rights and decrease trafficking
Short Term:	<ul style="list-style-type: none"> • Increased employment skills for ‘at-risk’ women and families • Improved access to social services in the community • Increased community awareness and response to trafficking
Planned Output	Four production units in the Murshidabad district, employing 300 at-risk women

Social services support is provided by Tamar, an Indian registered NGO set up to provide counselling and support services for the women and their families. This includes assisting them to access the Indian government health and social welfare services.

In partnership with Justice Ventures International (JVI) we are supporting trafficking awareness programmes for local communities and for local administration (police and government officials).

The project was submitted to the Aid Programme of the New Zealand Ministry of Foreign Affairs and Trade (MFAT) for funding support. They have committed a total of NZ\$ 1.25 million over the 5 year period.

Progress and Vision

As described above, Freeset Bags and Apparel was established in 2001, and now employs over 260 women in manufacturing bags and tee shirts that are sold in UK, Germany, Switzerland, USA, Canada, [Singapore](#), Australia and New Zealand. The expansion into the Murshidabad district has been operating for 3½ years. Three production units have established, with a combined total of 76 employees. Progress has been slower than expected, and we have recently proposed to extend the original 5 year programme to 7 years. Key issues have been around the growth of the organisation – ensuring the right structures for growth, and building markets for the products.

Freeset is fully Fair Trade certified. Freeset received an A+ rating in the 2018 [Ethical Fashion Guide](#) produced by Baptist World Aid Australia and Tearfund NZ. Of the companies surveyed for the Fashion Guide Freeset came through in fourth place.

The vision of Freeset is to grow to employ at least 1000 women in the coming decade.

Resources

Business as Mission Global Think Tank <http://bamthinktank.org/> See particularly their Reports page, and the published reports that are available there.

The Devex website (<https://www.devex.com/en/>) often has articles that relate to a business based approach. They have a daily email on general development news. They also have a specific section on “[Business Transforming Development](#)”. This has a monthly newsletter.

International Institute for Environment and Development (IIED) has a section on “Sustainable Markets” www.iied.org/sustainable-markets

- <http://www.iied.org/ngos-friend-or-foe-markets-for-poor>

Freeset: Information about Freeset is on their website <https://freesetglobal.com/>

- Also see <http://freesetincubator.com/> for more information on the business incubator concept.
- There is a video featuring the Murshidabad programme on the [Banzaid website](#). This includes an interview with one of the women working in the Sherpur weaving unit.
- There are also a number of videos on the [Freeset channel of YouTube](#)

Paul Thompson
Banzaid Manager

