

# B-SkillFUL Programme Phase II

## Lessons Learnt



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**B-SkillFUL**





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## About the programme

B-SkillFUL Programme Phase II aimed to improve the productivity and competitiveness of Micro, Small and Medium Enterprises (MSMEs) in Bangladesh. Funded by the Embassy of Switzerland in Bangladesh, B-SkillFUL was implemented by Swisscontact from September 2020 to June 2023 in six districts of Bangladesh: Dhaka, Gazipur, Kishoreganj, Bogura, Rangpur and Nilphamari.

The start of the programme in September 2020 coincided with Bangladesh emerging from its first nationwide COVID-19 pandemic lockdown. At that time, many businesses in Bangladesh had recorded revenue losses, including more than 70% of MSMEs. A further 40% of MSMEs had reduced employee salaries or terminated employment or both (Inception Report, 2021). The situation called for interventions to support small businesses and improve employability of workers.

B-SkillFUL's approach therefore focused on providing the most needed services directly to MSMEs to build back and recover from the impacts of COVID-19 pandemic. At the same time, establishing market linkages and embedded services were also an essential component of the programme's long-term strategy. However, due to intermittent lockdown and fragile market conditions, the programme's long-term strategy remained at a scoping stage during this phase. The strategic timeline for B-SkillFUL's implementation is presented in Figure 1.

Operating within this challenging economic context, B-SkillFUL sought to strengthen financial management and market access among MSMEs and build productivity-boosting skills. Despite the challenges of the time, gains were made. B-SkillFUL trialled the delivery of workplace-based training and business development services with 575 MSMEs and 7,247 workers. Through this process, the programme gained an understanding of the training and business development services that were in demand among MSMEs, and insights into how to best deliver those services.

### Definitions

**Work-place based training (WBT)** formalises the process of upskilling new or less-experienced staff by having them work alongside an experienced worker who demonstrates 'what to do' and 'how to do it' through a structured training format. B-SkillFUL linked MSMEs to entities that provided these training services.

**Business development services (BDS)** refers to a broad range of services that companies can use to enhance their operations, growth and development. These services can include marketing, management advice, sales generation and management, financial planning and analysis, or advisory services on legal registrations and regulatory compliance. B-SkillFUL worked with private sector partners to link MSMEs to these services.

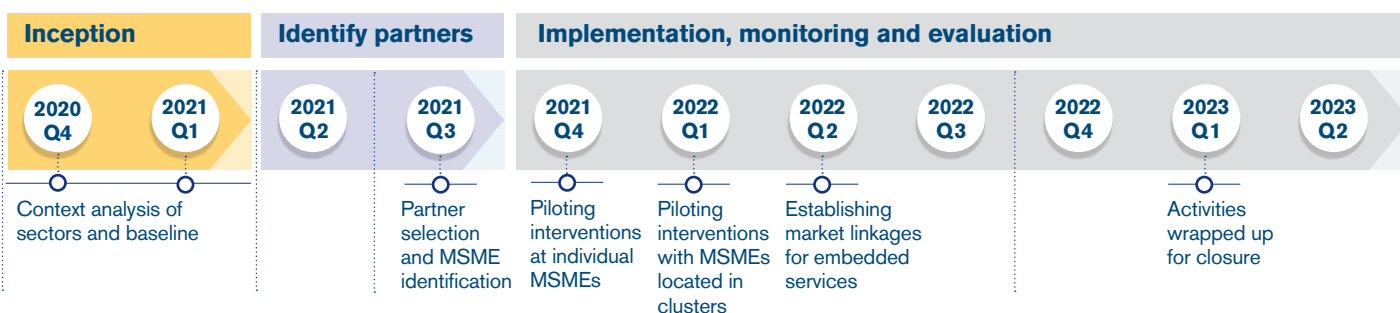
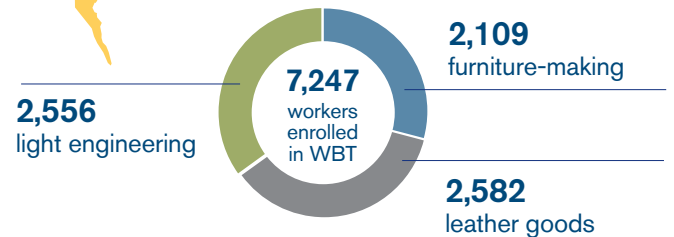
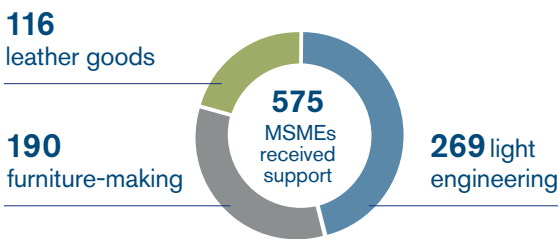
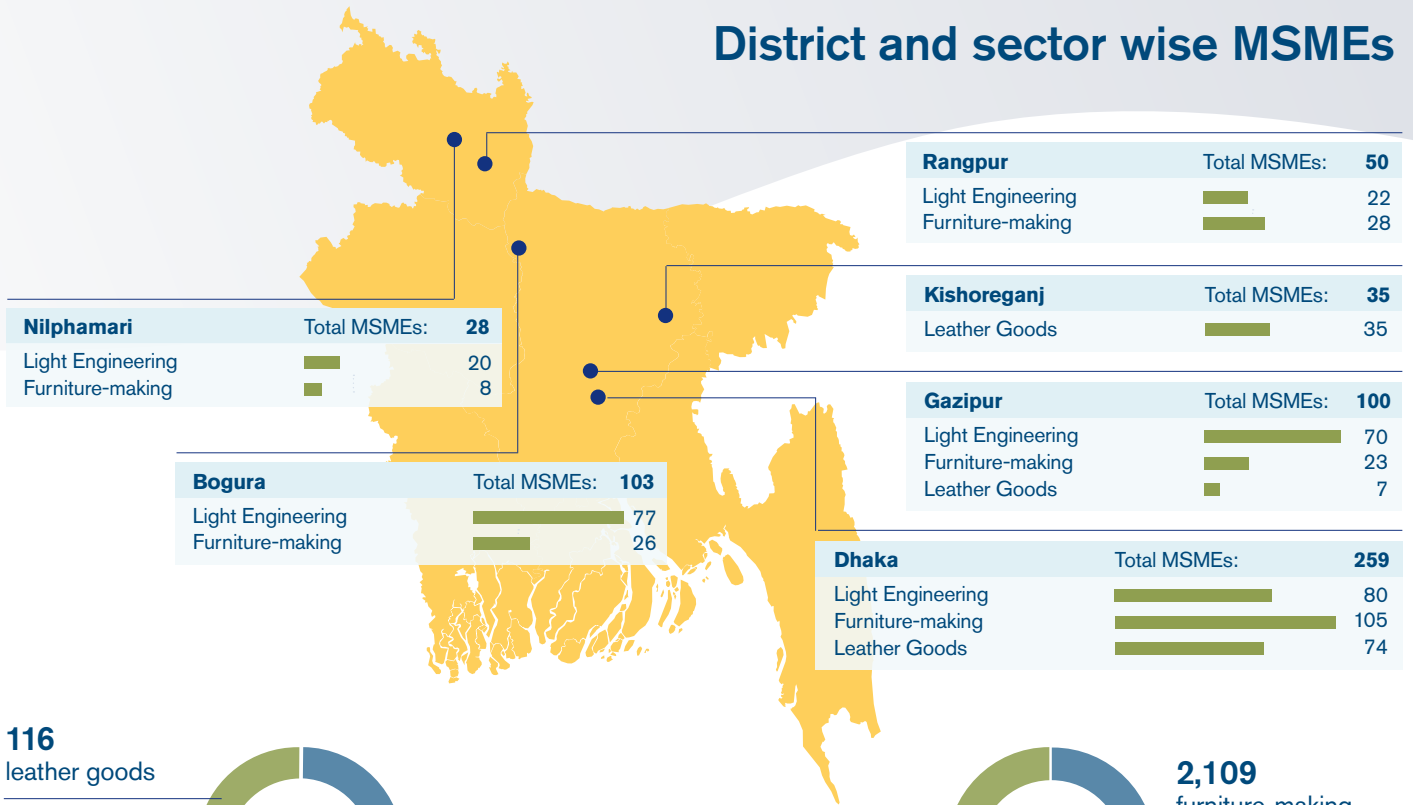


Figure 1: Timeline for implementation

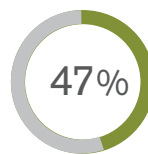
## District and sector wise MSMEs



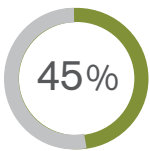
## Key Results



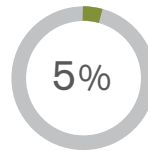
of trained workers saw an increase in income due to workplace-based training. Average monthly income increase was BDT 2,737



of MSMEs increased their production efficiencies following workplace-based training and utilising improved business development services



of MSMEs reported a decrease in accidents, improved teamwork and motivation among workers following sensitisation on labour rights and decent work, and occupational health and safety issues



MSMEs saw an increase in sales. Average annual sales increase was BDT 3,715,000 (early signs of impact)

### Workplace-based training

**82%** are practicing new skills at work

**52%** reported increased productivity

**18%** of workers' incomes were above market average

### Business development services

**11 MSMEs** → BDT 19,690,000  
BDT 19,690,000 financing was given to 11 MSMEs helping them buy new machinery or to use as working capital

**10 MSMEs** → BDT 3,550,000  
BDT 3,550,000 equity investment (micro equity investment on revenue sharing basis) was given to 10 MSMEs

**18 MSMEs** → BDT 524,000  
18 MSMEs paid around BDT 524,000 for additional business development services

**56%** MSMEs

are using digital marketing platforms such as Facebook Marketplace, Google Business Profile and Daraz

### MSMEs invested

BDT 150,900 in safety equipment

BDT 419,000 in marketing

BDT 8,740,000 in new machinery and advance technology

## Finding a path to economic recovery

B-SkillFUL first worked to understand the leather goods, furniture-making and light engineering sectors. During this context analysis, B-SkillFUL identified that MSMEs needed better financial management and market access along with improved productivity. Once B-SkillFUL had identified what was required to support business recovery, it sought to deliver workplace-based training and business development services using the following three models of service delivery:

- **Individual model:** Business development service providers and workplace-based training providers deliver services to interested MSMEs on a one-on-one basis to support business recovery and build resilience.
- **Cluster model:** MSMEs receive services as a cluster with a view to reducing service delivery costs and capitalising on peer-to-peer learning opportunities.
- **Supply chain model:** MSMEs are connected to other businesses as either a supplier or buyer. The businesses offer embedded services and take initiative to upskill the MSMEs as part of this arrangement.

Service providers were able to build an accurate understanding of the services required by MSMEs, and what they would be willing to pay for. However, B-SkillFUL identified that, as MSMEs often lacked a clear understanding of such services, continuous interaction and rapport-building by service providers was crucial to building MSMEs' understanding of these services. This often required significant effort on the part of the providers as they first had to build an understanding among MSMEs of what services were available, and how they could benefit.

## Connecting service demand and supply

B-SkillFUL mapped the business development services demand and supply and applied it to a market development framework for business services, as shown in Figure 2 (Miehlbradt & McVay, 2003). The **supply side** of the framework ranks the availability of those services on a scale of none (none available) to available (services are commercially available via existing service providers in the market). The **demand side** of the framework assesses the demand for services based on the extent to which MSMEs will invest time and money into procuring these services.

Mapping the services assisted B-SkillFUL to determine the best approach to establishing a sustainable business development services market. What emerged was that as B-SkillFUL improved its mapping of demand and supply, it began to apply more nuanced strategies when introducing business development services, as demonstrated in the following examples.

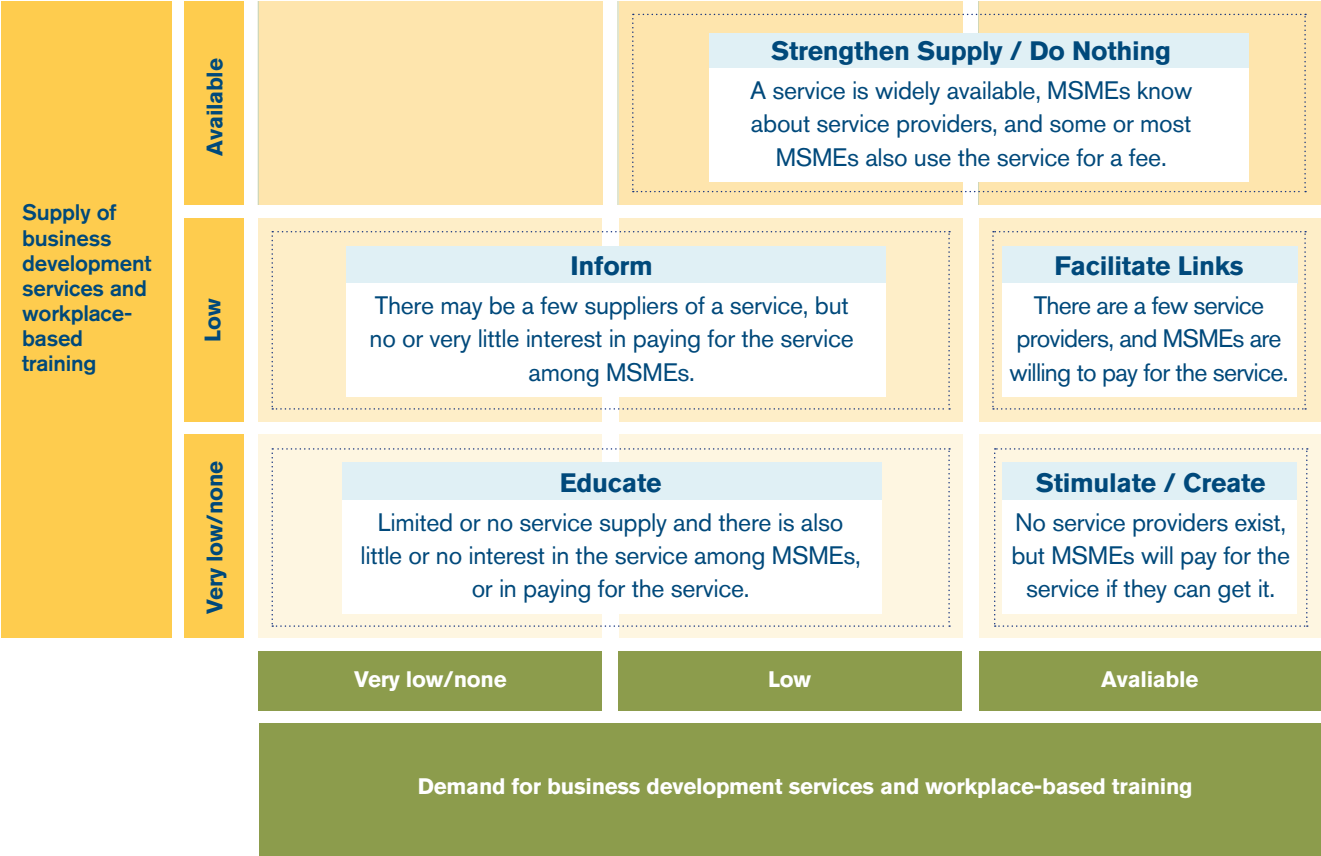


Figure 2: Market development framework for business development services

## Educate

Where services are identified as not available, or only intermittently available, interventions may aim to introduce and teach both providers and MSMEs about the services. Such interventions may also provide incentives for trials of the service to motivate and test the market. **For example, B-SkillFUL found that workplace-based training was often a new concept for both training providers and MSMEs. However, after demonstrating the effectiveness of this training approach to MSMEs and providers, more than 80% of MSMEs reported it as useful, and about 28% expressed a willingness to pay for this type of training. Similarly, the programme's intervention to increase women's participation in these sectors through an incentivised model acted as a stepping stone towards creating change.**

## S.M. Rudro Rahman

Director, Rezia Management Consulting

### Case Study 1

Rezia Management Consulting provides business development services to organisations that want to connect to markets and improve production services. Through the B-SkillFUL programme, Rezia Management Consulting provided year-long workplace-based training in 38 MSMEs, and business development services to 120 MSMEs.

When asked about providing workplace-based training services, Rezia Management Consulting Director S.M. Rudro Rahman's observations were that most MSME owners are initially hesitant because they believe that these services involve spending money. "It takes multiple discussions for the MSMEs to realise that such services eventually benefit their business the most." Rudro added, "For MSMEs, the idea of providing training to their employees while working was unheard of."

"In order to ensure that all workers received ample training, we also brought in subject matter experts. These individuals guided the mastercraft persons as they demonstrated skills they had learnt from the trainers to the workers. Doing this allowed them to address incorrect methods that many workers had learnt during their own apprenticeships." Rudro said, "Overall, we did see an increase in productivity and reduction in the manufacturing of faulty products. The only drawback we faced from the MSME owners was that many of their workers shifted to higher paying jobs once they had attained sufficient skills from the training."

Rudro recommends that in the case of MSMEs, the workplace-based training model would have a more significant impact if the timeframe was increased from 12 months to at least 24 months, and if more MSMEs could be involved.



*"The MSME sectors currently lack training that targets specific skill set development, for both labourers and mid-level employees. B-SkillFUL has played a vital role in introducing them to such training."*

**S.M. Rudro Rahman**

There are also issues with production efficiency that need to be addressed. MSMEs need to make changes to the production layout to increase efficiency, but are reluctant to do so because it is an added cost for them. Rudro said, "If the capital could be provided, RMC could easily demonstrate and convince MSMEs to make the changes."

He added, "Most MSMEs have experience with other organisations providing similar training for their employees, without any added costs. This is why fewer MSMEs want to pay for such training. The alternative to this is to have affiliated institutions in the sector, or for public stakeholders to provide these training sessions in collaboration with private entities and experts."

When it comes to ensuring financial access to MSMEs, there is a lack of knowledge on the availability of financial services provided by relevant institutions.

Most MSMEs lack proper documentation, especially when it comes to financial records, which is why they often get rejected for loans. Rudro explained, "We conducted in-house training with the support of Bank Asia, and discussed with MSMEs the sort of loans that they were eligible for, and how to secure them." In 2022, they managed to get BDT 6,500,000 worth of loans approved.

Rudro states that the success factors for an MSME include the right amount of investment, skilled personnel and proper market linkage of their products to a customer base. The MSME sectors currently lack resources and expertise to access these.





## Ismot Ara Sumi

Worker, Albaly Furniture

### Case Study 2



*“I am now earning more, thanks to the workplace-based training. I have more skills and I am looking forward to developing them even further.”*

**Ismot Ara Sumi**

Ismot Ara Sumi has been working at Albaly Furniture for the past two years. Married with two children, Ismot began working to help bring in extra money alongside her husband. Although her husband disapproved of Ismot working, Ismot says this changed when he realised the money she earned helped pay for amenities.

At first, Ismot was relatively unskilled. Despite support from her colleagues, she still struggled to carry out important tasks at the factory like polishing, sanding and applying sealant to furniture. Through the B-SkillFUL programme, Ismot received workplace-based training from Akhtar Furniture Academy (AFA), an antique furniture restoration company based in Dhaka. “I was given hands-on lessons and also taught how to work more efficiently.”

Ismot is interested in attending similar training if the opportunity arises. She added, “I want to learn more about furniture-making, even if it means having to pay for the training.”

Since the training finished, Ismot’s salary has also increased from BDT 1,000 per week to BDT 1,200. She concluded, “Women in my community are also eager to work now. There is demand for such training, especially amongst women who want to work.”

## Stimulate

When there is clear demand for a particular service but few or no suppliers, interventions may focus on designing the service offering and identifying viable business models for its provision. **For example, B-SkillFUL supported MSMEs in a cluster to receive advanced machinery training delivered by a training provider. In this instance, the demand for training among MSMEs was strong enough that it could have been delivered as a commercial training service.**



*“The B-SkillFUL programme helped the factory workers to become more proficient, and to gain the skills needed to operate certain factory machinery. The programme also helped to resolve the waste management issues I was facing.”*

**Hossain Md. Shumon**

## Hossain Md. Shumon

Owner, Shumon Shoes

### Case Study 3

Hossain Md. Shumon, aged 40, lives in the Bhairab district of Kishoreganj. He looks after his mother, three children and wife.

Shumon always knew he wanted to be an entrepreneur when he grew up. In 2007, he opened his own shoe-making factory in Bhairab. Over the past 16 years, Shumon has continued to expand his operation and hire more staff. Today, he sells to wholesale buyers in Bhairab, Noakhali, Mymensingh and Tangail.

Shumon has faced many challenges in his time as a factory owner. One of the major issues he faced was proper waste disposal. “There was no designated place where the waste from the factory could be disposed of,” says Shumon.

He was also worried about the longevity of his business. Larger businesses were making the switch to machine-sewn, automated production, while his factory was still producing shoes the traditional way by hand.

Through B-SkillFUL, Shumon connected with People’s Oriented Program International (POPI). B-SkillFUL and POPI facilitated group training for workers and owners at a common facility centre where 12 of Shumon’s employees learnt how to operate modern machines.

The training covered hygiene in the workplace, and raising awareness among the workers about the use of protective masks while working. Workers also learnt about the benefits of using brushes to apply adhesive glue to the shoes rather than their hands.

Additionally, Shumon received five days of training where he learnt how to run his factory more efficiently. For instance, he learnt there were several machines he needed to buy to increase production, like sewing machines and a machine for cutting and embossing.

The B-SkillFUL programme also helped to resolve Shumon’s waste disposal issues by connecting him to Geocycle Bangladesh, a waste management service provider. Geocycle arranged for a garbage collector to come to Shumon’s factory daily to collect the waste.

Shumon said, “The workers pay more attention to the work they do, after having attended the training. Previously, they would not work regularly or properly, and there would be a lot of absences. That is no longer the case.” He further explained that the workers are paid based on the number of shoes they produce daily. He estimated that he was paying skilled workers around BDT 20,000 per month. That number has risen to BDT 25,000, which indicates there has been an increase in the rate of production.

In closing, Shumon said, “I look forward to investing in such training for my workers if it is provided on a long-term basis, and if there is scope to participate in similar training, especially training related to the latest machines and technology.”

Shumon has begun renting a sewing machine. Now that his workers have acquired the necessary skills, he is that much closer to buying the machines he needs to boost productivity and start generating more income.

## Inform

In situations where some supply exists and MSMEs demonstrate interest, interventions may inform MSMEs about the service and ensure service providers are aware of the demand among MSMEs. Some trials may be initiated to connect MSMEs to the services. **For example, B-SkillFUL informed MSMEs about the business benefits of improving regulatory compliance and workplace environment and connected them to service provider SGS Bangladesh.**



*“I was not aware that in order to acquire the ISO certification, there were a number of requirements that my factory needed to fulfil. This is something I learnt through this service. I have now hired someone to keep the premises of the factory clean on a daily basis.”*



**Baharul Alam Bacho**

## Baharul Alam Bacho

Owner, Diamond PU Footwear

### Case Study 4

Baharul Alam Bachchu, aged 55, started Diamond PU Footwear in 2019 in the Bhairab district and has worked hard to sustain this business. Among the growing challenges he faced were insufficient staff training on factory management, frequent power outages, and issues with the operation and maintenance of important factory machinery. There were other issues, too. For example, chemicals at the factory were being stored improperly, posing a major health risk. Baharul was unsure how to fix these issues and where to seek assistance.

Things changed for Baharul when B-SkillFUL informed him about the services that he can access and how they can help his business to grow. Baharul attended a five-day training course arranged by B-SkillFUL and conducted by SGS Bangladesh, a company specialising in inspection, verification, testing and certification services. SGS gave Baharul orientation in several important and relevant topics, such as the importance of ISO certification and Quality Management Systems (QMS).

ISO 9001 certification means an organisation has met a particular series of criteria relating to quality management systems. More broadly, it is a statement that an organisation's products and services meet particular quality standards. Through the training, Baharul realised ISO certification would add value to his brand and improve customer satisfaction.

In order to become eligible for ISO certification, he had to improve certain conditions at his factory. Baharul learnt how to purchase and safely store chemicals. He learnt how to maintain machinery. He learnt how to keep customers informed about his products, and about the importance of customer feedback. He also improved his method for keeping

inventories and for quality checking both raw materials and finished products.

These and other improvements not only helped Baharul to become more eligible for ISO certification, but they had a positive impact on the health of his factory's operations overall.

Through this opportunity with B-SkillFUL, Baharul could also connect with management consultancy LightCastle Partners (LCP), another B-SkillFUL partner. Under LCP's impact investment scheme, Baharul received a loan of BDT 700,000 to purchase a backup generator and mitigate daily production losses at the factory caused by frequent power outages. Baharul said, “I pay BDT 53,000 in interest every month. I am able to pay this because of the lower interest rates offered by LCP. This loan will be paid off in less than a year.” Since the training and this investment, he estimates there has been a 15% annual increase in production.

When asked about the training he attended, Baharul said, “I am very happy with the services I received. B-SkillFUL facilitated this whole process, and gave me access to the information and resources I needed to address all of my issues and to implement their suggestions.”

Baharul will continue to develop Diamond PU Footwear. Training and an ISO certification would open new doors for Baharul. “I would love to learn more regarding how to improve and expand the business further, especially in the export sector. It would be great if Swisscontact could facilitate and provide me assistance with potential foreign buyers. I am open to opportunities and services of any nature that will further benefit my company.”



## Facilitate Links

When there is demand for a service and some providers exist but they can only reach a small number of MSMEs, interventions may focus on creating linkages between MSMEs and service providers, and encouraging payment for services. **For example, B-SkillFUL partner and business development services provider Inspira worked with local services providers and large firms and linked them with MSMEs as suppliers or buyers.**

*“B-SkillFUL has provided us the opportunity to work with the light engineering sector, which is a promising sector with huge potential. While this has helped MSMEs connect to the services they need, this has also helped us to seek out business opportunities with MSMEs.”*



**Muntasir Tahmeed Chowdhury**

## Muntasir Tahmeed Chowdhury

Managing Director, Inspira Advisory and Consulting

### Case Study 5

Inspira Advisory and Consulting provided business development services to light engineering MSMEs in partnership with B-SkillFUL. Within a timeframe of just one year, their services helped 120 MSMEs explore new marketing channels, access finance and evaluate their production capacities.

Muntasir Tahmeed Chowdhury has been providing strategic directions to the implementation activities with B-SkillFUL. When discussing the challenges in connecting MSMEs to BDS, Muntasir explained, “While MSMEs in Dhaka are easier to work with because they have better understanding of services such as digital marketing, it has been quite challenging to onboard MSMEs in Bogura where several enterprises do not even have access to smartphones.”

Inspira’s team consulted MSMEs on how to market their products on digital platforms and engage with buyers in a virtual setting. To do so, they also helped MSMEs in creating audio-visual and digital collateral that they can continue using for the next few years to promote their businesses. Muntasir mentioned, “Establishing a virtual footprint is very important for a business, and we were able to explain that to MSMEs.”

Muntasir explained how his team worked with local shops and freelance entrepreneurs to develop marketing collateral for MSMEs. This also included capacity building of these providers to an extent that they can provide tips on digital marketing to MSMEs in future. They observed that MSMEs were not aware of such local services before.

“After working with local providers, we created a database of such providers and handed it over to MSMEs so now they are aware of what services are available and where to find them,” said Muntasir.

Linking MSMEs to platforms like Daraz on the other had its own set of challenges. Although this opened opportunities for MSMEs to expand their customer base, the strict eligibility criteria and restrictiveness of the platform were discouraging for MSMEs, therefore most MSMEs were not interested in engaging with them.

Inspira’s activities also involved working with large firms to understand their needs and how MSMEs can be integrated into their supply chain. As businesses are now getting more inclined to sourcing equipment from local MSMEs due to global price hikes and import restrictions, this gives a good opportunity for MSMEs to attract them. However, issues with quality of products inhibit light engineering MSMEs from supplying to large firms.

When asked about plans to continue working with MSMEs, Muntasir responded, “We see a great opportunity to work with the light engineering sector that can serve our own business goals. We have actually partnered with MSMEs under a consortium arrangement that also includes technical consultants. Together we are building capacity of light engineering MSMEs to design and produce prototypes for large firms. Interested firms are willing to pay for this service that allows us to do business with them. As a result, MSMEs are getting a new business opportunity here while also learning new skills.”

## Strengthen Supply

In situations where services are commercially available and demand is either available or low, no interventions are required. However, if service quality or distribution can be improved, interventions should work with existing service providers to enhance the quality of supply for MSMEs. **For example, B-SkillFUL partners worked with MSMEs to develop their loan applications for Bank Asia. While Bank Asia offers loan packages for MSMEs and are struggling to identify eligible MSME clients in peri-urban areas B-SkillFUL's collaboration with them in this case could have focused more on improving their client identification and orientation process.**

## Muklesur Rahman Mukul

Owner, Rohan Furniture

### Case Study 6

Muklesur Rahman Mukul, aged 44, is the sole breadwinner for his mother, wife and three children.

For Mukul, making furniture was a route out of poverty. He entered the furniture-making business as an apprentice at the age of 16. In 2009, he opened his first furniture shop in Rangpur, a northwestern district of Bangladesh.

Each day, Mukul oversees the general operations of his business. This includes checking on the factory's workers, briefing workers on any new furniture designs, procuring raw materials, and handling customers at his showroom.

Like many, Mukul's business was negatively impacted financially by the COVID-19 pandemic and resulting lockdowns. Mukul reached a decision that he would need a loan to sustain his business and pay employees. Around April 2022, Mukul was introduced to the B-SkillFUL programme.

Through B-SkillFUL, Mukul received a loan of BDT 1,500,000 from Bank Asia through Truvalu Enterprises Limited, a Dutch-based impact investment and advisory company. This loan is part of the COVID-19 Recovery Project in Bangladesh, which is implemented by Truvalu and supported by the Embassy of Switzerland Bangladesh. One of the benefits of this service was that Mukul was exempted from paying any interest on the loan for the first year.



*"The benefits of these sorts of loans need to be accessible to other MSMEs, too. My sales and production have increased because of this loan."*

**Muklesur Rahman Mukul**

"With the help of the loan, I expanded the business to generate higher revenues, and even hired five new employees. I used that money to develop a seasoning plant through which I utilise different kinds of wood and wastage produced by the factory for various purposes. I am also selling products through the seasoning plant itself."

Mukul currently has 25-30 employees in his charge, with plans to hire more. While he has taken loans previously, this loan has opened Mukul's thinking and further opened the possibilities for expanding Rohan Furniture even more.

With current orders coming in only from within Rangpur, he now requires help to expand his customer base to regions around other major cities in Bangladesh, namely Dhaka and Chattogram. "I am in need of further financial assistance, skill building training for my workers and access to machinery. Workers need further training on how to operate machinery for furniture-making and am open to investing in such training if available."

## Tailoring strategies to firm type

As B-SkillFUL began to match MSMEs (demand) to service providers (supply), it became evident that for a service provider to capitalise on demand among the MSME market, they needed a level of flexibility in how they approached everything – from deciding what services to provide, to tailoring those services to meet the needs of MSMEs.

When selecting which MSMEs to work with, B-SkillFUL considered the aptitudes of the owners, their willingness to innovate and attitude towards growth. The lessons from the pilot phase indicated that there was also a need to assess the characteristics of the business itself in order to identify what firms would benefit from what business development services.

B-SkillFUL found that an MSME's needs depended on its preferred customer group, business strategy and growth plans. Drawing on this understanding, B-SkillFUL proposed that MSMEs be grouped into different firm 'types' based on their core business strategy and target market. By doing so, service providers would be able to understand an MSME, or MSME group, more efficiently and tailor their strategies to the MSME's needs.

B-SkillFUL identified that MSMEs can be grouped as 'niche market firms', 'careful innovators' or 'traditionalist enterprises'. The proposed approach to working with each of these MSME types is discussed below.

### Niche market firms

Niche market firms offer unique products tailored to specific customer needs or purposes and target a specific niche market. These firms continuously innovate, experiment, and prioritise high-quality products. Such firms can command higher margins by offering unique products and controlling costs through efficient production processes, reducing waste and outsourcing costs. They rely on constant communication with their buyers in order to understand their needs and preferences. They often operate in smaller workshops or facilities, in-line with the value placed on quality over quantity. Led by individuals with technical expertise, niche firms see value in better production systems and worker expertise.

B-SkillFUL identified the service needs of niche market firms as being:

- **Improving production quality and efficiency:** The main selling point of niche market firms is product quality – products must work seamlessly and have perfect finishings. Niche market firms rely on production systems and skilled workers, resulting in fewer mistakes and less material wastage. Such firms are interested to invest in skills development of workers.
- **Enhancing the core business strategy:** Niche market firms need services that support them to constantly innovate and produce new types of products.
- **Reaching more buyers:** Niche market firms have a limited clientele base due to the unique nature of their products. They are interested in better access to markets, however, the marketing methods should allow the owners to communicate with clients on product type, design and preferences. Such firms are therefore capable of branding their products to large buyers and therefore strategies to connect them with large marketing platforms and networking opportunities of connecting with buyers will lead to good results.

The following example from Shabab Leather demonstrates how such a type of MSME has benefitted from programme support.



## Maksuda Khatun

Owner, Shabab Leather

### Case Study 7



*“The opportunity to showcase my leather products through the Corporate Connect event and e-commerce platforms like Daraz allowed me to connect with popular brands and a larger customer base.”*

**Maksuda Khatun**

Maksuda Khatun’s journey from a new entrepreneur learning the business from the ground up to now owning Shabab Leather in Hazaribagh, Dhaka, has been long. In that time, Maksuda has always felt that the marketing strategies being implemented for leather products fall short of reaching a mainstream customer base.

Through the B-SkillFUL programme, Maksuda connected with management consultancy LightCastle Partners (LCP). LCP gave Maksuda advice on how to further develop her business. Initially, Maksuda had some reservations. “Truth be told, after the first three months, I was unsure of the impact it would have on my business.”

The results, however, were very positive. One of the skills Maksuda acquired through her engagement with LCP was how to keep better documentation. LCP also taught Maksuda about the purpose of inventory, and how to track her production.

LCP also helped Maksuda register with Daraz, a leading digital e-commerce marketing platform in South Asia, so that she could promote her business further. As a registered seller, Maksuda became eligible to attend Daraz training sessions where she could learn how to operate her business on the platform and brand her products.

Additionally, LCP arranged for Maksuda to take part in a Corporate Connect event. The objective of the event was to showcase MSMEs and their products to larger brands. For Maksuda, it yielded very impactful results. “Almost instantly, I received bulk orders amounting to BDT 700,000 worth of products from leading leather product brands.”

LCP also showed Maksuda how to boost sales on the existing Shabab Leather social media page. “Boosting Shabab Leather’s social media page has definitely had an impact in expanding our customer base and in building our brand identity.”

Maksuda’s engagement with B-SkillFUL was fruitful, resulting in improved sales. More importantly, it also gave her confidence and the motivation to purchase new machinery and open a new showroom. Maksuda’s outlook is positive. “In the coming days, if such similar services are available to me, I am willing to invest in them to further develop my business.”

## Careful innovators

Careful innovators are relatively mature, established firms that prioritise, deliberate and calculate innovation for growth. They specialise in supplying regular, proven products to a known customer base, and are only interested in new products that will appeal to a large customer base. These firms generate revenue by selling products in large volumes, and often have regular buyers who purchase in bulk. Their marketing strategy centres around showcasing their range of products, utilising targeted mass marketing channels and showrooms. Careful innovators gradually invest in improving efficiency by purchasing better machinery, expanding factory or sales outlet floor space, and increasing worker capacity. They often start as a family business but are willing to delegate managerial roles to non-family members to ensure skilled workers can contribute to the company's growth. Careful innovators tend to be cautious when it comes to formal financing sources, and will only consider a loan when convinced that the financial risks and costs are worth it.

B-SkillFUL identified the service needs of careful innovators firms as being:

- **Cost reduction methods:** Careful innovators are interested in new business processes, machinery, or skills that will reduce costs. They seek services that reduce inventory costs and wastage, and that provide links to affordable and quality raw materials or advanced technology, such as machinery. These firms are also interested to hire women in suitable positions that yields higher efficiency for them, as women are considered as committed and compliant workers.
- **Improving worker skills:** Careful innovators are interested in improving worker skills to maximise efficiencies. They invest in worker training that can increase their speed or enable them to produce new or more products. Such firms are interested to invest in advanced technologies and specialised skills.
- **Connection to buyers:** Careful innovators prefer to sell to bulk buyers who can increase sales volume. They seek connections to such buyers to increase their revenue. They are interested to invest in platforms or businesses that can connect them to large buyers or attain bulk orders.
- **Access to low-cost financing options** Careful innovators are cost-conscious and find general financing packages too expensive. They negotiate for cheaper/low-cost financing options, such as an equity contribution or subsidised loan products

The following stories on Mayeen Engineering and Ayon Furniture demonstrate how such firms have benefitted through B-SkillFUL.





## Md. Rubab Ansari

Owner, Mayeen Engineering

### Case Study 8



*“Thanks to the impact investment from LightCastle Partners, I was able to buy new machinery and increase both my production and revenue.”*

**Md. Rubab Ansari**

Rubab is a third-generation business owner carrying on a business his grandfather set up in 1974 in Saidpur, Nilphamari district. He currently manages the factory's workers, receiving their updates and briefing them about upcoming work.

Rubab needed a milling machine worth BDT 450,000 to help boost production and revenue at his factory, but he could not afford to buy one. He had always been reluctant to take out loans because of the risks associated with them. This changed though when the B-SkillFUL programme connected Rubab with management consultancy LightCastle Partners (LCP).

LCP's impact investment scheme enables MSMEs to take out small loans needed to invest in revenue-generating capital. LCP provided Rubab with BDT 300,000 to help him buy the milling machine. One of the conditions of this investment was that Rubab would have to pay the loan amount back within three years. Rubab has been able thus far to keep up with his monthly instalments.

“The best part about this investment is the increased revenue it generates now. I am not only profiting, but the milling machine I purchased is also paying off its own monthly instalments.” Another benefit of the scheme was that Rubab would pay a reduced interest rate for the first year.

Since purchasing the machine in 2022, Rubab has seen his monthly revenue increase by four percent. He observed that “the interest rate for this loan was only four percent in the first year, which is far less than what commercial banks offer”.

Rubab's experience with the loan was positive, but he still has challenges to overcome. For instance, even if he has machines, he still needs workers skilled enough to operate them. This is a common issue facing many business owners in Rubab's line of work. Rubab's recommendation for the B-SkillFUL programme was that it is more important to train workers on advanced skills rather than manual skills.

For Rubab, this loan and the milling machine he purchased is only the beginning, and he has plans to invest in at least two more machines once his current loan is paid off. “I need to buy a heat treatment machine. I am in talks with a buyer in Dhaka about it, but the cost of logistics and transporting of the machinery is going to be very costly.”

Rubab also believes that there is a demand for such loans, but clear understanding on the terms and conditions and a rigorous criteria process for the eligibility of individuals to receive the loans needs to be put in place.

In closing, when asked whether he would be interested in taking a loan again, Rubab responded: “Yes, I am interested to take such loans in the future if needed.”



*“In order to make space for women workers in this industry, MSMEs such as mine need to be referred to as examples, to convince other MSMEs to include women in their workforce.”*

**Md. Rabiul Islam Robi**

## Md. Rabiul Islam Robi

Owner, Ayon Furniture

### Case Study 9

Md. Rabiul Islam Robi, aged 42, entered the furniture-making business in 2000. In 2015, he established his own furniture-making factory in Rangpur, a city 300 km north of Dhaka.

Through the B-SkillFUL programme, Rabiul was introduced to Akhtar Furniture Academy (AFA), a Dhaka-based antique furniture restoration service. AFA offered to train several women workers from Mukul's factory in furniture-making, and to cover 50% of their salaries for the first three months whilst training. This proposition not only reduced costs for Rabiul, but also allowed him to invest less time in their training. In total, eight women workers from Rabiul's factory attended the training.

These positive developments convinced Rabiul to recruit and train additional women workers in his factory in Rangpur. “There are a lot of women in Rangpur suffering from poverty with no access to any form of financial resources or labour. I saw an opportunity that not only improved their livelihoods, but that benefitted my business as well.”

Rabiul shared several observations about B-SkillFUL's support and its results. In his experience, the turnover rate for women workers at his factory is lower than that of the men. He has observed that the men tend to move on as soon as they have acquired new skills, but that the women seem to stay. In Rabiul's case, all those workers who attended the programme have remained at his factory.

He also feels that the training programme's length should be increased to six to seven months. This would allow for women workers to further develop their skills such as speed of production and the quality of their work.

At present, women approach Rabiul's factory daily looking for work. Rabiul feels there is a lot of scope to employ women workers in the furniture industry, and that many factories neither have women in their workforce nor consider this an option. Recently though, Rabiul has seen that a couple of other factories in his area have begun employing women workers.

## Traditionalist enterprises

Traditionalist enterprises are established family businesses that have been operating for generations. They tend to prioritise stability and continuity in their business operations, with a focus on maintaining their existing customer base. Their growth strategy is to continue with business as usual and grow along with the market. All managerial functions are handled by family members, and they are often reluctant to hire non-family members for managerial decision-making roles. Their business approach is focused on procuring raw materials, producing products, and selling them to a set group of buyers. While they may be open to experimenting with new marketing channels, they generally do not actively seek out new buyers. They are willing to make small incremental changes to their business or production processes, but are cautious of making major changes.

B-SkillFUL identified the service needs of traditionalist enterprises as being:

- **Additional marketing channels and buyer connections:** Traditionalist enterprises prioritise services that connect them with more buyers, and do not prefer any one particular type, or types, of buyers. They are open to invest on digital marketing platforms for increasing customer outreach.
- **Improved demand and production planning:** Traditionalist enterprises are interested in being able to better manage their inventory and cash flow. Techniques and processes that help them forecast demand and plan production accordingly will therefore be attractive.
- **Connections to new vendors and suppliers:** Traditionalist enterprises are interested in connecting to new vendors and suppliers that provide the option to shop around for more affordable sources of raw materials or fixed assets.

- **Access to finance:** Traditionalist enterprises are generally open to taking bank loans for financing, as long as they are confident they can repay them. As established family businesses, traditionalist enterprises may be hesitant to take funding from outside investors.

The following examples from Machine Ghar and M/S Al-Madina Metal Works (two stories for Al-Madina) show how the MSMEs have benefitted through programme support and what challenges they have encountered.



## Mohammad Sajid Alam

Owner, Machine Ghar

### Case Study 10



*“Thanks to the B-SkillFUL programme’s facilitation, the Facebook page they helped us open has expanded our customer base. I managed to sell BDT 400,000 worth of machines through online orders.”*

**Mohammad Sajid Alam**

In 1949, Mohammed Sajid Alam’s grandfather started a business supplying engineering and construction machinery in Dholaikhal, Dhaka. Nearly 75 years later, Machine Ghar is a third-generation family business run by Sajid and his father. It is well-known locally, and has a dedicated customer base.

For Sajid, it was important to find new ways to expand this market of customers, and to keep ensuring the longevity of Machine Ghar.

Through B-SkillFUL’s engagement with MSMEs, Sajid connected with Inspira Advisory and Consulting Limited, a strategic advisory firm that provided Sajid with knowledge and tools related to digital marketing.

With Inspira’s guidance, Sajid has now established a Facebook page and a Google Business page for Machine Ghar. Incorporating online platforms into Machine Ghar’s strategy has made it possible for Sajid to connect to many more potential clients, and also given Machine Ghar a ‘virtual outlet’ in addition to its physical one.

I was initially hesitant about following Inspira’s suggestions. But I managed to sell BDT 400,000 worth of machines. For me, making our business accessible digitally and being able to expand our business is just the first step.”

Sajid’s biggest take-away from this experience is that Machine Ghar has orders coming in from different regions in the country now, with a 30% hike in monthly sales.

When discussing his future plans for Machine Ghar, Sajid said, “I am in need of more diversified marketing strategies, both through traditional and digital channels to increase revenues. If needed, I am willing to invest in such consultancy services as well.”



## Md. Abdul Malek Akando

Proprietor, M/S Al-Madina Metal Works

### Case Study 11



*“The loan has helped me to achieve my growth targets after purchasing machinery that I needed, however the risks and terms of the loan should be made clear before getting into an agreement.”*

**Md. Abdul Malek Akando**

Md. Abdul Malek Akando, aged 58, is the proprietor of M/S Al-Madina Metal Works, located in Bogura.

Abdul wanted to upskill his workers and purchase new machinery in order to boost productivity. When he connected with B-SkillFUL in 2022, he became interested in workplace-based training for factory workers and orientation in finance.

B-SkillFUL connected Abdul with Truvalu, a Dutch-based impact investment and advisory company. With Truvalu’s support, Abdul received a loan of BDT 5,000,000 under the COVID-19 Recovery Project from IPDC Finance. The Covid-19 Recovery Project in Bangladesh is implemented by Truvalu and supported by the Embassy of Switzerland in Bangladesh.

The loan also had a zero percent interest rate for the first year. To avoid having to pay additional interest, Abdul decided he would pay back the loan within a year. According to Abdul, although the loan did enable Abdul to import the new machinery he needed, paying it back within the 12-month timeframe has become difficult. He estimates it will take longer, and he will therefore have to start paying interest. Abdul suggested that recipients should have a longer period in which to repay back large loans like this, “at least two years, with a six-month grace period before paying instalments on the loan”.

Abdul’s story highlights the necessity for MSMEs to strategise and familiarise themselves with the process and terms of various financial models available and which one suits their needs best. Nevertheless, the loan was a timely investment that is now helping him to upgrade his production methods and raise the efficiency of his business overall.



*“After the training, I feel like I am still doing the same work, but in a different method that has made me relatively more efficient than before.”*

**Mohammad Mehedi Hasan**

## Mohammad Mehedi Hasan

Moulding Worker, M/S Al-Madina Metal Works

### Case Study 12

Mehedi has been working at M/S Al-Madina Metal Works since 2006. One of Mehedi’s roles at the factory is to mould metal to make various products. Since joining, Mehedi has continued to struggle with a high rate of defects during production. As many as 20-30 products out of every 100 he produced could be defective. “It would take a long time for me to mould the products without defects.”

Through the B-SkillFUL programme, Mehedi received 12 days of workplace-based training from SAIC Group, an education institution. The objective of the training was to build workers’ capacities and ultimately improve the quality of their final output through sharing knowledge and hands-on, practical activities. “I learnt how to prepare the sand for filtering, and how to follow safety precautions to avoid health hazards in the workplace. I also learnt a lot about how to properly dispose of waste materials.” When Mehedi joined Al-Madina, he learnt how to mould metal from the factory’s mastercraft person. At training, Mehedi learnt about less time-consuming ways to mould metal.

Since attending training, Mehedi’s error rate has dropped to less than 10 defective products per 100. However, the number of weekly orders for moulding have recently dropped from three orders to two, sometimes one. Therefore, although Mehedi’s salary has increased due to his improved capacity, the reduced orders have affected his income. He feels that there are still a number of issues that he struggles with at work. “Although my salary has increased after the training, my weekly wages depend on the orders and number of products I can produce without any defects. It would be helpful if more training was provided to understand the moulding process and I also want to learn more about how metals are cut using machines.”

## An invitation to build on the work of B-SkillFUL

B-SkillFUL was designed to increase the resilience and competitiveness of MSMEs in the leather goods, furniture making, and light engineering sectors. Despite the challenging business environment due to the pandemic which saw disruptions to raw material supply and soaring inflation, B-SkillFUL increased business efficiencies and worker productivity among the MSMEs it supported.

B-SkillFUL identified that it will be important for future programmes to consider the following lessons:

- **To benefit MSMEs with direct provision of services, it is important to set strong selection criteria and targeting strategies.** Service selection should be tailored to the specific needs of MSMEs as per their core business strategy and target market. For example, while piloting workplace-based training B-SkillFUL learned that the training is benefiting workers more in comparison with MSME owners as these skills are very specific to each worker's capacity and is only applied in manual production methods. MSMEs that benefit from such mode of trainings are those who are not looking for growth or innovation but rather looking to make small incremental changes to their business.
- **Strategies for establishing a business development services market should be guided by a clear understanding of supply and demand.** The mapping of business development services according to existing market characteristics is essential to determine a strategy. For example, as the market that B-SkillFUL operated in is saturated with free or highly subsidised services particularly for skills, it is unusual to expect willingness to invest in such services. It is important therefore to build appropriate partnerships with market actors and establish embedded services for sustainable access. Establishing linkages with financing institutions and providers of specialised training are areas to be explored.

The application of these lessons will ensure that MSMEs have sustainable access to services that can improve their resilience and competitiveness, thereby contributing to growth and employment in their respective sectors.

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**B-SkillFUL Programme Phase II**  
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