

Access Of Entrepreneurs To Institutional Assistance: The Case Of Bangladesh

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INTRODUCTION

Finance, the vital prerequisite for rapid industrialisation of the country, is met up through the specialised financial institutions, popularly known as Development Banks. At present in Bangladesh there are four Development Banks. These are: Bangladesh Shilpa Bank (BSB), Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayoun Bank (RAKUB). The first one is meant for financing the industrial sector and the latter two are established for financing agriculture and to some extent agro-based small industries also. Besides, the Investment Corporation of Bangladesh is engaged in the development of capital market while the needs of infrastructural facilities like construction, repair and remodeling of residential houses and flats are met by the Bangladesh House Building Finance Corporation. The present study is related to the main development Banks, viz. BKB and RAKUB.

Both the banks are engaged in financing term loans for the creation of new industries as well as for balancing, modernisation, replacement and expansion of the existing industries. They work in conformity with the national objectives, plans and priorities. They act not only as supplier of finance but also take necessary steps to increase entrepreneurs' capacity to absorb finance. All activities are, therefore, promotional or development oriented.

In financing industries, the Development banks follow the prescribed rules and regulations of the institutions. They select the potential entrepreneurs, identifying viable projects, preparing project reports and executing the projects. While appraising the soundness of a project emphasis is given to two factors: capacity of the entrepreneurs to run the project on the basis of his curriculum vitae and the viability of the project. The technical, economic, financial and managerial soundness are taken into account. The socio-economic benefits of the project are also considered. These are the set guidelines expected to be followed while selecting entrepreneurs and their proposed projects for financing. But what is happening in real situation? Are these factors enough for getting financial assistance from the financial institutions? It is often alleged that an

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entrepreneur having all requisite qualifications cant not be able to get financial assistance unless he uses some influential factors like political influence, positional influence etc. Influential factors rather than qualitative factors, therefore, carry much weight to the financing institutions.

In this context, some relevant questions may arise : whether the entrepreneurs had used any influence in getting their financial assistance. If so, what was the nature of influence ? How much time had they spent in pursuing the matter ? What amount had they spent in the endeavour ? This study tries to find answers to these questions.

OBJECTIVES OF THE STUDY

The specific objectives of this study are as follows:

- (i) To find out the influential factors used by the entrepreneurs in order to get financial assistance.
- (ii) to find out the time and money spent by the entrepreneurs.

METHODOLOGY OF THE STUDY

The study was conducted on 70 entrepreneurs who received assistance from BSB and BSRS to set-up their industrial units in the northern region of Bangladesh. Initially, the sample of the study was 88 units. Of the sample units, 18 were dropped due to non-cooperation of the entrepreneurs, death of the original entrepreneurs and change of ownership. A questionnaire was prepared to meet the objectives of the study. The data were collected from the selected entrepreneurs through the interview method. The study was undertaken during January-June 1995.

FINDINGS OF THE STUDY

Financial assistance is not easily attainable. Some kind of links are necessary to avail the facilities. The entrepreneurs' persuasive power comes into play from the time of application to the release of funds. In the present study the entrepreneurs' persuasive powers have been studied from two angles, viz:

- (i) Nature of influence used.
- (ii) Time and money spent in obtaining financial assistance.

NATURE OF INFLUENCE USED

On the basis of information collected during the survey, the nature of influence has been categorised as: (a) political, (b) friends and relatives, and (c) personal rapport. Political influence was mentioned by entrepreneurs who had long political careers or had close connection with political leaders, friends and relatives were an effective influential factor for those

who had family relationship with high officials of the financing institutions or of the government departments. The other influential factor, personal rapport, had two aspects. High ranking government officials who had turned into entrepreneurs after retirement had this rapport on account of their career background. In the other case, entrepreneurs had developed a personal equation with the top officials of the financial institutions by virtue of their personal attributes. They mostly obtained assistance by gratifying the officials concerned.

Distribution of entrepreneurs according to their nature of influence is presented in Table 1. It is seen from the table that around 33 percent of the entrepreneurs obtained financial assistance through political pressure, 14 percent on account of the influence of friends and relatives and a majority of 53 percent received financial help in their personal capacity.

Table 1
Type Of Entrepreneur And Nature Of Influence Used

Type of Entrepreneur	Political	Friends and Relatives	Own Rapport	Total
Farmer	-	1 (100.)	-	1 (100.0)
Trader	15 (44.1)	4 (11.8)	15 (44.1)	34 (100.0)
Contractor	2 (16.7)	2 (16.7)	8 (66.6)	12 (100.0)
Government Official :Defence	-	-	5 (100.0)	5 (100.0)
Government Official: General	-	-	2 (100.0)	2 (100.0)
Private Service Holder	3 (30.0)	3 (30.0)	4 (40.0)	10 (100.0)
Teacher	1 (30.0)	- (30.0)	2 (66.7)	3 (100.0)
Consultant	-	-	1 (100.0)	1 (100.0)
Politician	2 (100.0)	- (-)	- (-)	2 (100.0)
Total	23 (32.8)	10 (14.3)	37 (52.9)	70 (100.0)

Note : Figures in parentheses indicate percentage.

Source : Compiled by the Author on the basis of Field Survey.

The majority of the entrepreneurs in 'political influence' category belongs to politicians (100 percent), followed by traders (44.1 percent), teachers (33.3 percent), private service holders (30.0 percent) and contractors (16.7 percent). The 'friends' and 'relatives' influence' covers farmers (100 percent), private service holders (30.0 percent), contractors (16.7 percent) and traders (11.8 percent). Entrepreneurs with personal rapport came from high government officials in defence (100 percent), government officials in general (100 percent) and consultants (100 percent).

Politicians and former government officials in defence appear to be the most privileged groups. With easy access to high officials of financial institutions as well as government departments, they had little difficulty in obtaining assistance. The influences used by other types of entrepreneurs through family relation or personal ties with the executive officials of the institutions or with political leaders are no less important.

TIME AND MONEY SPENT IN OBTAINING FINANCIAL ASSISTANCE

Obtaining financial assistance, even with all the persuasive powers at the disposal of the entrepreneurs, is no cake walk. The unsympathetic attitude of the officials concerned needs to be overcome, files need to be resurrected and made to move along and the pace of functioning quickened. It may be seen from Table 2 that 37.2 percent of the entrepreneurs spent around 365 working days in bank premises and 21.4 percent of entrepreneurs spent less than 730 days. The average time taken is 385 days.

Entrepreneur type-wise analysis reveals an interesting picture (Table 3). It has been observed that minimum time was spent by politicians (90 days), followed by government officials in defence (234 days), while the highest amount of time was spent by consultant (630 days), which is seven times that taken by the politicians.

Table 2
Distribution Of Entrepreneur By Time Spent

Time Spent in Months	Number of Entrepreneurs	Percentage of Total
up to 6	13	18.6
6-12	26	37.2
12-18	12	17.1
18-24	15	21.4
24-36	3	4.3
36 and above	1	1.4
Total	70	100.0

Average Time 385 days.

Source : As of the Table 1

Table 3
Distribution Of Entrepreneurs By Type And Time Spent

Type of Entrepreneur	Time Spent (In Months)						Frequency	Average Time (In Days)
	up to 6	6-12	12-18	18-24	24-36	36 and above		
Farmer	-	1	-	-	-	-	1	270
Trader	5	14	5	9	1	-	34	384
Contractor	3	5	2	1	1	-	12	338
Government Official: Defence	1	4	-	-	-	-	5	234
Government Official: General	-	-	2	-	-	-	2	450
Private Service Holder	-	-	-	-	-	-	-	-
Teacher	2	1	2	3	1	1	10	540
Consultant	-	1	1	1	-	-	3	450
Politician	-	-	1	1	-	-	1	630
	2	-	-	-	-	-	2	90
Total	10	26	12	15	3	1	70	

Source : As of the Table 1

Following up on the loan application and persuading the officials concerned also involved a significant monetary cost in terms of travelling cost, boarding cost and entertainment cost of the officials. It may be seen from Table 4 that about 42.9 percent of the entrepreneurs had spent between 2 and 4 percent of the financial assistance received as persuading cost. This has caused not only the loss of funds borrowed but also delayed implementation, leading to poor capacity utilisation and operating losses and consequent frustration among the prospective entrepreneurs. Entrepreneurial initiative is declining with the increase in the rate of persuading cost. The average rate of persuading cost in the study is 4.4 percent. Chatterjee's (1992) study reveals that average cost of obtaining loan was 15.5 percent, which came down to 10.2 percent when the average size of assistance increased.

Table 4
Distribution Of Entrepreneurs By Persuading Cost

Persuading Cost (Percentage)	Number of Entrepreneurs	Percentage of Total
Up to 2	10	14.3
2-4	30	42.9
4-6	22	31.4
6-8	5	7.1
8-10	3	4.3
Total	70	100.0

Average Persuading Cost 4.4 percent.

Source : As of the Table 1

Former government officials in defence spent only 1.4 percent of the assistance received (Table 5). Politicians spent 3 percent of their financial assistance. The highest amount was spent by former government officials in general, constituting 6 percent of the assistance. Thus, politicians and ex-government officials in defence were the best placed, availing the financial assistance with minimum time and money spent.

Table 5
Distribution Of Entrepreneurs By Type And Time Spent

Type of Entrepreneur	Persuading Cost in percentage					Total Number of Entrepreneurs	Average Persuading Cost in percentage
	up to 2	2-4	4-6	6-8	8-10		
Farmer	-	-	1	-	-	1	5.0
Trader	4	19	8	1	2	34	3.7
Contractor	1	4	6	1	-	12	4.2
Government Official: Defence	4	1	-	-	-	5	1.4
Government Official: General	-	-	1	1	-	2	6.0
Private Service Holder	1	3	4	1	1	10	4.6
Teacher	-	1	1	1	-	3	5.0
Consultant	-	-	1	-	-	1	5.0
Politician	-	2	-	-	-	2	3.0
Total	10	10	22	5	3	70	

Source : As of the Table 1

CONCLUSION

It is observed that financial assistance was not easily available to entrepreneurs. Some kind of links with the financial institutions facilitated matters. Positional influence and bribe giving were the most potent links for availing financial facilities. The political influence was no less important. Thus, not the potential of an entrepreneur but his positional importance carries much weight to the financial institutions. To speed up the process of loan sanction and disbursal, an entrepreneur had to spend much valuable time and money. The study revealed that entrepreneurs were required to spend 385 days on average for persuasion, and the average persuading cost involved represented 4.4 percent of the financial assistance provided. The study also revealed that politicians and ex-government officials in defence were the most advantaged classes, receiving financial assistance with minimum time and money spent.

SELECTED REFERENCES

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