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# Lack of Utilization of Local Funds and Productive Investment Climate in the Sylhet Region: A Perception Analysis

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Economic Research Group

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*A Perception Analysis***

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# 1

## INTRODUCTION

The level of investment and the investment climate are inextricably related to each other. The better the investment climate, the better are the opportunities and incentives to invest for all the firms of the private sector irrespective of sizes and types.

Briefly defined, the investment climate is the set of all location-specific factors shaping the opportunities and incentives for firms to invest productively, create jobs and expand. A sound investment climate shapes these opportunities and incentives by reducing and/or removing unjustified costs, risks and barriers to competition pertaining to the opportunities. Because of the performance of a sound investment climate, entrepreneurs feel confident about potential profits and invest spontaneously. A good investment climate brings welfare not only for the entrepreneurs/ investors but also for the society as a whole by providing them with a greater variety of commodities at reasonable prices. The major components of the investment climate are government policies and behaviours, geography, market size, consumer preferences, infrastructure facilities, access to finance, access to land, security, the broader features of governance such as corruption, efficient bureaucratic services etc.

The extent to which firms can take advantage of the opportunities of the investment climate depends on their ideas, capabilities and strategies. So, the assessment of the investment climate in Sylhet region will put efforts to unfold the shortcomings of the existing investment climate and to give probable solutions to the unfolded shortcomings by providing appropriate recommendations. This is expected to ensure a sound investment climate in this very region and, as a result, potential entrepreneurs/investors can come forward to invest their idle funds productively. This, in turn, is expected to create jobs that will sustain growth of the region and positively impact the national economy.

## **1.1 Rationale of the Research**

The Sylhet region plays an important role in our national economy since it attracts a huge amount of remittances, keeping the nation's foreign exchange reserve healthy. More than eleven thousand crore taka was found deposited in local banks as on March 2007 (Bangladesh bank, 2007). In comparison to the huge amount of deposits in local banks, local investment is low. The lion's share is not utilized in the Sylhet region and is rather disbursed in other parts of the country through the banking network.

The deposit and advance/loan ratio is quite low in the Sylhet region in comparison with that of other parts of the country. Only about 21% of deposits in Sylhet have been disbursed as loan/advances; whereas the same variable for Chittagong division was 73%, for Dhaka was 82%, for Rajshahi was 73%, for Khulna was 79% and for Barisal was 46% (Bangladesh Bank, 2007). Furthermore, the division-wise break-up of total advances of Bangladesh revealed that Sylhet division consumed only 1.61%, while the corresponding share for Dhaka division was 68.25%, Khulna was 4.84%, and Rajshahi was 6.03% (Bangladesh Bank, 2007). In the Sylhet region, loans are mostly given to trading, agricultural purposes and other purposes like housing, consumer uses etc. The ratio of industrial loan in Sylhet division is very low: 4.61% for working capital financing and 8.72% for industry (other than working capital) (obtained from Bangladesh Bank, Sylhet in 2009), while the corresponding national figures for the same variable were 17.99% and 21.44% respectively in December 2007 (Bangladesh Bank, 2007). Such a situation demands analysis of the factors causing this particular financial environment, through stakeholder involvement, especially in the context of productive investment and sustainable development.

Though the natural resources including mineral endowments of the region are quite evident; such an under-utilization of financial resources is surprising, resulting in a nominal contribution to national economy. It is of grave importance to utilize the local funds, especially for the development of the locality, which will bring a sustainable socioeconomic improvement in the lives of local people and Sylhet could become an ideal destination for potential investors. It should not be

forgotten that the opportunity of productive investment in the Sylhet region is very high and if the local resources could be utilized more efficiently in the area, productivity would increase significantly. There may be many factors affecting the development of local enterprises, causing the lack of utilization of local funds. It is an urgent need to trace out the problems antagonistic to creating a congenial investment climate in the region with a view to providing a probable solution to the poor utilization of local funds. It is required to explore the opportunities of investment in productive sectors and identify the constraints on the investment climate of the Sylhet region.

Sylhet, as a prospective region for industrialization, had been neglected by the government and other local stakeholders. Only the tea industry has been developed in the region, mainly at the hands of multinational companies in the private sector. The Government of Bangladesh (GOB) has developed several Export Processing Zones (EPZ) in Chittagong, Savar (Dhaka), Mongla, Ishwardi, Comilla, Uttara, Karnaphuli (Chittagong) and Adamjee (Dhaka), but the region 'Sylhet' does not seem to have serious consideration. Investments of any kind (foreign-owned, joint ventures and domestic) are permitted to operate and enjoy equal treatment in the EPZs and these EPZs have been extremely successful in attracting investment, creating employment and increasing exports.

Although natural gas, the country's most valuable natural resource, is available in the region, a nominal attempt has so far been made since independence to capitalize such resources in industrialization of the Sylhet region with minimum cost and effort. In the region, only two big public industries were established before independence of the country and only one multinational cement industry has gone under operation since 2006. Industrialization of the Sylhet region will obviously increase Bangladesh's output, which will simultaneously increase the employment opportunities in the country. Job creation will enhance the living standards of the people of the Sylhet region and will help to reduce the rich-poor gap. Both the growth of GDP and the reduction of poverty are of great importance in the context of Bangladesh if it really wants to transform itself from a developing country into a developed one.

A favourable investment climate in the Sylhet region will attract expatriates to invest in productive sectors and will improve the Sylhet region's attractiveness in attracting foreigners to invest directly in this resourceful region. The frequency and intensity of natural disasters of Sylhet region are far less than those of the other parts of Bangladesh. Attracting Foreign Direct Investment (FDI) is a well-established outward looking strategy for a developing nation to bridge the saving-investment and foreign exchange gaps. It is perceptible from the recent investment scenario in the share market in the region that expatriates are interested in investing locally if a congenial business environment is created. It is assumed that a huge amount of previously non-operational fund is now being invested in the share markets of Chittagong Stock Exchange and Dhaka Stock Exchange through the stockbrokerage houses of Sylhet.

The turnover in the share market of Sylhet was about Tk. 1.38 crore in 2005, which increased to about Tk. 5.32 crore in 2007. Starting with a single house in 1997, there are now 25 branches of stock brokerage houses operating in the region, indicating the eagerness of surplus units (saving economic units) specially expatriates, in local investment. The main reasons for the eagerness of the investors, especially expatriates, in the share market investment may be due to its easy, transparent & non-bureaucratic procedure, opportunities for short-term profit, and lack of opportunities for direct investment elsewhere. It is therefore necessary to explore the opportunities for investment in productive sectors and find out the constraints on investment climate in Sylhet region.

## **1.2 Conceptual Framework of the Study**

There is an abundance of resources in Sylhet. Many expatriates who were originally from Sylhet send back funds, which could be a source of investment to the country. Unfortunately, these remittances remain underutilized and investors do not come forward to invest in the region using bank loans as finance. The number of banks operating in the Sylhet region is relatively large, resulting from deposits of remittances. Currently, a total of 44 banks are operating in the region with more than 565 branches (Bangladesh Bank, 2007). Financial intermediaries of this region including banks have enough deposits but due to lack of investors,

savings are not being channelled to productive or industrial investments. The lack of utilization of remittances for enterprise development is perhaps caused by three probable factors:

- Purely household-level decision of the remittance receiver, which is against risky investment
- Failures of financial intermediations
- Lack of sound investment climate; lack of opportunities and incentives for the private sector to invest

Since remittances are purely private transfers, their utilization is completely directed by household-level decisions. Anecdotal evidence shows that the remittance users of the region spend a substantial portion of their funds in non-productive sectors like conspicuous consumption (fashionable cars, highly costly cosmetics, unscrupulous ritual expenditure in marriage and food etc.), construction of luxury buildings for housing purposes, much less frequently used community centres (especially in rural areas), land purchase, etc. Household level decisions that are directing remittances towards unproductive sectors may have the following underlying reasons: lack of entrepreneurial ability, inclination towards further migration a vicious cycle of migration), risk-averse attitude, non-existence of congenial investment climate, etc.

The lack of utilization of local funds is perhaps being caused by inefficient performance of financial intermediaries –

- i. Bureaucratic and corrupt loan-advancement procedures
- ii. Lack of decentralized decision-making authority,
- iii. Poor ability to identify profitable investment projects
- iv. Little ability to facilitate risk diversification through risk pooling and hedging.

Availability of factors of production is the prime necessity for investment. Though the funds for capital formation are assumed to be ample and availability of some raw materials is up to the mark, the high cost of land and inadequate local labour force may be the causes for lack of utilization of local funds. In addition, the lack of infrastructural facilities including the supply of electricity and gas may also hinder the productive utilization of local funds. As the

existing investment climate is unable to ensure expected return from investment and since expected returns are low, the opportunity cost of consumption is low as well. This motivates those who are receiving remittances to spend their funds on consumption rather than invest.

To use existing local funds in an efficient way and to motivate potential entrepreneurs to come forth, the assessment of the existing investment climate and the identification of the most productive sectors are of utmost importance. The revealed comparative advantage theory may help to identify the productive investment sectors of the region.

The assessment of the aforesaid presumptions may help to unfold the causes of lack of utilization of local funds and shortcomings of the existing investment climate. It may also allow the identification of productive investment sectors in Sylhet region. To perform the above tasks, the study resorted to the following procedures:

### **Exploration of the causes behind the lack of utilization of local funds**

- I. The causes of the lack of utilization of local funds were traced out by accumulating the collective views of various stakeholders, which included entrepreneurs as well.
- II. The views of the stakeholders about the causes of lack of utilization of local funds were collected through FGD.
- III. The perception of entrepreneurs regarding the causes of the lack of utilization of local funds was collected through an enterprise-level survey.
- IV. The constraints on establishing new enterprise specific to Sylhet region, which are different from those of other regions, were identified based on entrepreneurs' responses. Potential relationships between these constraints and the causes of the lack of utilization of local funds were explored.
- V. Factor analysis was adopted to deduce the principal causes of the lack utilization of local funds as well.

## **Contribution of remittance as a source of fund for enterprise development**

- i. The direct contribution of remittances as a source of fund for enterprise development was collected through an enterprise-level survey.
- ii. The indirect contribution of remittances was also considered. Through an enterprise-level survey, funds for enterprise development which have been sourced from remittance and have been channelled to investors through financial intermediation was considered (both banks and non-banking financial institutions).

## **Identification of productive sectors**

- i. For identifying the productive sectors, revealed comparative advantage theory, enterprise-level survey and Analytic Hierarchy Process (AHP) were used.
- ii. The proportions of industries of different sectors with respect to all the industries in different regions (division) were computed. The sector with higher proportion in comparison with that of any other region was considered as a comparatively advantageous sector for the Sylhet region. For the above purpose, the data of Bangladesh Census of Manufacturing Industries 2001-02 and Economic Census 2001 & 2003 (BBS, 2007a; 2007b) were used.
- iii. The relative importance of factors (land, labour, capital, *etc.*) that is responsible for enterprise development in the Sylhet region was studied by the AHP survey.
- iv. Finally, an Analytic Hierarchy Process (AHP) model was developed and used to identify the productive sectors according to the perception of the stakeholders and entrepreneurs.

## **1.3 Literature Review**

The investment climate is defined as the “policy, institutional and behavioural environment, both present and expected, that influences the

returns and risks associated with investment” (Stern, 2002). Three broad components of the investment climate are macroeconomic or country-level issues, regulatory framework and governance, and physical and financial infrastructure (World Bank and Bangladesh Enterprise Institute, 2003). Batra et al. (2003) made an assessment of the investment climates across 80 countries through firm-level surveys led by a World Bank group, which revealed important linkages between governance constraints and business growth. The study identified a strong association between corruption, financing, regulatory and tax constraints, and policy uncertainty with firm-level performance through an econometric analysis. Very few attempts have so far been taken in recent times on investment climate issues in Bangladesh (Stern, 2002; Bangladesh Enterprise Institute and the World Bank, 2003; World Bank, 2008) including Sylhet region (Ahsan et al., 2005; IFC, 2008; SCCI, 2006; 2007).

In Bangladesh, a developing country, the remittance inflow contributes a lot to generating funds for investment. Based on anecdotal information, a substantial portion of the local funds in Sylhet region is generated from remittance inflows. So, for assessing the financial infrastructural component of the investment climate, it is of utmost importance to investigate the allocation pattern of local funds. A number of studies were conducted in different regions of the world about the impact of remittances on development, poverty reduction, entrepreneurship and related issues of migration (World Bank, 2008; World Bank and Macmillan, 2007; World Bank, 2005; 2006). In a study, Mansuri (2007) examined whether the investment choices of migrant households are different from those of comparable non-migrant households based on the data of Pakistan Rural Household Survey 2001-2002.

Fajnzylber and Lopez (2008) studied the impact of remittance on economic development in Latin America and pointed out the challenges faced by policymakers in countries experiencing robust remittances inflows. They established that if the recipients and the senders of remittances jointly determined that remittances should be used only for consumption, then it would be a major challenge to divert those funds for productive investment and the country’s policymakers would have little

to do in that regard. The study also suggested that remittances are more effective in both raising investment and enhancing growth in countries with high levels of human capital, strong institutions and a good policy environment.

Based on the household survey data from Latin America, Acosta et al. studied the impact of remittances on poverty and human capital (Acosta et al., 2007). In a study, Acosta et al. (2008a) explained the importance of remittances in Latin American countries and found that income share of remittances was generally higher among recipient households located in lower income quintiles where the rich were less dependent on remittances than that of the poor. They also investigated the causes of low amount of remittances through formal sectors and found the volatility in the foreign exchange rate to be one of the important deterrents. They also discovered something interesting, that the income share from remittances was higher for the poor households than for the rich ones. Acosta et al. (2008b) studied the impact of remittances on poverty reduction and some macroeconomic variables in Latin America. They found that remittance lowered the labour supply and led to exchange rate appreciation. In their econometric analysis, they showed that remittances had a significant poverty-reducing effect to operate mainly through increasing per capita income of the remittances-receiving countries and also had a significant positive impact on growth.

Peria et al. (2008) studied whether remittances promote financial development in recipient countries or not. His macro-level analysis suggests that remittances have a positive impact on the financial development of developing countries overall, but this effect is smaller for Latin American countries. The micro-level analysis reveals that there is evidence that the likelihood of using deposit markets is higher in areas where a larger percentage of the population receives remittances.

Ratha (2005) examined the relative importance of workers' remittances as a source of external financing for developing countries and found that remittances were smaller than FDI inflows but larger than international capital market flows during 1999-2004. Remittances are more significant in low-income countries than in other developing countries: In 2003,

remittances to low-income countries were 3.3% of GDP and 18.5% of imports while in the middle-income countries they were 1.3% of GDP and 4% of imports.

In a study, Azad (2005) documented that migrant workers' remittances were a strong source of foreign exchange earnings for Bangladesh, but Bangladeshi migrants are mostly semi or unskilled workers whose earnings are low. Bangladeshi migrants tend to be risk averse and therefore less interested to invest in rural sectors and micro-enterprises. The development of micro-enterprises in Bangladesh is affected negatively due to lack of infrastructure.

The literature regarding the investment climate issues of the Sylhet region documented that the structure of Sylhet's local economy remained somewhat balanced and unchanged over the past two decades while there has been a significant structural shift in the national economy (SCCI, 2006). The last census of manufacturing industries showed that 34 percent of the industries were involved in tea processing, 21 percent in brick, tiles, and non-clay production and about 16 percent were in bakery-related products in Sylhet division (BBS, 2000). On an average, the contributions of agriculture, industry, service and import duty to gross divisional product were 37 percent, 14 percent, 45 percent and 4 percent respectively (SCCI, 2006).

A small-scale investigation on the mismatch between local resources and regional development of Sylhet was conducted in 2005 (Ahsan et al., 2005). The study identified entrepreneurial level, pre-entrepreneurial level and regional level as three tier factors equally contributing to a central reason behind the lack of local entrepreneurs taking initiatives and the lack of utilization of local funds. The study also suggested improving five priority areas: awareness, education, facilities, administrative efficiency and planning for the utilization of local funds.

The Sylhet Chamber of Commerce & Industry (SCCI) explored the possible investment sectors for attracting NRBs as well as FDI (SCCI, 2006). They also expected that the NRBs could become the investors, promoters as well as end-users of local products. It was mentioned that China emerged as the FDI-magnet in the world and received the larger

part of its inward FDI from Chinese expatriates. Hence, the NRBs' contribution through proper utilization of non-operative funds can become a major strength for industrialization in the Sylhet region.

In order to reap the benefits of an economic zone in the northeast part of the country, SCCI commissioned a pre-feasibility study for a proposed economic zone in Sylhet to a local consulting company, Young Consultants (SCCI, 2007). One of the major aims of the study was to attract potential investors from non-resident Bangladeshis of Sylhet origin, specially residing in the U.K. After completion of the study, the Board of Investment (BOI) employed international experts along with Young Consultants to evaluate the financial and economic models and to benchmark the site against other international zone projects (IFC, 2008). According to the pre-feasibility study, the proposed site for Special Economic Zone was not suitable due to high cost (including development cost) of land and long transition period for outcome in terms of establishment of enterprises by potential investors/entrepreneurs.

Having reviewed the relevant available literature regarding the topic of study, it is observed that these papers have contributed a lot to identifying different development impacts on developing economies in various parts of the world. No previously conducted study attempted to explore the causes of poor utilization of funds, which have been remitted to people in Sylhet. Similarly, very few studies have been so far performed on the issues of the investment climate in Bangladesh. The already conducted studies do not dedicate a lot of effort to connect the investment climate to productive utilization of local funds. Furthermore, except the content, there remains a methodological difference between the present study and the studies so far reviewed. It can be thought that this study has bridged the lacuna (knowledge gap) of identifying productive sectors in Sylhet region as well as unveiling the causes behind the poor utilization of local funds by assessing and deducing shortcomings of the existing investment climate.

#### **1.4 Key Research Questions and Objectives**

The region is at an advantage of being poised for industrial development due to its abundance of natural resources (like gas, petroleum, stones,

lime stones, cane, wood, fertile land, hilly area, etc) and local financial strength. The fact is that the region lacks adequate entrepreneurial development. It may be assumed that the expatriates of the Sylhet region would invest substantially in the industrial sector if a congenial investment climate is created.

Investment is the prime mover of industrialization in any region which positively impacts the growth of the economy. Several studies have been conducted for identifying attractive sectors for expatriates to invest in and to assess the feasibility of establishing a special economic zone at Sylhet. This study has given specific emphasis on the lack of utilization of local funds and productive investment climate in Sylhet region. Hence the key questions of the study were set to investigate the causes behind the lack of utilization of local funds and to identify the potential productive sectors by studying the opportunities and hindrances of the investment climate in Sylhet region. The research questions are as follows:

- What are the causes behind the lack of utilization of local funds?
- What kind of opportunities do the current industries have?
- What type of barriers do the current industries face for expansion?
- What are the advantages and disadvantages of investment in the Sylhet region?
- What are the constraints on establishing new enterprises specific to Sylhet region but different from other regions?
- Which type of investment climate is favourable to investment?
- What are the productive sectors of investment in Sylhet region?

Having addressed the above key research questions, the study focused on the following objectives:

- To unveil the causes of the lack of utilization of local funds
- To reveal the pattern of remittance utilization in the region
- To assess the investment climate in the Sylhet region by identifying the existing opportunities enjoyed and hindrances faced by existing enterprises
- To identify the productive investment sectors in the Sylhet region
- To suggest policy prescriptions for proper utilization of local funds and entrepreneurial development.

# 2

## METHODOLOGY

### 2.1 Research Methods

The study adopted both qualitative and quantitative approaches in order to collect information on the investment climate and on the causes of the lack of utilization of local funds. The following techniques were used to collect information from the respondents:

- a. Focus Group Discussion (FGD)
- b. Enterprise-Level Survey
- c. Analytic Hierarchy Process (AHP) Survey

In the quantitative approach, the Enterprise-level Survey and AHP Model Survey were conducted. In the qualitative approach, the study employed Focus Group Discussion (FGD) to gather the views of stakeholders. The respondents in the FGDs comprised stakeholders from the following groups:

- a. Representatives of Chambers of Commerce & Industries of Sylhet Division
- b. Industrialists
- c. Bankers

The qualitative survey was planned in order to facilitate the quantitative survey. Two FGDs were carried out to gather the views of stakeholders. The first one was held prior to the enterprise level survey in order to assist framing of the questionnaire for the enterprise level survey and the other was held afterwards and was used to verify the findings of the quantitative surveys.

### 2.2 Sample Design

The study used the updated list of registered industries of Sylhet division prepared by Bangladesh Bureau of Statistics based on Bangladesh Census of Manufacturing Industries (BCMI) 2001-2002 (BBS, 2007a). A

total of 584 industries were registered in the Sylhet region by the latest BCMI survey. The BBS has provided the required list of manufacturing industries with BSCIC code, location & address, total persons engaged, contact number, and geographic code as per our request. It was found that a considerable number of industries of BSCIC industrial areas of Sylhet region were excluded from the above list. Under that circumstance, a modified list including those excluded industries was used as sample frame for drawing sample enterprises.

### **Sampling Design for Enterprise-level Survey**

According to the recognized sample size determination procedure, the sample size for industries becomes 96 on the basis of 10% admissible error, 50% indicator percentage and 95% confidence interval. Therefore, the study planned to cover 100 industries for enterprise-level survey from all the existing industries in the Sylhet region.

Since there are several types of industries located in the region, the firms were selected using stratified random sampling with proportional allocation where each of the strata was defined according to the sector of industries. The following table shows the total number of industries and sample sizes for different strata.

**Table 2.1: Number of Sample Units by Strata**

Sl. No.	Name of Industry Sector (Strata)	Number of Industries in different Strata	Sample Size in different Sectors
Strata 1	Tea Processing	133	23
Strata 2	Food Processing	115	20
Strata 3	Textile & Garments	24	4
Strata 4	Cottage Industry (Cane & wood furniture, Saw Mill, Board Mill)	71	12
Strata 5	Chemical & Medicine	17	3
Strata 6	Brick and Stone Industry	183	30
Strata 7	Engineering Sector	28	5
Strata 8	Others (Rubber, Cigarette factory, Printing & Packaging, etc)	13	3
<b>Total</b>		<b>584</b>	<b>100</b>

Source: BBS, 2007a (Sampling design for AHP Survey)

It is presumed that all the entrepreneurs under the study are not capable of filling up the AHP questionnaire, since it requires a certain degree of intuition and judgement. Moreover, the AHP module is expensive because of the fact that it is a time-consuming in terms of both data collection and data analysis process. Therefore, the study planned to cover 50 respondents comprising industrialists, distinguished delegates from four Chambers of Commerce & Industries of Sylhet division and bankers for the AHP survey.

### 2.3 Data Collection

Several instruments have been used for data collection – ‘Interview Schedule’ for enterprise-level survey, ‘Checklist’ for focus group discussions and ‘Questionnaire’ for the AHP survey.

A structured questionnaire was adopted for the enterprise-level quantitative survey. The questionnaire comprised of questions regarding

development of enterprise, achievements and constraints, investment climate issues, pattern of remittance utilization, causes of the lack of utilization of local funds, basic information of entrepreneurs and enterprises including production, labour, export-import, availability of raw materials, transportation facilities, constraints on expansion, financial and infrastructure facilities from GoB/other organizations etc.

The checklists for focus group discussions contained the issues: causes of the lack of utilization of local funds, remittances utilization, productive sectors, constraints on enterprise development, and investment climate.

The questionnaire for AHP survey considered 9 criteria including availability raw materials, land, labour, capital etc. to identify the productive sectors from 9 presumed alternatives for investment in this very region.

### **Constraint in Conducting Field Work**

Several constraints in doing the field work were faced and can be summarised in three categories – (i) problems related to finalizing the units of analysis, (ii) cumbersome availability of units of observation from different sectors of industries except tea industry, and (iii) almost non-availability of units of observation from tea industries. These are discussed below:

- I. **Problems related to finalizing the units of analysis:** At first, the sample frame was made by taking the sample units from the data of Bangladesh Census of Manufacturing Industries, 2001-2002 (updated in 2005) as well as the enterprises under BSCIC industrial areas of Sylhet region (updated in 2008). During field work, it was found that there were some enterprises whose names were observed in the CMI but did not exist. So the non-existent enterprises were duly replaced by similar existent enterprises, mainly from BSCIC industrial area, for finalizing the units of analysis.
  
- II. **Cumbersome availability of units of observation:** The units of observation of the study were the entrepreneurs of the stratified sectors of industries. Unfortunately, their availability was very cumbersome. Though field investigators approached them with

appointments, they were not present on time. So, the field investigators had to go back several times to reach them. This made the process time-consuming, expensive and even embarrassing to some extent.

- III. **Almost non-availability of entrepreneurs from tea industries:** The entrepreneurs of tea industries were almost non-available, though the field investigators tried their best to reach them at different destinations (tea gardens, offices and residences). So in most of the cases, their representatives (Garden Managers) were interviewed. As a result, there was a problem of not being able to reach the right persons.

## **2.4 Analytical Tools and Techniques**

The study used several statistical tools and techniques including AHP Model and Factor Analysis. As the study dealt with an important decision-making problem, specially identification of various productive sectors specific to Sylhet region, the AHP model would be the appropriate method to evaluate the priorities of decisions from alternative responses. In addition, the study employed factor analysis using principal component method to find the major factors relating to the causes of poor utilization of local funds, constraints on establishing new enterprises specific to Sylhet region, and requisites for ensuring a congenial investment climate in the Sylhet region.

### **2.4.1 Analytic Hierarchy Process (AHP) Model**

The *Analytic Hierarchy Process* (AHP) is a powerful tool that may be used to make decisions when multiple and conflicting objectives/criteria are present, and both qualitative and quantitative aspects of a decision need to be considered (Saaty, 1980). The AHP is effective in dealing with complex decision-making because it reduces complex decisions to a series of pair-wise comparisons. The AHP has three major features – (i) it is analytic, (ii) it structures the problem as a hierarchy, and (iii) it helps in the decision-making process. The method has the following four steps:

**Step 1:** The decision-making problem should be decomposed at the first step and the salient factors or elements (criteria, sub-criteria, alternatives, etc.) of the problem should be identified. Then, the linear decision

hierarchy of the problem consisting of a finite number of levels or components (*objective, alternatives and criteria*) need to be constructed. Each level consists of a finite number of decision elements. The goal or objective of the problem lies with the first level. Usually, the criteria and sub-criteria occupy the second and third levels respectively. Lastly, the decision alternatives are placed at the lowest level of the hierarchy.

**Step 2:** The decision-makers individually express their opinions regarding the relative importance of the criteria and preferences among the alternatives using *pairwise* comparisons and a 9-point system ranging from 1 (the two choice options are equally preferred) to 9 (one choice option is extremely preferred over the other). If, however, one criterion is preferred *less* than the comparison criterion, the reciprocal of the preference score is assigned. The 9-point scale has been the standard rating system used for the AHP (Saaty, 2000). Using the importance/preference of *pairwise* comparisons, *pairwise* comparison matrices should be made for all the criteria, sub-criteria, and alternatives. The typical form of a *pairwise* comparison matrix is as follows:

A=	'O'	$C_1$	$C_2$	$C_3$	-	$C_i$	-	$C_{n-1}$	$C_n$
	$C_1$	$a_{11}$	$a_{12}$	$a_{13}$	-		-	$a_{1n-1}$	$a_{1n}$
	$C_2$	$a_{21}$	$a_{22}$	$a_{23}$	-		-	$a_{2n-1}$	$a_{2n}$
	$C_3$	$a_{31}$	$a_{32}$	$a_{33}$	-		-	$a_{3n-1}$	$a_{3n}$
	-	-	-	-	-		-	-	-
	$C_i$								
	-	-	-	-	-		-	-	-
	$C_{n-1}$	$a_{n-11}$	$a_{n-12}$	$a_{n-13}$	-		-	$a_{n-1n-1}$	$a_{n-1n}$
	$C_n$	$a_{n1}$	$a_{n2}$	$a_{n3}$	-		-	$a_{nn-1}$	$a_{nn}$

where  $a_{ij}$  represents the strength of importance/preference of the factor (criterion/alternative)  $C_i$  over  $C_j$  with respect to the objective 'O'. The entries  $a_{ij}$  are normally taken from the (1/9–9) ratio-scale (Saaty, 1980). The interpretation of the matrix elements is provided in Table 2.1.

**Step 3:** The weights of the criteria, sub-criteria, and alternatives are determined from the *pairwise* comparison matrices obtained in Step 2 by

using the *eigenvalue* method. In this method following steps are followed:

- Calculation of the sum of each column of the *pairwise* matrix
- Normalization of each column by dividing each element in the matrix by the sum of it's column
- Computation of the sum of each row
- Finally, weights are obtained by dividing each row sum by the number of rows

**Table 2.2: Fundamental Scale of Relative Measurement for AHP**

<b>Intensity of Importance/ Preference</b>	<b>Definition</b>	<b>Explanation</b>
<b>1</b>	Equal importance of both elements	Two elements contribute equally
<b>3</b>	Moderate importance of one element over another	Experience and judgement favour one element over another
<b>5</b>	Strong importance of one element over another	An element is strongly favoured
<b>7</b>	Very strong importance of one element over another	An element is very strongly dominant
<b>9</b>	Extreme importance of one element over another	An element is favoured by at least an order of magnitude
<b>2,4,6,8</b>	Intermediate values	May also be used in comparison between two elements
Fractional intensities can also be used if anybody finds suitable according to the importance of elements (like 1.1, 1.2, ...)		

Source: Field Survey, 2008

**Step 4:** Using the principle of hierarchical composition, synthesis of all the local set of weights is performed to obtain the set of overall or global weights for the alternatives. The alternative that receives the overall



estimate the factor loadings and communalities [ $h_i^2 = \sum_{j=1}^m l_{ij}^2$ ], a measure of the variation of observed variables through factors. Several factor rotation methods like 'Varimax', 'Equamax', 'Quartimax' are adopted to find better estimates of factor loadings.

Once the factors are identified and factor loading matrix is estimated then the estimated values of factors and factor scores are calculated for each individual factor. The estimated values of factor scores are often used for diagnostic purposes as well as inputs to a subsequent analysis.

# 3

## **PATTERNS OF REMITTANCE UTILIZATION AND THE CAUSES OF POOR UTILIZATION OF LOCAL FUNDS**

There is no denying the fact that remittances substantially contribute to the generation of local funds in the Sylhet region. For unveiling the major causes of lack of utilization of local funds in this region, the pattern of remittance utilization has to be taken into consideration. With the same end in view, the perceptions of the entrepreneurs of different sectors of enterprise regarding the utilization of remittances, the ways to improve the remittance in-flow, and the causes of poor utilization of remittances were investigated using the sampled number of entrepreneurs. In addition, the collective views of the stakeholders obtained through FGDs regarding some specific issues were also documented. The detailed outcomes of the FGDs have been annexed.

The perceptions of the entrepreneurs have been analysed according to the scale and location of the enterprise in order to verify whether there is any variation according to these characteristics. Based on inclusion of respondents in the sample, the sample has been categorized into two groups: Sylhet district and other districts (*Habigonj, Moulvibazar and Sunamgonj*).

### **3.1 Pattern of Remittance Utilization in the Region**

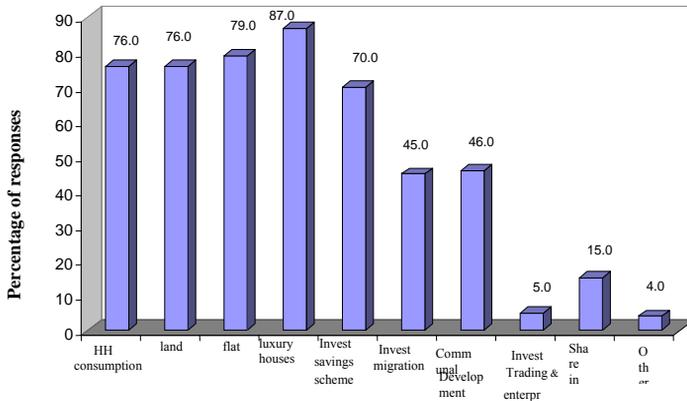
Figure 3.1 shows the perception of the entrepreneurs regarding pattern of remittance utilization in Sylhet region. The rank of the responses and variation of the perception according to scale and location (district) are given in Appendix Table 3.1. Over three-fourths of the respondents mentioned that the remittances were mainly utilized for household consumption, purchasing of land, purchasing of flat, and building of luxury houses. It is noted that the highest number of entrepreneurs pointed out that remittances were being used to build luxury houses. The

utilization of remittance in investment in fixed deposit and savings scheme was mentioned by a significant number of entrepreneurs (70%). Unfortunately, only 5% of the respondents referred to remittance being utilized as investment in trading and enterprise development, which seems to underestimate the real investment for the purpose, based on observation and anecdotal evidence.

More than two-fifths of the entrepreneurs ranked household consumption and building of luxury houses as the topmost sectors where remittances were mainly used in Sylhet region (Appendix Table 3.1). Purchasing land was ranked as the first and the second sector for remittance utilization by 23% and 36% of the respondents respectively. Though 79% of the respondents acknowledged purchasing apartment flats as one of the major sectors of remittance utilization, only 17% and 18% of them ranked the issue as the first and second sector respectively. From the perceptions of and the ratings by the respondents it can be inferred that the substantial portion of the remittances are utilized in household consumption, building of luxury houses and purchasing land.

The discussants of FGD pointed out that the remittances were mainly utilized for four purposes– (i) consumption, (ii) land purchase, (iii) deposits and (iv) community help (donation to mosque, *madrakah*, help to poor relatives). It is seen that both enterprise-level survey and FGD provided almost identical results regarding the pattern of remittance utilization in Sylhet region and the findings are quite rational. It is revealed from the findings that the remittances of this region are utilized mainly in unproductive sectors.

**Figure 3.1: Pattern of remittance utilization in the Sylhet region**



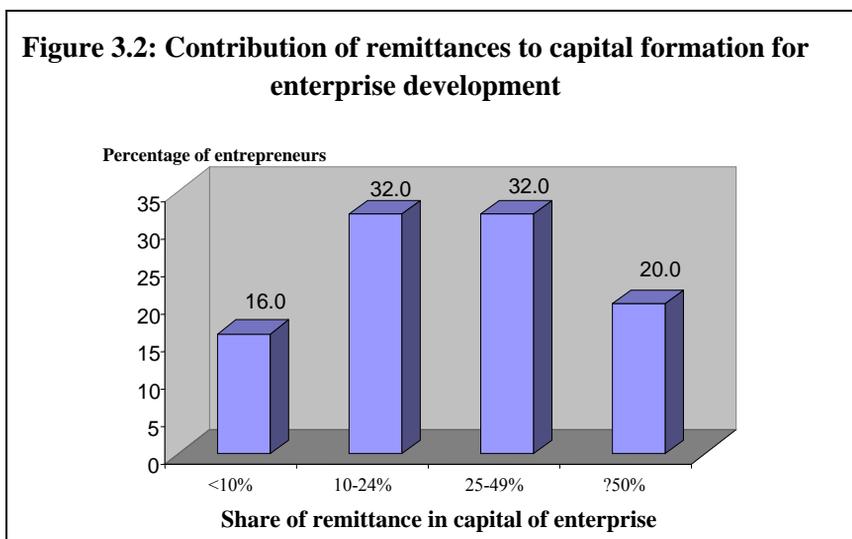
The comparison of the entrepreneurs' perceptions according to scale of enterprise indicates that a significantly higher proportion of entrepreneurs of SMEs mentioned household consumption and building of luxury houses as the purposes where remittances were mainly utilized. On the other hand, a higher proportion of entrepreneurs of large enterprises mentioned that the remittances were utilized for portfolio investment in terms of fixed deposits and migration for family members and/or relatives.

A huge difference was also observed among the perception of entrepreneurs of Sylhet district and other districts regarding household consumption and building of luxury houses (Appendix Table 3.1). A significantly ( $p < 0.01$ ) higher proportion of entrepreneurs of Sylhet district viewed the remittance utilization for building of luxury houses, household consumption and purchasing land than the entrepreneurs of other districts of the division. On the other hand, like the entrepreneurs of large enterprises, a higher proportion of entrepreneurs of other than

Sylhet district opined the utilization of remittance for investment in fixed deposit and savings scheme.

### **Contribution of Remittances to Capital Formation for Enterprise Development in the Sylhet Region**

The entrepreneurs were asked whether the remittances contributed to the capital of their enterprises directly. One-quarter of them acknowledged the contribution of remittance to their capital. Among those respondents, 20% admitted that more than half of their capital for enterprise development was generated from remittances (Figure 3.2). The indirect contribution of remittances could not be measured due to non-availability of relevant data, especially from financial intermediaries of Bangladesh. The findings revealed that the contribution of remittance to capital formation was not up to the mark.



### **3.2 Profile of Remittances and Ways of Improving its Flow in the Sylhet Region**

It has been observed that the remittance inflow to Bangladesh has increased significantly during the last one decade, from Tk. 6,943.60 crore in 1998 to Tk. 54,295.14 crore in 2008 (Bangladesh Bank, 2008). The growth of remittance inflow was more pronounced in recent years:

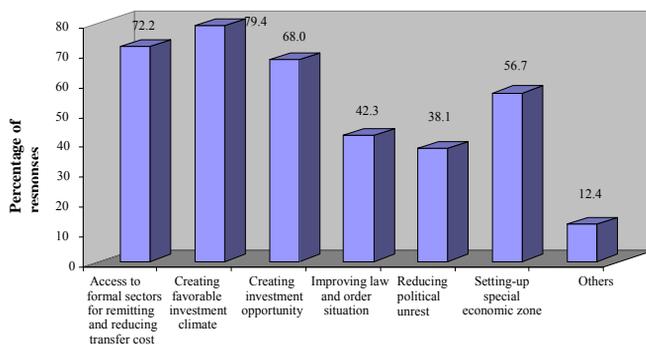
Tk. 23,646.97 crore in 2004-05 increased to Tk. 41,298.54 crore in 2006-07 (Bangladesh Bank, 2008).

There is a debate on the proportion of remittances by the expatriate of Sylhet region to the total remittance inflows of the country. Several newspaper articles and research papers documented that the expatriates of Sylhet region contributes to the lion's share in the national remittance earnings, which seems to be unrealistic. For example, Ahsan *et al.* (2005) reported the contribution of Sylhet region was 75% to the total remittances. It is necessary to unveil the actual portion of remittances in Sylhet region to make appropriate plan for the utilization and the increase of remittances. Therefore, the study estimates the contribution of Sylhet division to the total remittances by collecting the required data from Bangladesh Bank, Sylhet. It is known from the Foreign Exchange Division of Bangladesh Bank, Sylhet that the remittance inflow to Sylhet region through banking channel during the period December 2007 to August 2008 was Tk. 3,873.42 crore (Source: Bangladesh Bank, Sylhet). At the same period the total remittance inflow of the country was Tk. 45,604.11 crore (Bangladesh Bank, 2008). It is estimated that the remittances received in Sylhet region through banking channel contributed only about 8.49% to the total formal sector remittances in Bangladesh. Although it might happen that the expatriates of Sylhet region could send a smaller amount of remittances to other places, particularly Dhaka, as well.

Entrepreneurs were asked to sort out the ways for improving the remittance inflow to the Sylhet region if there is any scope to improve it. Nearly all of them agreed that there was an opportunity to improve the remittance in-flow (Appendix Table 3.2). Among the entrepreneurs who agreed that improving remittance in-flow is possible, nearly four-fifths of them suggested to create favourable investment climate and over two-thirds suggested to 'increase the opportunity for access to formal sectors for remitting and reducing transfer cost' and 'creating investment opportunity in the region' (Figure 3.3). Furthermore, about 57% of the entrepreneurs recommended setting up a Special Economic Zone (SEZ) in the region to enhance the remittance inflow.

Half of the entrepreneurs ranked ‘increase the opportunity for access to formal sectors for remitting and reducing transfer cost’ as the first necessary step to increase the remittance inflow. On the other hand, nearly one-third of the entrepreneurs ranked ‘creating a favourable investment climate’ as the first and second necessary step to increase the remittance inflow in the region. The perceptions of the interviewees infer that the remittance inflow to Sylhet region can be increased mainly through making the investment climate friendlier, reducing the transfer cost of remittances and harnessing the access of the remitters to formal sectors.

**Figure 3.3: Ways of improving the remittance flow to the Sylhet Region**



The comparison of entrepreneurs’ perception according to the scale of enterprise concerning the ways of increasing the remittance inflow to the region indicates a significant ( $p < 0.05$ ) variation for setting up SEZ, creating a favourable investment climate, and improving the law and order situation (Appendix Table 3.2). The perceptions varied significantly ( $p < 0.01$ ) on improving the law and order situation according to district-wise comparison.

### **3.3 The Causes of the Lack of Utilization of Local Funds**

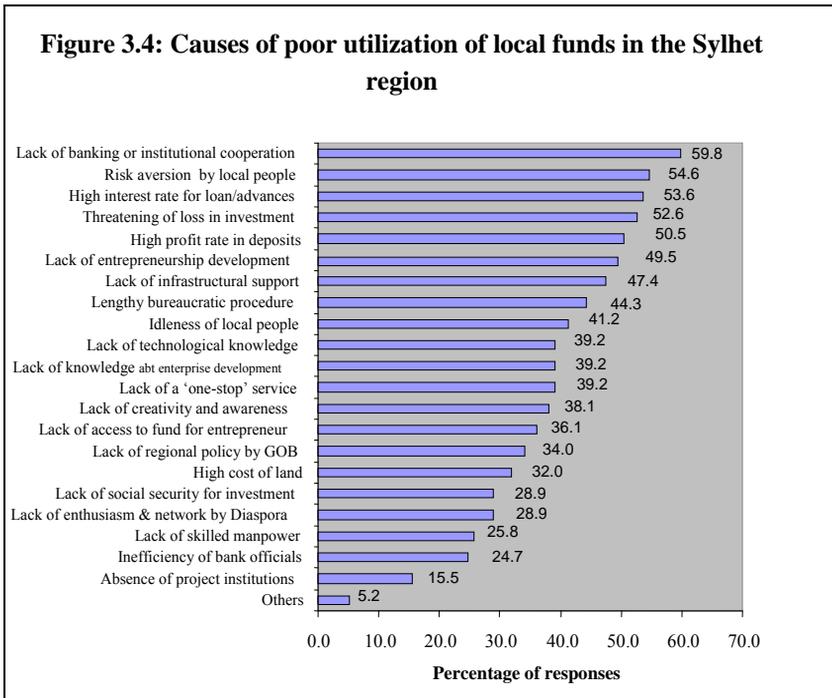
The entrepreneurs of several industrial sectors were asked whether they agree or not to the notion that utilization of local funds is poor and nearly all of them agreed to the issue. They were further asked about the causes of poor utilization of local funds and their views are shown in Figure 3.4. Over half (50-60%) of the entrepreneurs prioritized lack of banking or institutional cooperation, risk aversion by local people, high interest rate for loan/advances, the threat of loss in investment, high interest rate in deposits, and lack of entrepreneurship development as the causes of poor utilization of local funds. In addition, lack of infrastructural support, lengthy bureaucratic procedure, and idleness of local people were also cited as major causes of poor utilization of local funds by over two-fifths of the entrepreneurs. Moreover, more than one-third entrepreneurs argued that there is a lack of technological knowledge about industrialization, lack of knowledge about enterprise development, lack of 'one-stop' service, lack of creativity & awareness among potential investors, lack of access to fund (due to collateral & complexity) and lack of a regional policy as causes of poor utilization of local funds in the region. The discussants of the FGD also unveiled the causes of poor utilization of local funds, and they were mostly similar to those mentioned by the entrepreneurs.

The ranks of the responses indicate that lack of entrepreneurship development, lack of banking or institutional cooperation, risk aversion by local people, and the threat of loss in investment were rated either as the first or the second reason for the poor utilization of local funds by one-quarter of the entrepreneurs (Appendix Table 3.3).

The comparison of the perceptions of the entrepreneurs according to the scale and location (district) of enterprises regarding the causes of poor utilization of local funds is shown in Appendix Table 3.3. A significantly ( $p < 0.05$ ) higher proportion of entrepreneurs of large scale enterprises mentioned high interest rate in deposits, lack of social, administrative and legal security for investment, lack of technological knowledge about industrialization, lack of knowledge about enterprise development, lengthy bureaucratic procedure for enterprise development, lack of 'one-stop' service for enterprise development, and lack of enthusiasm and

association by *Diaspora* as the causes of poor utilization of local funds. On the other hand, high cost of land was identified as the main cause of poor utilization of local funds by a significantly ( $p < 0.05$ ) higher proportion of entrepreneurs from SME. With respect to the location (district) of the enterprises, the perception of entrepreneurs varied for almost all the causes except high cost of land, idleness of local people, non-existence of project evaluation institutions, and high interest rate for loan/advances.

The entrepreneurs' perceptions and overall rankings reveal that the lack of banking or institutional cooperation is the topmost cause for poor utilization of local funds, followed by lack of entrepreneurship development, risk aversion by local people, threat of loss, lack of infrastructural support, and high interest of deposits. A probable explanation of why there is a lack of banking or institutional cooperation is that the local banking authority is not allowed to make policies and take measures of their own in favour of optimal & efficient utilization of local funds such as leverage of collateral and indifference of bank officials to loan disbursement. The authorisation for forming banking policies is not decentralized. However, the bank officials remain satisfied mainly with collecting deposits avoiding taking risk related to loan/advances and recovery. The lack of entrepreneurship development may be due to the inclination of the local people towards intensive international migration by heritage and the lack of ancestral knowledge about enterprise development.



### 3.4 Factor Analysis for Causes of Poor Utilization of Local Funds

The descriptive statistics have indicated that a number of causes were responsible for the poor utilization of local funds. The study also adopted factor analysis to identify the major dimensions of the causes of poor utilization of local funds that explain most of the variance observed in a much larger number of manifest variables by reducing the number of causes to a few factors. The factor analysis is performed by assigning weights to the ranks of the responses (causes for poor utilization of local funds). A factor that is ranked as 1 has the weight 11; one that is ranked 2 has the weight 10, and so on. The analysis used principal component method to extract the factors with varimax rotation technique. Table 3.1 shows the results of the factor analysis of the causes of poor utilization of local funds. The selection of a particular variable to be included as a factor was made on the basis of whether the correlation value (factor loadings) was high or not. On the basis of the maximum variation of the

factors, the study identified four main factors as the causes of poor utilization of local funds in Sylhet region. These factors are:

**Factor I:** Lack of a 'one-stop' service for enterprise development, lack of adopting regional policy by GOB, lengthy bureaucratic procedure for enterprise development, lack of knowledge about enterprise development, lack of enthusiasm and network by *Diaspora*, and lack of social, administrative and legal security of investment.

**Factor-II:** Threat of loss in investment, risk aversion by local people, lack of entrepreneurship development, lack of skilled manpower, and lack of creativity and awareness of potential investors.

**Factor-III:** Inefficiency of bank officials, lack of banking or institutional cooperation, and lack of infrastructural support.

**Factor-IV:** Non-existence of project preparing and evaluating institutions (consultancy firm), and lack of technological knowledge about industrialization.

The elements of each of the above factors are arranged in order of their respective magnitude (absolute) of factor loadings indicating the importance of a particular element in a factor. The causes comprising Factor-I are mainly related to *policy adoption*; the causes of Factor-II related to the *business risk and initiative* of the local people; the Factor-III contains the causes related to *financial intermediation and infrastructure*; and the elements of Factor-IV include the causes related to *technical knowledge* of local people. The negative value of factor loadings for the variables 'lack of entrepreneurship development' and 'lack of skilled manpower' in Factor-II indicates that these variables are inversely related to Factor-II which seems to be irrational in consideration with the correlation of other variables to the same factor, probably because of misperceptions of the respondents.

The above four factors can be named as lack of institutional policy implementation, lack of innovativeness, poor financial intermediation & infrastructure, and technical inefficiency. The result suggests that these factors are mainly responsible for the poor utilization of local funds. Therefore, to ensure the optimal utilization of local funds, proper policy

formulation & implementation, creation of innovativeness among local people, eradication of shortcomings in financial intermediation & infrastructure, and technological improvement should be urgently set in action.

**Table 3.1: Factor analysis for the causes of poor utilization of local funds in the Sylhet region**

Causes of poor utilization of local funds in Sylhet region	Factor						
	F1	F2	F3	F4	F5	F6	F7
Lack of entrepreneurship development		-.643					
Lack of banking or institutional cooperation			.747				
Inefficiency of bank officials			.784				
High cost of land							.614
Lack of infrastructural support			.561				
High profit rate in deposits							.749
High interest rate for loan/advances						.784	
Non-existence of project preparing and evaluating institutions				.784			
Lack of social, administrative and legal security for investment	0.431						
Lack of access to fund for trained entrepreneur					.693		

Causes of poor utilization of local funds in Sylhet region	Factor						
	F1	F2	F3	F4	F5	F6	F7
Lack of technological knowledge about industrialization				.697			
Lack of knowledge about enterprise development	0.637						
Lack of creativity and awareness among capable investors		.417					
Idleness among the local people					.614		
Lack of skilled manpower		-.547					
Risk aversion by local people		.590					
Threat of loss in investment		.715					
Lengthy bureaucratic procedure for enterprise development	.689						
Lack of a 'one-stop' service for enterprise development	.744						
Lack of adopting regional policy by GOB	.706						
Lack of enthusiasm and network by Diaspora	.618						
Eigenvalue	2.970	2.299	1.942	1.724	1.336	1.331	1.328

Causes of poor utilization of local funds in Sylhet region	Factor						
	F1	F2	F3	F4	F5	F6	F7
Percent of variation	14.141	10.947	9.250	8.209	6.364	6.336	6.323
Cumulative percent of variation	14.141	25.088	34.34	42.55	48.91	55.26	61.57
KMO=0.631 & only factor loadings $\geq 0.40$ has been shown in the Table							

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Source: Field Survey, 2008

# 4

## **ENTERPRISE DEVELOPMENT IN THE REGION: ACHIEVEMENTS AND HINDRANCES**

In spite of the huge potential for enterprise development, an insignificant number of enterprises have been developed in the Sylhet region. The low level of industrialization indicates that there are obstacles to establishing enterprises easily in the region. Despite the odds, some enthusiastic and persistent entrepreneurs have set up some enterprises and have also managed to succeed considerably. To identify the major hindrances in establishing enterprises and to portray success stories, the study documented the perceptions expressed by the sampled pool of entrepreneurs. In this chapter, these perceptions have been analyzed with the help descriptive statistical tools and techniques, and have been illustrated with tables. Categorically, this chapter discusses the profile of entrepreneurs and enterprises, reasons that have supported establishing enterprises including reasons for establishing enterprises in the Sylhet region, significant achievements, factors responsible for the achievements, hindrances for running enterprises in the region including necessary supports needed in solving the problems.

### **4.1 General Profile of the Entrepreneurs and the Enterprises**

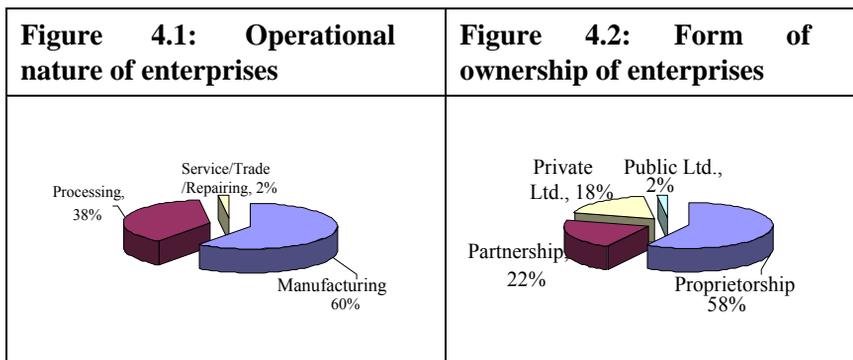
The profile of the sampled enterprises and entrepreneurs is shown in Table 4.1. It is observed that two-thirds of the entrepreneurs were of ages between 40 years and 59 years, 15% of the entrepreneurs were 60 years old or more and 19% of them were found to be below 40 years of age. The average age of the entrepreneurs was 48.5 years with a standard deviation of 10.5 years.

Over half of the sampled entrepreneurs were found to have at least graduate level education. One-third of them had secondary and higher secondary education and only 11% had below secondary education (SSC). Over 90% of the sampled entrepreneurs were Muslims. Over half of the entrepreneurs belonged to joint/extended families.

Over three-fifths of the entrepreneurs reported that they became the owner of the enterprise as they self-started their businesses; 16% became owner by inheritance and 19% became owner by taking over established enterprises. Of the entrepreneurs who had started business by themselves, 17.4% had below secondary education, 41.3% had secondary education and 41.3% had graduate level education. It is difficult to make any inference regarding the relationship between how ownership came into being and educational level (Table 4.2).

One-third of the sampled entrepreneurs mentioned that they were motivated to start their enterprises by reference group (friends and relatives); 44% of them simply acted out of their business experience. Only 5% of the sampled entrepreneurs were motivated to start the enterprise because of training, although 33% had some sort of training regarding the business.

Figure 4.1 shows that 60% of the sampled enterprises were manufacturing in nature and 38% were processing (mainly food items). The ownership pattern of the sampled enterprises is shown in Figure 4.2. It is observed that 58% of the organizations were sole proprietorships, 22% were partnerships and 20% were limited companies. Several kinds of the ownership of premises of the establishment were found: 39% were owned, 42% were leased and 18% were rented. A vast majority of the enterprises (74%) had started their operations in the same year of establishment, 12% started their operations within 1 to 3 years of establishment, 10% started their operations within 4 to 6 years of establishment, and 4% started their operations after 6 years of establishment.



A close to half (47.7%) of the total labour force of the sampled enterprises were found to be skilled and 27.5% were found to be semi-skilled on the basis of the perception. It is noted that a quarter of the total labour force of the sampled enterprises were unskilled. It is observed that about 35% of the total labour force of the sampled enterprises was female, which corresponds to the fact that 21 tea estates have been included in the sample.

**Table 4.1: General profile of entrepreneurs and enterprises**

Characteristics	%	Characteristics	%
Age of the entrepreneur		Status of training regarding business	
<40 years	19.0	Yes	33.0
40-49 years	39.0	No	67.0
50-59 years	27.0		
60+ years	15.0		
Education		Operational nature of the enterprise	
<10	11.0	Manufacturing	60.0
10-13	34.0	Processing	38.0
14+	55.0	Service/Trade/Repairing	2.0
Religion		Form of ownership of the enterprise	

<b>Characteristics</b>	<b>%</b>	<b>Characteristics</b>	<b>%</b>
Muslim	93.0	Sole Proprietorship	58.0
Non-muslim	7.0	Partnership	22.0
		Private Ltd.	18.0
		Public Ltd.	2.0
Type of family		Ownership types of enterprise premises	
Nuclear	48.0	Owned	39.0
Extended	9.0	Leased	42.0
Joint	43.0	Rented	18.0
Achievement of ownership		<b>Gap between establishment and operation</b>	
Ancestral source	16	Same Year	73.0
Ownership by takeover (purchase)	19	1-3 Years	12.0
Self-started	63	4-6 Years	10.0
		6+ Years	4.0
Motivation of starting enterprise		<b>Employees of the enterprises</b>	
Training Reference group	5	Skilled (%)	47.7
Experience	33	Semi-skilled(%)	27.5
	44	Unskilled (%)	24.8
		Male (%)	64.7
		Female (%)	35.3

Source: Field Survey, 2008

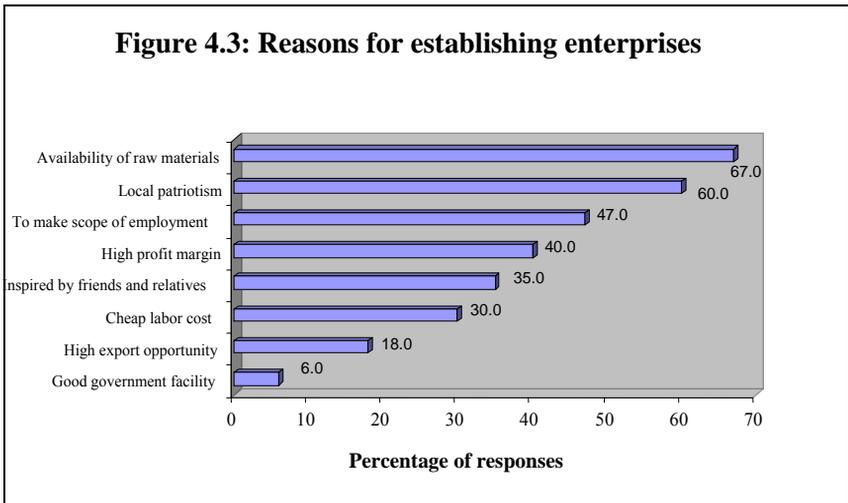
**Table 4.2: Education and achievement of ownership**

		Ways of achievement of ownership				Total
		Ancestral source	Ownership by takeover (purchase)	Self-started	Others	
Education (Years of schooling)	<10			11(17.4%)		11 (11.0%)
	10-13	7 (43.8%)	1 (5.3%)	26 (41.3%)		34 (34.0%)
	14+	9 (56.2%)	18 (94.7%)	26 (41.3%)	2 (100.0%)	55 (55.0%)
Total		16 (100.0%)	19 (100.0%)	63 (100.0%)	2 (100.0%)	100 (100.0%)

Source: Field Survey, 2008

## 4.2 Reasons for Establishing Enterprises

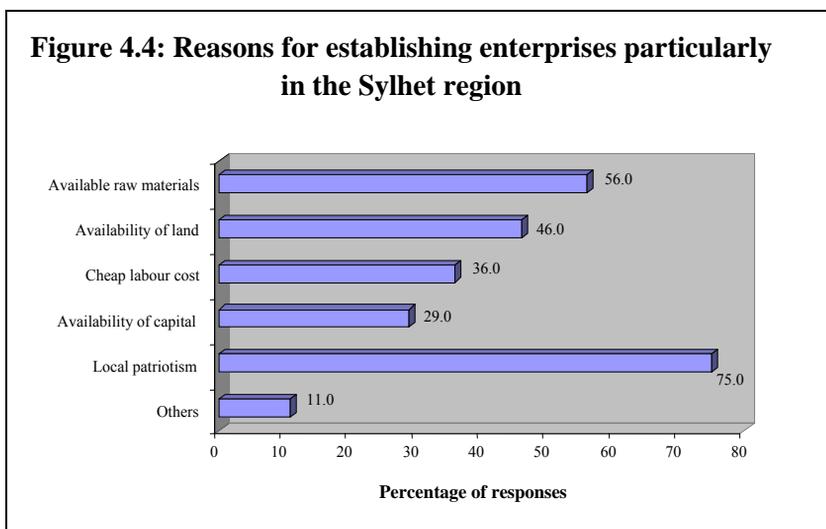
In this section, the opinions of the entrepreneurs regarding setting-up industries are analyzed and the main reasons are shown in Figure 4.3. Over three-fifths of the entrepreneurs cited availability of raw materials and local affinity as the main reasons for establishing enterprises in their respective areas. Other reasons such as making scope of employment in their locality, high profit margin, inspiration by friends/relatives and cheap labour cost were also mentioned by a considerable number of the entrepreneurs. The entrepreneurs were also asked to rank the reasons mentioned by them according to their preferences. The entrepreneurs rated the availability of raw materials, local affinity and high profit margin as the first, second and third most important reasons respectively.



In order to calculate the variation in the perceptions of the entrepreneurs regarding the reasons of establishing enterprises, the data is analyzed according to scale, sector, and location (district) of enterprises and the results are given in Appendix Table 4.1. The perception of the entrepreneurs by scale of enterprise shows significant ( $p < 0.05$ ) variation in case of local affinity, high export opportunity and good government facility. The entrepreneurs from the tea industry emphasized on high profit margins, availability of raw materials, creating employment in their locality and high export opportunity as the main reasons for establishing enterprises, while the entrepreneurs of stone and brick industry gave emphases on the availability of raw materials and bias toward the locality. Furthermore, entrepreneurs from the cottage industry and food processing industry pointed to the availability of raw materials and local affinity as the main reasons. Reasons given by entrepreneurs from different sectors seem to be rational in terms of local resources and motives. The analysis of perceptions according to location (district) of the enterprises also indicates a wide variation in the reasons behind establishing enterprises.

## Reasons for Establishing Enterprise in Sylhet Region

The entrepreneurs were asked about why they developed their enterprises in the Sylhet region rather than in any other part of the country, the results of which are shown in Figure 4.4. Local affinity was focused on as the main reason for establishing enterprises in the Sylhet region, followed by availability of raw materials. The aggregate ranking of the responses by the entrepreneurs indicates that local affinity, availability of raw materials and availability of land were placed in the first, second and third positions respectively as the reasons for establishing enterprises in the Sylhet region (Appendix Table 4.2). The findings clearly indicate that, except for local affinity, no other reasons attracted the entrepreneurs significantly to establish their enterprises in the Sylhet region in particular.

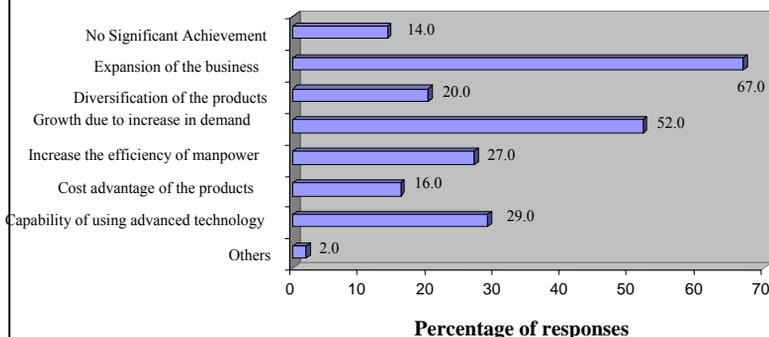


A significant variation in the perception of entrepreneurs was observed while compared with scale, sector and location (district) of the enterprises regarding reasons for establishing enterprises in the Sylhet region (Appendix Table 4.2). Close to three-fifths of the entrepreneurs of large scale enterprises recognized availability of land as the reason for

establishing enterprises in the Sylhet region, while little less than one-third of the entrepreneurs of small and medium enterprises recognized the same issue. The entrepreneurs of the tea industry recognized the availability of land, cheap labour cost and availability of capital as the prime reasons for establishing enterprises in the Sylhet region, while the entrepreneurs of other sectors mainly gave emphasis on local affinity. It is observed that one-third of the entrepreneurs of the Sylhet district recognized availability of land as one of the main reasons for establishing their enterprises in the region, while over two-thirds of the entrepreneurs of other districts of the division recognized the same reason.

### **Significant achievements from enterprises**

The respondents were asked about significant achievements (business expansion, growth due to demand, increased efficiency etc) of their businesses and 86% of the enterprises gained significant achievements. A remarkable portion of the entrepreneurs marked significant achievements through the expansion of their businesses and growth due to increased demand of the product (Figure 4.5). Over half of the respondents ranked ‘expansion of the business’ and one-quarter ranked ‘more growth due to increase in demand’ as the foremost significant success of their enterprises (Appendix Table 4.3).

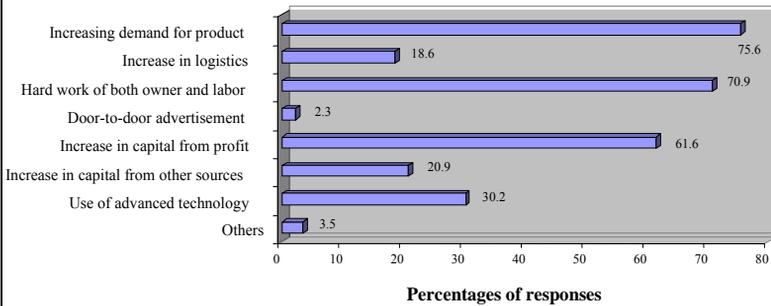
**Figure 4.5: Significant achievements of enterprises**

It is depicted from Appendix Table 4.3 that large scale enterprises gained more significant ( $p < 0.05$ ) achievement than small & medium scale enterprises in terms of growth due to increase in demand and increase in the efficiency of manpower. The perception about achievements shows a wide variation according to the sector of enterprises: nine-in-ten entrepreneurs of food processing enterprises marked expansion of business as the most significant achievement, while four-fifths of the entrepreneurs of the tea industry and three-fifths of the entrepreneurs of stone & brick industry stated growth due to increase in demand as the most significant achievement.

### **Major factors responsible for significant achievement of enterprises**

Figure 4.6 illustrates the views of the entrepreneurs concerning the factors responsible for significant achievements. The most important factors behind significant achievements were identified as increasing demand for the product, hard work by both the owner and labour and retention of profits as capital. More than two-fifths of the entrepreneurs ranked hard working by both the owner and labour and nearly a quarter ranked increasing demand for the product as the most significant factor for the achievement (Appendix Table 4.4).

**Figure 4.6: Major factors responsible for significant achievement of enterprises**



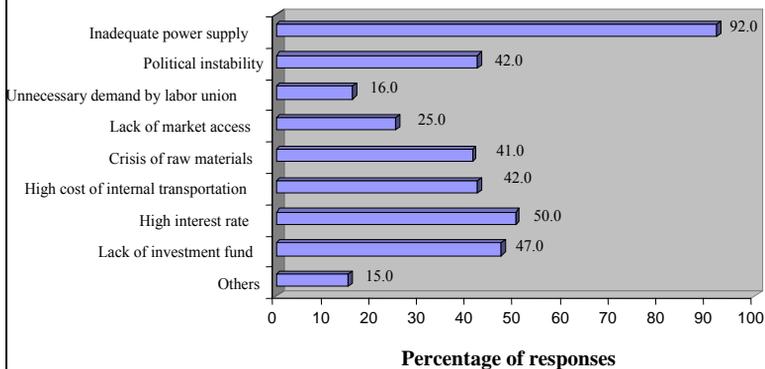
A significantly higher proportion of entrepreneurs of large scale industries mentioned that increasing demand for the product, increase in logistics and use of advanced technology as major factors contributing to the significant achievements of their enterprises in comparison to the entrepreneurs of SMEs (Appendix Table 4.4). The highest proportion of entrepreneurs of cottage industries mentioned increasing demand for the product as the topmost factor contributing to significant achievement, while the highest proportion of entrepreneurs from the food processing industry mentioned hard work by both the owner and labour as a factor that has allowed significant achievements. It is observed that a bulk of entrepreneurs from the tea industry mentioned ‘use of advanced technology’ as a major factor for significant achievements, while the entrepreneurs of other industries placed much lower emphasis on the same particular factor.

### 4.3 Hindrances in Running Enterprises in the Region

The entrepreneurs were asked about the hindrances in running enterprises during the last five years and Figure 4.7 shows their perceptions. A bulk of the entrepreneurs identified inadequate power supply as the most severe obstacle to running business smoothly. More than two-thirds of the entrepreneurs ranked it as the most significant barrier. Nearly half of the entrepreneurs mentioned high rate of interest

on borrowing and lack of investment funds as hindrances to sound performance of enterprises. Further, political instability, high cost of domestic transportation and crisis of some raw materials (not available in the locality) were also marked hostile to smooth running of the enterprises by more than two-fifths of the entrepreneurs.

**Figure 4.7: Hindrances in running enterprises for the last five years**



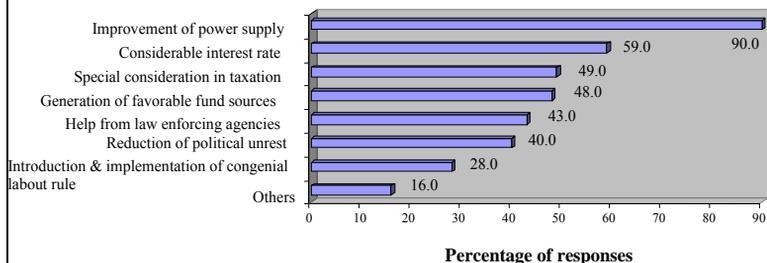
A significantly higher proportion of the entrepreneurs from large scale enterprises expressed high rate of interest on borrowings as a serious problem to business functions running smoothly (Appendix Table 4.5). Comparing the perceptions according to the sectors of enterprises, it is observed that a considerable proportion of entrepreneurs of tea industry, food processing industry and stone-based industry mentioned high rate of interest on borrowings as one of the main hindrances other than the inadequate power supply.

### **Necessary supports to combat the hindrances faced by running enterprises**

The entrepreneurs were also urged to provide suggestions for solving the problems they faced in operating businesses. Most of the respondents (90%) strongly advocated for improving the power supply on an urgent basis as that was the most significant problem. Nearly three-fifths of the entrepreneurs opined that financial support needed to be ensured by lowering the interest rate on borrowings considerably. Special consideration in taxation from government in terms of reduced rate and/or provision of tax holiday and generation of favourable sources of fund (reduced rate of interest, easy bureaucratic procedure) were also taken into account by about half of the entrepreneurs.

No significant variation was observed in suggestions regarding governmental supports that would help to solve difficulties faced by large and small & medium enterprises except implementation of a congenial labour law (Appendix Table 4.6). More than two-fifths of the entrepreneurs from large-scale enterprises suggested introducing and implementing of a congenial labour rule, while only 12.2% of SMEs mentioned the same. The perception of entrepreneurs regarding necessary support for reducing the hindrances were analyzed according to the sector of enterprises and a very nominal variation was observed for most of the issues. Entrepreneurs of the Sylhet district as well as other districts supported nearly the same factors to solve the difficulties in running enterprises.

**Figure 4.8: Necessary support to combat the hindrances for running enterprises**



Notwithstanding the poor performance of industrialization in this region, the entrepreneurs have achieved some considerable gains from their enterprises. Some positive factors have contributed to their significant achievements and some negative factors have hindered their path for establishing and running their enterprise

# 5

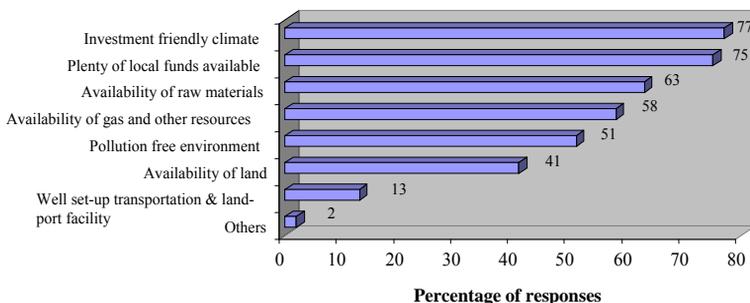
## INVESTMENT CLIMATE IN THE SYLHET REGION

The investment climate in the Sylhet region is explored in this chapter by analyzing the views of the entrepreneurs on the following issues: advantageous factors for investment, constraints on enterprise development in the region, requisites for congenial investment climate, and investment plan in proposed Special Economic Zone in Sylhet. The constraints on enterprise development in the region comprise the problems faced by the entrepreneurs for running existing enterprises and establishing new ones in Sylhet, which are different from those in other regions. In addition to the perception of the entrepreneurs, the views of the FGDs are also incorporated here to generate a clearer picture of the investment climate in Sylhet.

### **5.1 Advantageous Factors for Investment in the Sylhet Region**

The perception of the entrepreneurs regarding the advantageous factors for investment in Sylhet region is shown in Figure 5.1. The entrepreneurs' responses were found to be very natural on the advantageous factors for investment in the region. Three-quarters or more of the entrepreneurs identified investment friendly climate (free from extortion, harmony among local people, supportive attitude) and availability of local funds as the two most significant factors. Furthermore, the availability of raw materials, gas & other resources were mentioned as advantageous factors for investment by about three-fifths of the respondents. Over two-fifths of them ranked investment friendly climate and availability of plenty of local funds as the two topmost advantageous factors for investment in Sylhet.

**Figure 5.1: Advantageous factors for investment in the Sylhet region**



The entrepreneurs' perceptions concerning advantageous factors for investment in the Sylhet region have also been analyzed according to scale, sector and location (district) of the enterprises in order to know their variations (Appendix Table 5.1). The perception between the entrepreneurs of large-scale industries and SMEs did not vary significantly regarding advantageous factors for investment in Sylhet region. The perception of entrepreneurs of different sectors regarding the advantageous factors for investment in Sylhet region varied in terms of the following issues: availability of land, level of pollution, and availability of gas & other resources. It has been observed that availability of land, as an advantageous factor, was mentioned by a significantly ( $p < 0.05$ ) higher proportion of entrepreneurs from cottage and stone-based industries. The reasoning may be that these industries (cottage and stone-based) require comparatively less space at outskirts of metropolitan areas. It is observed that the perception of the entrepreneurs varied significantly ( $p < 0.05$ ) by location (district) of the enterprises in the case of the following factors: investment friendly climate, level of pollution, availability of gas and other resources and proper transportation system. Other than the above factors, it is mentionable that

almost all of the entrepreneurs (93%) agreed that there was no organized crime in Sylhet region in establishing enterprises.

## **5.2 Constraints on Enterprise Development in the Region**

A favourable investment climate influences investors to investment more and explore new investment opportunities, which, in turn, is expected to generate employment opportunity as well as boost growth of the economy. On the other hand, existing constraints are likely to discourage entrepreneurs to establish new firms, making the region backward. Hence, the constraints on enterprise development in the Sylhet region are being discussed here, covering the following issues: (i) problems faced by entrepreneurs for starting an enterprise similar to those already existing in the region (including managing necessary documents, land, loan from the banks, etc); (ii) constraints on establishing enterprises that are new and different from those that are in other regions.

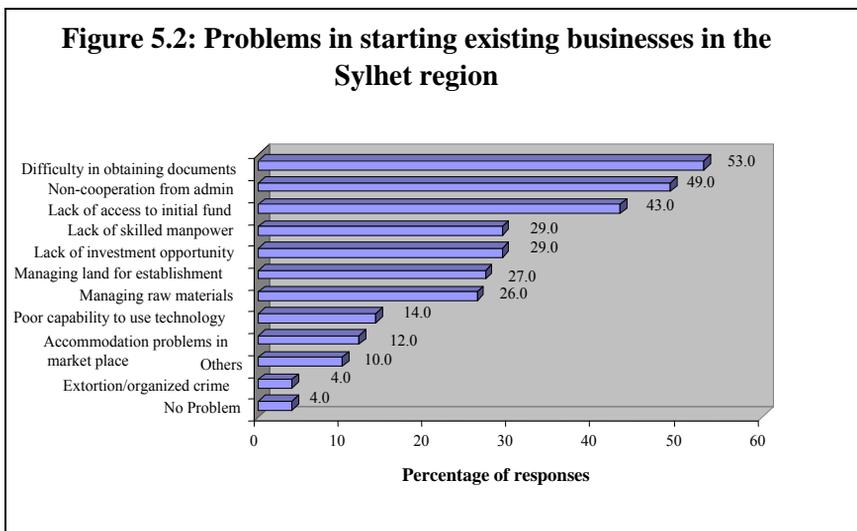
### **5.2.1 Problems in Starting Enterprises**

The entrepreneurs' perceptions regarding problems in starting new businesses have been presented in Figure 5.2. Several constraints on enterprise development in this region have been identified. The entrepreneur is required to get permission from many government organizations for starting an enterprise and facilitate business activities. It is revealed from the study that 53% of respondents mentioned the problems faced in collecting the necessary documents and getting the permission from the government officials to start their business. This was ranked by them as the most severe constraint followed by inadequate cooperation from the administrations, mentioned by 49% respondents (Appendix Table 5.2). More than two-fifths of the entrepreneurs faced initial fund crisis for their business. Besides, managing land & raw materials, lack of skilled manpower, imposition of high excise duty, and lack of market facilities (limited demand for the commodities in some cases) were also identified as obstacles to starting businesses by entrepreneurs.

These problems vary significantly in terms of location: Sylhet and other districts of the division, and can be attributed to accommodation problem in the market place, lack of skilled manpower and imposition of high

excise duties (Appendix Table 5.2). In addition, the degrees of severity of the problems vary according to the scale and sectors of industries. It is found that the responses for all groups of industries except the tea sector are almost the same regarding obtaining necessary documents from government offices needed to start an enterprise. Though all the groups of industries face a lack of access to initial funds, the problem in case of the tea industry is more intense, as is shown in the table. It is also revealed that the shortage of skilled manpower is far more serious for stone-based and cottage industry than that for other industries such as food processing and tea, *etc.*

Eventually, the soundness or favourability of the investment climate depends on to what extent these problems are addressed. Hence, the policy strategies for encouraging the investment of local funds will be guided by the removal of existing problems in the Sylhet region.

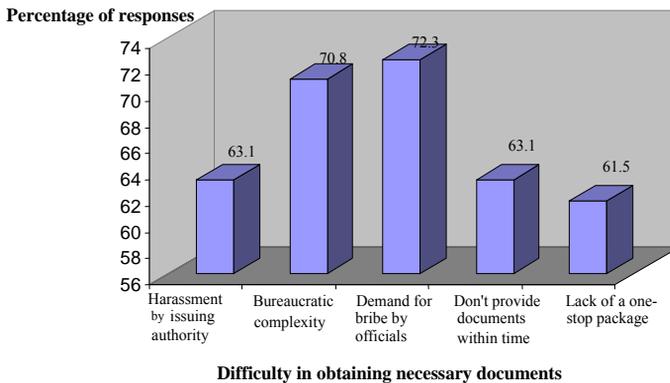


### Opinion regarding obtaining necessary documents

While the entrepreneurs<sup>7</sup> were asked to identify the features advantageous to investment, they also informed that they faced hindrances in starting their business. While the entrepreneurs were asked to mention the problems in managing necessary documents, 65% entrepreneurs acknowledged facing some sorts of difficulty (Appendix

Table 5.3). These entrepreneurs, in this regard, identified the following difficulties that they faced: demand for bribe by government officials (72.3%), followed by administrative complexity (70.8%). Furthermore, over three-fifths of the entrepreneurs mentioned the following constraints: harassment by issuing authority, delayed processing and release of documents, and lack of a one-stop service package.

**Figure 5.3: Difficulty in obtaining necessary documents needed to establish an enterprise in the Sylhet region**



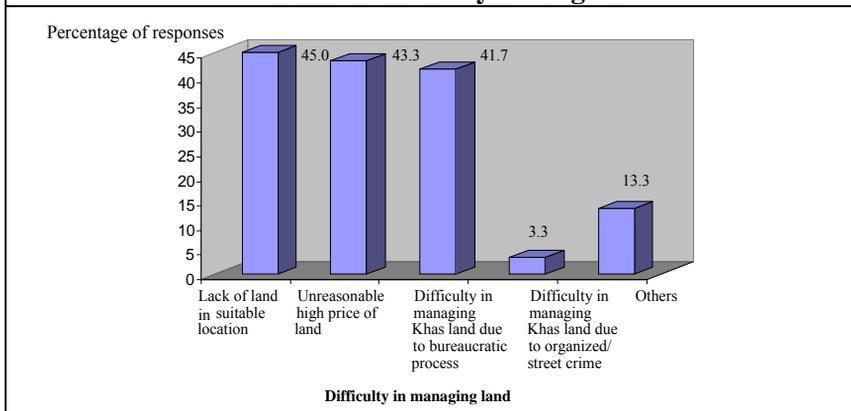
Perceptions regarding the kind of difficulty faced in obtaining necessary documents were found to vary across the scale and sectors of enterprises (Appendix Table 5.3). However, no significant variation was observed according to the location (district) of the enterprises. A higher proportion of entrepreneurs from SMEs stated demand for bribe by government officials as the main difficulty in obtaining necessary documents. On the other hand, higher proportion of large-scale industry entrepreneurs mentioned administrative complexity, lack of one-stop service packages as the main issues in regard to obtaining necessary documents for setting up a business.

## Managing land for enterprise establishment

Land is a fundamental resource for the establishment of any enterprise. Moreover, the establishment of an enterprise is dependent on the site, size, availability of raw materials, other resources, etc. On the other hand, the demand for land can influence the price of land. The difficulties in managing land for enterprise development are shown in the Figure 5.4. The most significant problems they faced were arranging land in a suitable location for establishment (45%), followed by high price of land (43.3%) and difficulty in managing *khas* land (41.7%).

The availability of land in a suitable location for enterprise development has become a difficulty for obvious reasons. Over time, prime plots of land in suitable locations in and around Sylhet city have been employed already without increase in supply of serviced land to keep pace with increasing demand. As a result, the price of such land has become very high as well. Other than this, land-graving may affect the price of land as agreed by 45% of the entrepreneurs.

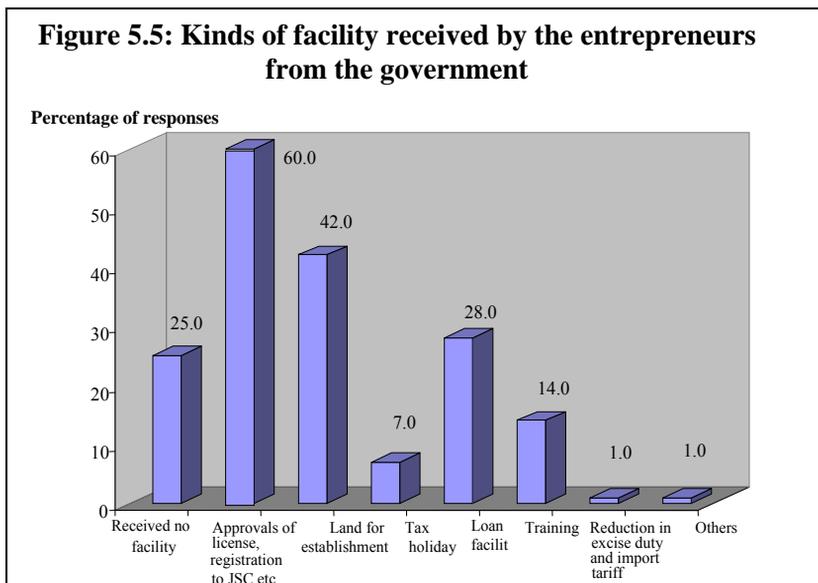
**Figure 5.4: Difficulty in managing land for enterprise establishment in the Sylhet region**



## **Government Facilities and Support Services**

It is expected that the infrastructure facilities and support services will be provided by the government. This section discusses the facilities that the entrepreneurs received and/or did not receive from the government in establishing their enterprises, illustrated in Figure 5.5. One-quarter of the entrepreneurs informed that they did not receive any kind of facilities or services from the government organization. About 60% informed that they received facilities in terms of approval of license and registration as joint stock companies (JSC), whereas 42% received land on purchase for their establishment.

The entrepreneurs' perceptions varied significantly across the location and sectors of enterprises in regard to the facilities that they received from the government (Appendix Table 5.4). It is observed that the entrepreneurs of large scale and tea industries and those outside Sylhet district received more loan facility than others. Land for establishment, as a facility received from government, was found significantly ( $p < 0.01$ ) higher for tea sector naturally on lease and it was also for large-scale industries and for those outside Sylhet, meaning that the government facilitated the provision of land in districts other than Sylhet.

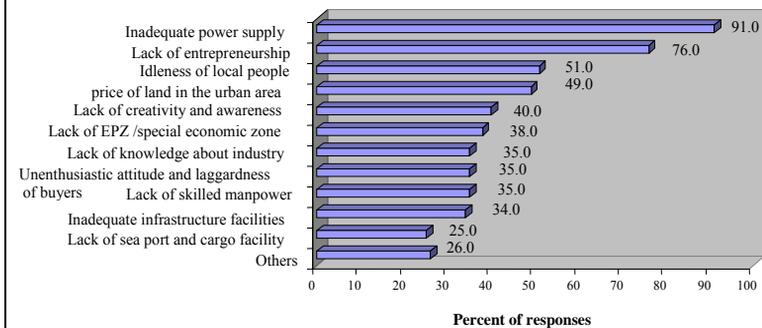


### 5.2.2 Constraints of Establishing New Enterprises in the Region

The entrepreneurs were asked about the constraints of establishing new enterprises specific to the Sylhet region, which are different from other regions, illustrated in Figure 5.6. A vast majority of the entrepreneurs mentioned inadequate and unreliable power supply (91%) and lack of entrepreneurship ability (76%). Furthermore, idleness of the local people and very high price of land in urban areas were mentioned by about half of the entrepreneurs. The probable cause for high price of land in urban areas may be due to the high opportunity cost of land as remittance money is substantially spent on the purchase of land for alternative uses other than enterprise development. The rank of the responses given by them shows that more than half of the respondents identified inadequate and unreliable power supply as the topmost constraint on establishing new enterprises specific to Sylhet region. On the other hand, lack of entrepreneurship ability was ranked as the first constraint on establishing new enterprises by 30% of the entrepreneurs.

A significantly ( $p < 0.05$ ) higher proportion of the entrepreneurs of large scale industries put more emphasis on the lack of an EPZ, lack of creativity and awareness of potential investors, and lack of skilled manpower as the constraints than small & medium industries (Appendix Table 5.5). The perception of entrepreneurs varied significantly ( $p < 0.01$ ) according to the sectors in terms of the following constraints: unenthusiastic attitude & laggardness of potential buyers and lack of creativity & awareness of potential investors. A wide ( $p < 0.01$ ) variation was observed between the perceptions of the entrepreneurs belonging to Sylhet district and other districts regarding certain constraints: lack of ancestral knowledge about industry development, lack of creativity and awareness of potential investors and lack of skilled manpower.

**Figure 5.6: Constraints of establishing new enterprises specific to Sylhet region, which are different from other regions**



### **Factor analysis of problems of establishing new enterprises especially in the Sylhet region**

Factor analysis has been used to identify the major dimension of problems in establishing new enterprises especially in Sylhet region. Principal component method was used to extract the factors with varimax

rotation technique and Table 5.1 shows the results of the factor analysis. The four main factors in establishing new enterprises specially in Sylhet region were identified as:

**Factor-I:** Lack of entrepreneurship, lack of ancestral knowledge about industry development, and unenthusiastic attitude and temperament of the potential buyers.

**Factor-II:** Inadequate infrastructure facilities, laggardness of local buyers, and natural calamities.

**Factor-III:** Lack of EPZ or special economic zone, lack of sea-port and cargo facility, and fear of labour unrest.

**Factor-IV:** Lack of creativity & awareness of potential investors and idleness of the local people.

**Table 5.1: Factor analysis of problems of establishing new enterprises especially in Sylhet region**

Problems in establishing new enterprises specially in Sylhet region	Factor					
	F1	F2	F3	F4	F5	F6
Inadequate power supply					-.538	
Lack of entrepreneurship	.679					
Inadequate infrastructure facilities		.729				
Very high price of land in the urban area						.835
Lack of ancestral knowledge about industry development	.634					
Unenthusiastic attitude and temperament of the potential buyers	.645					

Laggardness of local buyers		.621				
Lack of sea port and cargo facility			.749			
Lack of EPZ or special economic zone			.544			
Lack of creativity and awareness of potential investors				.793		
Idleness of the local people				.766		
Lack of skilled manpower					.849	
Natural calamities like heavy rainfall and cold		.507				
Fear for labour unrest			.655			
<b>Eigenvalue</b>	1.581	1.513	1.484	1.467	1.361	1.213
<b>Percent of Variation</b>	11.291	10.809	10.602	10.480	9.722	8.668
<b>Cumulative % of variation</b>	11.291	22.100	32.703	43.183	52.906	61.573
KMO=0.465 & Only factor loadings $\geq 0.40$ has been shown in the Table						

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Source: Field Survey, 2008

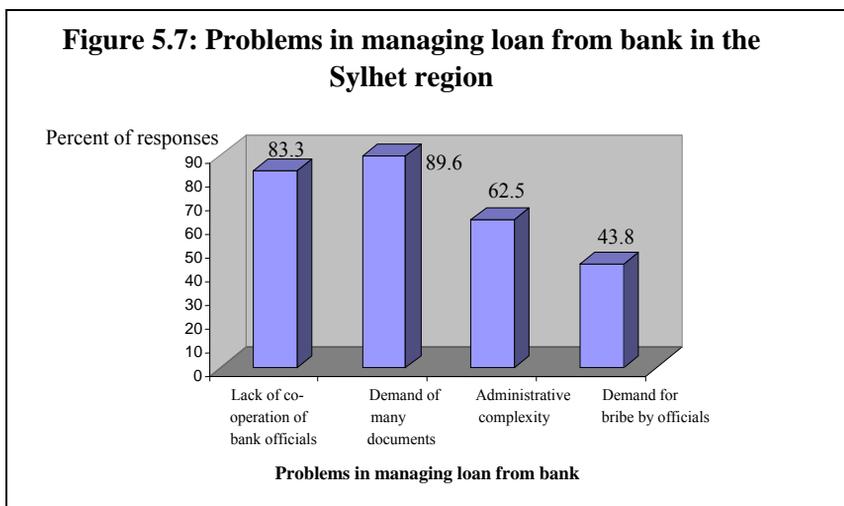
The elements of each of the above factors are arranged in order of their respective magnitudes indicating the importance of a particular element in a factor. The elements of Factor-I mainly include the problems related to entrepreneurial incapability by heritage; the elements of Factor-II relate to the inadequate infrastructure; Factor-III contains the problems related to non-existent physical infrastructure; and the elements of Factor-IV include the problems related to motivation. Unexpectedly, factor analysis for problems in establishing new enterprises especially in

the Sylhet region did not identify inadequate power supply as a considerable and significant factor for some sort of unexplainable reason.

It can be concluded from the results of factor analysis that entrepreneurial incapability by heritage, inadequate infrastructure facility and motivational problems are the main problems in establishing new enterprises especially in the Sylhet region. So policies should be taken to eradicate these problems in order to provide opportunities of establishing new enterprises.

### Problems in managing loan from bank

The entrepreneurs were asked whether they faced any problems in managing loans from banks, and nearly half of them admitted to have faced problems. Over four-fifths of the entrepreneurs mentioned that the ‘demand for many documents’ and ‘lack of co-operation of bank officials in managing bank loan’ were the major problems faced, followed by administrative complexity (Figure 5.7). About 44% of the entrepreneurs faced the problem of ‘demand for bribe by bank officials’.



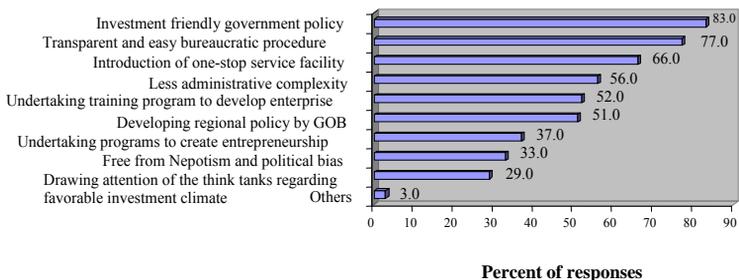
Perceptions concerning problems in obtaining loans according to the scale, sector and location of the enterprises are shown in Appendix Table 5.6, which shows no significant variation. But highly significant ( $p < 0.01$ )

variation was found in the perceptions according to sectors which the surveyed enterprises belonged to, in terms of ‘administrative complexity’ and ‘demand for bribe by officials’.

### 5.3 Requisites for a Congenial Investment Climate

Factually speaking, some components are essential for ensuring a congenial investment climate that creates scope and opportunity for private sector investors to channel their investment funds into productive operation and make a profit. So, the entrepreneurs of different industries according to scale, sector and location were sought to express their perceptions with respect to the requisites for ensuring a congenial investment climate in the Sylhet region, where potential investors may be attracted to come spontaneously to utilize their funds with desired efficiency and profitability. Accordingly, over three-fourths of the entrepreneurs strongly advocated for investment-friendly government policy and transparent & easy bureaucratic procedure to make the investment climate pleasant in the region (Figure 5.8).

**Figure 5.8: Necessary factors for ensuring a congenial investment climate in the Sylhet region**



Two-thirds of the entrepreneurs gave emphasis on the introduction of a one-stop service facility for improving the investment climate. These three factors were given the topmost priority for ensuring a congenial

investment climate in this region (Appendix Table 5.7). Besides, about half of the entrepreneurs opined that ‘less administrative complexity’, ‘appropriate training program to develop enterprise’, and ‘development of a regional policy by the government’ can ameliorate constraints and improve the investment climate. The perception of entrepreneurs according to scale, sector and location of the enterprise varied significantly for a number of necessary factors (Appendix Table 5.7).

### **Factor Analysis for Ensuring a Congenial Investment Climate in the Sylhet Region**

Factor analysis was carried out to identify the major dimensions needed to ensure a congenial investment climate in the Sylhet region. The analysis used principal component method to extract the factors with equamax rotation technique and the results have been exhibited in Table 5.2. The three main factors for ensuring congenial investment climate in the Sylhet region were identified as:

**Factor-I:** Less administrative complexity, transparent and easy bureaucratic procedure, free from nepotism and political bias.

**Factor-II:** Drawing attention of think-tanks about sharing their ideas and views regarding favourable investment climate, developing regional policy by the government, undertaking appropriate training program to develop enterprise.

**Factor-III:** Introduction of a one-stop service facility, undertaking awareness programs to foster entrepreneurship.

The elements of Factor-I mainly include the problems related to good governance; the elements of Factor-II relate to motivation; and Factor-III contains the problems related to facilities. The factor analysis clearly indicates that the required steps are generally linked with government policy and administrative support. Government policy should be investment-friendly so that the local people are encouraged to become entrepreneurs. The administration should be transparent, free from nepotism and political bias, and should have a one-stop service facility.

**Table 5.2: Necessary factors for ensuring a congenial investment climate in the region**

Necessary factors for ensuring a congenial investment climate	Component			
	1	2	3	4
Less administrative complexity	.831			
Transparent and easy bureaucratic procedure	.769			
Free from nepotism and political bias	.725			
Drawing attention of the think tanks (intellectuals/elites) about sharing their ideas and views regarding favourable investment climate		.738		
Developing regional policy by the government		.609		
Undertaking appropriate training program to develop enterprise		.476		
Introduction of a one-stop service facility			.735	
Undertaking awareness program to create entrepreneurship			.705	
Investment-friendly government policy				.834
Eigenvalues	2.133	1.261	1.232	1.138
Percent of variation	23.694	14.016	13.692	12.647
cumulative variation	23.694	37.710	51.402	64.049
KMO=0.641 & Only factor loadings $\geq 0.40$ has been shown in the Table				

Extraction Method: Principal Component Analysis. Rotation Method: Equamax with Kaiser Normalization.

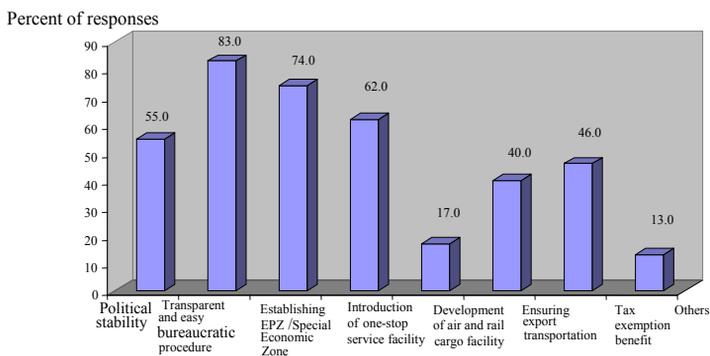
Source: Field Survey

### Steps needed to be taken by the Government

The entrepreneurs were requested to express their views about the necessary steps to be taken by the government for ensuring a congenial investment climate in the Sylhet region, exhibited in Figure 5.9. More than four-fifths of the entrepreneurs share the view that procedure within the administration should be transparent and easy. The establishment of an EPZ or a SEZ in the Sylhet region is of prime importance, according

to three-quarters of the entrepreneurs. Furthermore, 62% of them emphasized on the introduction of a one-stop service facility for the same purpose. Political stability, tax exemption benefit and export transportation were also mentioned by a considerable number of entrepreneurs as steps. In terms of rank or priority, the highest proportion of the respondents gave the topmost priority to transparent and easy bureaucratic procedures, followed by the establishment of an EPZ/SEZ and introduction of a one-stop service facility.

**Figure 5.9: Steps needed to be taken by the government for ensuring a favourable investment climate in the Sylhet region**



The analysis of the entrepreneurs' perceptions according to the scale of enterprises indicates wide variations in terms of the following factors: the establishment of an EPZ/SEZ and introduction of a one-stop service facility (Appendix Table 5.8). A very significant variation was found in the perception of the entrepreneurs regarding transparent and easy bureaucratic procedures, introduction of a one-stop service facility and ensuring export transportation with respect to sectors of industry.

#### **5.4 Plan for Investment in the Proposed Special Economic Zone in Sylhet**

Since the access to serviced land is assumed to be an obstacle to the establishment of enterprises, especially large scale ones, in the Sylhet region, the SCCI pursued the government for an economic zone or

industrial park. Following this, they commissioned a pre-feasibility study to a local consulting company. Later on in 2008, the GOB declared that a Special Economic Zone in this region to ease the access to serviced land for industrialization. Therefore, the study sought to know the intentions of the entrepreneurs regarding investment plans in the proposed Special Economic Zone.

Nearly three-fifths of the entrepreneurs expressed their intention to invest in the proposed Special Economic Zone (Appendix Table 5.9). Among them 93.5% entrepreneurs intended to invest through setting-up enterprises or production plants, while about 10% planned to raise finance using shares/bonds/debentures. A higher proportion of the surveyed entrepreneurs expressed their desire to invest in the food processing and cottage industries sectors. It was discovered that about 74% of the entrepreneurs from the Sylhet district showed a keen interest to invest in the proposed Special Economic Zone, whereas only 40% of the entrepreneurs of other districts expressed the same.

A mixture of pessimistic and optimistic features of the investment climate in Sylhet has been explored from the analysis of entrepreneurs' perception and it can easily be inferred that the investment climate in this region suffers quite a few bottlenecks and necessary steps and measures should urgently be taken by the government to promote investment in the region.

# 6

## **INVESTMENT POTENTIAL AND PRODUCTIVE SECTORS IN THE SYLHET REGION**

For enterprise development or industrialization in any region, certain existing facilities are required. In terms of the availability of these facilities, the Sylhet region can undoubtedly be a prospective region for enterprise development or industrialization. These facilities can be broadly categorized into three groups: (i) availability of raw materials; (ii) location-specific advantages for international business and (iii) Diaspora network of Sylheti expatriates.

The former one makes production cost-effective and the latter two provides access to the product's market, i.e. first group entails supply incentives and the second and third groups entail demand incentives. The raw materials are of mainly two kinds (a) agricultural and (b) non-agricultural. Agricultural raw materials include fruits, seeds, vegetables, cane, bamboo etc. that are locally produced or can easily and cost-effectively be imported from the seven sisters of India. Non-agricultural raw materials include fisheries and livestock resources, and mineral resources such as limestone, stone, sands, clay etc. The location-specific advantages of Sylhet for international business include geographical proximity to the Indian seven sisters, to capital city Dhaka and inclusion of Bangladesh to the proposed Asian highway. A strong Diaspora network of Sylheti expatriates exists all over the world, specially in the UK can have a significant influence on the relevant Western societies and other societies of the countries where they reside. This may open up opportunities for export and create connections to Western counterparts for joint-venture initiatives.

Certain indicators were devised to measure the status of investment potential in Sylhet region: road density, urban population density, urban area density, per head electricity consumption and percentage of

international remittances receiving households. The investment potential of the Sylhet region was explored after comparing the region with other divisions, in terms of the identified indicators. As shown in the Table 6.1, the road density of Sylhet region is lower than those of other divisions; the urban population density of this region is higher than those of Barisal & Rajshahi and lower than those of Chittagong, Dhaka and Khulna; the urban area density is higher than that of Barisal but lower than rest of the four divisions; the percentage of international remittances receiving households is lower than that of Chittagong but higher than that of the four other divisions. This scenario obviously indicates that the national policy should target to increase the road density & urban area density to enhance the investment potential in this region. The other two indicators, urban population density and the percentage of international remittances receiving household, indicate that there is investment potential in terms of demand for commodities and supply of funds for investment.

**Table 6.1: Relative Status of Some Indicators related to Investment Potential in Sylhet Region**

Indicators	Division					
	Barisal	Cht	Dhk	Khl	Rajshahi	Sylhet
Road Density <sup>1</sup>	0.116	0.133	0.165	0.120	0.151	0.111
Urban Population Density <sup>2</sup>	0.0523	0.2065	0.3842	0.1322	0.0523	0.0730
Urban Area Density <sup>3</sup>	0.0046	0.0359	0.0492	0.0151	0.0137	0.0067
% of international remittances receiving households <sup>4</sup>	5.2	24.2	7.8	3.9	1.3	15.7

Source: Secondary Source

1. Road density is computed as a ratio of total metallic road to total area; Total metallic road under both Roads & Highways Department and LGED was considered and collected from Statistical Year Book - 2007 and Maintenance Department of LGED.
2. Urban population density is computed as a ratio of total urban population to total population using the census data, 2001.
3. Urban area density is computed as a ratio of total urban area to total area using the census data, 2001.
4. Documented from the report “Poverty Assessment for Bangladesh: Creating Opportunities and Bridging the East-west Divide” Bangladesh Development Series (Paper No 26), The World Bank, Dhaka 2008.

In consideration with the existence of the aforementioned facilities, the upshot is that the Sylhet region has good potential for profitable enterprise development and these potential can be realized with the exploration of productive sectors and investment.

Proper identification of productive sectors not only leads to the effective and efficient utilization of funds available for investment but also gives incentives to potential investors to generate funds for investment. It is known that a huge amount of local funds are available in the Sylhet region, which can be channelled to productive sectors through investment and with this end in mind, the study duly emphasized on the identification of potentially productive sectors in the Sylhet region. This is one of the focal objectives of the study. For serving this purpose, the study resorted to Revealed Comparative Advantage, Enterprise Level Survey (ELS) and Analytic Hierarchy Process (AHP) survey. The outputs of the revealed comparative advantage as well as the two surveys are systematically illustrated in this chapter with the help of descriptive statistics.

### **6.1 Structure of Industry in the Region – An Assessment of Revealed Comparative Advantage**

To identify revealed comparative advantage, the study tried to compare the proportions of industrial establishments in different sectors of Sylhet region with that of other divisions of the country. The information of

medium and large scale manufacturing industries according to major industrial sectors was gathered from Economic Census 2001 and 2003 (BBS, 2007) and tabulated for all six divisions. In aggregate terms, the proportion of industries was found to be very low in the Sylhet division (4.48%) in comparison with those of other divisions except Barisal. Table 6.2 shows the percentages of enterprises by major industrial sectors in six divisions of the country. These percentages were also weighted by the percentage of population of the respective division and results are given in the parentheses.

**Table 6.2: Percentage of enterprises by major industrial sectors in six divisions**

Industrial Sectors	Percentage of Enterprises*						
	Barisal	Chittagong	Dhaka	Khulna	Rajshahi	Sylhet	Total
Manufacturing of food products & beverages	37.26 (5.35)	25.90 (1.32)	15.93 (0.52)	17.23 (1.45)	30.80 (1.25)	24.56 (3.83)	21.89
Manufacturing of furniture	20.55 (2.95)	27.01 (3.88)	20.70 (2.97)	14.81 (2.13)	16.11 (2.31)	24.79 (3.56)	19.61
Manufacturing of textiles	11.96 (1.72)	17.60 (2.53)	32.70 (4.70)	30.36 (4.36)	22.80 (3.28)	19.56 (2.81)	26.72
Manufacturing of wood and its products	14.17 (2.04)	11.43 (1.64)	9.91 (1.42)	15.27 (2.19)	14.20 (2.04)	15.14 (2.18)	12.47
Manufacturing of other non-metallic mineral products	5.00 (0.72)	2.00 (0.29)	4.00 (0.57)	4.63 (0.67)	5.69 (0.82)	3.36 (0.48)	4.21
Manufacturing of fabricated metal products	6.64 (0.95)	10.99 (1.58)	5.99 (0.86)	5.82 (0.84)	6.76 (0.97)	9.73 (1.40)	7.02
Publishing, printing & reproduction of recorded media	0.47 (0.07)	1.05 (0.15)	1.74 (0.25)	0.51 (0.07)	0.96 (0.14)	0.63 (0.09)	1.14
Manufacturing of tobacco products	1.90 (0.27)	0.17 (0.02)	0.21 (0.03)	9.58 (1.38)	0.76 (0.11)	0.44 (0.06)	2.21
Manufacturing wearing apparel, dressing & dyeing	0.09 (0.01)	0.70 (0.10)	2.87 (0.41)	0.27 (0.04)	0.32 (0.05)	0.26 (0.04)	1.30
Tanning &	0.13	0.45 (0.06)	2.47	0.28	0.20	0.22	1.09

Industrial Sectors	Percentage of Enterprises*						
	Barisal	Chittagong	Dhaka	Khulna	Rajshahi	Sylhet	Total
dressing of leather	(0.02)		(0.35)	(0.04)	(0.03)	(0.03)	
Others	1.82 (0.26)	2.70 (0.39)	3.48 (0.50)	1.24 (0.18)	1.40 (0.20)	1.28 (0.18)	2.33
Total number of enterprises (n)	14110	63146	166824	87596	98499	20154	450329

\* Figures in the parentheses indicate the percentages after weighting by population of the respective division

Source: Economic Census 2001 and 2003, BBS 2007

The industrial sectors, whose proportions are found relatively high in Sylhet division, are manufacturing of wood & its products, manufacturing of fabricated metal products, manufacturing of furniture, and manufacturing of food products & beverages. From these proportions, it is revealed that the industrial sectors like wood, furniture, metal and food & beverage are the productive sectors in the Sylhet region. Since 139 tea estates out of 160 in Bangladesh belong to the Sylhet division, it is undoubtedly revealed that the tea industry is a productive sector in the region due to geological and natural factors in addition to the sectors mentioned earlier.

It is to be mentioned that the performance of calculating the revealed preference is not as sound as demanded by an academic assessment because the data in Table 6.2 does not entail all the existing industrial sectors of Sylhet region and no revealed and calculated figure places the identified productive sectors in the first position.

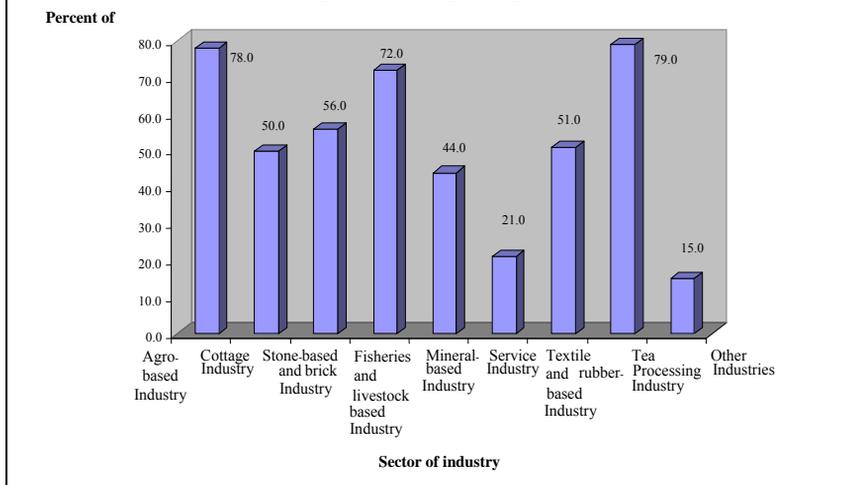
## 6.2. Identification of Productive Sectors through Enterprise-level Survey

Entrepreneurs were asked to identify the potential industrial sectors for the Sylhet region and rank the, and the results are shown in Figure 6.1. Most of the entrepreneurs (about 80%) marked the tea-processing industry and agro-based industry (processing) as the two most suitable industrial sectors in the Sylhet region. However, agro-based industry (processing) was ranked as the first and second suitable sectors by 40% and 23% of the entrepreneurs respectively (Appendix Table 6.1). On the

other hand, only 19% and 24% entrepreneurs ranked tea processing industry as the first and second sectors respectively. The fisheries and livestock-based industry was also identified as one of the suitable industrial sectors for Sylhet region by 72% of the entrepreneurs, where 23% and 17% of them ranked it as the first and second most feasible sectors respectively. Furthermore, about more than half of the entrepreneurs sorted out stone-based and brick industry, textile and rubber-based industry and cottage industry as suitable sectors for investment in Sylhet region. The summary of the responses indicate that 69% of the entrepreneurs mentioned more than three potential productive sectors for investment in the Sylhet region.

The analysis of the perception of the entrepreneurs was performed in accordance with the scale, sector and location (district) of the enterprises and the results are shown in Appendix Table 6.1. A significantly ( $p < 0.05$ ) higher proportion of entrepreneurs of large scale industries mentioned fisheries and livestock-based industry and agro-based industry (processing) as potential productive sectors for investment in Sylhet region. From the analysis according to sectors, a moderate variation was observed in identifying the productive sectors for investment in the region. A wider variation was observed in the analysis in terms of the location (district) of the enterprises. A significantly ( $p < 0.05$ ) higher proportion of entrepreneurs of other districts recommended agro-based industry (processing), fisheries & livestock based industry, and textile & rubber based industry as productive sectors. On the other hand, a significantly higher proportion of the entrepreneurs of the Sylhet district recommended stone-based & brick industry and mineral-based industry as productive sectors in the Sylhet region. The preferences revealed by the entrepreneurs imply that they had given more emphases on the availability of raw materials as a criterion for choosing the productive sectors. Their reasoning is pragmatic as raw materials for stone-based and mineral-based industries are more available in the Sylhet district than in other districts of the region.

**Figure 6.1: Productive sectors in the Sylhet region according to entrepreneurs' perception**

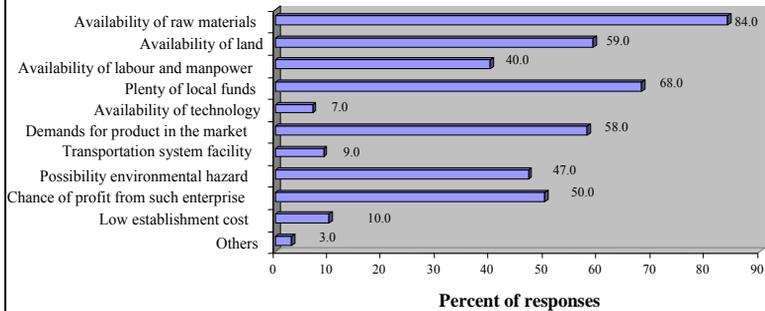


### 6.3 Reasons for Choosing the Productive Industrial Sectors by the Entrepreneurs

The reasons for which the entrepreneurs preferred the productive sectors for investment in the Sylhet region are shown in Figure 6.2. More than four-fifths of the entrepreneurs considered availability of raw materials as the main reason for making their choices. Plenty of local funds, availability of land, and demand for the product in the local & global market were also identified as important factors in deciding the potentiality of industries by more than half of the entrepreneurs. While the entrepreneurs were asked to order the reasons, nearly half of them ranked 'availability of raw materials' and about one-third ranked availability of local funds as the first factors for preferring such types of industries for investment in this very region. The comparison of entrepreneurs' perception concerning the factors based on which the choices have been made are given in Appendix Table 6.2. A significantly ( $p < 0.05$ ) higher proportion of the entrepreneurs of large scale industries stated that the main criterion based on which productive sectors have

been chosen were demand for the product in local and global market and higher chances of profit from such types of enterprises.

**Figure 6.2: Reasons behind the choice of industries with productive investment potential in the Sylhet region**



#### 6.4 Identification of Productive Sectors through AHP Survey

The objective of this section is to identify the productive sectors through the multi-criteria decision making technique known as Analytic Hierarchy Process (AHP). The study considers nine criteria which are directly related with the establishment of industries in a region. So the easy and cost-effective availability of and access to these criteria in Sylhet region can be considered for selecting the productive sectors for investment. The study assumed 9 potential productive sectors in Sylhet region as alternatives, exhibited in Table 6.3.

Respondents were requested to provide their choice expressing relevant weight of preference (between 1 to 9) for each pair of the criteria at the first step and each pair of alternatives for each criterion at the second step according to their judgement as described in Table 2.1 (Chapter-II). Since there were 50 respondents for the AHP survey, pair wise comparison matrix was generated by taking the geometric mean of pair wise ratings (weights) of each individual respondent.

**Table 6.3: Goal, Criteria and Alternatives of AHP Model**

<b>GOAL:</b> Identification of Productive Sectors of Investment in Sylhet Region	
<b>CRITERIA</b>	<b>ALTERNATIVES</b>
1. Availability of raw materials	1. Agro-based Industry (Processing)
2. Availability of land	2. Cottage Industry
3. Availability of labour and manpower	3. Stone-based & Brick Industry
4. Availability of fund (capital)	4. Fisheries & Livestock based Industry
5. Availability of technology	5. Mineral based Industry
6. Access to local and global market	6. Service Industry
7. Proper transportation system including land port facilities	7. Tea Processing Industry
8. Possibility of low environmental hazard (low social cost)	8. Textile and Rubber based Industry
9. Possibility of high profit	9. Other Industries

Source: Field Survey, 2008

At first, the importance weights of criteria were computed according to the eigenvalue method. The importance weights for the selected criteria are shown in Table 6.4. It is observed that respondents of the Sylhet region placed the highest importance weight for availability of fund (0.161), followed by possibility of high profit (0.140) and availability of raw materials (0.131) in the process of identifying productive sectors for investment in the Sylhet region. On the other hand, the lowest importance weight was received for possibility of low environmental hazard (0.054) and proper transportation system including land port facilities (0.069).

**Table 6.4: Importance weights of criteria in identification of productive sectors of investment in the Sylhet region**

Criteria name	Importance weights	Rank	Criteria name	Importance weights	Rank
Availability of raw materials	0.131	3	Access to local and global market	0.111	6
Availability of land	0.096	7	Proper transportation system including land port facilities	0.069	8
Availability of labour and manpower	0.118	5	Possibility of low environmental hazard	0.054	9
Availability of fund	0.161	1	Possibility of high profit	0.140	2
Availability of technology	0.121	4			

Source: Field Survey, 2008

Table 6.5 shows the identification of productive sectors for investment in the Sylhet region using AHP Model analysis. The figures given in columns of Table 6.5 indicate the global weights for the alternatives according to the aforesaid criteria. It is observed that the global weight for the tea industry was the highest, followed by agro-based industry, mineral-based industry, fisheries & livestock-based industry, and textile & rubber-based industry given that the availability of raw materials was considered as the criterion. According to the availability of land as the criterion, remarkably higher global weights were obtained for fisheries & livestock-based industry and tea-industry, followed by agro-based industry. While considering availability of labour and manpower as the criterion for selecting alternatives, a higher global weight was found for the tea industry, followed by fisheries & livestock-based industry and agro-based industry.

The analysis indicated that the global weight was higher for fisheries & livestock-based industry, tea industry and agro-based industry with respect to the availability of funds. It is observed that whenever access to local & global market and possibility of high profit margin were considered as criteria for selecting alternatives, tea industry received the highest weight, followed by fisheries & livestock-based industry and mineral-based industry.

In consideration with all the criteria for selecting potentially productive sectors in the Sylhet region from the alternatives set for the AHP model, it is found that tea processing industry ranks first, fisheries & livestock-based industry ranks second, agro-based industry ranks third and mineral-based industry ranks fourth (Table 6.5). In addition to the above sectors, the discussants of the FGDs sorted out ceramic and glass industries as productive sectors in the region. Therefore, the study suggests that the tea processing industry, fisheries & livestock based-industry, agro-based industry, mineral-based industry etc. are productive sectors for investment in the Sylhet region.

Investors may channel their funds into establishment and expansion of firms in the industries identified on priority basis. It is necessary to identify the problems of each sector individually. Remedial measures should be initiated accordingly based on sector-specific constraints in order to create a congenial investment climate for these potential sectors. The government and policy makers of Bangladesh should take necessary steps in this regard.

**Table 6.5: Identification of productive sectors for investment in the Sylhet region using AHP Model**

Industry Sector	Criteria										
	Raw Material	Land	Labour & Manpower	Capital	Technology	Local & Global Market	Transportation	Environmental Hazard	High Profit	Weight of Alternatives	Rank
Agro-based Industry	0.019	0.013	0.016	0.020	0.015	0.013	0.008	0.010	0.014	0.128	3
Cottage Industry	0.012	0.009	0.009	0.015	0.009	0.008	0.006	0.005	0.011	0.083	7
Stone	0.013	0.009	0.013	0.016	0.011	0.008	0.007	0.002	0.013	0.092	6

based & Brick Industry											
Fisheries & Livestock based Industry	0.016	0.017	0.019	0.028	0.018	0.016	0.011	0.010	0.020	0.155	2
Mineral based Industry	0.018	0.010	0.011	0.018	0.014	0.015	0.008	0.004	0.020	0.118	4
Service Industry	0.009	0.008	0.008	0.015	0.012	0.011	0.007	0.006	0.016	0.092	6
Tea Industry	0.023	0.017	0.023	0.023	0.022	0.022	0.013	0.010	0.025	0.178	1
Textile & Rubber Industry	0.016	0.008	0.012	0.018	0.013	0.012	0.007	0.003	0.015	0.106	5
Other Industry	0.006	0.005	0.006	0.009	0.006	0.005	0.003	0.003	0.007	0.048	8
Weight of Criterion	0.131	0.096	0.118	0.161	0.121	0.111	0.069	0.054	0.140	1.000	

Source: Field Survey, 2008

# 7

## CONCLUSIONS AND RECOMMENDATIONS

The study has identified that remittances received by Sylhet are mainly utilized for household consumption, building of luxury houses, purchasing of flat & land and in saving schemes. Contribution of remittances to capital formation is not optimal. Nearly all of the surveyed entrepreneurs have agreed that there is an opportunity to improve the remittance in-flow to Sylhet region. They suggested creating a favourable investment climate and ensuring an easy & cost-effective transfer system for remittances for harnessing remittance inflow to the region.

The enterprise-level survey and the FGD have sorted out that the causes of poor utilization of local funds are mainly due to lack of banking cooperation, risk aversion by local people, high interest rate for both borrowed and deposited money, lack of entrepreneurship and knowledge. The factor analysis reduces the causes of poor utilization of local funds into four factors: lack of institutional policy implementation, lack of innovativeness, poor financial intermediation & infrastructure, and technical inefficiency.

The study has found that most of the entrepreneurs were well educated, middle-aged, became the owner of the enterprise through their own initiative, and were motivated to start the business by experience and through reference group. The study focused that availability of raw materials and affinity for the Sylhet region were the main reasons behind establishing enterprises in Sylhet, and the latter was strongly emphasized.

The most significant achievement of enterprises was expansion of business and growth due to demand. The achievements were due to increasing market demand, hard work of the owner & the labour and increase in capital through retention of profit. The main hindrances faced

in running enterprises are identified as inadequate power supply and high cost of borrowing. The entrepreneurs stated that support services from the government are needed to solve these problems.

The entrepreneurs identified a number of advantageous elements for investing in the Sylhet region giving emphasis on investment-friendly climate, plenty of local funds and availability of raw materials.

Entrepreneurs sorted out the problems in starting enterprises, which are: difficulty in obtaining documents, inadequate co-operation from administration and lack of access to initial funds. The main difficulties in obtaining documents were bureaucratic complexity and demand for bribe by officials. Furthermore, the lack of land in a suitable location, unreasonably high price of land in urban areas and bureaucratic lengthy processes of obtaining lease are identified as difficulties in managing land. The entrepreneurs have received certain government facilities, like license approval & JSC registration and land for establishment.

Major constraints on establishing new enterprises in the region are identified as inadequate power supply, lack of entrepreneurship and idleness of local people. Factor analysis reduces the constraints into four dimensions: entrepreneurial incapability by heritage, inadequate infrastructure, non-existent physical infrastructure, insufficient motivation. Demand for many documents, lack of cooperation from officials and administrative complexity have been identified as the main problems in managing a loan from banks.

Respondents emphasized on investment-friendly government policy, transparent & easy bureaucratic procedure, introduction of a one-stop services, and reduction of administrative complexities as requisites for congenial investment climate. They also urged the government for establishing SEZ and/or IP in Sylhet region. Most of the entrepreneurs are likely to invest in the proposed SEZ.

The Sylhet region is being considered as an area with investment potential because of its strong Diaspora network, high percentage of international remittance-receiving households and high urban population density in addition to availability of raw materials and location-specific

advantages. The revealed preference theory, the enterprise-level survey and the AHP model analysis have explored tea industry, fisheries & livestock-based industry, agro-based industry (processing), mineral-based industry, textile & rubber-based industry, cottage industry, wood & furniture industry, and metal industry as productive sectors in the Sylhet region.

After assessing the existing investment climate of the Sylhet region on the basis of perceptions of the entrepreneurs and other stakeholders, it can be concluded to a great extent that the investment climate of this region is congenial having moderate infrastructure facilities, strategically geographical advantages like access to market, funds, land, and satisfactorily secure environment (free from extortion & organized crime), affinity for the Sylhet region & amity among local people. On the contrary, entrepreneurial inefficiency of the local people, idleness of local people, lack of motivation, implicit extortion in terms of claiming bribe by the government officials, inefficient, corrupt and complex bureaucratic procedures, poor financial intermediation, non-existent of a one-stop service, interrupted and inadequate power supply are the adverse factors that hinder the existence of a congenial investment climate. Besides low road density and urban area density, national policy should be framed keeping in mind the need of enhancing these facilities.

### **Recommendations**

The study made the following recommendations on the basis of the findings of enterprise-level survey, AHP survey and FGD:

- The study advocates taking appropriate steps for strengthening entrepreneurial capacity of the local people by organizing education, training and motivation related programmes. Adequate logistic support (supportive elements for materializing the aforesaid programs) needs to be provided in order to ensure proper allocation of remittances, henceforth ensuring the efficient utilization of local funds.
- The study recommends that the remittance inflow to the Sylhet region can be enhanced through making the process of transferring remittances easier and more cost-effective and

through the creation of a congenial investment climate.

- For smooth running of the existing enterprises, improvement of power supply and reduction of interest rate for borrowings should be urgently addressed.
- For easing the process of establishing enterprises and luring expatriates to direct their funds into productive investment to this region, a one-stop service oriented to providing facilities should be introduced. This service centre should aim to minimize the obstacles to enterprise development and to make the administration efficient and corruption-free.
- An effective program (like public-private dialogue) should be undertaken encompassing people from all tiers of the society to motivate potential investors (through brainstorming sessions) to come up with funds to invest into productive investment sectors identified by the study (such as tea industry, fisheries & livestock-based industry, agro-based industry, mineral-based industry, and textile & rubber-based industry).
- Further research should be undertaken to perform by thorough analysis of the potential productive sectors identified by this study to find out their problems and prospects for investments. Research findings should be disseminated through SCCI's website, so that potential investors at home and abroad can have succinct information about investment opportunities in the Sylhet region.
- Financial intermediaries should be efficient, transparent and honest to facilitate business finance. Special policies (such as decentralization of policy and decision-making power) have to be introduced by the monetary authority of the government to normalize the problems regarding collaterals in order to enhance the access to credit by potential investors coming to Sylhet from outside.
- Strategic policies such as establishing EPZ/SEZ/IP to enhance access to serviced land deserve to be taken into consideration

and implemented to ameliorate the constraints on enterprise development in order to ensure an investment-friendly climate in the region.

- The government should take appropriate measures through their consular offices in different countries, specially, the UK, the USA, the Middle-Eastern Countries, to motivate the Diaspora network to invest in Bangladesh. The government should also explore the option of establishing trade relationships with the neighbouring seven-sisters of India to broaden market access and investment potentialities. The officials of the consular offices should be more efficient in mobilizing the *Diaspora* network to channel their funds into productive sectors of Bangladesh.

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# Annex-I

## APPENDIX TABLES OF THE FINDINGS

**Appendix Table 3.1: Entrepreneurs' perception regarding pattern of remittance utilization in Sylhet region according to scale and location of enterprises**

Purposes of remittance utilization	Total responses (%)	Rank of the total responses		Percentage of responses by various groups				Total no. of Responses
		1 <sup>st</sup>	2 <sup>nd</sup>	Scale of enterprises		District		
				Large	SME	Sylhet district	Other districts of Sylhet division	
Household consumption	76.0	46.0	12.0	68.6	83.7 <sup>c</sup>	87.7	54.3 <sup>a</sup>	76
Purchasing land	76.0	23.0	36.0	70.6	81.6	83.1	62.9 <sup>b</sup>	76
Purchasing flat	79.0	17.0	18.0	78.4	79.6	80.0	77.1	79
Building of luxury houses	87.0	41.0	16.0	76.5	98.0 <sup>a</sup>	96.9	68.6 <sup>a</sup>	87
Investment in fixed deposit and savings scheme	70.0	29.0	7.0	74.5	65.3	64.6	80.0	70
Investment in migration for family members and/or relatives	45.0	5.0	12.0	49.0	40.8	47.7	40.0	45
Communal development (donation to mosque, madrasa and financial help for the poor)	46.0	1.0	7.0	45.1	46.9	52.3	34.3 <sup>c</sup>	46
Investment in trading & enterprise development	5.0	-	-	7.8	2.0	7.7	-	5
Investment in share market	15.0	3.0	2.0	15.7	14.3	16.9	11.4	15
Others	4.0	1.0		3.9	4.0	3.0	5.7	4
<b>Total number of respondents (n)</b>		<b>100</b>		<b>51</b>	<b>49</b>	<b>65</b>	<b>35</b>	<b>100</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 3.2: Entrepreneurs' perception about the ways of improving remittance flows into the Sylhet region according to scale and location of enterprises**

Is there any opportunity to increase the remittance in-flow in the Sylhet region?	Total responses (%)	Rank of the total responses		Percentage of responses by various groups				Total no. of Responses
		1 <sup>st</sup>	2 <sup>nd</sup>	Scale of enterprises		District		
				Large	SME	Sylhet district	Other districts of Sylhet division	
Yes	97.0	-	-	98.0	95.9	95.4	100.0	97
No	3.0	-	-	2.0	4.1	4.6	0.0	3
<b>How the remittance in-flow can be improved in the Sylhet region?</b>								
Increase the opportunity for access to formal sectors for remitting and reducing transfer cost	72.16	49.48	7.22	72.0	72.3	72.6	71.4	70
Creating favorable investment climate	79.38	29.90	31.96	88.0	70.2 <sup>b</sup>	83.9	71.4	77
Creating investment opportunity	68.04	19.59	21.65	76.0	59.6 <sup>c</sup>	72.6	60.0	66
Improving law and order situation	42.27	10.31	15.46	52.0	31.9 <sup>b</sup>	32.3	60.0 <sup>a</sup>	41
Reducing political unrest	38.14	5.15	12.37	42.0	34.0	43.5	28.6	37
Setting-up special economic zone	56.70	14.43	9.28	68.0	44.7 <sup>b</sup>	53.2	62.9	54
Others	12.37	3.09	4.12	14.0	10.6	16.1	5.7	12
<b>Total number of respondents (n)</b>	<b>97</b>			<b>50</b>	<b>47</b>	<b>62</b>	<b>35</b>	<b>97</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 3.3: Entrepreneurs' perception regarding causes of lack of utilization of local funds in the Sylhet region according to scale and location of enterprises**

Causes of lack of utilization of local funds in the region	Total responses (%)	Rank of the total responses		Percentage of responses by various groups				Total no. of Responses
		1 <sup>st</sup>	2 <sup>nd</sup>	Scale of enterprises		District		
				Large	SME	Sylhet district	Other districts of Sylhet division	
Lack of entrepreneurship development	49.48	24.74	4.12	49.0	50.0	54.8	40.0	48
Lack of banking or institutional cooperation	59.79	18.56	22.68	53.1	66.7	62.9	54.3	58
Inefficiency of bank officials	24.74	4.12	10.31	18.4	31.3	27.4	20.0	24
High cost of land	31.96	3.09	5.15	22.4	41.7 <sup>b</sup>	32.3	31.4	31
Lack of infrastructural support	47.42	15.46	8.25	53.1	41.7	53.2	37.1	46
High profit rate in deposits	50.52	13.40	6.19	61.2	39.6 <sup>b</sup>	41.9	65.7 <sup>b</sup>	49
High interest rate for loan/advances	53.61	9.28	8.25	61.2	45.8	54.8	51.4	52
Non-existence of project preparing and evaluating institutions	15.46	3.09	2.06	12.2	18.8	16.1	14.3	15
Lack of social, administrative and legal security for investment	28.87	1.03	4.12	38.8	18.8 <sup>b</sup>	22.6	40.0 <sup>c</sup>	28
Lack of access to fund for trained entrepreneur	36.08	7.22	5.15	34.7	37.5	38.7	31.4	35

Lack of technological knowledge about industrialization	39.18	4.12	4.12	49.0	29.2 <sup>b</sup>	37.1	42.9	38
Lack of knowledge about enterprise development	39.18	7.22	9.28	53.1	25.0 <sup>a</sup>	33.9	48.6	38
Lack of creativity and awareness among capable investors	38.14	10.31	5.15	42.9	33.3	27.4	57.1 <sup>a</sup>	37
Idleness among the local people	41.24	5.15	7.22	42.9	39.6	40.3	42.9	40
Lack of skilled manpower	25.77	4.12	4.12	32.7	18.8	35.5	8.6 <sup>a</sup>	25
Risk aversion by local people	54.64	13.40	12.37	51.0	58.3	48.4	65.7 <sup>c</sup>	53
Threatening of loss in investment	52.58	12.37	13.40	55.1	50.0	48.4	60.0	51
Lengthy bureaucratic procedure for enterprise development	44.33	7.22	6.19	55.1	33.3 <sup>b</sup>	41.9	48.6	43
Lack of a 'one-stop' service for enterprise development	39.18	8.25	6.19	53.1	25.0 <sup>a</sup>	32.3	51.4 <sup>c</sup>	38
Lack of adopting regional policy by GOB	34.02	6.19	1.03	42.9	25.0	25.8	48.6 <sup>b</sup>	33
Lack of enthusiasm and network by Diaspora	28.87	2.06	8.25	40.8	16.7 <sup>a</sup>	22.6	40.0 <sup>c</sup>	28
Others	5.15	3.09	0.00	4.1	6.3	8.1	-	5
<b>Total number of respondents (n)</b>	<b>97</b>			<b>49</b>	<b>48</b>	<b>62</b>	<b>35</b>	<b>97</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 4.1: Entrepreneurs' perception regarding reasons for establishing enterprise in Sylhet region according to scale, sector and location of enterprises**

Reasons for establishing enterprise	Total responses (%)	Rank of the total responses		Percentage of responses by various groups									Total no. of Responses
		1 <sup>st</sup>	2 <sup>nd</sup>	Scale of enterprises		Sectors of industry					District		
				Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts of Sylhet division	
Availability of raw materials	67.0	42.0	16.0	66.7	67.3	60.0	76.2	80.0	64.3	40.0 <sup>c</sup>	63.1	74.3	67
Local patriotism / locally area biased	60.0	17.0	18.0	52.9	28.6 <sup>b</sup>	30.0	81.0	30.0	35.7	26.7 <sup>a</sup>	66.2	48.6 <sup>c</sup>	60
Inspired by friends and relatives	35.0	10.0	10.0	5.9	6.1	0.0	9.5	3.3	7.1	13.3	44.6	17.1 <sup>a</sup>	35
High profit margin	40.0	22.0	12.0	33.3	36.7	35.0	14.3	50.0	28.6	40.0	30.8	60.0 <sup>a</sup>	40
High export opportunity	18.0	2.0	8.0	25.5	10.2 <sup>b</sup>	10.0	57.1	3.3	21.4	0.0 <sup>a</sup>	7.7	37.1 <sup>a</sup>	18
Cheap labour cost	30.0	7.0	11.0	33.3	26.5	10.0	47.6	43.3	21.4	13.3 <sup>b</sup>	21.5	45.7 <sup>b</sup>	30
To make scope of employment	47.0	7.0	17.0	58.8	61.2	65.0	38.1	73.3	64.3	53.3	41.5	57.5	47
Good government facility	6.0	1.0	1.0	60.8	32.7 <sup>a</sup>	45.0	61.9	46.7	28.6	46.7	1.5	14.3 <sup>a</sup>	6
Others	22.0	14.0	3.0	21.6	22.4	25.0	9.5	20.0	28.6	33.3	27.7	11.4 <sup>c</sup>	22
Total number of respondents (n)	<b>100</b>			<b>51</b>	<b>49</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 4.2: Entrepreneurs' perception regarding reasons for establishing the enterprises particularly in the Sylhet region according to scale, sector and location of enterprises**

Reasons for establishing enterprise in Sylhet region	Total responses (%)	Rank of the total responses		Percentage of responses by various groups									Total no. of Responses
		1 <sup>st</sup>	2 <sup>nd</sup>	Scale of enterprises		Sectors of industry					District		
				Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts of Sylhet division	
Availability of land	46.0	22.0	18.0	58.8	32.7 <sup>a</sup>	25.0	76.2	60.0	14.3	33.3 <sup>a</sup>	33.8	68.6 <sup>a</sup>	46
Available raw materials	56.0	29.0	22.0	54.9	57.1	45.0	52.4	80.0	57.1	26.7 <sup>a</sup>	50.8	65.7	56
Cheap labour cost	36.0	11.0	11.0	41.2	30.6	10.0	71.4	46.7	28.6	6.7 <sup>a</sup>	24.6	57.1 <sup>a</sup>	36
Availability of capital	29.0	9.0	6.0	37.3	20.4 <sup>c</sup>	10.0	61.9	26.7	28.6	13.3 <sup>a</sup>	16.9	51.4 <sup>a</sup>	29
Local patriotism / locally area biased	75.0	39.0	20.0	72.5	77.6	95.0	42.9	80.0	78.6	80.0 <sup>a</sup>	81.5	62.9 <sup>b</sup>	75
Others	11.0	6.0	3.0	11.8	10.2	15.0	14.3	6.7	14.3	6.7	13.8	5.7	11
<b>Total number of respondents (n)</b>	<b>100</b>			<b>51</b>	<b>49</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 4.3: Entrepreneurs' perception regarding significant achievement from enterprise according to scale, sector and location of enterprises**

Significant achievement from enterprise	Total responses (%)	Rank of the total responses		Percentage of responses by various groups									Total no. of Responses
		1 <sup>st</sup>	2 <sup>nd</sup>	Scale of enterprises		Sectors of industry					District		
				Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts of Sylhet division	
No Significant Achievement	14.0	-	-	7.8	20.4	5.0	-	23.3	28.6	13.3 <sup>c</sup>	16.9	8.6	14
Expansion of the business	67.0	52.0	15.0	74.5	59.2	90.0	71.4	53.3	57.1	66.7 <sup>c</sup>	60.0	80.0 <sup>b</sup>	67
Diversification of the products	20.0	7.0	11.0	13.7	26.5	35.0	14.3	3.3	35.7	26.7 <sup>b</sup>	26.2	8.6 <sup>b</sup>	20
More growth due to increase in demand	52.0	25.0	17.0	70.6	32.7 <sup>a</sup>	45.0	81.0	60.0	21.4	33.3 <sup>a</sup>	43.1	68.6 <sup>b</sup>	52
Increase the efficiency of manpower	27.0	8.0	7.0	37.3	16.3 <sup>b</sup>	25.0	52.4	20.0	21.4	13.3 <sup>b</sup>	23.1	34.3	27
Cost advantage of the products	16.0	3.0	6.0	15.7	16.3	10.0	28.6	6.7	7.1	33.3 <sup>b</sup>	12.3	22.9	16
Capability of using advanced technology	29.0	9.0	11.0	37.3	20.4 <sup>c</sup>	20.0	61.9	16.7	21.4	26.7 <sup>a</sup>	20.0	45.7 <sup>a</sup>	29
Others	2.0	1.0	-	3.9	-	-	4.8	-	7.1	-	1.5	2.9	2
<b>Total number of respondents (n)</b>	<b>100</b>			<b>51</b>	<b>49</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 4.4: Entrepreneurs' perception regarding major factors responsible for significant achievement from enterprises according to scale, sector and location of enterprises**

Major factors responsible for significant achievement from enterprises	Total responses (%)	Rank of the total responses		Percentage of responses by various groups									Total no. of Responses
		1 <sup>st</sup>	2 <sup>nd</sup>	Scale of enterprises		Sectors of industry					District		
				Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts of the division	
Increasing demand for the product	75.58	24.4	54.7	83.0	66.7 <sup>c</sup>	73.7	85.7	73.9	90.0	53.8	70.4	84.4	65
Increase in logistics	18.60	1.2	5.8	25.5	10.3 <sup>c</sup>	15.8	33.3	8.7	20.0	15.4	14.8	25.0	16
Hard work by both owner and labour	70.93	41.9	20.9	72.2	69.2	78.9	85.7	52.2	70.0	69.2	68.5	75.0	61
Door-to-door advertisement for the product	2.33	1.2	1.2	-	5.1	-	-	4.3		7.7	1.9	3.1	2
Increase in capital from profit	61.63	11.6	30.2	68.1	53.8	47.4	61.9	73.9	80.0	46.2	57.4	68.8	53
Increase in capital from other sources (other than profit)	20.93	2.3	9.3	25.5	15.4	26.3	9.5	34.8	-	23.1	22.2	18.8	18
Use of advanced technology	30.23	10.5	5.8	38.3	20.5 <sup>c</sup>	15.8	61.9	17.4	20.0	30.8 <sup>a</sup>	24.1	40.6	26
Others	3.49	-	3.5	4.3	2.6	5.3	4.8	-	10.0	-	5.6	-	3
<b>Total number of respondents (n)</b>		<b>86</b>		<b>47</b>	<b>39</b>	<b>19</b>	<b>21</b>	<b>23</b>	<b>10</b>	<b>13</b>	<b>54</b>	<b>32</b>	<b>86</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 4.5: Entrepreneurs' perception regarding difficulties in running enterprises for the last five years according to scale, sector and location of enterprises**

Difficulties in running enterprises	Total responses (%)	Rank of the total responses		Percentage of responses by various groups										Total no. of Responses
				Scale of enterprises		Sectors of industry					District			
		1 <sup>st</sup>	2 <sup>nd</sup>	Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts of Sylhet division		
Inadequate power supply	92.0	68.0	13.0	92.2	91.8	95.0	100.0	86.7	92.9	86.7	90.8	94.3	92	
Political instability	42.0	8.0	18.0	41.2	42.9	50.0	42.9	46.7	35.7	26.7	43.1	40.0	42	
Unnecessary demand by labour union	16.0	4.0	4.0	29.4	2.0 <sup>a</sup>	10.0	42.9	16.7	-	-	7.7	31.4 <sup>a</sup>	16	
Lack of market access (small market size)	25.0	4.0	13.0	17.6	32.7 <sup>c</sup>	35.0	4.8	26.7	35.7	26.7	29.2	17.1	25	
Crisis of raw materials	41.0	9.0	15.0	45.1	36.7	45.0	23.8	60.0	28.6	33.3 <sup>c</sup>	41.5	40.0	41	
High cost of internal transportation	42.0	8.0	10.0	41.2	42.9	40.0	47.6	46.7	42.9	26.7	36.9	51.4	42	
High rate of interest for borrowed money	50.0	11.0	18.0	62.7	36.7 <sup>a</sup>	55.0	66.7	50.0	21.4	46.7	47.7	54.3	50	
Lack of investment fund	47.0	11.0	15.0	39.2	55.1	45.0	33.3	46.7	50.0	66.7	55.4	31.4 <sup>b</sup>	47	
Others	15.0	5.0	3.0	15.7	14.3	20.0	19.0	16.7	14.3	-	18.5	8.6	15	
<b>Total number of respondents (n)</b>	<b>100</b>			<b>51</b>	<b>49</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>	

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 4.6: Entrepreneurs' perception regarding supports that will help to solve the difficulties faced in running enterprises for the last five years according to scale, sector and location of enterprises**

Supports that will help to solve the difficulties	Total responses (%)	Rank of the total responses		Percentage of responses by various groups									Total no. of Responses
				Scale of enterprises		Sectors of industry				District			
		1 <sup>st</sup>	2 <sup>nd</sup>	Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts of Sylhet division	
Improvement of power supply	90.0	64.0	15.0	91.2	87.8	95.0	100.0	86.7	85.7	80.0	89.2	91.2	90
Reduction of political unrest	40.0	7.0	14.0	37.1	36.7	50.0	42.9	30.0	42.9	40.0	41.5	37.1	40
Introduction and implementation of a congenial labour rule	28.0	12.0	5.0	45.7	12.2 <sup>a</sup>	15.0	66.7	26.7	7.1	13.3 <sup>a</sup>	18.5	45.7 <sup>a</sup>	28
Considerable interest rate for borrowed money	59.0	19.0	18.0	57.1	55.1	70.0	61.9	63.3	35.7	53.3	60.0	57.1	59
Immediate help from law enforcing and other agencies	43.	13.0	9.0	51.4	38.8	30.0	52.4	53.3	21.4	46.7	38.5	51.4	43
Special consideration in taxation from government	49.0	7.0	18.0	34.3	46.9	45.0	33.3	56.7	42.9	66.7	56.9	34.3 <sup>b</sup>	49
Generation of favorable sources of fund	48.0	19.0	16.0	48.6	44.9	45.0	52.4	56.7	42.9	33.3	47.7	48.6	48
Others	16.0	5.0	5.0	14.3	14.3	15.0	4.8	16.7	28.6	20.0	16.9	14.3	16
<b>Total number of respondents (n)</b>	<b>100</b>			<b>51</b>	<b>49</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 5.1: Entrepreneurs' perception regarding advantageous features for investment in Sylhet region according to scale, sector and location of enterprises**

Advantageous features for investment	Total responses (%)	Rank of the total responses		Percentage of responses by various groups									Total no. of Responses
				Scale of enterprises		Sectors of industry					District		
		1 <sup>st</sup>	2 <sup>nd</sup>	Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts	
Investment friendly climate <sup>a</sup>	77.0	45.0	19.0	82.4	71.4	75.0	95.2	73.3	57.1	80.0	70.8	88.6 <sup>b</sup>	77
Plenty of local funds available	75.0	46.0	21.0	82.4	67.3 <sup>c</sup>	80.0	95.2	80.0	57.1	53.3	69.2	85.7 <sup>c</sup>	75
Availability of land	41.0	19.0	11.0	37.3	44.9	30.0	23.8	56.7	64.3	26.7 <sup>b</sup>	35.4	51.4	41
Availability of gas and other resources	58.0	15.0	20.0	47.1	69.4 <sup>b</sup>	60.3	23.8	73.3	50.0	80.0 <sup>a</sup>	72.3	31.4 <sup>a</sup>	58
Availability of raw materials	63.0	25.0	15.0	56.9	69.4	60.0	52.4	70.0	57.1	73.3	61.5	65.7	63
Pollution free environment	51.0	6.0	13.0	56.9	44.9	25.0	76.0	60.0	42.9	40.0 <sup>b</sup>	41.5	68.6 <sup>a</sup>	51
Well set-up transportation & land-port facility	13.0	5.0	2.0	13.7	12.2	10.0	14.3	13.3	21.1	6.7	18.5	2.9 <sup>b</sup>	13
Others	2.0	-	-	-	4.1	-	-	-	7.1	6.7	3.1	-	2
<b>Total number of respondents (n)</b>	<b>100</b>			<b>51</b>	<b>49</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>

\* free from extortion, harmony among local peoples, positive attitude to support one-another.

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 5.2: Entrepreneurs' perception regarding problems in starting the present business in the Sylhet region according to scale, sector and location of enterprises**

Problems in starting the present business	Total responses (%)	Rank of the total responses		Percentage of responses by various groups									Total no. of Responses
				Scale of enterprises		Sectors of industry					District		
		1 <sup>st</sup>	2 <sup>nd</sup>	Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts	
No Problem	4.0	-	-	5.9	2.0	10.0	4.8	3.3	-	-	3.1	5.7	4
Obtaining necessary documents from government office	53.0	35.0	7.0	54.9	51.0	50.0	66.7	53.3	50.0	40.0	49.2	60.0	53
Managing land for establishment	27.0	12.0	10.0	23.5	30.6	25.0	33.3	26.7	14.3	33.3	26.2	28.6	27
Managing raw materials	26.0	10.0	8.0	23.5	28.6	25.0	14.3	43.3	21.4	13.3	29.2	20.0	26
Inadequate cooperation from the administration	49.0	20.0	16.0	56.9	40.8	30.0	66.7	53.3	64.3	26.7 <sup>b</sup>	46.2	54.3	49
Lack of access to initial fund	43.0	19.0	13.0	45.1	40.8	40.0	52.7	36.7	35.4	53.3	41.5	45.7	43
Extortion/organized crime	4.0	-	2.0	5.9	2.0	10.0	-	3.3	7.1	-	6.2	-	4
Lack of skilled manpower	29.0	11.0	7.0	37.3	20.4 <sup>c</sup>	20.0	23.8	40.0	35.7	20.0 <sup>c</sup>	35.4	17.1 <sup>c</sup>	29
Lack of investment opportunity due to imposition of high excise duty (tax)	29.0	7.0	10.0	23.5	34.7	40.0	4.8	30.0	35.7	40.0	36.9	14.3 <sup>b</sup>	29
Poor capability to use technology	14.0	4.0	4.0	17.6	10.2	15.0	9.5	16.7	14.3	13.3	13.8	14.3	14
Accommodation problems in the market place	12.0	-	7.0	5.9	18.4 <sup>c</sup>	20.0	-	6.7	21.4	20.0	16.9	2.9 <sup>b</sup>	12
Others	10.0	5.0	1.0	9.8	10.2	5.0	14.3	6.7	21.4	6.7	12.3	5.7	10
<b>Total number of respondents (n)</b>	<b>100</b>			<b>51</b>	<b>49</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>

a indicates  $p < 0.01$ , b indicates  $p < 0.05$ , c indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 5.3: Entrepreneurs' perception regarding difficulty in obtaining necessary documents to establish enterprise in the Sylhet region according to scale, sector and location of enterprises**

Difficulty in obtaining necessary documents	Total responses (%)	Rank of the total responses		Percentage of responses by various groups									Total no. of Responses
		1 <sup>st</sup>	2 <sup>nd</sup>	Scale of enterprises		Sectors of industry				District			
				Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts	
Faced no difficulty	35.0	-	-	38.8	34.3	40.0	28.6	33.3	35.7	40.0	35.4	34.3	35
Faced any difficulty	65.0	-	-	61.2	65.7	60.0	71.4	66.7	64.3	60.0	64.6	65.7	65
<b>Types of difficulty in obtaining necessary documents</b>													
Harassment by issuing authority	63.1	40.0	16.9	68.6	56.7	66.7	66.7	65.0	77.8	33.3	59.5	69.5	41
Bureaucratic/administrative complexity	70.8	38.5	20.0	80.0	59.9 <sup>c</sup>	41.7	73.3	85.0	66.7	77.8 <sup>c</sup>	71.4	69.5	46
Demand for bribe by government officials	72.3	38.5	10.8	62.8	83.3 <sup>c</sup>	83.3	66.7	65.0	88.9	66.7	73.8	69.5	47
Do not provide documents within time frame	63.1	24.6	18.5	62.8	63.4	66.7	66.7	65.0	55.6	55.6	66.7	56.5	41
Lack of a one-stop package (solutions) for collecting necessities	61.5	30.5	15.4	71.4	50.0 <sup>c</sup>	33.3	86.7	75.0	44.4	44.4 <sup>b</sup>	57.1	69.5	40
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total number of respondents (n)</b>	<b>65</b>			<b>35</b>	<b>30</b>	<b>12</b>	<b>14</b>	<b>14</b>	<b>13</b>	<b>12</b>	<b>42</b>	<b>23</b>	<b>65</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 5.4: Entrepreneurs' perception regarding kinds of facility received from government according to scale, sector and location of enterprises**

Kinds of facility received from government	Total responses (%)	Percentage of responses by various groups									Total no. of Responses
		Scale of enterprises		Sectors of industry				District			
		Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts	
Received no facility	25.0	25.5	24.5	30.0	4.8	33.3	35.7	20.0	33.8	8.6 <sup>a</sup>	25
Approvals of license, registration to JSC etc	60.0	64.7	55.1	55.0	90.5	56.7	28.6	60.0 <sup>a</sup>	47.7	82.9 <sup>a</sup>	60
Land for establishment	42.0	47.1	36.7	35.0	85.7	13.3	28.6	60.0 <sup>a</sup>	35.4	54.3 <sup>c</sup>	42
Tax holiday	7.0	3.9	10.2	10.0	9.5	3.3	-	13.3	7.7	5.7	7
Loan facility	28.0	43.2	12.2 <sup>a</sup>	10.0	71.4	20.0	21.4	13.3 <sup>a</sup>	12.3	57.2 <sup>a</sup>	28
Training	14.0	17.6	10.2	10.0	42.9	3.3	7.1	6.7 <sup>a</sup>	7.7	25.7 <sup>b</sup>	14
Reduction in excise duty and import tariff	1.0	-	2.0	-	-	-	7.1	-	1.5	-	1
Others	1.0	2.0	-	-	-	-	7.1	-	1.5	-	1
<b>Total number of respondents (n)</b>	<b>100</b>	<b>49</b>	<b>51</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 5.5: Entrepreneurs' perception regarding constraints on establishing new enterprise specific to Sylhet region, which are different from other regions according to scale, sector and location of enterprises**

Constraints on establishing new enterprise	Total responses (%)	Rank of the total responses		Percentage of responses by various groups									Total no. of Responses
				Scale of enterprises		Sectors of industry				District			
		1 <sup>st</sup>	2 <sup>nd</sup>	Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts of Sylhet division	
Inadequate power supply	91.0	53.0	17.0	94.1	89.8	100.0	100.0	83.3	92.9	86.7	89.2	97.1	91
Lack of entrepreneurship	76.0	30.0	28.0	80.4	71.4	65.0	76.2	86.7	64.3	80.0	73.8	80.0	76
Inadequate infrastructure facilities	34.0	6.0	8.0	33.3	34.7	30.0	28.6	36.7	28.6	46.7	36.9	28.6	34
Very high price of land in the urban area	49.0	3.0	12.0	45.1	53.1	45.0	38.1	53.3	42.9	66.7	49.2	48.6	49
Lack of ancestral knowledge about industry development	35.0	4.0	7.0	35.3	34.7	35.0	14.3	50.0	35.7	33.3	44.6	17.1 <sup>a</sup>	35
Unenthusiastic attitude and laggardness of the potential buyers	35.0	3.0	1.0	27.4	42.9	30.0	9.6	33.3	64.3	53.4 <sup>a</sup>	41.6	22.8 <sup>c</sup>	35
Lack of sea port and cargo facility	25.0	2.0	7.0	25.5	24.5	30.0	19.0	20.0	35.7	26.7	30.8	14.3 <sup>c</sup>	25
Lack of EPZ or special economic zone	38.0	8.0	5.0	49.0	26.5 <sup>b</sup>	30.0	52.4	43.3	42.9	13.3	33.8	45.7	38
Lack of creativity and awareness among potential investors	40.0	13.0	7.0	52.9	26.5 <sup>a</sup>	15.0	71.4	33.3	35.7	46.7 <sup>a</sup>	29.2	60.0 <sup>a</sup>	40
Idleness among the local people	51.0	10.0	12.0	58.8	42.9	45.0	66.7	53.3	57.1	26.7	47.7	57.1	51
Lack of skilled manpower	35.0	8.0	4.0	47.1	22.4 <sup>a</sup>	25.0	33.3	43.3	28.6	40.0	44.6	17.1 <sup>a</sup>	35
Others	26.0	4.0	3.0	25.5	26.5	25.0	19.1	36.6	28.6	13.4	29.2	20.0	26
<b>Total number of respondents (n)</b>	<b>100</b>			<b>51</b>	<b>49</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$ , Source: Field Survey, 2008

**Appendix Table 5.6: Entrepreneurs' perception regarding problem in managing loan from bank in Sylhet region according to scale, sector and location of enterprises**

Problem in managing loan from bank	Total responses (%)	Percentage of responses by various groups									Total no. of Responses
		Scale of enterprises		Sectors of industry				District			
		Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts	
Yes	48.0	51.0	44.9	45.0	33.3	56.7	50.0	53.3	53.8	37.1	48
No	52.0	49.0	55.1	55.0	66.7	43.3	50.0	46.7	46.2	62.9	52
<b>Types of problem in managing loan from bank</b>											
Lack of co-operation of bank officials in managing bank loan	83.3	80.8	86.4	77.8	100.0	82.4	85.7	75.0	85.7	76.9	43
Demand of many documents	89.6	92.3	86.4	88.9	85.7	100.0	85.7	75.0	88.6	92.3	47
Administrative complexity	62.5	61.5	63.6	55.6	57.1	64.7	28.6	100.0 <sup>a</sup>	62.9	61.5	33
Demand for bribe by officials	43.8	46.2	40.9	44.4	85.7	35.3	14.3	50.0 <sup>a</sup>	37.1	61.5	23
Others	-	-	-	-	-	-	-	-	-	-	-
<b>Total number of respondents (n)</b>	<b>48</b>	<b>26</b>	<b>22</b>	<b>9</b>	<b>7</b>	<b>17</b>	<b>7</b>	<b>8</b>	<b>35</b>	<b>13</b>	<b>48</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 5.7: Entrepreneurs' perception regarding necessary factors for ensuring congenial investment climate in the Sylhet region according to scale, sector and location of enterprises**

Factors necessary for ensuring congenial investment climate	Total responses (%)	Rank of the total responses		Percentage of responses by various groups										Total no. of Responses
		1 <sup>st</sup>	2 <sup>nd</sup>	Scale of enterprises		Sectors of industry					District			
				Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts		
Investment friendly government policy	83.0	38.0	25.0	88.2	77.6	75.0	100.0	86.7	71.4	73.3 <sup>c</sup>	78.5	91.4 <sup>c</sup>	83	
Transparent and easy bureaucratic procedure	77.0	33.0	30.0	76.5	77.6	60.0	76.2	83.3	85.7	80.0	73.8	82.9	77	
Less administrative complexity	56.0	14.0	23.0	54.9	57.1	45.0	38.1	73.3	57.1	60.0	56.3	54.3	56	
Introduction of one-stop service facility	66.0	28.0	16.0	76.5	55.1 <sup>b</sup>	45.0	85.7	70.0	57.1	66.7 <sup>c</sup>	60.0	77.1 <sup>c</sup>	66	
Free from Nepotism and political biased ness	33.0	4.0	7.0	31.4	34.7	10.0	33.3	40.0	42.9	40.0	29.2	40.0	33	
Undertaking awareness program to create entrepreneurship	37.0	8.0	7.0	43.1	30.6	20.0	42.9	56.7	14.3	33.3 <sup>b</sup>	33.8	42.9	37	
Undertaking appropriate training program to develop enterprise	52.0	9.0	13.0	58.8	44.9	45.0	76.2	46.7	57.1	33.3 <sup>c</sup>	46.2	62.9	52	
Drawing attention of the think tanks about sharing their ideas and views regarding favorable investment climate	29.0	6.0	9.0	29.4	28.6	25.0	28.6	33.3	35.7	20.0	29.2	28.6	29	
Developing regional policy by the government	51.0	8.0	9.0	66.7	34.7 <sup>a</sup>	50.0	71.4	56.7	35.7	36.7	41.5	68.6 <sup>a</sup>	51	
Others	3.0	1.0	-	2.0	4.1	-	-	-	7.1	13.3	4.6	-	3	
<b>Total number of respondents (n)</b>	<b>100</b>			<b>51</b>	<b>49</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>	

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 5.8: Entrepreneurs' perception regarding steps needed from government for ensuring favourable investment climate in the Sylhet region according to scale, sector and location of enterprises**

Steps needed from government	Total responses (%)	Rank of the total responses		Percentage of responses by various groups										Total no. of Responses
				Scale of enterprises		Sectors of industry			District					
		1 <sup>st</sup>	2 <sup>nd</sup>	Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts		
		Political stability	55.0	27.0	11.0	60.8	49.0	60.0	66.7	53.3	50.0	40.0	46.2	
Transparent and easy bureaucratic procedure	83.0	44.0	20.0	84.3	81.6	7.0	85.7	90.0	71.4	93.3 <sup>a</sup>	78.5	91.4 <sup>c</sup>	83	
Establishing EPZ or Special Economic Zone in Sylhet region	74.0	28.0	32.0	84.3	63.3 <sup>b</sup>	75.0	95.2	70.0	57.1	66.7	70.8	80.0	74	
Introduction of one-stop service facility	62.0	28.0	13.0	70.6	53.1 <sup>c</sup>	40.0	85.7	66.7	42.9	66.7 <sup>b</sup>	56.9	71.4	62	
Development of air and rail cargo facility	17.0	3.0	3.0	15.7	18.4	25.0	19.0	3.3	21.4	26.7	16.9	17.1	17	
Ensuring export transportation	40.0	10.0	13.0	39.2	40.8	35.0	71.4	33.3	28.6	26.7 <sup>b</sup>	36.9	45.7	40	
Tax exemption benefit	46.0	14.0	10.0	51.0	40.8	40.0	57.1	43.3	42.9	46.7	44.6	48.6	46	
Others	13.0	6.0	1.0	11.8	14.3	1.0	4.8	16.7	21.4	13.3	15.4	8.6	13	
<b>Total number of respondents (n)</b>	<b>100</b>			<b>51</b>	<b>49</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>	

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 5.9: Entrepreneurs' perception regarding plan to invest in the Special Economic Zone (SEZ) of Sylhet according to scale, sector and location of enterprises**

Having plan to invest in the special economic zone of Sylhet region?	Total responses (%)	Percentage of responses by various groups									Total no. of Responses
		Scale of enterprises		Sectors of industry				District			
		Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts of Sylhet division	
Yes	62.0	56.9	43.1	75.0	42.9	56.7	78.6	66.7	73.8	40.0	62
No	38.0	67.3	32.7	25.0	57.1	43.3	21.4	33.3	26.2	60.0	42
<b>How planned to invest in the special economic zone of Sylhet region?</b>											
Through setting up an enterprise/industry	93.5	96.6	90.9	93.3	88.9	94.1	100.0	90.0	91.7	100.0	58
Through purchasing shares/bonds/debentures	9.7	13.8	6.1	-	33.3	5.9	9.1	10.0	10.4	7.1	6
Through setting up support service	4.8	6.9	3.0	-	-	5.9	9.1	10.0	6.3	-	3
Others	3.2	-	6.1	6.7	-	-	9.1	-	4.2	-	2
<b>Total number of respondents (n)</b>	<b>62</b>	<b>29</b>	<b>33</b>	<b>15</b>	<b>9</b>	<b>17</b>	<b>11</b>	<b>10</b>	<b>48</b>	<b>14</b>	<b>62</b>

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 6.1: Entrepreneurs' perception on suitable industries for investment in Sylhet region according to scale, sector and location of enterprises**

Types of industry	Total responses (%)	Rank of the total responses		Percentage of responses by various groups										Total no. of Responses
				Scale of enterprises		Sectors of industry					District			
		1 <sup>st</sup>	2 <sup>nd</sup>	Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts of Sylhet division		
Agro-based Industry (Processing)	78.0	40.0	23.0	90.2	65.3 <sup>a</sup>	75.0	95.2	76.7	64.3	73.3	70.8	91.4 <sup>b</sup>	78	
Cottage Industry	50.0	15.0	13.0	47.1	53.1	40.0	47.6	56.7	50.0	53.3	47.7	54.3	50	
Stone-based and brick Industry	56.0	14.0	12.0	52.9	59.2	65.0	19.0	76.7	50.0	60.0 <sup>a</sup>	69.2	31.4 <sup>a</sup>	56	
Fisheries and livestock based Industry	72.0	23.0	17.0	82.4	61.2 <sup>b</sup>	70.0	90.5	83.3	42.9	53.3 <sup>a</sup>	64.6	85.7 <sup>b</sup>	72	
Mineral-based Industry	44.0	6.0	9.0	43.1	44.9	50.0	38.1	46.7	50.0	33.3	50.8	31.4 <sup>c</sup>	44	
Service Industry	21.0	2.0	1.0	19.6	22.4	15.0	28.6	16.7	14.3	33.3	18.5	25.7	21	
Textile and rubber-based Industry	51.0	9.0	15.0	54.9	46.9	30.0	81.0	43.3	42.9	60.0 <sup>b</sup>	41.5	68.6 <sup>a</sup>	51	
Tea Processing Industry	79.0	19.0	24.0	84.3	73.5	85.0	90.5	80.0	71.4	60.0	81.5	74.3	79	
Other Industries	15.0	10.0	3.0	13.7	16.3	20.0	14.3	10.0	14.3	20.0	13.8	17.1	15	
Total number of respondents (n)	100			51	49	20	21	30	14	15	65	35	100	

a indicates  $p < 0.01$ , b indicates  $p < 0.05$ , c indicates  $p < 0.10$

Source: Field Survey, 2008

**Appendix Table 6.2: Entrepreneurs' perception regarding reasons for preferring such types of industries for investment in Sylhet region according to scale, sector and location of enterprises**

Reasons for choosing such types of industry	Total responses (%)	Rank of the total responses		Percentage of responses by various groups										Total no. of Responses
				Scale of enterprises		Sectors of industry					District			
		1 <sup>st</sup>	2 <sup>nd</sup>	Large	SME	Food processing	Tea	Stone-based & brick	Cottage	Other	Sylhet district	Other districts		
Availability of raw materials	84.0	49.0	15.0	80.4	87.8	95.0	90.5	80.0	71.4	80.0	80.0	91.4	84	
Availability of land	59.0	23.0	18.0	52.9	65.3	55.0	33.3	76.7	64.3	60.0 <sup>b</sup>	58.5	60.0	59	
Availability of labour and manpower	40.0	4.0	14.0	47.1	32.7	15.0	71.4	46.7	28.6	26.7 <sup>a</sup>	27.7	62.9 <sup>a</sup>	40	
Plenty of local	68.0	37.0	15.0	72.5	63.3	75.0	71.4	73.3	57.1	53.3	61.5	80.0 <sup>c</sup>	68	

funds													
Availability of technology	7.0	-	2.0	7.8	6.1	-	9.5	6.7	7.1	13.3	6.2	8.6	7
Demands for the product in the local & global market	58.0	14.0	17.0	70.6	44.9 <sup>a</sup>	55.0	71.4	63.3	57.1	33.3	55.4	62.9	58
Well transportation system including land-port facilities	9.0	-	1.0	7.8	10.2	15.0	4.8	13.3	7.1	-	12.3	2.9	9
Possibility of less environmental hazard (low social cost)	47.0	2.0	8.0	43.1	51.0	40.0	38.1	60.0	42.9	46.7	43.1	54.3	47
Higher chance of profit from such enterprise	50.0	10.0	16.0	60.8	38.8 <sup>b</sup>	40.0	76.2	53.3	35.7	33.3 <sup>b</sup>	44.6	60.0	50
Low establishment cost	10.0	1.0	1.0	11.8	8.2	5.0	9.5	20.0	-	6.7	7.7	14.3	10
Others	3.0	1.0	1.0	-	6.1	5.0	-	-	7.1	6.7	4.6	-	3
<b>Total number of respondents (n)</b>	<b>100</b>	<b>51</b>	<b>49</b>	<b>20</b>	<b>21</b>	<b>30</b>	<b>14</b>	<b>15</b>	<b>65</b>	<b>35</b>	<b>100</b>		

<sup>a</sup> indicates  $p < 0.01$ , <sup>b</sup> indicates  $p < 0.05$ , <sup>c</sup> indicates  $p < 0.10$

Source: Field Survey, 2008

## Annex-II

### Report of the FGDs

#### 1. Summary Report of the First Focus Group Discussion (FGD)

A focus group discussion (FGD) on the research topic “Lack of Utilization of Local Funds and Productive Investment Climate in Sylhet Region: Perception Analysis” was held at the conference room of Sylhet Chamber of Commerce & Industry (SCCI), Sylhet, on the 25<sup>th</sup> October, 2008 at 10.30 A.M. Representatives of SCCI, several industrialists and bankers participated in the FGD. In total the number of participants was fourteen. The FGD was moderated by the lead researcher Professor Dr. Md. Zakir Hossain with the assistance of co-researchers – Dr. M. Mizanul Haque kazal and Fazle Elahi Mohammad Faisal. Five main issues – (1) Causes of Poor Utilization of Local Fund, (2) Remittance Utilization, (3) Productive Sectors, (4) Constraints on Enterprise Development, (5) Investment Climate were discussed at the FGD. The findings of FGD are summarized below according to the issues:

### **Issue # 1 & 4: Causes of Poor Utilization of Local Fund & Constraints on Enterprise Development**

The discussants have reiterated that historically, the people of our country are interested for white collar jobs rather than taking any sort of risky activities for their livelihood. Therefore industrialization has not developed since a very long time. Among other causes, lack of ancestral entrepreneurship, lack of infrastructure, lack of initiative, risk aversion by local people, non-existence of “one stop service” for enterprise development, high price of land, lack of industry labour, high rate of interests on deposits & advances, and political instability were identified as major reasons for poor utilization of local funds as well as hindrance on industrialization in the region. Moreover, lack of project profile preparation and evaluation facilities, lack of support from government in market research for the region, inter-ministerial conflicts were also sorted out for poor utilization of local funds in productive sectors. Besides, lack of entrepreneurship development, inadequate cooperation from banks and government agencies, inefficiency of and non-cooperation from Bangladeshi foreign embassies, lack of industrial information, and poor social, administrative and legal security for investment were also explored as the causes for poor utilization of local funds as well as constraints on enterprise development.

### **Issue # 2: Remittance Utilization**

The discussants stated that the remittances were mainly utilized for four purposes – (i) consumption, (ii) land purchasing, (iii) deposits and (iv) community help (donation to mosque, madrasa, help to poor relatives). The remittance recipients are more interested to invest in bank deposits for safe and high profits rather than invest to enterprise development due to risk and insecurity. Expatriates of Sylhet region also feel insecure to invest their foreign money due to several reasons like political instability, lack of export-import facility, lengthy bureaucratic procedures, lack of local skilled manpower.

**Issue # 3: Productive Sectors**

Most of the discussants suggested for establishing industry on the basis of available raw materials of the region. They pointed out that the region had a great scope of capturing a large market of India and UK and middle-east countries due to *Diaspora* network. Therefore any kind of industry can be viable in the region due to ample funds for capital and potential market access. They have given emphasis to establish glass industry, ceramic industry, fruit processing industry, and agro-based industry.

**Issue # 5: Investment Climate**

According to the discussants, knowledge of enterprise development is very poor among the people of Sylhet region. Most of the young people are very much interested to go to advanced countries for their better future.

Most of the discussants opposed the recommendation of IFC-BICF pre-feasibility study that the proposed site for Special Economic Zone was not suitable due to high cost (including development cost) of land. They suggested that the proposed site was better in consideration with transportation facility and urban amenities. They also argued that the land could be developed by dredging the nearby *Surma* river.

**Recommendations**

- Reduction of rate of interest on deposits and advances.
- Special initiative for selective industries such as agro-based industry.
- Special support from government agencies for industrial research.
- Patriotic feelings and efficiency of national and political leaders and bureaucrats at home and abroad should be enhanced.
- Enthusiasm and eagerness of NRBs should be directed to invest to Bangladesh by removing all the hassles and hazards they face

when they come to Bangladesh.

- Infrastructural facilities and social & administrative security should be ensured for industrial investment.
- Establishment of special economic zone and provision of special tax-holiday for Sylhet region should be done.
- Efficiency in financial intermediation should be harnessed.

The FGD concluded at about 1:30 pm with a thanks giving deliberation by the moderator and lead researcher of the aforesaid project.

## **2. Summary Report of the Second Focus Group Discussion (FGD)**

The second focus group discussion (FGD) on the research topic “Lack of Utilization of Local Funds and Productive Investment Climate in Sylhet Region: Perception Analysis” was held at the Vice-Chancellor’s meeting room in Shahjalal University of Science & Technology, Sylhet on the 17<sup>th</sup> January, 2009 at 10.30 A.M. Representatives of SCCI, several industrialists, NRBs and bankers participated in the FGD. In total the number of participants was fifteen. The FGD was moderated by the lead researcher Professor Dr. Md. Zakir Hossain with the assistance of co-researcher – Fazle Elahi Mohammad Faisal.

At first, preliminary findings of the Enterprise-level survey, AHP survey and First FGD have been disseminated by the lead researcher. Then the discussion was done on the issues: (i) causes of poor utilization of local fund, (ii) remittance utilization, (iii) productive sectors, (iv) constraints on enterprise development, and (v) investment climate.

The findings of FGD are summarized below according to the issues:

### **Issue # 1: Causes of Poor Utilization of Local Fund**

The discussants of FGD-2 agreed to the outcomes of Enterprise-level survey, AHP survey and FGD-1 regarding this issue. The discussants also stated that the bankers did not take any step to create entrepreneur.

They only perform their formal duties without taking any sort of risk to sanction loan.

### **Issue # 2: Remittance Utilization**

The pattern of remittance utilization found in Enterprise-level survey is almost similar with a few comments. However, the discussants of FGD mentioned that the remittances were mainly utilized for consumption purposes. Further, they stated that the major portions of the remittances were utilized in fulfilling the basic needs of the households.

### **Issue # 3: Productive Sectors**

The discussants completely agreed to the productive sectors identified by Enterprise-level survey and AHP survey.

### **Issue # 4: Constraints on Enterprise Development**

The discussants acknowledged all the constraints sorted out in Enterprise-level survey. They added that poor infrastructure with power supply and lacks of one-stop service were the main hindrances for enterprise development.

### **Issue # 5: Investment Climate**

The discussants have agreed that the region has the investment friendly climate with a view that there is no significant extortion or organized crime. However, the officials of government and other organizations are used to demanding high amount of bribe for necessary approvals regarding establishing enterprises.

### **Recommendations**

- The improvement of infrastructure with special attention to introduction of one-stop service is an urgent necessity for Sylhet region for enterprise development. The development of land-port is essential for its proper functioning.
- The SCCI should play a vital role regarding introduction of one-stop service. The SCCI can open a section for this purpose. The

demand for introduction of one-stop service should be raised from all sorts of related communities. A task force can be formed comprising the delegates from all relevant authorities to resolve the problems regarding investment.

- The SCCI should take appropriate measure to update its website with all relevant information regarding investment, so that the expatriates can get the proper idea about investment.
- An industrial park may be established for the proper investment of remittances.
- The discussants suggest taking appropriate actions so that the proposed Special economic zone can turn into reality as soon as possible.
- The power supply situation needs to be improved with immediate actions.
- All discussants urged to reduce the interest rate of industrial loan.
- Special training programs are necessary for skill development of the relevant people involved with industrialization.

The FGD concluded at about 1:00 pm with a thanks giving deliberation by the moderator of the program.

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