APPENDIX

ROLE OF NON-BANK FINANCIAL INSTITUTIONS IN THE DEVELOPMENT OF LARGE SCALE INDUSTRIES IN BANGLADESH

QUESTIONNAIRE

The questionnaire designed to elicit the views of the entrepreneurs on the financing procedures and policies of BSR/BSRS/ICB.

Serial Number

Name of the Respondent :

Official Address :

Note : (a) The researcher values your co-operation in furthering the objectives of his research.

(b) Your answers to our questions will be treated as strictly confidential and your name will not be divulged or used in the Thesis.

(c) For elucidating your answers/information additional sheet may please be used, wherever needed.
(1) While applying for a loan, do you fill up the requisite application form: (a) yourself or (b) with the help of your officials or (c) with the aid of outside consultants or (d) by combining all these methods?

(2) What problems do you generally experience when filling up the application form for loan assistance? Please tick:

(a) Paucity of relevant data.
(b) Dearth of consultants.
(c) Non-specific nature of some of the questions.
(d) Seeking information which you regard as unnecessary and as such not keeping record of such data.
(e) Any other (Please specify).

(3) (a) Do you consider any part of the application form redundant?
(b) (i) Would you like any further questions to be included?
(ii) If yes, please specify such questions.
(a)
(b)
(e)

(4) Do you think that Bengali version of the application form can give you better understanding of the contents? Yes/No

(5) (a) Are you aware of the different aspects connected with project appraisal?
(b) What is your impression about the quality of project appraisal done by the financial institution?
(c) (i) Do you think that the institution is adequately equipped for handling technical tasks of project appraisal?
(ii) If no, what, in your perception, are its weaknesses?
(iii) Please suggest how to remove these drawbacks.
(6) (x) What problems have you faced in the course of project appraisal? Please identify from the following:
(a) piecemeal queries.
(b) Red-tapism.
(c) Absence of specialisation in appraising projects on the basis of project costs.
(d) Existence of unwritten rules.
(e) Rigid adherence to cost standards formulated long ago.
(f) Duplicated processing.
(g) Others (Please specify).

(y) What remedies do you suggest to eliminate them?

(7) (a) Which part of the documentation procedure seems to be cumbersome to you?
(b) Do you have any prescription for its rationalisation?
(c) If so, mention them.

(8) (a) Do you think that the time taken by the financial institution in processing the application is more than what is reasonable?
(b) According to your opinion what should be the reasonable time for the processing of a loan application?

(9) (a) Are you satisfied with the present procedure for the disbursement of the loan?
(b) If not, in your opinion, what are its drawbacks?
(e) What measures will you suggest to eradicate these inadequacies?

(10) (a) What factors are responsible for the undue delay in processing loan applications? Please tick:
(a) Paucity of staff.
(b) Inexperienced officer.
(c) Unsympathetic attitude of the officials concerned.
(d) Red-tapism.
(e) Unnecessary queries.
(f) Piecemeal queries.
(g) Long delays in getting sanctions in connected governmental offices.
(h) Paucity of data.
(i) Any other (Please specify).

(B) What specific measures will you suggest to cut down delays?

(11) (a) Do you think that waiving of security requirement on the part of the institution is desirable?
(b) What is your concept of margin of security being reasonable?
(e) Do you consider the margin of security demanded by the financial institution to be:
   (i) unduly high.
   (ii) high.
   (iii) very low.
   (iv) low.
   (v) any other (Please specify).

(12) (a) What rate of interest have you to pay while raising loan from the following sources:
   (i) Public Deposits ... %
   (ii) Debenture ... %
   (iii) Indigenous banker ... %
   (iv) Friends and relatives ... %
   (v) Any other (Please specify) ... %
(b) Do you think that the rate of interest charged by the financial institution is reasonable?
(c) If it is not, give reasons for your answer:
   1.
   2.
   3.
(13) (a) From what date are you required to pay commitment charge?

(b) Do you consider the timing of imposition of such charge as appropriate? Yes/No

(c) If no, please put forward your suggestion.

(14) (a) What are the restrictive conditions imposed?

(i) restriction on dividend payments without prior approval.

(ii) retention of secured and/or unsecured loans provided by the management/their friends.

(iii) restriction on any change in the capital structure, security and material contracts.

(iv) limitation on further borrowing and on capital expenditure without prior consent of the institution.

(v) consultation before embarking on a new project.

(vi) limitation on remuneration of directors and managers and consultation on any managerial changes.

(vii) Any other (Please specify).

(b) Which of the restrictive conditions do you consider to be stringent and why?

(15) (a) Do you think that the follow-up and inspection work undertaken by the financial institution is helpful to the healthy growth of your company? Yes/No

(b) If not, in what respect does it undermine the smooth working and efficiency of your concern?

(16) (a) Do you consider the quantum of loan granted to you to be adequate? Yes/No

(b) If not, why do you regard it as so?

1.
2.
3.

(17) (a) Do you have to pay penal interest for default payment? Yes/No
(b) If yes, what is your opinion on the imposition of such interest?

(18) Do you favour the proposal to grant a rebate to entrepreneurs with a view to encouraging the prompt repayment of loan instalments?

(19) (a) Do you think that the period of repayment fixed up by the financial institution is reasonable? Yes/No

(b) If it is not, what is your idea of the reasonable period? Please explain.

(20) Do you think that the debt-equity ratio in practice works out to be less than what is stipulated?

(21) (a) What proportion of the total cost of your project have you financed out of own resources?

(b) Do you consider the contribution required to be on the high side?

(c) Do you have any specific thinking on this issue?

(22) Do you think that the mutual relationship and coordination between financial institutions is helpful in financing your needs more effectively?

(23) Do you think that the layers for sanction of loans are many? Do you like to reduce them? If so, which one do you consider to be redundant and why?

(24) Are you in favour of any organisation which will deal with all functions under the same roof connected with industrial finance?

(25) The different departments of BSR/BSR/ICB are located in separate buildings away from each other. Do you face difficulty on account of such scattered location?

(26) Do you have any suggestions to offer for improving the relations between the entrepreneurs and the institution? Please tick.

(a) Organising periodical get-together of entrepreneurs with the officials of financial institution.

(b) Sympathetic treatment to the entrepreneurs by the officials.
(c) Visiting office of financial institution by the real sponsors for various purposes in stead of accomplishing the work through the employees.

(d) Any other (Please specify).

(27) (a) What steps are undertaken by the financial institutions to publicise their kinds of financial assistance and other services?

(b) Do you consider these steps adequate?
Investment Corporation of Bangladesh since the latter is allowed to hold paripassu charge on fixed assets on which the former is having first charge.

Table 4.4

<table>
<thead>
<tr>
<th>Name of project</th>
<th>Value of security offered</th>
<th>Amount of loan granted</th>
<th>% of margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1,56,00000</td>
<td>70,00000</td>
<td>55.13</td>
</tr>
<tr>
<td>B</td>
<td>2,79,00000</td>
<td>1,75,00000</td>
<td>37.28</td>
</tr>
<tr>
<td>C</td>
<td>38,00000</td>
<td>25,70000</td>
<td>32.37</td>
</tr>
<tr>
<td>Average of three projects</td>
<td></td>
<td></td>
<td>41.59</td>
</tr>
</tbody>
</table>

Source: Entrepreneurs who received loans from the Sangstha. The project names are not disclosed as per their wishes.

Eighty per cent of the entrepreneurs interviewed disclosed that the security policy of Bangladesh Shilpa Rin Sangstha was cumbersome, time-consuming and rigid and acted as a deterrent in the matter of industrial financing.

Thirty per cent of the sponsors interviewed raised the problem of valuation of fixed asset on the basis of book value (when the market value is much higher due to inflationary conditions) in case of existing concerns. They felt that if valuation was done on the basis of their market value, they would be entitled to bigger loans against the
<table>
<thead>
<tr>
<th>Year</th>
<th>Developed Area</th>
<th>Development Area</th>
<th>Priority Dev. Area</th>
<th>Grand Total</th>
<th>(%) as % of (11)</th>
<th>(%) as % of (11)</th>
<th>(%) as % of (11)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private Public Total</td>
<td>Private Public Total</td>
<td>Private Public Total</td>
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<td></td>
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<td>(1)</td>
<td>(2) (3) (4)</td>
<td>(5) (6) (7)</td>
<td>(8) (9) (10)</td>
<td>(11)</td>
<td>(12)</td>
<td>(13)</td>
<td>(14)</td>
</tr>
<tr>
<td>1972-73</td>
<td>1</td>
<td>7</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1973-74</td>
<td>7</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>1974-75</td>
<td>8</td>
<td>2</td>
<td>10</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>1975-76</td>
<td>14</td>
<td>1</td>
<td>15</td>
<td>3</td>
<td>-</td>
<td>3</td>
<td>2</td>
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<tr>
<td>1976-77</td>
<td>17</td>
<td>2</td>
<td>19</td>
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<tr>
<td>1977-78</td>
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<td>1</td>
<td>31</td>
<td>14</td>
<td>2</td>
<td>16</td>
<td>9</td>
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<tr>
<td>1978-79</td>
<td>65</td>
<td>-</td>
<td>65</td>
<td>32</td>
<td>-</td>
<td>32</td>
<td>13</td>
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<tr>
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<td>157</td>
<td>57</td>
<td>5</td>
<td>62</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: Same as for Table 4.17 A.
the Dacca region.

This policy can help to solve many problems in time which may develop even after careful planning. It is helpful for both the parties and the Corporation should pursue this task in all seriousness.

(11) **Imposition of Restrictive Conditions**

The Investment Corporation of Bangladesh normally imposes the following restrictive conditions in case of bridge finance against underwriting of shares and debentures:

(a) If during the currency of the debentures, the company issues shares for cash, the debenture-holders will have the option to convert 20.00 per cent of the outstanding debentures into ordinary shares at par.

(b) Undertaking from the sponsors to provide a long-term loan, its amount and duration depending on the nature of the project, and an undertaking to meet any overrun in construction cost or for additional working capital.

(c) The prospectus for the public issue to be, in form and substance, acceptable to Investment Corporation of Bangladesh and to be published at a time considered appropriate by the institution.

(d) Investment Corporation of Bangladesh reserves the right to have Memorandum and Articles of Association of the company amended as it may deem necessary in the interest of the underwriters and the shareholders.