

Chapter - 5

Analysis Of Exporters' View On
Export Financing In Bangladesh -
A Sample Study

5.1 Introduction:

There are two sides of the problem of same export financing – in one there are problems of bankers who supply the fund and in other, there are problems of exporters who receive the fund. Export firms which create the demand for the fund view the export financing from the angle of problems that they face at the time of getting the fund. On the other hand bankers view the export financing from the angle of problems of realisation of the credit that would be advanced. Therefore, studies of the problem of export financing from both sides would complement each other in order to give a complete picture of the actual scenario. In this chapter, we would try to get the views of the exporters.

Export of Bangladesh is basically divided into two groups of items – primary and manufacturing. According to Export Directory (1998) published by Export Promotion Bureau (EPB), GOB there are altogether 4926 firms engaged in export business, out of which 874 firms (17.742 percent) deal with primary commodities and the rest i.e. 4052 firms (82.57 percent) exports secondary items, which EPB prefers to identify as ‘manufacturing’ items.

Important items within primary export are fish and frozen food, fruits and vegetable-, tea and raw jute. Main items within manufacturing product are jute goods, leather and leather goods, readymade garments, paper and allied product, textile, handicraft, electronics etc.

A large sample (of size $n = 60$) is drawn from the total number of export firms and we administered a schedule among them. The schedule that consists of 4 sections is designed with the combination of structured, unstructured, open-ended and close-ended questions (Schedule annexed).

These sixty firms selected randomly from the total list of firms printed in the export dictionary, that we have mentioned already, according to the probabilities of selecting a firm being primary or manufacturing. Number of firms in primary and manufacturing groups, their respective probabilities and number of firms of each group selected in the sample are shown in Table- 5.1.

Table : 5.1
Sample Distribution

	Population	Probability	Sample Size
Primary	874	0.1774	$60 \times .1774 = 11$
Manufacturing	4052	0.8226	$60 \times .8226 = 49$
Total	4926	1.00	$60 \times 1.00 = 60$

Thus the selected sample for our study is a stratified random sampling.

However, out of these sixty randomly selected firms, we have been able to administer the schedule successfully among forty-six firms. We could not able to collect data from fourteen firms for the following reasons:

- i) Few firms do not exist at the place of address mentioned in the directory (6)
- ii) Few firms are not operating at present (4)
- iii) Few firms did not cooperate fully to complete the schedule (4)

This, however, does not preclude the sample size to be large.

5.2 Profile Of The Sample Firms:

A complete profile of sample firms is given in Table- 5.2. Out of total respondents, ten are from primary group and thirty-six are from manufacturing group.

Table : 5.2
Description Of Sample Firms.

Commodity Groups		No. of Firm In the sample	Nature of firms		Year of establishment.			Business Premises			
			100 pc export	Non 100 Pc export	1970-80	1981-90	1991-00	Own	Lease	Rental	Others
Primary	Fish & Frozen Food (13.0)	6	6	0	0	5	1	3	1	2	0
	Fruits & VegeTable- (4.35)	2	2	0	0	2	0	0	1	1	0
	Tea (2.17)	1	1	0	1	0	0	0	1	0	0
	Raw Jute (2.17)	1	1	0	1	0	0	0	0	1	0
	Group Total	10	10	0	2	7	1	3	3	4	0
Manufacturing	Jute Goods (2.17)	1	1	0	0	1	0	1	0	0	0
	Leather & Leather Goods (7.70)	4	2	2	0	4	0	2	0	2	0
	RMG (34.78)	16	12	4	0	10	6	6	0	8	2
	Paper & allied (2.17)	1	0	1	0	1	0	0	0	1	0
	Textile (6.52)	3	2	1	1	0	2	0	0	3	0
	Handicraft (8.70)	4	3	1	2	2	0	2	1	1	0
	Electronic (4.35)	2	0	2	0	2	0	1	0	1	0
	Others (10.87)	5	3	2	3	1	1	0	1	4	0
Group Total	36	23	13	6	23	7	12	2	20	2	
Sample Total		46	33	13	8	28	10	15	5	24	2
Percentage share of total sample		100	71.74	28.26	17.39	60.87	21.73	32.60	10.87	52.17	4.35

Note: Figure in the parenthesis against each commodity group indicates percentage representation of the respective group in the sample.

Distribution of number of firms within primary and manufacturing are also shown. There are many firms in Bangladesh those are established under the statutory provision of 100 percent (pc) export-Oriented business. In our sample 71.734 pc firms fall into this category and remaining 28.26 pc firms do export along with non-

exporting business activities. All primary product export firms in our sample are 100 percent export oriented. Out of eight different products in manufacturing sector, readymade garment (RMG) represents 44.44 pc within group and 34.78 pc within sample. Similarly, the 'fish and frozen foods', which occupies the position of highest representation within primary group, represents 60 pc within group and 13.04 pc within sample. Thus these two items of products jointly represent 47.82 pc of the sample.

So far the year of establishment of business is concerned, most of our randomly selected firms i.e. 60.87 pc had been established during the decade 1981 to 1990, 21.73 pc are of the recently established firms i.e. in the last decade (1991 to 2000) and the rest i.e. 17.39 pc may be considered as 'old' since those had been established between 1970 and 1980.

The sample reveals the nature of business premises of export firms. More than fifty pc (52.17) of export firms in Bangladesh use rented premises and nearly one third (32.60 pc) of the firms have their own premises. Only 10.87 pc occupies leasehold land.

Nature of labour involvement in the export business of sample firms and availability of skilled labour are shown in Table- 5.3. It shows that majority of sample

Table : 5.3
Types Of Labour Engaged In Sample Firms

Labour Involvement		Percentage		
		Primary	Manuf	Total
Labour intensive		100.0	72.0	78.0
Capital Intensive		0	28.0	22.0
Skilled	Available	10.0	25.0	28.0
	Scarce	90.0	75.0	72.0
Un-Skilled	Available	100.0	100.0	100.0
	Scarce	0	0	0
Semi-Skilled	Available	100.0	100.0	100.0
	Scarce	0	0	0

firms are labour intensive. It constitutes 78 pc of total sample firms. It also reveals that cent percent of primary product export business is labour intensive, It implies that all firms those are capital intensive in our sample are manufacturing product exporters.

However, though the export business in Bangladesh predominantly labour intensive, there is a serious scarcity of skilled labour, Seventy two percent of export firms do consider the skilled labour as 'scarce'. There is, however, no scarcity of unskilled or semi-skilled labour.

In Bangladesh, a few sectors in export business are disproportionately overcrowded. The reason possibly is explained by the data relating to annual average profit of a single firm in each year from 1995 to 2000 obtained through this sample survey. The average annual profits of a firm in different sectors during this period are shown in Table- 5.4 and are presented graphically in figure 5.1.

Table : 5.4
Average Annual Profits Of Different Categories Of Export Firms (Taka in crore)

	Commodity Groups	Year						Average During the period
		1995	1996	1997	1998	1999	2000	
Primary	Fish & Frozen Food (454)	3.68	3.25	3.77	3.58	4.39	3.4	3.678
	Fruits & Vegetable- (148)	1.16	1.75	1.79	1.98	1.78	1.75	1.702
	Tea (40)	3.01	2.85	3.31	5.5	4.5	3.5	3.778
	Raw Jute (97)	2.23	2.85	3.10	3.25	2.95	2.95	2.888
Manufactured	Jute Goods (339)	2.91	2.65	3.86	3.39	3.11	3.02	3.157
	Leather & Leather Goods (692)	3.86	4.73	5.42	5.51	4.85	4.85	4.87
	Readymade Garments (2159)	8.51	7.8	8.81	8.65	8.55	8.15	8.412
	Paper & allied (30)	1.42	0.88	1.11	1.38	1.9	1.85	1.423
	Textile (128)	1.39	1.25	1.00	1.3	1.48	1.90	1.387
	Handicraft (123)	1.54	0.95	1.25	1.40	2.00	2.1	1.54
	Electronic (108)	1.49	1.32	1.4	1.38	1.55	1.80	1.49
	Others (395)	2.32	2.19	2.3	2.1	2.41	2.61	2.322
	Sample Average	2.79	2.74	3.03	3.27	3.29	3.24	3.06

Note: Figure in the parenthesis against each commodity group represents no. of export firms in respective group.

We find that there are mainly four items that earn profits higher than the average profit of export sector. These items are, readymade garment, leather goods, tea and fish & frozen foods. Moreover, readymade garment enjoys profits not only more than any other sectors but much above the export sector average. This extra profit signifies that the marginal profit in this sector is much higher than the marginal cost and this attracts new entrants in the sector. Numbers of export firms in different industrial or trading sector in Bangladesh are shown in Table- 5.4. It substantiates that higher the average profit, higher is the number of firms.

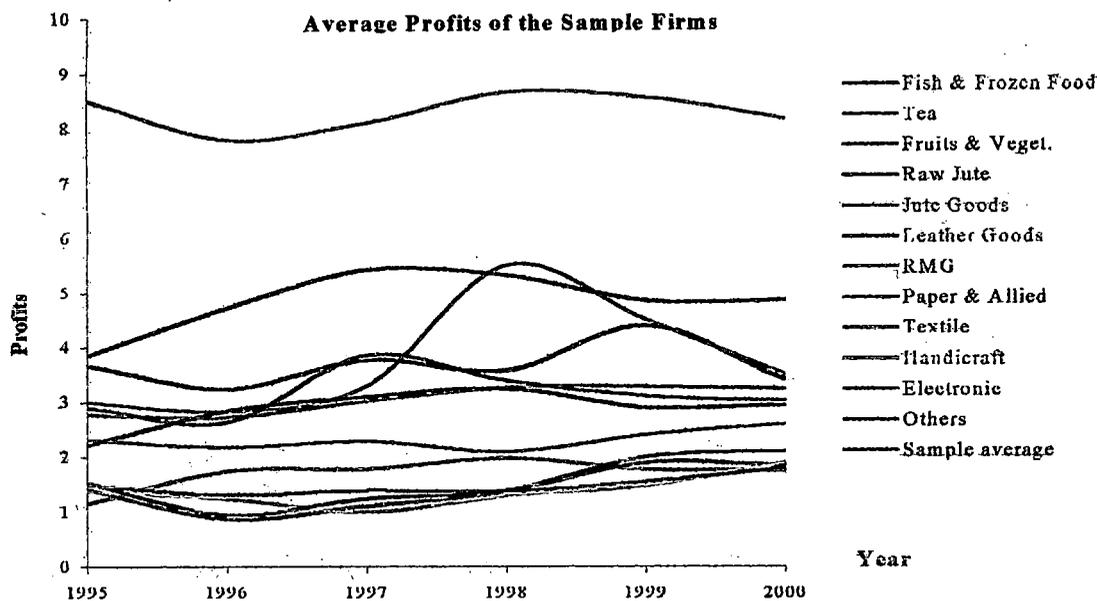


Figure : 5.1

5.3 Export Credit – Nature and Sources:

Generally there are two types of capital that a business firm needs – fixed capital and working capital. Normally, fixed capital is mobilized by a business firm through long-term means, like shares and bonds. Though the need of export financing is predominantly working capital in nature, the exporters sometimes feel the necessity of mobilizing funds for the expenses capital in nature, like a foreign-made deep freezer by a frozen food exporter or a foreign made electricity generating small equipment by a readymade garment exporter, etc. A small exporter often approaches bank for the short term credit. In true sense, it does not constitute the demand of export financing.

Apart from this, a very important aspect of export trading that needs short-term financial support is packaging. Some of the exporters have their own packaging unit but the rest get it done by the Specialised agency. Divisions of getting services of packaging from own unit and from agency house among manufacturing and primary exporters are given in Table-5.5. It is found that 59 pc of respondent firms use the packaging service offered by the specialised packaging agency. Users of services provided by the packaging agency is higher in case of primary exporters (80 pc) and lower in case of manufactured exporters (53 pc). Further, it shows that 41 pc of sample firms use their own packaging facilities of which 47 pc are manufacturing exporters and 20 pc are primary exporters.

Table : 5.5
Responses On Source Of Using Packaging Facilities
 (pc of Respondents)

Source	Exporter		
	Primary	Manuf.	Total
Agent	80.0	53.0	59.0
Own	20.0	47.0	41.0

5.3.1 Nature of Needs:

We have attempted to know the nature of credit demanded by the exporters in order to assess the extent of demands of two types of credit – short-term and long term (if any). Results of the responses are presented in Table- 5.6.

Table : 5.6
Responses on Nature of Export Finance Need
 (pc of Respondents)

Nature of Credit	Exporters		
	Primary	Manuf.	Total
Working capital	100.0	100.0	100.0
Fixed capital (along with W/C)	0	44.0	35.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

It reveals that 100 pc of exporters of both categories need credit for working capital. It also reveals that 35 pc of total export firms need fixed capital along with working capital. All such respondents are from manufacturing sector and it represents 44.0 pc of manufacturing exporters. It, thus, seems to indicate that there is no demand for fixed capital within primary exporters in Bangladesh. On the contrary, however, almost half of the exporters (44 pc) of manufacturing items need fund for capital expenditure. We thus try to identify the purpose of both types of credit.

Short Term Credit:

Necessities of working capital arise both in pre-shipment and post-shipment stage. Pre-shipment financing is needed as working capital by an exporters during processing or manufacturing of export items, where post-shipment financing is needed by the exporters when international competition makes it necessary to extend credit to an overseas buyer. During our sample survey we have asked the exporters to indicate the purpose for which they need working capital at pre-shipment stage. The data collected in this regard are presented in Table- 5.7.

Table:- 5.7
Responses On Purposes Of Working Capital
 (pc of Respondents)

Purpose	Exporters		
	Primary	Manuf.	Total
Cash for local procurement and meeting related expenses	100.0	83.0	87.0
Packing goods	100.0	47.0	59.0
Processing of goods for export	100.0	39.0	52.0
Import of raw materials	0	42.0	33.0
Freight charges	20.0	36.0	33.0
Payment of insurance premium	20.0	28.0	23.0
Inspection fees	20.0	14.0	15.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

We find that there are seven purposes for which short-term credit is sought for at pre-shipment stage. These are Cash for local procurement and meeting related expenses, Packaging goods, Processing of goods for export, Import of raw materials, Freight charges, Payment of insurance premium and Inspection fees. Results show that cent percent of primary exporters needs export credit for local procurement and related expenses, packaging and purchasing of goods. Only twenty percent of primary exporters need short-term credit for freight charges, payment of insurance premium and inspection fees. But in case of manufacturing exporters, packaging and processing goods, import of raw materials, freight charge are the purposes for which around 40 pc of exporters need short term credit. 28 pc and 14 pc of exporters need short term credit for payment of insurance premium and inspection fees respectively. Interestingly, 83 pc of manufacturing exporters need short-term credit for local procurement and related expenses. It appears unusual for manufacturing exporters. There are two reasons that very high pc of manufacturing exporters need short term credit for local procurement. First, Foreign buyers of developed country prefer the use of local inputs for which they get concession on import duty. Secondly, manufacturing exporters, like leather goods, jute goods etc utilise domestic inputs that they have to procure from places scattered throughout the country.

Long-term Credit:

As it is mentioned earlier in section 5.3.1 that sometimes exporters need long-term capital along with working capital. We, however, have asked sample firms to mention why they need long-term financing support. Views of the respondent firms are

summarised in Table- 5.8. From the Table- it is revealed that a significant percentage of respondents (26 pc) require long-term financing support for import of capital goods and

Table:- 5.8
Responses On Purposes Of Long Term Credit In Export Business
(pc of Respondents)

Purpose	Exporters		
	Primary	Manuf.	Total
Import of capital goods	0	33.0	26.0
BMRE	0	11.0	9.0

Manuf.= Manufacturing

9 pc of respondents require long-term credit for upgradation of plant and machinery. Results imply that the import of capital goods is the main purpose for the long-term credit demand. Out of 44 pc manufacturing exporters who need long-term credit, 33 pc require the same for import of capital goods.

5.3.2 Sources of Export Credit:

In Bangladesh, sources open to exporters, at least theoretically, are many. In this sample survey we have tried to ascertain the dependence of export firms on different sources of credit (Table-5.9).

Table : 5.9
Sources of Export Credit
(pc of Respondents)

Sources of Credit	Exporters		
	Primary	Manuf.	Total
Private Commercial Banks	100.0	83.0	87.0
Nationalised Commercial	80.0	39.0	48.0
Self	100.0	28.0	44.0
Foreign Commercial Banks	0	11.0	9.0
Sister Organization	20.0	6.0	9.0
Managing agent	0	8.0	9.0
Relatives and friends	25.0	0	2.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

Exporters often not meet their entire credit requirement from a single source but multiple of sources. Results indicate that cent percent of exporters of primary goods depend on private commercial banks and self-financing. Moreover, they never use foreign commercial banks and managing agency as their sources of credit. Eighty percent of these exporters also use nationalised commercial banks. It is evident that sister organisations of the business or friends and relatives also play an important role as sources of credit for primary product exporters. In case of manufacturing exporters,

similar to primary product, majority depends on private commercial banks. Only 39 pc of such exporters approach to nationalised commercial banks. Other sources are used seldom by manufacturing exporters.

In short, findings indicate clearly that main sources of export credit in Bangladesh are private and nationalised commercial banks. Moreover, exporters have to depend on other sources for their need of export credit as these banks do not meet the total credit need.

5.4 Banks Evaluation of Creditworthiness:

Though it is found that exporters mainly depend on commercial banks for meeting their credit needs, banks do not advance credit without considering the credit worthiness thoroughly. Many queries are made and several information are sought from the exporters by the banks. On the basis of all these information banks determine the creditworthiness of an exporter and often fix the annual limit of credit, which is known as cash-credit limit (C.C. limit). A client having C.C limit has to submit documents \ relating to export order, security covering the risk of credit and others. But in case of an applicant who is either a newcomer or having no C.C limit, the application is considered by the bank very cautiously. In order to ascertain the creditworthiness of a client, banks do not only consider some objective factors but also, as exporters believe, consider some subjective factors. Considering all such factors, there are occasions when banks refuse to give credit to an exporter. The rate of refusal may be a good indicator to understand how far these factors really play crucial role in decision-making. In this section, we made an attempts to approximate the rate of refusal and to ascertain what are the queries and information that are sought by the banks from the exporters for objective as well as subjective assessment of an exporters' creditworthiness before granting the credit.

Refusal and Acceptance Criteria:

In order to find out the frequency of refusal, we have asked the question to respondent exporters whether the banks had ever rejected any credit application and if it had been rejected then what was the level at which the decision was taken. Results of the respondents are shown in Table- 5.10 and 5.11 respectively.

It is indicative from the Table-5.10 that the refusal rate of export credit application in Bangladesh is significant. There are twenty six percent of exporters whose applications were rejected at one time or other.

Table : 5.10
Responses On Refusal By Banks
 (pc of Respondents)

Opinion	Exporters		
	Primary	Manuf	Total
Yes	40.0	22.0	26.0
No	60.0	68.0	74.0

It is further revealed that the applications of primary exporters are rejected more often than manufacturing exporters. Table-5.11 indicates the frequency of rejection at different levels of decision-making. It is observed that the rejection at branch level is more frequent (59 pc) than head-office level (25 pc).

Table- : 5.11
Responses On Reasons Of Refusal
 (pc of Respondents)

Reasons	Exporters		Total
	Primary	Manuf	
Rejected by the branch office	75.0	50.0	59.0
Non- approval by the bank's head office	0	37.0	25.0
Not – known	25.0	13.0	16.0

However, there are 16 pc cases when this is not known. Interestingly, all credit applications of primary exporters, whose level of rejection are known, are rejected at branch level. 37 pc incidences of rejection of manufacturing exporters are happened at head office level. All cases of rejection at head office level are of manufacturing exporters.

It may be recalled in this connection that a credit application is forwarded to head office only when it is considered creditworthy but the credit amount is beyond the sanctioning power of the branch manager. (Please see the flowchart figure 6.1). It may be assumed that as the application is forwarded to head office, it is supported by all required documents. Thus, the reason of rejection at head office level may not be the non-complying of objective factors but subjective factors. The reason that the every decisions of rejection of application from primary exporters' are decided at branch level, may be that the credit amount is within the sanctioning power of a Branch Manager.

In the following two subsections we try to identify those objective as well as subjective factors.

Objective Factors:

We find from the sample survey of exporters (Table-5.12) that the information

Table : 5.12
Responses On Banks' Appraisal Of Creditworthiness
 (pc of Respondents)

Appraising Criterion	Exporters		
	Primar	Manuf	Total
Size of the firm	100.0	100.0	100.0
Solvency of the exporter	80.0	100.0	96.0
Volume of security offered by the exporter as collateral	80.0	100.0	96.0
Liability with other Banks	60.0	94.0	87.0
History of past performance of the exporters in the export business	40.0	94.0	83.0
Period for which credit is sought	80.0	75.0	76.0
Business turnover of the export firm	50.0	58.0	57.0
Export market report of the goods to be exported	20.0	53.0	46.0
Availability of exportable commodity in domestic market	20.0	50.0	43.0
Volume of export transaction of the exporter	30.0	42.0	39.0
Amount of fixed deposit with the bank	20.0	17.0	17.0
Inspecting the income - tax return	0	8.0	7.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

that are sought by the banks from cent percent manufacturing exporters for objective assessment of the credit worthiness are related to size of the firm, solvency of the exporters, volume of security offered by the exporters as collateral etc. In case of primary product, except size of the firm other two are sought in eighty percent cases. Liability with other banks and history of the past performances are two factors that get greater weightage in case of manufacturing exporters than primary exporters. But, period for which credit is sought gets higher weightage than above two factors in case of primary product exporters. Another important factor is business turnover of the export firm. It is considered in fifty percent of cases. Other factors, mentioned in the Table, are though considered but less frequently.

Subjective Factors:

Exporters often allege that banks do consider not only above mentioned objective factors but also some subjective factors for measuring creditworthiness. In order of frequency of responses of exporters, shown in Table-5.13, the subjective factors are: business integrity, previous record of transaction with banks, status of the exporters, political and personal influence and guarantee from old and established clients. However, according to primary product exporters, status of the borrower,

political and personal influences are subjective factors of greater importance in their cases.

Table : 5.13
Responses On Subjective Factors
(pc of Respondents)

Considering Factors	Exporters		
	Primary	Manuf	Total
Business integrity of the exporter	80.0	94.0	91.0
Previous transaction with bank	70.0	78.0	76.0
Status of the borrower	80.0	53.0	59.0
Political influence	80.0	53.0	59.0
Personal influence of the borrower	70.0	44.0	50.0
Guarantee from old and established parties	30.0	25.0	26.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

Results reveal that the consideration of subjective factors differ with the nature of export firm. Since, the most of the primary product exporters are small than manufacturing exporters, factors do not influence the credit decision uniformly for both group of exporters. For example, personal connection plays an important role in case of primary exporters (in 70 pc cases) but for manufacturing exporters, it influences much less cases.

5.4 Exporters View on Creditworthiness and Submission of Documents:

Once an exporter is judged as worthy to be granted credit, banks require a set of documents for final approval of the credit. These are (i) Export form duly signed by the exporter, (ii) Letter of credit in hand, (iii) Contract letter / Invoice, (iv) Letter of pledge duly stamped, (v) Lien on confirmed on irrevocable and unrestricted letter of credit from a bank, (vi) Letter of Hypothecation duly stamped, (vii) Document of title of goods, (viii) Detailed stock statement duly verified by a bank officials, (ix) Trust receipt, (x) Letter of disclaimer to be signed by the owner of the go-down in case of rented go-down, (xi) Order sheet, (xii) Export Credit Guarantee Insurance Certificate, (xiii) Insurance coverage under bank mortgage clause and (xiv) Visa, License & Certificate of Origin.

There is a general perception among the people involved in export business in Bangladesh that banks do consider many irrelevant factors in granting credit and that makes the export financing decision stringent. We have sought the opinion of exporters regarding the relevance of each of those factors. Results of the responses are summarised and presented in Table- 5.14.

Table : 5.14
Responses On Relevancy Of Required Documents
 (pc of Rspndents)

Appraising Criterion	Exporters		
	Primary	Manuf	Total
Business integrity of the exporter	80.0	100.0	96.0
Availability of exportable commodity in domestic market	90.0	97.0	96.0
Liability with other banks	50.0	75.0	70.0
Export market report of the goods to be exported	60.0	58.0	59.0
History of past performance of the exporters in the export business	40.0	44.0	43.0
Business turnover of the export firm	20.0	47.0	41.0
Solvency of the exporter	20.0	28.0	26.0
Volume of export transaction of the exporter	10.0	19.0	17.0
Collateral security	10.0	19.0	17.0
Inspecting the income - tax return	0	3.0	2.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

Table shows that majority of the exporters, both primary and manufacturing, do not consider the following factors as irrelevant: business integrity of the exporter, availability of exportable commodity in domestic market, liability with other banks and export report of the goods to be exported. However, majority of exporters do consider the following factors as irrelevant: history of the past performance, business turnover, solvency of the exporter, volume of export transaction, collateral security and income tax return. Majority of the exporters opine that if the firms business integrity is not questioned, if there is no unbearable liability with other banks, if the exportable commodity is readily available in the domestic market and the export market report is favourable – then other factors do not serve any purpose in determining creditworthiness. Among all these factors, solvency and collateral security are two important factors from the commercial banks' point of view. But a very insignificant percentage of respondents consider solvency and collateral security as relevant (26 pc and 17 pc respectively). We would reconcile this with the opinion of bankers in the next chapter.

Submission of Documents:

In responses to the question that whether exporters have any difficulties to supply all necessary documents that are required to be submitted prior to final approval of credit, we find the following presented in Table- 5.15.

Table : 5.15
Responses On Facing Difficulties In Supplying Documents
 (pc of Respondents)

Responses	Nature of product		
	Primary	Manuf.	Total
Yes	40.0	6.0	13.0
No	60.0	94	87.0

It is evident that though manufacturing exporters (94 pc) do not consider the submission of all these documents as problematic, a large section of primary product exporters (40 pc) face difficulties. As the primary exporters are basically small-scale operator, the volume of official work necessary to furnish all documents may be burden on a section of them. Responses with respect to opinion of exporter on relevancy of each documents, however, reveal that, (Table- 5.16) except three documents, all other documents are considered relevant more than fifty percent of exporters.

Table : 5.16
Responses On Relevancy of Required Documents
 (pc of Respondents)

Documents	Exporters		
	Primary	Manuf	Total
Letter of credit in hand	100.0	100.0	100.0
Export form duly signed by the exporter	100.0	100.0	100.0
Visa, License, & Certificate of Origin	100.0	100.0	100.0
Lien on confirmed on irrevocable and unrestricted letter of credit from a bank	80.0	92.0	89.0
Letter of disclaimer to be signed by the owner of the go-down in case of rented go-down	50.0	94.0	85.0
Contract letter / Invoice	70.0	83.0	80.0
Trust receipt	50.0	86.0	78.0
Letter of Hypothecation duly stamped	60.0	81.0	76.0
Letter of pledge duly stamped	50.0	72.0	68.0
Document of title of goods	40.0	56.0	52.0
Order sheet	30.0	58.0	52.0
Detailed stock statement duly verified by an bank officials	20.0	22.0	22.0
Insurance coverage under bank mortgage clause	10.0	14.0	13.0
Export Credit Guarantee Insurance Certificate	10.0	8.0	9.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

Documents those are considered irrelevant are: detailed stock statement, Insurance coverage, and ECG certificate. However, if we consider primary product exporters separately, then there are three more documents those are not considered relevant by fifty percent of primary exporters. The additional three documents are: Letter of pledge, documents of title of goods and order sheet. The reason of not being considered as relevant by the majority of primary exporters may be well understood.

Because, primary exporters very often do business on consignment basis for which they do neither possess any final order sheet nor letter of pledge being applicable. Moreover document of title of goods is not make any sense always in case of primary product.

Processing of Documents and Effect on Export Business:

It is sometimes alleged that the purpose of fulfilling the requirement of documents is time consuming and cumbersome. We have sought the opinion of exporters on this issue. Responses of respondents are presented below in Table- 5.17.

Table : 5.17
Exporters' Perception On Existing Documentation Procedure
(pc of Respondents)

Quality of work	Exporters		
	Primary	Manuf	Total
Very bad & slow	0	3.0	2.0
Bad & Slow	30.0	50.0	46.0
Fair & Moderately slow	70.0	47.0	52.0
Good & Fast	0	0	0
Good & Very fast	0	0	0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

Results show that none of the exporters consider the existing system 'very good' or 'good'. 50 pc of manufacturing and 30 pc of primary exporters consider the present system 'as bad and slow'. However, 70 pc of primary and 47 pc of manufacturing exporters consider the existing system 'as fair and moderately slow'. In short, exporters' general opinion is considerably negative regarding the present formalities in completing the submission procedure of documents.

Effect on Export Business:

The procedural formalities are expected to have impact on export business. If the procedure were simple and efficient with respect to processing time, export business would have presumably been benefited. However, if situation is just the reverse, it could affect the business in many ways, like, increment of cost, delaying in shipment and loss of order. Nature of effect on export business as assessed by the respondents is presented in Table- 5.18.

Table : 5.18
Responses On Impact Of Processing Of Export Financing
(pc of Respondents)

Impact	Product nature		Total
	Primary	Manuf.	
It delays shipment	70.0	67.0	67.0
It increases the cost	60.0	56.0	57.0
Loss of orders	10.0	19.0	22.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

Results show that delaying in shipment and increment of cost are most frequently occurred effects. It sometimes results in loss of order also (22 pc cases). The opinion is not varying significantly with the nature of export firms.

5.5 Export Credit – Application Processing Time, Credit Period, Credit Terms and Rate of Interest:

We have already discussed that credit need arises at two stages – pre-shipment and post-shipment. If the credit is availed at pre-shipment stage then the necessity of period for which an exporter expects the support of credit depends on the sum total of time required for procurement of raw materials, processing of export commodity and realisation of export value. This, however, varies with the nature of ingredients to be used as raw materials –domestic or imported. On the other hand, if the credit is availed at post-shipment stage, then the credit period is associated with credit terms. Thus the time for processing application is very crucial. Because, many export item depend on imported ingredients and thus manufacturing process cannot be started unless imported raw materials are at ready stock. Exporters again cannot procure the raw materials if the credit is not allowed. Since most of the export orders are time-bound, the delay in processing the application may result in delay in shipment and may jeopardize the time commitment of the exporter. Delay in shipment has several adverse consequences including longer period of realisation of export value. It is thus related with credit period as well as the interest to be paid at the rate already fixed. Resultant effect of all these, however, is unwanted increment of cost. In this section, we analyse the opinion of respondents on all these interrelated issues.

Time taken in processing credit petition:

Data on exporters' experiences related to average time taken by banks for processing a credit application are collected through the sample survey. Results are presented in summary form in Table-5.19.

Table : 5.19
Responses On Credit Processing Time
(pc of Respondents)

Time	Scale of Operation			Exporters		Total
	Small	Medium	Large	Primary	Manuf.	
Below 1 month	22.0	20.0	50.0	20.0	25.0	24.0
1 month	41.0	34.0	25.0	40.0	36.0	37.0
Above 1 month	37.0	46.0	25.0	40.0	39.0	39.0

Table- indicates that in more than seventy five percent cases banks take one month or more in finalising the credit. Situation is almost identical for handling the application of primary and manufacturing exporters. To be more precise, results reveal that 40 pc respondents of primary group experienced processing time above one month, whereas percentage of manufacturing exporters having the same experience is 39 pc.

Expected Credit period:

The expected period of credit is related with certain terms and procurement policy of export operation. Further, expected credit period may vary on the basis of scale of operation and nature of export commodity. However, at present, maximum credit period allowed by the commercial banks is 270 days. Hence we made an attempt to know the expected period for which the export firms required credit facilities. The responses of the export firms are presented in Table- 5.20

Table : 5.20
Responses On Expected Credit Period
(pc of Respondents)

Expected Periods	Exporters		
	Primary	Manuf.	Total
90 days	0	11.0	4.0
180 days	20.0	22.0	22.0
365 days	80.0	42.0	50.0
above 365 days	0	31.0	24.0

It is clear from the Table- 5.20 that 50 pc of the sample firms opine that credit period should be 365 days. 80 pc exporters of primary product and 42 pc exporters of manufacturing product support this credit period. However, 24 pc of the total respondent's express that they need credit for more than 365 days. Exporters, who need credit for above 365 days, are all manufacturing exporters constituting 31 pc of their own group. 22 pc of the respondents both from primary (20 pc) and manufacturing (22 pc) exporters need credit for 180 days. An insignificant number of export firms (4 pc) report that they need credit for only 90 days. In short, it seems to imply that majority of exporters in Bangladesh (74 pc altogether) are not happy with the present credit period and they desire that credit period should be 365 days or more.

Credit Terms:

Short-term credit at pre-shipment stage, however, depends on credit term (please see section 3.2.1). Normally, there are four acceptable modes of payment by the buyers of foreign country, namely, Sight Draft, CAD, DA bill and DP bill. Time of realising the export value depends on the mode of payment. During the negotiation, a

particular mode of payment, being agreed upon by the exporters and the buyer, is specifically mentioned in the contract document. This, therefore, is another factor that influences in accepting the post-shipment credit needs of the export firms by the banks. We have attempted to identify the frequencies of use of different mode of payment is export business from the responses summarised in the following Table- 5.21.

Table : 5.21
Responses On Use-Rate Of Credit Terms
(pc of Respondents)

Credit Terms	Exporters		
	Primary	Manuf.	Total
Sight Draft	60.0	78.0	74.0
C. A. D.	80.0	61.0	65.0
D. A. Bill	40.0	31.0	33.0
D.P. Bill	20.0	22.0	22.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

Table shows that sight draft is the most widely used form of payment followed by C.A.D., D. P. bill, and D.A. bill in order of their respective use rate. While the same order of use rate is observed in case of manufacturing exporters, the order of preference is different in case of primary exporters. Among the primary exporters, C. A.D. is the most frequently used form. It has also been found that the greater number of primary exporters use D.A. bill than exporters of manufacturing items. However, D.P. bill is occasionally used by only about twenty percent of both types of exporters.

Rate of Interest of Export Credit:

Rate of interest on credit is an important factor both from the bankers' and exporters' point of view. Government of Bangladesh declares concessionary interest rate time to time for export sector. We made an attempt to know that how many of exporters view the existing interest rate reasonable or otherwise. Results are given in Table- 5.22.

Table : 5.22
Responses On Rate Of Interest
(pc of Respondents)

Rate of Interest	Exporters		
	Primary	Manuf.	Total
High	70.0	58.0	61.0
Low	0	0	0
Reasonable	30.0	42.0	39.0

Table shows that 61 pc of the exporters consider the existing interest rate as high. This view is shared by 70 pc of the primary exporters and 58 pc exporters of manufacturing commodity. However, 39 pc exporters do consider the present rate of interest as reasonable. Results reveal that more of the primary exporters than primary feel the rate unreasonably high. Since, primary exporters are predominantly small-scale operators, the rate of interest affect them unfavourably. A special concessional provision exclusively for primary exporters may be helpful for them.

5.6 Credit Preference:

It is sometimes alleged by the general exporters that they are being discriminated against because of higher risk compared to import in allowing credit by the banks. Similarly, it is sometimes alleged by the commercial exporters that they are being discriminated against because of the trading nature of this business as compared to (industrial exporters). In this section, we try to assess how many of exporters belief and what, according to their perception, are the reasons of this preferential treatment.

5.6.1 Export Vs. Import:

We have tried to know whether exporters received any discriminatory treatment from the commercial banks compared to import financing. Results are presented in Table-5.23. 72 pc of export firms feel that banks show unsympathetic attitude towards them regarding export financing. This feeling is more widely spread among manufacturing exporters. 78 pc of manufacturing exporters do feel like that. However, feeling in favour or against is evenly distributed among the primary exporters.

Table : 5.23
Responses On Banks' Attitude
(pc of Respondents)

Opinion	Exporters		
	Primary	Manuf	Total
Yes	50.0	78.0	72.0
No	20.0	22.0	28.0

Further the export firms that perceive that the banks are relatively unsympathetic towards export financing were asked to mention the reasons for the same. The summary of the replies is shown in Table- 5.24. From the Table- it is evident that 85 pc of the respondent firms thought that considering high degree of risk the commercial banks showed unsympathetic attitude towards export finance. Among the exporters who view the high degree of risk as a reason of unsympathetic behavior represent 70 pc of exporters of primary product and 58 pc of manufacturing exporters.

76 pc of the sample firms have mentioned that complicity involved in realising export proceeds is another reasons of unsympathetic attitude of the commercial banks. The majority of this group consists of primary product (80 pc). On the other hand, majority do not share that low profit in export business and lack of efficient personal in handling export credit are any reasons of perceived discriminatory treatment.

Table : 5.24
Responses On Possible Reasons Of Banks' Unsympathetic Attitude
(pc of Respondents)

Reason	Exporters		
	Primary	Manuf	Total
Higher degree of risk	70.0	58.0	85.0
Complication involved in realizing export proceeds	80.0	42.0	76.0
Lack of efficient personnel in handling export financing	40.0	25.0	39.0
Low profit in export financing	40.0	17.0	30.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

5.6.2 Industrial Exporters Vs. Commercial Exporters:

It is alleged that the industrial exporters get better financial facilities from all sources compared to commercial exporters. We have tried to know about the opinion of the exporters about this allegation. Responses are summarised in Table- 5.25. About 61 pc of the export firms have mentioned that industrial exporters get better financial support than the commercial exporters. It is observed that 100 pc of exporters of primary product and 50 percent of manufacturing exporters have shared this view.

Table : 5.28
Opinion On Discrepancies: Industrial Vs. Commercial
(pc of Respondents)

Opinion	Exporters		
	Primary	Manuf	Total
Yes	100.0	50.0	61.0
No	0	50.0	39.0

Further, the sample firms who have admitted that industrial exporters get better financial facilities from the banks, were asked to mention the reason of such differential treatment on the part of banks. Table-5.26 shows that the cent percent exporters believe that reasons are economic and financial in nature. As industrial exporters are usually financially sound and their credit is adequately covered by security deposit, the banks feel their proposal economically more viable.

Table : 5.26
Responses On Reasons Of Alleged Discrepancies In Allocating Credit:
Industrial Vs. Commercial (pc of Respondents)

Reason	Exporters		
	Primary	Manuf	Total
They have better financial background	100.0	100.0	100.0
They can offer better security to the bank	100.0	100.0	100.0
The industrial exporters can undertake much physical and financial risks	60.0	50.0	54.0
Industrial exporters are big persons having both political and economical influence	60.0	28.0	39.0
Industrial exporters are established firm having link with all	40.0	11.0	21.0
Most of the industrialist are also bankers and hence they take most advantage from bank	40.0	14.0	20.0
Government policy is in favour of the industrial exporters .	20.0	11.0	14.0
Incentives Schemes are so designed to serve more to industrialist then to commercial	30.0	0	11.0
Banks are more prone to help the industrial exporters	30.0	0	11.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

This explanation is supported by 60 pc of the exporters of primary product and 50 pc of the manufacturing product. 39 pc of the exporters have reported that due to political and economic influence the industrial exporters faces less difficulties in obtaining credit facilities from the banks compared to commercial exporters. Only 14 pc of the exporters have indicated that government policy is in favour of industrial exporters. On the other hand 11 pc of the respondents have thought that as banks are inclined to help industrial exporters and industrialists themselves are often bankers, they face less difficulty in obtaining credit from commercial banks.

5.7 Export Promotion Measures and Incentives:

The Government of Bangladesh has initiated different export promotion measures since its inception. Creation of Export Promotion Bureau (EPB) is one of such endeavours. Besides, there is a longstanding demand of establishing a separate financial institution to promote export. There are instances of specialised financial institutions to promote activities of a particular economic sector. For example, *Bangladesh Krishi Bank (BKB)* is to develop agriculture, *Bangladesh Shilpa Bank (BSB)* and *Bangladesh Shilpa Rin Sangstha (BSRS)* are to strengthen industry etc. How far the EPB is successful or to what extent exporters are aware of and benefited by the provision of promotional measures of EPB? What are the opinion on and what benefits are expected to be derived from separate financial institution?

Moreover, there are already different schemes of incentives in Bangladesh for export promotion, like subsidies or duty drawback. Opinion of the exporters on such existing incentive schemes may be of great interest.

In this section we would analyse the exporters view on already existing measures like EPB along with demand of separate financial institutions and different incentive schemes.

7.7.1 Promotion Measures:

1 Export Promotion Bureau (EPB):

Export Promotion Bureau was established by the promulgation of a Presidential Ordinance in 1977 as a semi-autonomous body with the objective of promoting export and improving plans and policies related with the export sectors. From the very beginning EPB offers various services to export for its development. The effectiveness of EPB can be measured on the basis of utilisation of its services by the exporters. On the other hand, awareness of the exporters about the services offered by the EPB is the primary condition for the success of EPB. For this, as a part of our survey among the exporters, we have made an attempt to determine the rate of awareness and rate of assistance availed from the services of EPB. For this, we calculate the probability $[p(x)]$ that an exporter is aware about a particular service. Besides, we also calculate the probability that an exporter has actually availed the benefits provided he is aware about the service $[p(y/x)]$. Finally, we calculate the joint probability of happening that the export firm is aware as well as beneficiary for each service i.e.

$$p(x \cap y) = p(x) \cdot p(y/x)$$

Thus, the rate of success of each service will be indicated by $p(x \cap y)$ which expresses the probability of getting benefits by any exporter provided he is aware. Results are given in Table- 5.27 Results show that activities of Textile Cell are widely known and the probability of getting assistance $p(x \cap y)$ is 0.91. All these firms are exporters of manufacturing commodities. Most probable explanation for using Textile Cell service by majority of export firms is that, the 100 pc of export oriented RMG industries have to enroll themselves with the textile Cell of EPB for taking Visas, Licenses and Certificate of Origin against export.¹ Besides this, Textile Cell is the implementing

1. Exporters have to take visa for export of quota and non-quota items to USA, Licence for export of quota items to Canada, and Certificate of Origin for export of RMG to the EU countries.

Table : 5.27
Probability Of Awareness And Assistance Availed
Of The Existing Services Offered By The EPB

Service		Exporters		Total
		Primary	Manuf	
Trade and Information Centre (TIC)	P(x)	0.4	0.67	0.61
	P(y/x)	0.5	0.67	0.64
	P(x∩y)	0.20	0.45	0.39
Publication of export	P(x)	0.30	0.50	0.46
	P(y/x)	0.33	0.72	0.67
	P(x∩y)	0.10	0.36	0.31
Product and service Development	P(x)	0.10	0.22	0.20
	P(y/x)	1.0	0.38	0.44
	P(x∩y)	0.10	.36	.09
Human resource development	P(x)	0.20	0.22	0.22
	P(y/x)	0.50	.38	.40
	P(x∩y)	0.10	0.08	0.09
Activities of Textile Cell	P(x)	0	1.0	1.0
	P(y/x)	0	0.94	0.91
	P(x∩y)	0	0.94	0.91
Trade Promotion	P(x)	0.20	0.17	0.17
	P(y/x)	0.50	0.50	0.50
	P(x∩y)	0.10	0.09	0.09
Export Intelligence	P(x)	0.10	0.14	0.17
	P(y/x)	0	0.40	0.33
	P(x∩y)	0	0.06	0.06

agency of the Textile Trade and Quota Administration Rules. However, it is evident from Table- 6.30 that overall probability of $p(x \cap y)$ in case of Trade and Information Centre (0.39) the highest but one is. This is followed by publication of export (0.31). Rests of the services offered by EPB are Product and Service development, Human Resource Development, Trade Promotion, and Export Intelligence. The probability that any export firm is aware of the service and have availed the assistance from any of these four is varying in between 0.06 to 0.09. Further, findings representing in Table- 5.27 also show that the awareness level is very poor among the primary sector. Thus it confirms that it is the primary product firm which has the poorest chance of getting the assistance than manufacturing firms.

Adequacy of EPB services:

We have tried to know about the adequacy of the services offered by the EPB among the exporters who are aware of the services offered by the EPB. Exporters' perception in this regard is presented in Table- 5.28. It shows that remarkable numbers of respondents (80 pc) have reported that EPB had failed to meet the needs of the

exporters adequately. On the other hand 9 pc of the sample firms have expressed that service provided by the EPB are irrelevant. Thus, it seems to imply that majority of exporters, both primary as well as manufacturing, do feel the necessity of EPB but are of the opinion that much changes are required so that agency could meet the needs of the exporter adequately.

Table : 5.28
Exporters' Perception Regarding Adequacy Of EPB Services
(pc of Respondents)

Perception	Exporters		
	Primary	Manuf	Total
Adequate to meet Exporter's needs	10.0	11.0	11.0
Inadequate to meet exporters needs	90.0	78.0	80.0
Services are Irrelevant	0	11.0	9.0

Service Areas Needed Improvement:

In this connection, it is relevant to know the opinion of the exporters regarding the service areas which may be improved. In order to identify these service areas, we seek the opinion of exporters who are aware of the services provided by the EPB. The opinions of the exporters are presented in Table- 5.29.

Table : 5.29
Exporters Feeling Regarding The Necessity Of Improvement
Of The Areas Of EPB Services (pc of Respondents)

Service	Exporters		
	Primary	Manuf	Total
Human resource development	100.0	100.0	100.0
Trade Promotion	100.0	100.0	100.0
Product and service Development	90.0	89.0	89.0
Export Intelligence	80.0	72.0	74.0
Trade and Information Center (TIC)	80.0	72.0	74.0
Publication of export	60.0	64.0	63.0
Activities of Textile Cell	0	25.0	47.0

Note: Total percentage is not equal to 100 due to multiple responses in different categories.

It shows that cent percent of the respondents have opined that EPB's Trade promotion efforts should be intensified to help the exporters for entering into newer overseas markets and steps should be taken to ameliorate the human resources development programmes to reduce the acute shortage of skilled inn this sector. 89 pc of the sample firms have thought that EPB should give more effort in their product and

service development programme. On the other hand 74 pc of the export firms have felt the need to streamline EPB's export intelligence and information service to make it more efficient and effective. In their opinion, steps should be taken to make the information service more broad based and scientific so that exporters could obtain up-to-date, adequate and regular information flow regarding the overseas markets. 63 pc of the sample firms have viewed that EPB should give more attention in their publication to attract foreign buyer. 47 pc of the firms have expressed that promptness of activities of Textile Cell is needed in quota allocation, transfer and issuing clearance certificate for shipment of allotted quota.

2. Demand for Specialised Financial Institution:

As we have already said that there is a longstanding demand that a separate financial institution should be established to facilitate export credit. We sought the opinion of exporters about the consequences of instituting such an organisation against a structured question on 5-point interval scale. Exporters' opinion on consequences would be able to explain what sort of gap is expected to be fulfilled by this institution in export financing. There are altogether 17 independent questions representing both favourable and unfavourable situations. Responses are then ranked according to average score separately for primary and manufacturing exporters. Statistically analysed results of the responses are given in Table-5.30. Column 8 of the Table-5.30 indicates the consequences and their ranking according to exporters' perception. The first five consequences are: i) it would be able to render quick services to the exporters, ii) employment opportunity would be enhanced, iii) general exporters would be benefited (provided it is in the public sector), iv) export volume will readily be known and v) small exporters will be benefited. Column 5 of the Table gives the level of agreement among the respondents (S_i). For each of the consequences, the agreement level is very good ($S_i > 0.5$). Results by the manufacturing exports do not differ much with that of ranking of general exporters (rank co-relation coefficient=0.9797). But there is much less correlation between rankings by primary and manufacturing exporters. Table explains that the consequence that 'small exporters will be benefited' is ranked 5th by the exporters as a whole and 7th by the manufacturing exporters. But the same is ranked first by the primary exporters. It seems to imply that the demand for

Table : 5.30
Interval-Scale Score Rankings And Level Of Agreement (S_i) Of Each Of The Perceived
Consequences Of Separate Export Financing Institution

Consequences		Total Score	Ave. Score	S _i	Ranking		
					Prim.	Ma.	Tot
a	It will be able to render quick services to the exporters	220	4.782	.6522	3.5	2.0	1
b	Finance will be readily available on easy terms	208	4.717	.4860	9.5	5.0	7
c	It will be able to supply foreign market information to the exporters	201	4.586	.4116	11.5	8.0	9
d	It will be able to work as export promotion agent	205	4.565	.5101	3.5	9.0	8
e	Small exporters will be benefited	210	4.565	.4976	1.0	7.0	5
f.	Proper documents and maintenance of accounts of these agencies will be beneficial to exporters	191	4.543	.3362	9.5	10.0	10
g	Export volume will readily be known	210	4.521	.5092	11.5	4.0	4
h	Employment opportunity will be enhanced	217	4.456	.5855	6.5	2.0	2
i.	It will create monopoly	127	4.369	.2357	15.0	13.0	14
j.	It will create bureaucracy	125	4.152	.2280	3.5	15.0	15
k	It may be dominated by the big exporters	190	4.130	.3391	8.0	11.0	11
l.	Commercial banks will be affected by such institutions	154	3.804	.2464	14	14.0	13
m	Corruption will develop in the management of such institution	175	3.347	.2667	13	12.0	12
n	This will be only helpful to the banks to get refinancing facilities	112	2.760	.2618	16	16.0	16
o	General exporters will be benefited provided , it is done on regional basis	209	2.717	.4812	6.5	6.0	6
p	General exporters will be benefited provided it is privately organised	107	2.434	.2957	17.0	17.0	17
q	General exporters will be benefited provided it is in the public sector	211	2.326	.5082	3.5	2.0	3

Note: 'Tot.' stands for 'Total'; 'Prim.' Stands for "Primary"; 'Ma.' Stands for 'Manufacturing'

a separate financial institution exists among primary exporters who happen to be small-scale operators normally, due to the feeling that this would benefit them. It obviously indicates that small exporters or primary exporters are not satisfied with the existing

export financing system. It also substantiates our earlier finding that primary exporters generally feel that they are being discriminated against because of the lower scale operator as compared to big or industrial exporters.

Table : 5.31
Rank Correlation Matrix Of Rankings In Table : 5.30

	Primary	Manuf	Total
Primary	1.00	0.5957	0.6718
Manuf		1.00	0.9797
Total			1.00

Table : 5.32
Probability of Scale (P_j) and Level of Agreement Kappa Coefficient(K) Among Exporters On Responses of Table: 5.30

		SA	A	UD	DA	SDA
P_j	=	.4706	.2685	.0562	.1279	.0768
Kappa	=	0.1234		Var (K) = 0.00029		
Std (K)	=	0.017071		Z = 7.228		

SA = Strongly Agree, A = Agree, UD = Undecided, DA = Disagree, SDA = Strongly Disagree.

The values of the probability of each interval scale are given by P_j in the Table-5.35. It states that the probability that any randomly selected exporter would 'strongly agree' with the given consequences is 0.4706. However, the overall agreement among the exporters is given by Kappa coefficient. The value of Kappa coefficient (K) is 0.1234 which implies a very low level of agreement. The calculated value of Z being 7.228, it is exceed significance level $\alpha = 0.01$ for which table value $Z = 2.32$. It, therefore, can be concluded that, the level of agreement among exporters regarding the consequences of separate financial institutions on the basis of average scores of the 5-point interval scale, appears statistically low at 1 percent level of significance.

5.7.2 Incentives:

1. Export Subsidy:

Among the several export promotional measures, subsidy is the most important and directly related with financing problem of the exporters. We have made an attempt to know whether the export firms need any subsidy for their export business. Further, if they need subsidy, what are the mode and expected rate? Table- 5.33 and 5.34 represent the exporters opinion on export subsidy. It is evident from Table-5.33 that exporters favour subsidy in the form of cash for their export promotion and they are unanimous on this point.

Table : 5.33
Exporters' Opinion About Subsidies For Export Promotion
(pc of Respondents)

Opinion		Exporters		
		Primary	Manuf.	Total
Needs for Subsidy	Yes	100.0	100.0	100.0
	No	0	0	0
Forms of Subsidy	Cash	100.0	100.0	100.0
	Materials	0	0	0

Moreover, it is revealed from the Table-5.34 that 45 pc of the sample firms have quoted their expected rate of subsidy as 25 pc. So far the nature of product is concerned, 70 pc of the exporters of primary product and 39 pc of the manufacturing export firms have expressed this view.

Table : 5.34
Responses On Expected Rate Of Subsidies For Export Promotion
(pc of Respondents)

Expected rate of Subsidy	Exporters		
	Primary	Manuf	Total
15.0	0	28.0	22.0
20.0	30.0	33.0	33.0
25.0	70.0	39.0	45.0

However, 30 pc of primary and 33 pc of manufacturing firms have mentioned that they would expect 20 pc subsidies for their business. While only 22 pc of the export firms have opined that the expected rate of subsidy should be 15 pc. The percentage of exporters constitutes 28 pc of manufacturing groups. It is to be noted that no primary exporter expects subsidy less than 20 pc. In short, it seems to indicate that the primary exporters desire higher rate of subsidy than manufacturing exporters. This may not be beyond explanation for the reason that primary exporters being scale operators small and their profit margin being low, they are believed to be needed more support than manufacturing counterpart.

2. Duty Drawback:

We have already explained duty drawback in section 4.4.1. Here we have made an attempt to ascertain the exporters perception about the effectiveness of DDB system. Summarised form of the perception of the exporters on this issue is presented in the Table- 5.35. It explains that 47 pc of the exporters have considered DDB system as an effective export incentive, while the majority of the sample firms (53 pc) have reported the opposite view.

Table : 5.35
Responses On Effectiveness Of Duty Drawback (DDB)
(pc of Respondents)

Factors	Primary		Manufacturing		Total	
	Yes	No	Yes	No	Yes	No
Considered as an effective Incentives [n = 30]	0	100.0	50.0	50.0	47.0	53.0
53.0Claimed for DDB [n = 8]	na	na	100.0	0	100.0	0
Received back the full duty paid [n = 8]	na	na	50.0	50.0	50.0	50.0
Time Spent [n = 8]	na	na	50.0	50.0	50.0	50.0

n = number of respondents in the respective category; na = not applicable

Furthermore, we have also surveyed that how many of sample firms have availed the DDB facilities and received back full duty. We have collected data on the opinions that whether exporters, who have availed the facility, do consider the time spend as either 'reasonable' or 'long delay'. The answer is distributed between positive and negative views. 50 pc of the respondents have reported that they got the full duty back within reasonable time, while other 50 pc have answered negatively. Thus nothing could be concluded definitely.

Limitations of Duty Drawback:

We have asked those respondents, who had enjoyed the facilities of DDB, to mention limitations that they consider are making the DDB system inefficient. Limitations mentioned by the exporters are enlisted below:

- (i) Number of items specified for flat rate is restricted and limited.
- (ii) Since many items are not covered by the flat rate exporters have to seek drawback under actual rate.
- (iii) The actual amount of duties and taxes paid is not always conforming to the amount of drawback under flat rate. Because these rates being fixed much earlier are most often less than the rates exist at the time of drawback.
- (iv) Settlement of each case requires persuasion through the corridors of authority and power that consumes energy, time, and money. This disrespectful hassle makes the system unattractive and unremunerative.

Duty Drawback Credit:

An attempt has been made to know the exporters opinion on DDB credit. The findings are shown in Table-5.36. It reveals from the Table that 100 pc of the

respondents, who enjoyed the facilities, have considered DDB credit as an encouraging incentive scheme for the exporters.

Table : 5.36
Exporters Opinion On Duty Drawback Credit Facilities
(pc of Respondents)

Stages	Primary		Manufacturing		Total	
	Yes	No	Yes	No	Yes	No
Consider as encouragement for exporters	na	na	100.0	0	100.0	0
Applied for DDB credit	na	na	63.0	37.0	63.0	37.0
Received DDB Credit	na	na	80.0	20.0	50.0	50.0
Problem in getting full advantage	na	na	20.0	80.0	50.0	50.0

n.a stands for 'not applicable'

Further, 63 pc of the respondents who consider DDB as an effective incentive, have applied for DDB credit. The percentage of beneficiary of DDB credit is distributed evenly among positive and negative views. However, 50 pc of the respondents have mentioned that they do not face any problem in getting DDB credit from commercial banks, while another 50 pc of the respondents have expressed the opposite view. Further Table- 5.36 shows that all the export firms, who are aware as well as beneficiary from DDB credit, are exporters of manufacturing commodity.

5.9 Exporters' Opinion on Prospect of Export Business:

It was often asserted that the lack of adequate financial resources in many cases restricted the expansion of export trade. We asked our sample firms to mention as to what extent they could expand their export business if they are given adequate financial support. Responses of the exporters are presented in Table- 5.40.

Table : 5.40
Exporters' Expectation Regarding Improvement Of Business
(pc of Respondents)

Expected rate of increased	Exporters		Total
	Primary	Manuf.	
20.0	0	14.0	11.0
25.0	10.0	33.0	28.0
30.0	50.0	33.0	37.0
35.0	40.0	20.0	24.0

It is evident from the Table- that 37 pc of the respondents expressed the hope that if they are given adequate finance, they could increase their business by at least 30

pc, while 28 pc of the firms believed that they could expand the business by 25 pc and 24 pc of the firms reported that export business could be expanded to the tune of 35 pc. Only 11 pc of the export firms quoted 20 pc as expected increase of their business if adequate finance is available. However, the Table- shows that maximum respondents (89 pc) express the expected rate of increase of their business more than 25 pc, provided they are given required credit facilities.

Results show that primary product exporters are more optimistic than manufacturing exporters in this regard. We have already found that primary exporters are more critical of the existing credit system. Moreover, it has been found that the feeling of deprivation is more pronounced among this group of exporters.

5.10 Concluding Remarks:

A schedule was administered among exporters of the large sample of size 60 selected through stratified random sampling. Two strata of respondents are primary and manufacturing. Majority of the export firms of the sample use rental business premises and were established during the period 1981 to 1990 under the statutory provision of 100 percent export oriented business. It is found that export firms in Bangladesh use labour intensive technology and face problem of scarcity of skilled labour. It is also found that there are 4 industries – two from primary and two from manufacturing sectors - earn average profits more than annual average profit of export sector.

Need of the export credit of export firms is basically for the working capital and short-term in nature. Purposes of short-term credit are mainly cash for local procurement related expenses, packaging and processing of goods etc. Import of raw materials also appears to be important purpose of credit but only applicable for manufacturing export sector. While every primary exporter requires credit for above three purposes, all manufacturing exporters do not require credit for the same. Long-term credit demand, on the other hand, is restricted to only manufacturing exporters and that also for import of capital goods and BMRE.

Main sources of export credit are commercial banks – private and nationalised. However exporters have to depend also on other sources for their need of export credit as the banks do not meet the total credit need. While manufacturing exporters depend on foreign banks, managing agencies etc. for unfulfilled credit need, primary exporters depend much on their own sources instead of those two. Rate of refusal of credit

application is also much higher in case of primary exporters and the decision of such rejection is taken at branch office level.

Though it is found that exporters mainly depend on banks for meeting their credit needs, banks do not advance credit without considering the creditworthiness thoroughly. Objective factors those are primarily considered for measuring creditworthiness are size of the firms, solvency of the exporters and volume of security. Eight others factors are identified also as objective factors. But exporters are of the opinion that banks do considered several other subjective factors to take the final decision. Moreover subjective factor like political influence, personal connection etc. play important role to influence the decision.

Exporters in Bangladesh do feel that number of documents require at the time of credit application makes the credit procedure 'bad and slow'. It thus results in loss of orders, increase in cost and delay in shipment. In majority of cases processing time of credit application is one month or more. In order to mitigate the loss of slow processing, exporters feel the present credit period should be extended to 365 days or more. Moreover majority of exporters feel that the existing rate of interest as high.

Exporters perceived that preference is given import credit than export credit and credit to industrial exporters than to commercial exporters. Exporters think that less preference is given due to higher risk in export business and industrial exporters are preferred than to commercial exporters due to better financial background.

The study reveals that the exporters feel that export promotion measures and incentives are inadequate and EPB is not of much help in this regard. There is however, very poor agreement among the exporters regarding instituting a separate financial institution for export credit.