Causes of Poor Utilization of Local Funds in the Sylhet Region of Bangladesh - A Multivariate Analysis[*]

M. Z. Hossain
Department of Statistics
Shahjalal University of Science & Technology
Sylhet, Bangladesh

M. M. H. Kazal
Department of Development and Poverty Studies
Sher-e-Bangla Agricultural University
Dhaka-1207, Bangladesh

J. U. Ahmed
Department of Economics
Moulvibazar Govt. College
Bangladesh

Abstract

International remittances are normally allocated and utilized in consumption, saving and investment like other incomes. As scarce resources, their utilization deserves to be balanced and economized for inter-temporal consumption smoothing. The under-utilization or sub-optimal utilization results in loss of potential output. It is widely believed that a huge amount of local funds substantially generated from international remittances is not utilized in Sylhet region. This study has made an attempt to analyze the pattern of remittance utilization and to identify and explain the broad dimensions of causes for poor utilization of local funds for providing policy implications. For this purpose, enterprise-level survey and focus group discussions (FGDs) were conducted to collect the perception-based data and information from entrepreneurs including other stakeholders in the Sylhet region of Bangladesh. The study revealed that remittances were mainly used for household consumption, building luxury houses, purchasing land and depositing in savings schemes with a minimal portion in capital formation through investment. The remittance inflow can be improved by creating favourable investment climate and easy as well as cost-effective transfer of remittances. The study sorted out that the causes of poor utilization of local funds were mainly lack of banking cooperation, risk aversion by local people, high interest rate for both borrowed and deposited money, lack of entrepreneurship and knowledge. These causes were deduced into four factors viz., *lack of institutional policy implementation*, *lack of innovativeness*, *poor financial intermediation & infrastructure*, and *technical inefficiency*.

Keywords and Phrases: Foreign Remittance, Capital Formation, Investment Climate, One-stop Service, Innovativeness, Financial intermediation.

---

1 Introduction

Sylhet region plays an important role in our national economy through providing a huge amount of remittances to the nation's foreign exchange reserve. More than eleven thousand crore taka was found deposited in local banks as of 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 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 82%, for Rajshahi 73%, for Khulna 79% and for Barisal 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 4.84%, and Rajshahi 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 minimal: 4.61% for working capital financing and 8.72% for industry (other than working capital) (Bangladesh Bank, Sylhet), while the corresponding national figures were 17.99% and 21.44% respectively in December 2007 (Bangladesh Bank, 2007). Such a situation deserves to draw attention of the stakeholders, especially in the context of productive investment and sustainable development.

Though the natural resources including mineral endowments of the region are quite evident (SCCI, 2006), such an under-utilization of 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. Besides, the place could be an ideal destination for potential investors, especially the Sylheti NRBs (Non-Resident Bangladeshis) to invest their surplus resources in order to cause all round development in the area. It may not be forgotten that the opportunity of productive investment in Sylhet region is very high and if the local resources could be utilized more efficiently in the area, productivity would increase significantly.

In a developing country like Bangladesh, the remittance inflows contribute a lot to generating funds for investment. Anecdotally a substantial portion of the local funds in Sylhet region is generated from remittance inflows. So for assessing the financial infrastructural component of 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 (De Bruyn and Kuddus, 2005; World Bank, 2008; World Bank and Macmillan, 2007; World Bank, 2005; 2006). Mansuri (2007) in a study examined whether the investment choices of migrant households were different from those of comparable non-migrant households based on the data of Pakistan Rural Household Survey 2001-2002. A small-scale

investigation on 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 of lack of local entrepreneurs to continue and the lack of utilization of local funds to be continued. The study also suggested to improve five priority areas namely awareness, education, facilities, administrative efficiency and planning for the utilization of local funds. Having reviewed the relevant available literature for the topic of study, it is observed that these factors have contributed a lot to identifying different development impacts on developing economics in various parts of the world. No previously conducted study attempted to explore the causes of poor utilization of funds specially generated from remittances in a locality like Sylhet.

There may be many factors adversely 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 productive investment climate in the region with a view to providing a probable solution to the poor utilization of local funds. The main objective of this study is to identify the causes of lack of utilization of local funds in the Sylhet region of Bangladesh.

2   Methodology

The study adopted both qualitative and quantitative approaches to collect information on the causes of lack of utilization of local funds. It used Enterprise-Level Survey and Focus Group Discussion (FGD). The respondents for FGDs comprised of the stakeholders from (i) Representatives of Chambers of Commerce & Industries of Sylhet Division, (ii) Industrialists, and (iii) Bankers. The qualitative survey was planned in order to facilitate the quantitative survey. A total of two FGDs were carried out to gather the views of stakeholders - one before the enterprise level survey to assist reframing the questionnaire for enterprise level survey and another after the completion of enterprise level survey to verify the findings of the quantitative survey.

2.1   Sample Design for Enterprise Level Survey

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, 2007). 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 BSIC code, location & address, total person engaged, contact number, and geographic code as per our request. Since it was found that a considerable number of industries of BSCIC industrial areas of Sylhet region were excluded from the above list, a modified list including those excluded industries was used as sample frame for drawing sample enterprises.

According to the standard sample size determination procedure for simple random

sampling (Malhotra and Das, 2009; BBS-UNICEF, 1995), the sample size for industries becomes 96 on the basis of 10% admissible error, 50% indicator percentage and 95% confidence interval. Therefore, the study was 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 stratum was defined according to the sector of industries. Table 1 shows the total number of industries and sample sizes for different strata.

Table 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
Stratum 1	Tea Processing	133	23
Stratum 2	Food Processing	115	20
Stratum 3	Textile & Garments	24	4
Stratum 4	Cottage Industry (Cane & wood furniture, Saw Mill, Board Mill)	71	12
Stratum 5	Chemical & Medicine	17	3
Stratum 6	Brick and Stone Industry	183	30
Stratum 7	Engineering Sector	28	5
Stratum 8	Others (Rubber, Cigarette factory, Printing & Packaging, etc)	13	3
Total		**584**	**100**

2.2   Analytical tools and Techniques

The study utilized several descriptive and inferential statistical tools and techniques including factor analysis to unveil the causes of lack of utilization of local funds. In particular, the study used average, cross-tabulation, measures of association, and tests for proportions as statistical tools. The factor analysis was employed to find the major dimensions of the causes of lack of utilization of local funds.

Factor Analysis

Factor analysis is a multivariate statistical technique that addresses itself to the study of interrelationships among a total set of observed variables (Manly, 2005; Rencher, 2002). The technique allows looking at groups of variables that tend to be correlated to one another and identify underlying dimensions that explain these correlations. While in multiple regression model, one variable is explicitly considered as dependent variable and all the other variables as the predictors; in factor analysis all the variables are considered as dependent variables simultaneously. In a sense, each of the observed variables is considered as a dependent variable that is a function of some underlying, latent, and hypothetical set of factors. Conversely, one can look at each factor as a dependent variable that is a function of the observed variables.

If $\{X_1, X_2, \cdots, X_n\}$ is a set of n observed variables and $\{F_1, F_2, \cdots, F_m\}$ is a set of unobservable variables then the factor analysis model can be expressed as

$$X - \mu = LF + \varepsilon \tag{1}$$

where $L_{n \times m}$ is the matrix of factor loadings (coefficient l_{ij} is the loading of i-th variable on the j-th factor) and is a vector of the means of X_i.

The main assumptions of factor analysis (Manly, 2005) are (i) it is designed for interval data, although it can also be used for ordinal data (e.g. scores assigned to Likert scales); (ii) the variables used in factor analysis should be linearly related to each other; (iii) the variables must also be at least moderately correlated to each other; (iv) a researcher has multiple dependent variables.

Several methods are available in the literature to estimate factor loadings and factor scores. The study considers principal component method to 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. The estimated values of factor scores are often used for diagnostic purposes as well as for inputs to a subsequent analysis.

3   Results and Discussions

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 perceptions of the entrepreneurs have been compared according to the scale and location of the enterprise in order to verify whether there is any variation according to these characteristics. Since most of the sampled enterprises belong to Sylhet district, the location of the enterprise of Sylhet division is categorized into two groups: Sylhet district and other districts (*Habiganj, Moulvibazar* and *Sunamgonj*).

3.1   Pattern of Remittances Utilization in the Region

Figure 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 Table 2. Over three-fourths

respondents mentioned that the remittances were mainly utilized for household consumption, purchasing land, purchasing flat and building luxury houses. It is noted that the highest number of entrepreneurs pointed out the utilization of remittances for building luxury houses. The utilization of remittances in fixed deposits and saving schemes was mentioned by a significant number of entrepreneurs (70%). Unfortunately, only 5% of the respondents mentioned the remittance utilization as investment in trading and enterprise development, which seems to under estimate the real investment for that purpose.

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 the Sylhet region (Table 2). Further, purchasing land was ranked as the first and the second sector for remittance utilization by 23% and 36% respondents respectively. Though 79% respondents acknowledged purchasing flat as one of the major sectors of remittance utilization, only 17% and 18% of them ranked the issue as the first sector and the 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 luxury houses and purchasing land.

********Figure1 will be Inserted here*********

The discussants of FGD also pointed out that the remittances were mainly utilized for four purposes– (i) consumption, (ii) land purchasing, (iii) deposits and (iv) community help (donation to mosque, *madrasha*, 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 the Sylhet region and the findings are very much rational. It is revealed from the findings that the remittances of this region are utilized mainly in unproductive sectors.

The comparison of entrepreneurs' perceptions according to scale of enterprise indicates that a significantly higher proportion of entrepreneurs of SMEs (small and medium enterprises) mentioned household consumption and building luxury houses as the purposes where remittances were mainly utilized. On the other hand, a higher proportion of entrepreneurs of large scale enterprise mentioned that the remittances were utilized in 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 luxury houses (Table 2). A significantly (p<0.01) higher proportion of entrepreneurs of Sylhet district viewed the remittance utilization for building luxury houses, household consumption and purchasing land than the entrepreneurs of other districts of the division. On the other hand, a higher proportion of entrepreneurs of other than Sylhet district opined the utilization of remittance in fixed deposits and saving schemes.

Contribution of Remittances to Capital Formation for Enterprise Development

The entrepreneurs were asked whether the remittances contributed to the capital of their enterprises directly. One-quarter of the entrepreneurs acknowledged the contri-

********Figure2 will be Inserted here*********

bution 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 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   Ways of Improving Remittance in-flow to Sylhet Region

It has been observed that the remittance inflow to Bangladesh increased significantly during last one decade, from Tk.6943.60 to Tk.54295.14 crore during 1998 to 2008 (Bangladesh Bank, 2008). The growth of remittance inflow was more pronounced in recent years: Tk.23646.97 crore in 2004-05, increased to Tk.41298.54 crore in 2006-07 (Bangladesh Bank, 2008). 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.3873.42 crore (Source: Bangladesh Bank, Sylhet). At the same period the total remittance inflow of the country was Tk.45604.11 crore (Bangladesh Bank, 2008). It is estimated that the remittance of Sylhet region contributed only about 8.49% to the total formal sector remittances in Bangladesh in 2008.

********Figure3 will be Inserted here*********

Entrepreneurs were asked to sort out the ways for improving the remittance inflow to Sylhet region if there was any scope to improve it. Nearly all of them agreed that there was an opportunity to improve the remittance in-flow (Table 3). Among the entrepreneurs who agreed the opportunity for improving remittance in-flow, 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). Further, about 57% entrepreneurs recommended for setting up 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 entrepreneurs ranked 'creating favourable investment climate' as the first and the second necessary step to increase the remittance inflow to the region. The perceptions of the interviewees infer that the remittance inflow to Sylhet region can be increased mainly through making the investment climate more friendly and reducing the transfer cost of remittances as well as harnessing the access of the remitters to formal sector.

The comparison of entrepreneurs' perceptions 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 favourable investment climate, and improving law and order situation (Table 3). On the contrary, the perception varied significantly ($p<0.01$) on improving the law and order situation according to district wise comparison.

3.3 Causes of Lack of Utilization of Local funds

The entrepreneurs of several industrial sectors were asked whether they agreed to the poor utilization of local funds 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 4. Over half of the entrepreneurs prioritized lack of banking or institutional cooperation, risk aversion by local people, high interest rate for loan/advances, threatening of loss in investment, high profit rate for 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 of the entrepreneurs argued for lack of technological knowledge about industrialization, lack of knowledge about enterprise development, lack of 'one-stop' service, lack of creativity & awareness among capable investors, lack of access to fund and lack of 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 mostly similar to those mentioned by the entrepreneurs in the enterprise-level survey.

The rank of the responses indicates that lack of entrepreneurship development, lack of banking or institutional cooperation, risk aversion by local people, and threatening of loss in investment were rated either the first or the second reason for poor utilization of local funds by one-quarter entrepreneurs (Table 4).

The comparison of the perception of the entrepreneurs according to the scale and location (district) of enterprises regarding causes of poor utilization of local funds is shown in Table 4. It is found that a significantly ($p<0.05$) higher proportion of entrepreneurs of large scale enterprises mentioned high profit rate for 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 a 'one-stop' service for enterprise development, and lack of enthusiasm and network by *Diaspora* as causes of poor utilization of local funds. On the other hand, high cost of land were identified as causes of poor utilization of local funds by a significantly ($p<0.05$) higher proportion of entrepreneurs from SMEs. With respect to the location (district) of the enterprises, the perception of entrepreneurs varied for almost all causes except high cost of land, idleness of local people, non-existence of project evaluation institutions, and high interest rate for loan/advances.

********Figure4 will be Inserted here*********

The entrepreneurs' perception and overall ranking reveal that 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, threatening of loss, lack of infrastructural support, and high interest rate for deposits. The probable explanation of the lack of banking or institutional cooperation is that there is no decentralised authorization for Sylhet region so that the local banking authority can 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 the bank officials to loan disbursement. However, the bank officials remain satisfied only by collecting deposits without taking any risk related to loan/advances and their recovery. The lack of entrepreneurship development may be due to inclination of the local people to intensive migration by heritage and lacking 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 poor utilization of local funds. The study adopted factor analysis to identify the major dimension of 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 into few factors. In order to carry out the factor analysis, the ordinal scale of the responses against the questions regarding causes of poor utilization of local funds has been converted into interval scale by using the weights (Malhotra and Das, 2009). The factor analysis is performed by assigning the weights to the ranks of the responses (causes for poor utilization of local funds) as rank '1' has been given weight 11, '2' has been given weight 10, and so on. The analysis used principal component method to extract the factors with varimax rotation technique. Table 5 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 in a factor was made on the basis of high correlation value (factor loadings). On the basis of the maximum variation of the factors, the study identified four main factors of 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 enthusiasm and network by *Diaspora*, and lack of social, administrative and legal security for investment.

Factor-II: Threatening of loss in investment, risk aversion by local people, lack of entrepreneurship development, lack of skilled manpower, and lack of creativity and awareness of capable 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, 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 poor utilization of local funds. Therefore, to ensure the optimal utilization of local funds, proper policy implementation, creation of innovativeness among local people, eradication of shortcomings in financial intermediation & infrastructure, and technological improvement should be urgently addressed.

4   Conclusion

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

The enterprise-level survey and the FGD have sorted that the causes of poor utilization of local funds are mainly 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 advocates for taking appropriate steps for strengthening the entrepreneurial capacity of the local people by taking programs for education, training and motiva-

tion and providing adequate logistic support (supportive elements for materializing the aforesaid programs) for proper allocation of remittances, henceforth ensuring the efficient utilization of local funds.

References

[1] Ahsan, K., F. E. M. Faisal and M. M. Rahman (2005). "Mismatch between local resources and regional development of Sylhet – An Investigation" *Journal of Finance and Banking*, Vol. 7, No. 1 & 2, University of Dhaka.

[2] Bangladesh Bank (2007). "Quarterly Scheduled Banks Statistics", Statistics Department, Bangladesh Bank, Dhaka, Oct-Dec, 2007.

[3] Bangladesh Bank (2008). "Monthly Economic Trends", vol. 33 (11), Statistics Department, Bangladesh Bank, Dhaka.

[4] BBS (2007). "Report on Bangladesh Census of Manufacturing Industries, 2001-2002", (Updated in 2005), Bangladesh Bureau of Statistics, Dhaka, 2005.

[5] BBS-UNICEF (1995). "*Progotir Pathey-1995*", Bangladesh Bureau of Statistics and United Nations Children's Fund, Dhaka, Bangladesh.

[6] De Bruyn , T. and U. Kuddus, (2005). "Dynamics of Remittance Utilization in Bangladesh", IOM Migration Research Series No. 18, International Organization for Migration.

[7] Malhotra, N. K. and S. Das (2009). "Marketing Research-An Applied Orientation", Pearson Prentice Hall, (Dorling Kindersley, Delhi, India).

[8] Manly, B. F. J. (2005). Multivariate Statistical Methods: A primer, Third edition, Chapman and Hall.

[9] Mansuri, G. (2007). "Does work migration spur investment in origin communities? Entrepreneurship, schooling and Child Health in Rural Pakistan", In "International Migration, Economic Development and Policy" edited by C. Ozden and M. Schiff, pp. 99-140, World Bank and Palgrave Macmillan, Washington, DC.

[10] Rencher, A. C. (2002). Methods of Multivariate Analysis, Second edition, Wiley.

[11] SCCI (2006). "Investment Opportunities in the Sylhet Region", Sylhet Chamber of Commerce and Industry, Sylhet, Bangladesh.

[12] World Bank (2005). "Remittances: Development Impact and Future Prospects", edited by S.M. Maimbo and D. Ratha, World Bank, Washington, DC.

[13] World Bank (2006). "Global Economic Prospects: Economic Implications of Remittances and Migration", World Bank, Washington, DC.

[14] World Bank (2008). "Harnessing Competitiveness for Stronger Inclusive Growth – Bangladesh Second Investment Climate Assessment" Bangladesh Development Series Paper No. 25, *The World Bank*.

[15] World Bank and Macmillan (2007). "International Migration, Economic Development and Policy" edited by C. Ozden and M. Schiff - a co-publication of the World Bank and Palgrave Macmillan, Washington, DC.

Table 2: Entrepreneurs' perception regarding pattern of remittance utilization in Sylhet region according to scale and location of enterprises

Purposes of remittance utilization	% of total responses	Rank of the total responses		Percentage of responses by			
				Scale of enterprises		District	
		1st	2nd	Large	SME**	Sylhet district	Other districts
Household consumption	76.0	46.0	12.0	68.6	83.7^c	87.7	54.3^a
Purchasing land	76.0	*23.0*	36.0	70.6	81.6	83.1	62.9^b
Purchasing flat	79.0	17.0	18.0	78.4	79.6	80.0	77.1
Building of luxury houses	87.0	41.0	16.0	76.5	98.0^a	96.9	68.6^a
Investment in fixed deposit and savings scheme	70.0	29.0	7.0	74.5	65.3	64.6	80.0
Investment in migration for family members and/or relatives	45.0	5.0	12.0	49.0	40.8	47.7	40.0
Communal development*	46.0	1.0	7.0	45.1	46.9	52.3	34.3^c
Investment in trading & enterprise development	5.0	-	-	7.8	2.0	7.7	-
Investment in share market	15.0	3.0	2.0	15.7	14.3	16.9	11.4
Others	4.0	1.0		3.9	4.0	3.0	5.7
Total number of respondents (n)	**100**			**51**	**49**	**65**	**35**

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

* donation to mosque, *madrasa* and financial help for the poor

** Small and medium enterprise

Table 3: 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			
				Scale of enterprises		District	
		1st	2nd	Large	SME	Sylhet district	Other districts
Yes	97.0	-	-	98.0	95.9	95.4	100.0
No	3.0	-	-	2.0	4.1	4.6	0.0
How the remittance in-flow can be improved in the Sylhet region?							
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
Creating favorable investment climate	79.38	29.90	31.96	88.0	70.2^{b}	83.9	71.4
Creating investment opportunity	68.04	19.59	21.65	76.0	59.6^{c}	72.6	60.0
Improving law and order situation	42.27	10.31	15.46	52.0	31.9^{b}	32.3	60.0^{a}
Reducing political unrest	38.14	5.15	12.37	42.0	34.0	43.5	28.6
Setting-up special economic zone	56.70	14.43	9.28	68.0	44.7^{b}	53.2	62.9
Others	12.37	3.09	4.12	14.0	10.6	16.1	5.7
Total number of respondents (n)	**97**			**50**	**47**	**62**	**35**

[a]indicates p<0.01, [b]indicates p<0.05, [c]indicates p<0.10

Table 4: 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				Total no. of Responses
				Scale of enterprises		District		
		1st	2nd	Large	SME	Sylhet district	other districts	
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 [b]	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 [b]	41.9	65.7 [b]	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 [b]	22.6	40.0 [c]	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 [b]	37.1	42.9	38
Lack of knowledge about enterprise development	39.18	7.22	9.28	53.1	25.0 [a]	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 [a]	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 [a]	25
Risk aversion by local people	54.64	13.40	12.37	51.0	58.3	48.4	65.7 [c]	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 [b]	41.9	48.6	43
Lack of a 'one-stop' service for enterprise development	39.18	8.25	6.19	53.1	25.0 [a]	32.3	51.4 [c]	38
Lack of adopting regional policy by GOB	34.02	6.19	1.03	42.9	25.0	25.8	48.6 [b]	33
Lack of enthusiasm and network by Diaspora	28.87	2.06	8.25	40.8	16.7 [a]	22.6	40.0 [c]	28
Others	5.15	3.09	0.00	4.1	6.3	8.1	-	5
Total number of respondents (n)		**97**		**49**	**48**	**62**	**35**	**97**

[a] indicates p<0.01, [b] indicates p<0.05, [c] indicates p<0.10

Table 5: Factor analysis for causes of poor utilization of local funds in 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		
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					
Threatening 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
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	34.338	42.546	48.910	55.256	61.569
KMO=0.631 & Only factor loadings =0.40 has been shown in the Table							