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Credit culture and entrepreneurship

As far as the development of entrepreneurship is concerned, long-term loan and investment are better than short term credit. Cumulative cost of long-term loan is higher than that of the short-term one. Even then it is relatively easy for the entrepreneur to repay the long-term loan, argues **M Azizur Rahman**

ENTREPRENEURS are the engine of economic growth. Who are these entrepreneurs? Entrepreneurs employ technology, organise resources and initiate ventures for production of goods and services to exploit the opportunity. They motivate society, innovate and take the initiative and risk in producing good and services. Entrepreneurs are ambitious. They search for the opportunity of how to grow fast. Their mission and vision is relatively good. People with urban background can be better entrepreneurs than those with rural background. Entrepreneurs are normally social leaders rather than being followers. The family and parents' background contributes more to the children's entrepreneurial skills. People coming from a commercial or rich background tend to be relatively good entrepreneurs. Briefly speaking, the entrepreneur's family and social background, education, training, smartness and the environmental opportunity available around him/her do significantly contribute to the individual's entrepreneurship development.

In most cases the substantial amount of money and financial asset required for business in reality is borrowed from commercial and financial institutions in particular. Bank loan is not free of interest because banks have to pay interest to its depositors. The difference between loan and deposit rate is the bank's operating cost plus profit. Our loan culture has to be developed and expanded to increase the availability of the credit facility to the maximum extent. Cost of loan has to be minimised so that entrepreneurs can make investments, and business ventures made profitable. Savings and investment in the production and manufacturing of goods and services and their marketing are of long-term concern.

So as far as the development of entrepreneurship is concerned, long-term loan and investment are better than short term credit. Cumulative cost of long-term loan is higher than that of the short-term one. Even then it is relatively easy for the entrepreneur to repay the long-term loan. Once again the interest rate or the cost of fund has to

be as low as possible. If the interest rate cannot be minimised the investment project can be subsidized by government. Normally the government gives a lot of opportunities to manufacturing investors including lowering or subsidising rate of interest, interest holiday for a period, tax free import and export, etc. Mortgaged property is always tagged to the investment loan. Without any mortgage central bank does not allow any loan. Sometimes it is really hard to provide a mortgage worthy property. In that case the whole investment project itself can be mortgaged against the project loan.

The terms and conditions for the mortgage and mortgage worthy property have to be made as liberal as possible. Bank and financial institutions always provide a rescheduling facility to the borrower to make the term of loan repayment relatively easy.

Loan market has to be made corruption free, bureaucracy and bribe culture. Administrative and political corruption both tend to increase the cost of fund and decrease the profit rate and

incentive for entrepreneurship. However, some level of corruption may prove productive for entrepreneurship. For example, in many corrupt-free societies the culture of seed money and speed money corruption exists. The four Asian Tigers namely Taiwan, South Korea, Hong-Kong and Singapore are not yet free from the culture of seed money and speed money corruption in expediting business activity.

Still these countries have been doing very good in their loan markets, entrepreneurship and the industrial development. The presence of such productive corruption (in terms of gift) have proved to be of little concern, and these countries have been able to develop quite a few high-tech industries because of their skilled entrepreneurship. Their local and external credit culture and credit facilities for their investment activity are closely associated with their entrepreneur skill and entrepreneurship.

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