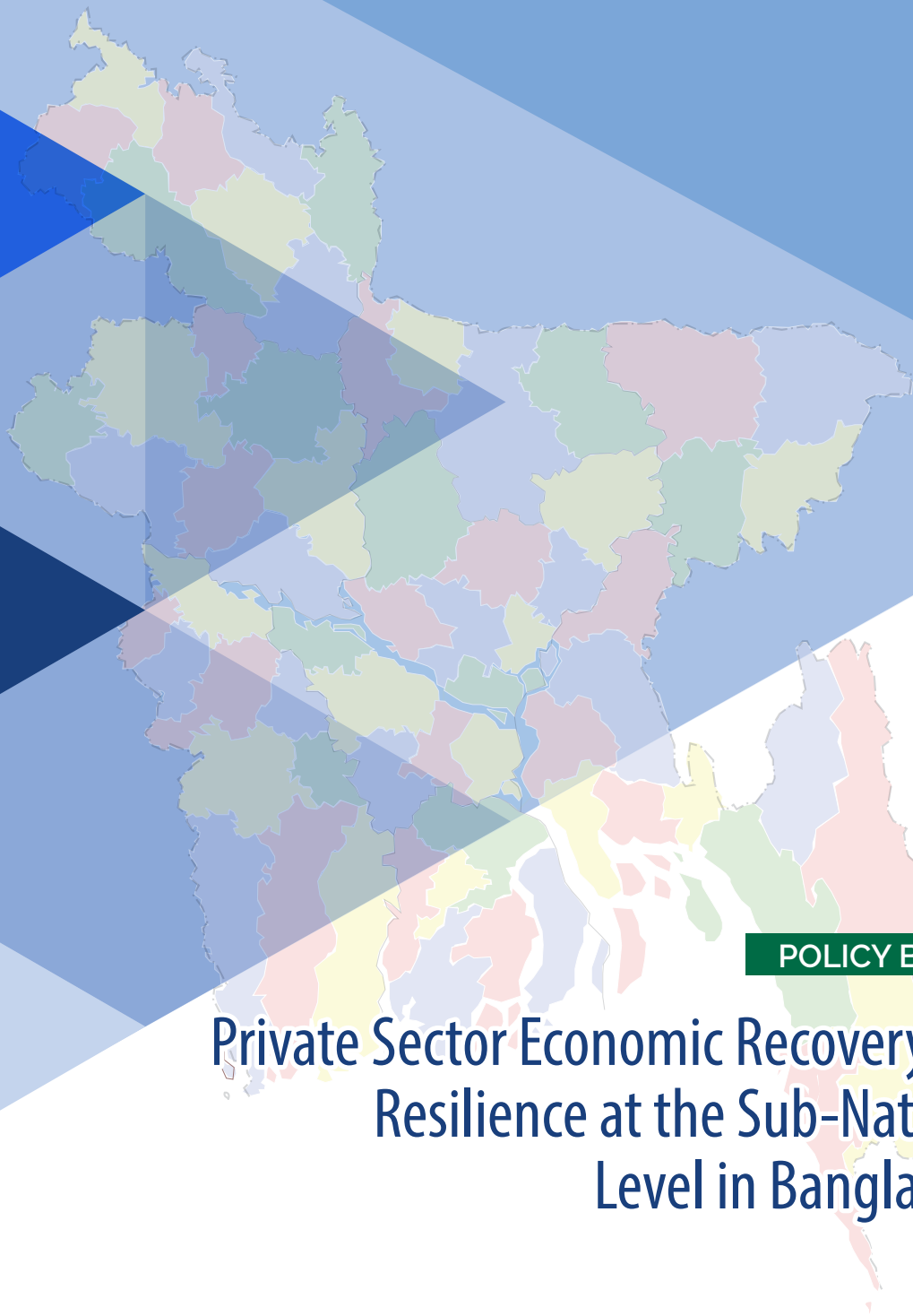




POLICY BRIEF

Private Sector Economic Recovery and Resilience at the Sub-National Level in Bangladesh

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Policy Brief on Private Sector Economic Recovery and Resilience at the Sub-National Level in Bangladesh

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The Centre for Governance Studies (CGS) was established in 2004 as a non-profit autonomous think tank to work on improving the quality of governance in Bangladesh through facilitation of collaborative efforts among the academic community, government, private sector, civil society, and development partners. CGS contributes to research, media advocacy, and dialogue in democratic governance and sustainable economic development. Based in Dhaka, CGS' clients include multinational firms, multilateral agencies, diplomatic missions, government departments, private sector organizations, and civil society actors. CGS has current partnerships with the National Endowment for Democracy, National Democratic Institute, United Nation's Development Program, Centre for International Private Enterprise, Friedrich-Ebert-Stiftung, and Foreign and Commonwealth Development Office and has built relationships with the private sector and the media as a trusted source of independent research and analysis.



The Center for International Private Enterprise (CIPE) is an NGO working at the intersection of democracy, governance, and economic development. CIPE has nearly 40 years of experience designing, implementing, and evaluating projects worldwide that strengthen democratic governance, combat corruption, empower marginalized populations, and open space in closed political systems. CIPE is a core institute of the U. S. National Endowment for Democracy and a non-profit affiliate of the U.S. Chamber of Commerce and currently has more than 200 projects and grants with local partners in over 80 countries. Learn more about CIPE's work in Bangladesh and elsewhere at cipe.org.

Executive Summary

[The Centre for Governance Studies](#) (CGS), in partnership with the Center for International Private Enterprise (CIPE), carried out an in-depth analysis in 2024 to understand the state of the small and medium-sized enterprises (SME) sector in Bangladesh, during and after the COVID-19 pandemic. The study found that the SME sector was still grappling with recovering from the impacts of the pandemic. Around 90.8 % of the SME owners surveyed stated they had to shut down fully or partially during the pandemic, and the most impacted individuals were entrepreneurs from Dhaka, Barisal, and Sylhet. The fall in consumer demand, difficulty in paying wages and utility bills, and an increase in operational costs were the most common difficulties faced by the entrepreneurs that participated in the study. At the same time, the government's stimulus package which included low-cost loans for SME businesses to help them survive the lockdown measures, did not reach many SMEs, as only 13% of the respondents that participated in the study indicated that they received the government stimulus loan. The post-COVID recovery process has also varied across the eight divisions of Bangladesh. Moreover, external and internal economic stressors such as rising prices of raw materials, difficulty acquiring and maintaining capital funds, and ongoing market uncertainty have slowed down the recovery process. This paper outlines key findings from consultations with local business community members and other stakeholder groups and highlights actionable policy recommendations on how to expedite SME recovery and increase business sustainability and resilience.

Background

SMEs are crucial to Bangladesh because they contribute to employment and poverty reduction. The government of Bangladesh has recognized SMEs as key to industrialization, offering support through enabling policies and facilitating infrastructure. SMEs are defined by worker counts and investment amounts, with specific criteria outlined in the National Industrial Policy of 2016. Bangladesh categorizes its 33 industrial sectors into Manufacturing, Agro-Business, and Service, with SMEs distributed across these sectors. The government has established SME hubs and clusters to support development strategies.

According to the Bangladesh Economic Census in 2013 by the Bangladesh Bureau of Statistics, SMEs in Bangladesh represent 50.91% of microeconomic units, employ 35.49% of the workforce, contribute 33.80% to employee compensation, invest 48% in fixed assets, and incur 48.88% of total industrial costs. They also contribute 48.41% to gross output, 47.63% to gross value added, and 38.36% to indirect taxes. These figures highlight SMEs' role in job creation and economic value addition.¹

Ownership forms of SMEs vary, with significant portions belonging to different enterprise types. Foreign investment in SMEs is notable, and while SMEs in Bangladesh have a lower share compared to other Asian countries, they possess significant potential for growth and development. The current contribution of SMEs to Bangladesh's GDP and employment is substantial but indicates room for improvement.²

Objective

¹ Bangladesh Economy Census 2013:

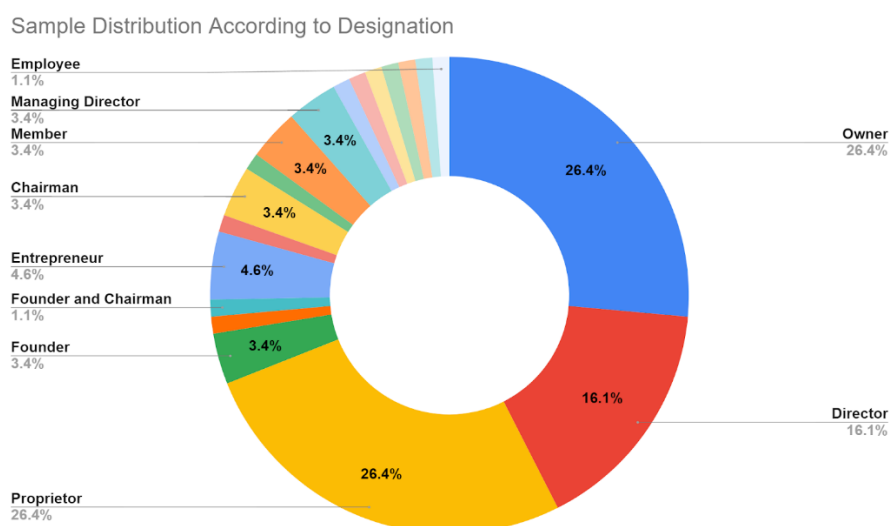
https://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/f2661853_b857_49c5_8761_e1641e3aec9b/Pre_Report_Econo_Cen_13.pdf

² CIPE SME Assessment Report: <https://www.cipe.org/resources/small-and-medium-enterprises-in-bangladesh-an-assessment-report/>

The purpose of this policy brief is to examine the state of SMEs in Bangladesh as they recover from the lockdown measures and economic recession resulting from the COVID-19 pandemic. This paper also includes a targeted analysis of policies and actions taken by the government and their effect on SMEs during and after the pandemic. Finally, this policy brief provides policy recommendations for the government and relevant stakeholders to enable the creation of more resilient business models in Bangladesh.

Methodology and Sample Profile

CGS organized four separate focus group discussions (FGDs), which included perspectives from SMEs, entrepreneurs, and civil society from across the eight divisions of Bangladesh (Barisal, Chattogram, Dhaka, Khulna, Mymensingh, Rajshahi, Rangpur, and Sylhet). Overall, 87 representatives from 84 unique SME business entities provided their experiences, learnings, and recommendations during the group discussions. The participants also completed a survey, allowing for a more structured analysis of the experience and recommendations from SME entrepreneurs who faced the pandemic.

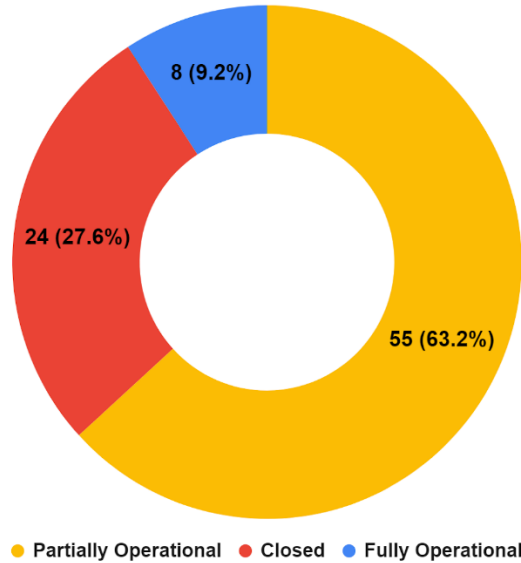


Key Findings

1. Most SMEs were either fully or partially closed during the COVID-19 pandemic

When analyzing the impacts of the COVID-19 pandemic on SMEs in Bangladesh, the findings of the survey showed that 63.2% of participants were forced to close their businesses partially and 27.6% were forced to fully close their businesses. Further analysis also showed that Dhaka, Barisal, and Sylhet were particularly affected. 83.3% of SME businesses in Dhaka, 66.7% in Sylhet, and 33.3% in Barisal were forced to shut down their businesses during the lockdown period. On the other hand, most SME participants from the port city of Chattogram (66.7%) reported that their businesses could operate during the pandemic, as businesses focusing on import and export saw fewer restrictions during the lockdown.

Business Operations During the COVID-19 Pandemic

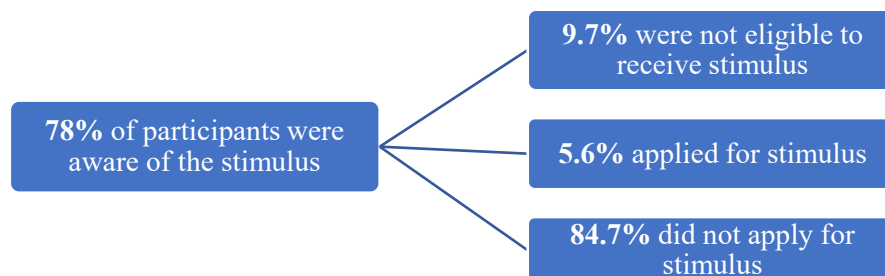


Participants of the survey and focus group discussions identified three main challenges in conducting business during the COVID-19 pandemic:

- Around 60% of participants from the SME sector stated that a rapid fall in consumer demand was a key obstacle for operations.
- Around 60% of participants from the SME sector said they faced difficulties paying utility bills, wages, and other business expenditures due to lack of earnings.
- Around 54% of participants from the SME sector stated that they experienced an increase in operational costs during the pandemic.

2. *Government Stimulus Package failed to reach most SMEs*

On April 5, 2020, the government of Bangladesh launched a [stimulus package](#) worth around 8 billion USD. This stimulus package included low-cost loans for SME businesses that could be attained from select national banks. Analysis showed that while most participants from the study were aware of the stimulus package being offered, the vast majority did not apply for the loan. Ultimately, only around 13% of respondents stated that they received the stimulus loan for their business.



When asked about the main reasons SMEs did not acquire stimulus loans, entrepreneurs participating in the study outlined several issues, such as a lack of understanding around the terms and conditions as well as eligibility of the loan.

3. Local government entities delivered sporadic interventions for SMEs during the pandemic

Bangladesh has two types of local government settings: rural and urban. There is a two-tier government at the urban level: City Corporation and Pourashava (Municipal Corporation). At the rural level, the existing system provides a three-tier structure: Zila Parishad (district office), Upazila Parishad (subdistrict office), and Union Parishad (UP). During the pandemic, these entities supported local SMEs by distributing food rations and face masks. Around 17.6% of the participants in the study reported receiving aid from their local government office.

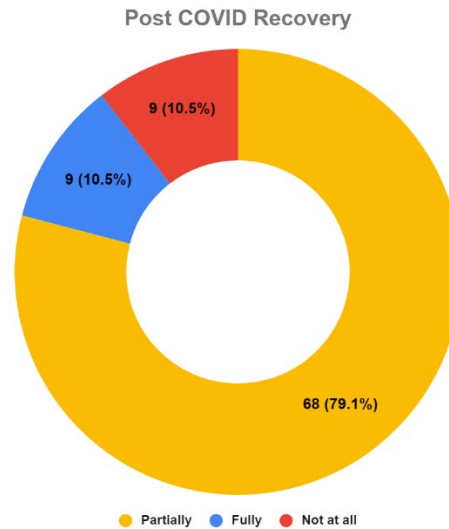
4. New survival strategies and coping mechanisms for SMEs were identified

SMEs and entrepreneurs highlighted the following three common coping mechanisms that helped them weather disruptions to their business operations during the pandemic:

- Around 46% of respondents reported that they implemented remote working and worked from home.
- Around 44% of respondents stated that they explored means of digitization to automate work or carry out business functions remotely.
- Around 33% of respondents reported diversifying their business by exploring new markets, finding new business partners or providing new products/services.

5. Some SMEs and entrepreneurs are still struggling to recover fully from the pandemic

- Around 80% of respondents reported partial recovery from the adverse effects of the pandemic on their businesses.
- The rest of the respondents were evenly divided between full recovery (10%) and no recovery (10%), which shows that some businesses are still facing challenges posed by the COVID-19 crisis.



In terms of divisional breakdown, apart from Dhaka and Chattogram, the pace of recovery was relatively slow. In Rangpur and Khulna, 100% of the participants reported that they had yet to recover fully from the impacts of the COVID-19 pandemic.

SMEs and entrepreneurs that participated in the study also identified potential opportunities that could help the local business community recover faster from the impacts of the pandemic:

- One of the key challenges for SMEs is difficulty acquiring finance and loans from banks to facilitate the cashflow to grow their businesses. For example, many SME entrepreneurs work from their rented homes, and often cannot provide the regulatory certification requirements to apply for loans or have difficulty securing guarantors. SME participants restated the necessity to streamline the process of getting loans as a SME through implementing effective incentives and systems for banks to provide loans to small businesses.
- There is a strong demand for upskilling and reskilling programs that increase the capacity of entrepreneurs in matters of eCommerce, online marketing, using digital bookkeeping techniques and other technological support for further digitalization.
- Finally, providing more training opportunities for SMEs to expand their knowledge and capacity on topics such as business development and organizational governance is essential. There are already programs conducted by public institutes such as the Bangladesh SME Foundation, but SMEs would still benefit from additional training and capacity building workshops.

6. New Crises Continue to Impact the Local Business Community across Bangladesh

Despite the COVID-19 pandemic lockdown ending in Bangladesh, the Russia-Ukraine conflict and the increase in global oil and food prices have slowed economic recovery. In addition, the rising Balance of Payment Deficit, depleting FOREX reserves, inflation, import slowdown, and the general lowering pace of economic growth in Bangladesh have contributed to even greater challenges when it comes to local business owners weathering disruptions posted by crises. The overwhelming majority of entrepreneurs during the focus group discussions (84.4%) responded that they were still encountering business crises in one form or another. The leading challenges faced by participants are as follows:

- Around 77% of participants reported that they are struggling due to rising prices of raw materials.
- Around 75% of participants reported that they are facing difficulty acquiring and maintaining capital funds.
- Around 57% of participants reported facing challenges due to the ongoing market uncertainty.

It is now more important than ever to take stock of the lessons learned from the pandemic to design and implement policies and programs targeted to help SMEs respond and adapt to these ongoing challenges and any new crises that might emerge in the future.

Case Studies

• Case Study 1: Abdul Goni, Rajshahi

Abdul Goni, the owner of AG Plastic Industries in BSCIC Rajshahi, began his journey in the plastic business in 2012. When the lockdown hit, production came to a halt. Faced with the harsh reality, he soon realized that he had to find a way to navigate through this difficult period. During this time, he noticed a significant demand for hand sanitizers at the local level. Capitalizing on this need, Abdul Goni adapted his business to produce hand sanitizer bottles in addition to those for pharmaceutical firms. As the demand for face masks surged, he expanded his operations to include face mask production as well. These efforts helped his business survive during the lockdown. When the situation began to stabilize, the government introduced an incentive package to support industrial organizations and general businessmen who had suffered losses. This support helped Abdul Goni recover from the challenges brought by the pandemic. By seizing new opportunities and adapting to the market needs, Abdul Goni successfully steered his business through the crisis.

• Case Study 2: Abida Sultana, Dhaka

Abida Sultana, the owner of Bridal Creation, launched her wedding event management and catering service business in 2010. In 2015, she expanded by opening a shop in Dinajpur. She saved diligently with hopes of opening an outlet in Dhaka, but the COVID-19 pandemic halted her plans. With weddings and catering services at a standstill due to the pandemic, Abida pivoted to food delivery from home. To keep her business afloat, she started a YouTube channel where she shared videos on crafting, carving, and jewelry making. The channel began gaining traction, leading her to sell jewelry materials as well. Inspired by her success, Abida aspired to open a training centre and needed a loan to do so. She learned about various incentive packages and approached Mutual Trust Bank. However, the bank informed her that the package had ended and discouraged her from pursuing the loan. Undeterred, she invested her savings in a training centre in Balubari, Dinajpur. Abida utilized her training from the SME Foundation to implement courses in digital marketing, business management, Facebook marketing, and YouTube marketing. If she had received the loan, she would have fully established the training centre to empower girls by providing them with skills and marketing their products. Despite the setbacks, Abida continued to build her business and support her community through determination and innovation.

• Case Study 3: Madina Monoyra, Khulna

Madina Monoyra, based in Khulna, owns Nuri Fashion Beauty Health Care and Training Center. She began her business from home in 2012 and opened her first showroom in 2014. As demand for her work grew, she established a showroom in Khulna Metropolitan in 2020. However, the COVID-19 pandemic in 2020 forced her shop to close, leading her to sell products from home. By 2022, Madina decided to open another showroom but needed capital. She learned about a stimulus package through a newspaper and applied to Agrani Bank, receiving an incentive of 5 lakh taka. That same year, she underwent training with Bangladesh

Bank, which expanded her banking knowledge. With her Training Center now established, Madina focuses on bringing in individuals from small businesses and grassroots levels to train them. She also received an incentive from Mercantile Bank. She believes government packages should be tailored to support small and grassroots entrepreneurs, not just established businessmen. Madina advocates for identifying entrepreneurs with trade licenses and providing them with necessary support to help them thrive.

- **Case Study 4: Pinky Rozario Rose, Sylhet**

Pinky Rosario Rose lives in Sylhet and has been working for a private multinational company since 2016. When Covid struck in 2020, her office closed indefinitely on 23 March. Her family owned a grocery shop, which began suffering losses in 2021. By the end of April, Rose decided to become a baker, marking her transition to entrepreneurship. After nine months, she returned to her job but chose to continue her baking business, having already built a solid foundation. Due to her job commitments, she missed many training programs. She did not apply for a loan from BSCIC because she learned that eligibility required having a physical shop. Currently, she operates her business from home. Rose secured small-scale loans from AB Bank and National Bank as a woman entrepreneur. She attended a five-day training course at AB Bank, which led to her being selected for a loan. Despite her efforts, she has not received any government grants. Rose continues to balance her job and her thriving baking business.

Recommendations

Recommendations for government:

- Engage with banks to help streamline the loan application process by reducing certification requirements and incentivize banks to give loans to small businesses.
- Provide more targeted stimulus loan packages to budding SME sectors.

Recommendations for business associations:

- Organize workshops, seminars, and training programs for local business representatives on topics such as digital literacy, eCommerce, online marketing, digital bookkeeping, and internal governance.
- Host regular national and sub-national level events and fairs, which provides more networking opportunities for local businesses.
- Provide information to members and SMEs on sustainable business practices and share experiences and learnings from successful businesses.
- Collaborate with SMEs and nonprofit organizations to develop community resilience plans, identifying shared resources and strategies to navigate crises collectively. CGS has identified that such plans need to be similar to plans created under the [principles of emergency management](#) as informed by the International Association of Emergency Managers (IAEM).
- Support SMEs to utilize social media platforms and websites to establish an online presence which can become a catalyst for business growth and development.

Recommendations for civil society:

- Provide crucial information to SMEs during crises through effective journalism and advocacy.
- Engage with business associations to provide additional training workshops and capacity building programs for SMEs.
- Collaborate with regional and local SME entrepreneurs to create region specific bottom-up advocacy initiatives to enhance economic resilience of local businesses.

Appendix

Survey Questions for Participants

During the COVID-19 Pandemic:

1. The state of running the business:

- What was the state of your business operations during the COVID-19 pandemic? Please tick (✓) below.
- Partially Operational
 - Fully Operational
 - Closed

2. All the problems that have been encountered

- Select all (✓) applicable.
- Liquidity crisis
 - Reduced production
 - Delayed transportation
 - Raw material shortage
 - Order cancellations
 - Absenteeism of workers
 - Demand fall
 - Increased operational costs
 - Unsafe working environment
 - Inability to pay bills, wages, etc.
 - Others (please specify)

3. Awareness of Stimulus Package:

- Were you aware of the stimulus package?
- Yes
 - No
- Were you eligible for the stimulus package, and did you apply?
- Eligible but didn't apply
 - Not eligible

4. Receipt of Stimulus Package:

- Did your business organization receive the stimulus package?
- Yes
 - No
 - Unaware of stimulus package
 -

5. Reasons for Not Receiving Stimulus Package:

- Please select all that apply.
 - Lack of awareness
 - Ineligibility for fresh borrowers
 - Bias toward large enterprises
 - Unbanked SMEs (Non/Not listed in Bank Financing)
 - Issues with terms and conditions
 - Banks are reluctant to take the risk of recovering loans from hard-hit small businesses
 - Working capital term (the amount of cash and other current assets a business has available after all its current liabilities are accounted for)
 - Others (please specify)

6. Local Government Assistance:

- Did the local government provide any assistance to SME entrepreneurs during the pandemic?
 - Yes
 - No

7. Type of Local Government Assistance:

- If yes, what type of assistance was provided?

8. Strategic Approaches During the Pandemic:

- What strategic approaches did your business organization take to counter the economic shocks of COVID-19?
 - Availing loans (Bank, NGO, etc.)
 - Exploring digitization opportunities
 - Implementing remote working
 - Salary cuts
 - Employee layoffs
 - Improving employee efficiency
 - Diversification (New market or business partner or addition of new products/ services)
 - Other strategies (please specify)

Post-COVID-19 Recovery

9. Recovery from the Economic Shock of COVID-19:

- How has your enterprise recovered from the economic shock of COVID-19?
 - Fully
 - Partially
 - Not at all
- If you have not recovered financially from the COVID-19 pandemic, what resources, tools, or support can help you in the recovery process?

- Are there any other ongoing crises that are hindering your business's economic recovery process after the Covid-19 pandemic? Please tick (✓) below.

- Yes
- No

- What challenges are you facing due to the ongoing crisis? Select (✓) all that apply.

- Rising prices of raw materials
- Declining consumer demand
- Capital problems
- Delays in transportation and delivery of raw materials
- Production disruptions
- Concerns about worker productivity and safety
- Market uncertainty
- Others (please specify)

10. Recommendations

- What, in your opinion, should the government do to support the resilience of the SME sector? Please select (✓) all that apply.

- Increasing financial support
- Simplifying the loan application process
- Arranging workshops, seminars, and training programs
- Developing risk-sharing mechanisms, such as insurance and credit guarantee schemes
- Providing tax incentives and exemptions
- Other suggestions (please specify)

- Do you have any recommendations on how business associations or chambers of commerce can better support the economic resilience of the SME sector in times of crisis? Please select (✓) all that apply.

- Provide information on business sustainability
- Organize training workshops for SMEs
- Provide networking opportunities
- Lead advocacy initiatives that focus on building greater economic resilience in times of crisis
- Other suggestions (please specify):

- Do you have recommendations on how civil society or the media can better support the economic resilience of the SME sector in times of crisis? Please select (✓) all that apply.

- Provide information needed during crises
- Collaborate with SME entrepreneurs on advocacy initiatives to enhance economic resilience
- Organize training workshops for SMEs
- Other suggestions (please specify):



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